

DHAKA MONDAY FEBRUARY 23, 2009

# Monetary policy in an emerging economy

MAMUN RASHID

**M**ONETARY policy is the process through which the monetary authority of a country (usually the central bank) attains a set of economic objectives by controlling the supply of money, availability of credit, and price of money (rate of interest). The objective of monetary policy is generally to contain inflation, maintain full employment and ensure exchange rate stability.

Monetary policy can be either expansionary or contractionary. An expansionary policy increases the total supply of money in the economy while lowering interest rates and a contractionary policy decreases the total money supply while increasing interest rates. Expansionary policy is traditionally used to combat a recession while contractionary policy involves raising interest rates in order to fight inflation. Developing countries, whose financial market liquidity has dried out due to the impact of the ongoing global financial crisis, are likely to pursue expansionary monetary policy in order to prevent or overcome growth and employment slowdowns. The risk of an expansionary monetary policy is considerably reduced by the rapid drop in commodity prices which had helped reverse the rapidly rising inflation rates in the first three quarters of 2008. However, the juxtaposition of fiscal stimulus programmes might increase government debt levels and crowd out private investment.

Expansionary monetary policy can help soothe such negative effects on private enterprises.

Monetary policy is particularly challenging in developing economies due to lack of depth in the debt market and fiscal policy bias towards expansionary monetary policy. While the central bank in an emerging economy has to be concerned about inflation, we need to understand that the priority for increased economic activity is greater than stable price level. In an emerging economy, we need to continuously invest to attain growth by increasing credit supply which would enhance economic activity and growth, in turn alleviate poverty. This

may somehow contribute towards inflation and the central bank must work diligently to reduce it.

However, we must remember that tolerance for inflation should be higher in an emerging economy than in a developed economy. In an emerging economy, the government needs to dig deep to bring its greater percentage of population out of the vicious circle of poverty by continuously providing stimulus and for that it would require more focused and active fiscal policy with supporting monetary policy.

In Bangladesh Monetary Policy adopted by the central bank is to control the supply of money as an instrument for achieving the objectives of general economic policy. As stated in the Bangladesh Bank Order 1972, the principal objectives of the country's monetary policy is to regulate currency and reserves; to manage the monetary and credit system; to preserve the par value of domestic currency; to promote and maintain a high level of production, employment and real income; and to foster growth and development of the country's productive resources in the best national interest. Although the long term focus of monetary policy in Bangladesh is growth with stability, the short-term objectives are determined after a careful and realistic appraisal of the prevalent economic situation of the country. From 2005, Bangladesh Bank has started to put up its bi-annual monetary policy stance in every January and July respectively.

Bangladesh Bank has recently announced its 9th monetary policy at a time when a new government has taken office and is geared to lead the country for next 5 years. The bi-annual monetary policy stance is in line with the economic and fiscal philosophy of the ruling regime. For obvious reasons Bangladesh Bank cannot exercise its full autonomy in issuing and managing monetary policy. The external factors like political pressure, suggestions of Ministry of Finance, and guidance from International Monetary Fund (IMF) somewhat influence the monetary policy adopted by the central bank. But we have to also remember that monetary policy cannot work in

isolation, it has to be coordinated with government's fiscal policies and most importantly be in line with government's fiscal planning.

The recent monetary policy stance is focused on demand management. Other priorities are to control inflation and to reduce production cost, which also find support in the new regime's election manifesto. Although central bank cannot play any direct role in lowering cost of production but it can influence production cost indirectly by providing easy access to finance. For that lowering interest rates on loans is of prime importance. The monetary policy statement says "Bangladesh Bank will continue to maintain pressure on banks for enhancing management efficiency and slimming down of intermediation spreads, so as to permit lowering of interest rates on loans for productive and supply augmenting activities while also maintaining real interest rates on bank savings on the positive."

Bangladesh Bank has been trying to narrow down the spread between lending and deposit rates of commercial banks for past several months. However, it has always focused on reduction of lending rates rather than deposit rates to protect the interest of depositors. According to Bangladesh Bank statistics at the end of September 2008 the average lending rate was 12.35 percent, whereas, the average deposit rate was 7.17 percent. We have to remember that the real income from the interest earnings from deposits gets reduced if high inflation is prevalent. As does the real value of the deposit itself. And deposit interest rate reduction during high inflation causes only harmful effects as real income and wealth decline.

The central bank expects that the annual average rate of inflation will fall to 8.5 percent at the end of current fiscal '09. At least the latest monetary policy stance targets this rate. At present the annual average inflation is about 9.5 percent, whereas on point-to-point basis the rate was 6 percent in December 2008. Import payment for Bangladesh has been coming down in line with the commodity price fall in the international market. However, the actual benefits of com-

modity price fall is yet to be fully reflected in the local market since the private sector importers are trying to neutralize the costs of unsold inventories imported at previous higher prices by delaying the pass-through of global price reduction to local retail prices. However, the commodity prices are expected to decline further and push down inflation.

The watchdog organisation is concerned with the other catalyst for inflation that is private sector credit growth. As per statistics in the first five months of current fiscal the money supply grew at the rate of more than 20 percent. Private sector credit growth was 24.5 percent, which is high according to Bangladesh Bank. This can build and fuel excess demand pressures and thus increase the price level, which will hamper the main goal of the monetary policy. Such high credit growth also risk deterioration in credit quality. It is not encouraging consumer loans that many banks have been offering to their clients. The monetary policy statement termed those loans as not necessary and even extravagant. Central bank thinks that by providing these loans at a very high interest rate, banks are reducing the overall quality of their loan portfolio. They are not against these loans altogether, but the fact that the growth of consumer lending is more than the growth rate of overall lending of the banking sector is not desirable on their part. The Governor thinks that more control should be applied to discourage these sorts of loans offered by banks.

On the other side if we consider the total loan composition of all banks, consumer loans comprise only about 5 percent of total credit disbursed by the banks, which include housing loan, car loan, marriage loan, education loan & etc. Hence, consumer loan does not necessarily mean credit to the unproductive sector of the economy. Consumers buy various sorts of products by taking these loans, like houses, cars, electrical equipments, etc. Many of the products give long term utility to the clients, so in effect the consumers are making capital investment for themselves with these loans. In many cases, buyers could not afford to buy the products without the help of the loans. In that case the demand for those products would remain low, thus those sectors of the economy would

not flourish.

Bangladesh Bank wants to increase credit flow to the productive sectors. That is very much understandable and rational. Agriculture, SME and low cost housing have been identified as the priority sectors. Agriculture credit growth for the first five months of the fiscal year was 27%, which is satisfactory. But the problem remains in the disbursement of agriculture loans by the private banks. They are showing enthusiasm to disburse farm loans, but most of the times; due to the limitations of their network they are doing it through NGOs. As a result even agriculture loans become expensive for the end users. Also if we analyze the data of SME loan disbursements, we can figure out that most of the loans were channeled towards service and trading sectors, not to the targeted industrial sector.

The central bank has signaled a caution for the unusual price escalation in the real estate sector of Bangladesh in the context of collapse of house price bubbles in many major economies. The monetary policy statement says that in addition to consumer goods price, there should be monitoring of the movement of the Real Estate asset prices. Asset price hike eventually causes and triggers consumer price hike. The property price boom in the developed countries including USA and the eventual collapse of real estate sector can be considered as a very important lesson for our country. So the monetary policy stance vows to increase its monitoring of this sector.

In summary, the monetary policies, FY 09 will target adequate credit accommodation for productive economic activities and provide refinancing support where necessary for income and employment generating priority sectors. The policy stance will continue to remain vigilant against building up inflationary pressures and observe developments in the real and financial economy for maintaining the momentum of pro-poor growth, income generation and employment. Effective exchange rate and interest rate management has also become a key challenge particularly in view of the likely adverse effect of the ongoing global recession.

Mamun Rashid is a banker and economic analyst.

*The policy stance will continue to remain vigilant against building up inflationary pressures and observe developments in the real and financial economy for maintaining the momentum of pro-poor growth, income generation and employment. Effective exchange rate and interest rate management has also become a key challenge particularly in view of the likely adverse effect of the ongoing global recession.*



DHAKA MONDAY FEBRUARY 23, 2009

# Is the Taka rightly valued?

ABU AHMED

LIKE any other commodity price, the price of a currency is also determined in the marketplace. Commodity has a value because it has utility, anyone consuming it receives satisfaction. Likewise, currency also has a value, as it commands a purchasing power, that is, it can buy some other commodity or service. Anything that can be held in account and has a value is termed an asset. In this sense, there are a host of assets, including currency, available to the holders.

Any commodity can be overpriced and underpriced or wrongly priced depending on market structure and discrepancies in the demand and supply at a given point of time. The same is also true in the case of a currency. Currency is used as an asset or a medium of exchange but not used in consumption. Different countries have different currencies and some countries have them in the same name also. For example, more than a dozen countries have named their currencies after the US dollar.

But, the exchange rates or the values of these dollars are not the same. Canadian dollar at one stage was just half the value of US dollar. All the currencies in the world go up and down in value over time, some gain, some lose. If a currency loses in value or declines in exchange rate we call that currency depreciated, the opposite will be known as appreciation.

Currency values are determined in the marketplace through free movement of demand and supply. If a currency can buy more goods and service over time, there will be a good reason for its appreciation against other currencies. The ultimate determination of a currency's value is its purchasing power. The local issuer or the country's central bank which issues the currency in the form of legal ten-

ders tries to keep the value of the currency it issues. All the central banks of the world do the same. But in spite of that, currencies move against each other. The main reason is again either erosion in or appreciation of the purchasing power of the currency.

It is not always true that all the central banks of the world allow their currencies to be traded freely in the market place, rather trading and uses of the currencies are strictly controlled and constrained by the central banks. Only the reserve currencies like the US dollars are allowed to be exchanged freely in the market place. There were two methods of exchange rate determination. One, the old one, was the fixed exchange rate regime, which meant for a time currency value

includes also that by the central bank. A currency to be on a free-float also needs to be freely convertible. It also means that citizen can exchange the local currency against the foreign currencies freely and they are allowed to hold the assets in them also. This will also mean, they will be allowed to move their assets from one country to another freely. This type of characteristics of a currency normally are seen among the reserve currencies like US dollar, Euro, Yen and some others which are declared by their issuers as the convertible currencies. 'Taka' was never declared a fully convertible currency, it was declared only partially convertible. It is convertible in the current account only but not in the capital account. It means, if any-

reasons, hardly any currency remains rightly valued for a long time; at times the US dollar also is overvalued even against currencies of its major trading partners. If the currencies of the world are also considered as assets, then they may remain overvalued or undervalued against each other depending on the demand for and supply of them at a point of time. Indian currency Rupee lost more than one third of its value in recent months against US dollar not because Rupee lost the purchasing power that much at the home market but suddenly there was a huge rise in demand for US dollar by the investors who earlier invested in Indian assets, particularly in its stock market. Just in the opposite way Indian currency gained much in value when a few years back a huge foreign direct investment took place in the Indian economy.

Bangladesh used to fix the external value of its currency by an in-house exercise in the Bangladesh Bank before the floatation declared in the middle of the 2003. That value or rate was known as the 'real effective exchange rate'. Before 2003, Bangladesh Bank fixed the exchange rate through revaluation or devaluation from time to time.

Now, it is said that market is determining the external value or exchange rate of the taka. Here again, the Bangladesh Bank, being the lone and only account holder of foreign exchange in the economy, keeps a careful eye on the exchange rate. If for some reason, which the Bangladesh Bank thinks not real or temporary, the value moves in an undesirable way Bangladesh Bank comes in and tries to restore the 'true' and 'fair' value of the taka in the exchange market.

After the floatation in the middle of the 2003, Taka remained steady against major foreign currencies including the US dollar. But it started losing value since June of 2005 and fell

from 1 \$=Tk 62 Tk. to 1 \$=Tk 68, a depreciation of up to 8 percent, in the following three months. Till now Taka sustained that exchange rate. But there is a pressure from the exports lobbies, especially, from garment exporters for devaluation, though the policymakers hard withstood it up till now.

Increasing remittance flow and absence of mismatch between export and import are the main reasons for taka remaining steady. Bangladesh's overall trade account remained surplus when remittance flows are also taken into account. Also, Bangladesh did not receive that much of FDI, especially, of the short term nature, in the last one decade or so and did not face sudden withdrawal of that which helped Bangladesh to keep its currency stable against other currencies.

Bangladesh in this period also pursued a prudent monetary policy which was neither expansionary, nor contractionary but the one that is based on needs. That contained inflation and by extension the erosion in the value of Taka. A currency does not remain overvalued or undervalued for a long time, ultimately it moves to its right valuation. As the Bangladesh currency has held its value to its present level for the last three years, we can say that, by and large, it is rightly valued.

Any action to shift it from its present value will, in my opinion, distort the market and will favour the interest of one group of people at the cost of that of the other group in the economy.

Bangladesh Bank should watch the exchange rate closely and, if need be, it can influence the rate, but whatever it does, it must come up with an explanation.

Abu Ahmed is Professor of Economics, University of Dhaka & Pro-Vice Chancellor, Southeast University.

*Any action to shift it from its present value will, in my opinion, distort the market and will favour the interest of one group of people at the cost of that of the other group in the economy. Bangladesh Bank should watch the exchange rate closely and if need be, it can influence the rate, but whatever it does, it must come up with an explanation.*

was to remain fixed against other currencies, the other, relatively newer one, was the so called market driven one or what is now known as the floating exchange rate regime. There are some variations again in the floating regime. Bangladesh currency 'taka' was put on to a floating exchange rate regime since July 2003, but it was never on a free-float in its true sense. A currency can be said to be on a free float in a true sense when its value is not determined, or even not influenced, by any external force which

one wants to take his income by converting into foreign exchange he is not allowed to do so unless he is a foreigner or he can show proof that he has earned the money abroad. Bangladeshi investors were increasingly facing problems when they wanted to take out their incomes in foreign currencies, even for setting up their foreign business offices.

In this situation it is very hard to tell whether Bangladesh currency is overvalued or undervalued, or rightly valued. Of course, for many other





DHAKA MONDAY FEBRUARY 23, 2009

## SPECIAL ESSAY

Regional transport connectivity:  
Unlocking opportunities

DR. M. RAHMATULLAH

**T**HE North Eastern sub-region of South Asia, comprising Bangladesh, Bhutan, Nepal, and NE Indian States inherited an integrated transport infrastructure from the British, but this was fractured not only by the partition of India but by its political aftermath and now needs to be integrated again to promote

## consequences

So far, the regional connectivity between Bangladesh and the neighbouring countries namely Nepal, Bhutan and NE-India has not been very satisfactory. As a result, all the countries have been losing a great deal in many fronts. For example,

- A container takes 35 days to move from New Delhi to Dhaka, as the

partly through Kaladan River and partly by road. This would be quite an expensive alternative for India to have access to NE-India via Kolkata Port, Sittwe port, Kaladan River and road, as an alternative to the existing route through the chicken neck. If there was transport cooperation with Bangladesh, India could have used a much shorter route across Bangladesh.

linkages already exist.

The European Union and, to a lesser degree, ASEAN were both successful in moving their own respective regional processes forward essentially because the peoples of those countries were convinced that such cooperation was in their larger interest, and this translated to the leadership level through the domestic and regional political dynamics that gradually strengthened a sense of regional identity.

Bangladesh and its neighbouring countries could benefit considerably, if transport connectivity is conceived in the subregional context, to link effectively the countries, namely Nepal, Bhutan and NE-India (See Map-1). Bangladesh is fortunate to have two sea ports and potential for developing another deep-sea port. But the development of such a deep-sea port can be justified only if there is a sub-regional patronage. If connectivity is provided to all the hinterland countries and territories, Bangladesh could benefit greatly by trading with those countries in “transport services”.

Currently, it has large trade deficit with India. Trading in “transport services” with India could reduce this deficit. In this context, it is crucial to understand clearly that these “transport services” will have no market elsewhere outside this sub-region. At the same time it is also important to recognize that these opportunities of trading in transport services may not continue for long. The matter, therefore, deserves urgent attention of the policy makers and the Governments concerned. If all relevant issues could be negotiated properly with the neighbouring countries, Bangladesh could emerge as a “transport hub” of the sub-

route which could have provided Nepal direct access to Mongla port. Since the present road link between Kathmandu and Mongla is very long, it is proposed to promote the following shorter rail route which could be more cost-effective for regional traffic.

**Rail Route 1: Birgunj-Raxaul-Katihar-Singhabad/Rohanpur-Ishwardi-Khulna, with a road link of 38 km to Mongla Port (Approx. 980 km)**

This rail route (See Map-1) would provide Nepal traffic an alternative direct BG access to Bangladesh port of Mongla. Compared to road link through Banglabandha which is 1314 km to Mongla, this rail route will be less than 1000 km, and could provide a cost-effective service, vis-à-vis trucking. A “Multilateral rail transport agreement” would however, be needed, besides addressing the problems of incompatibility of standards to facilitate smooth movement across the border.

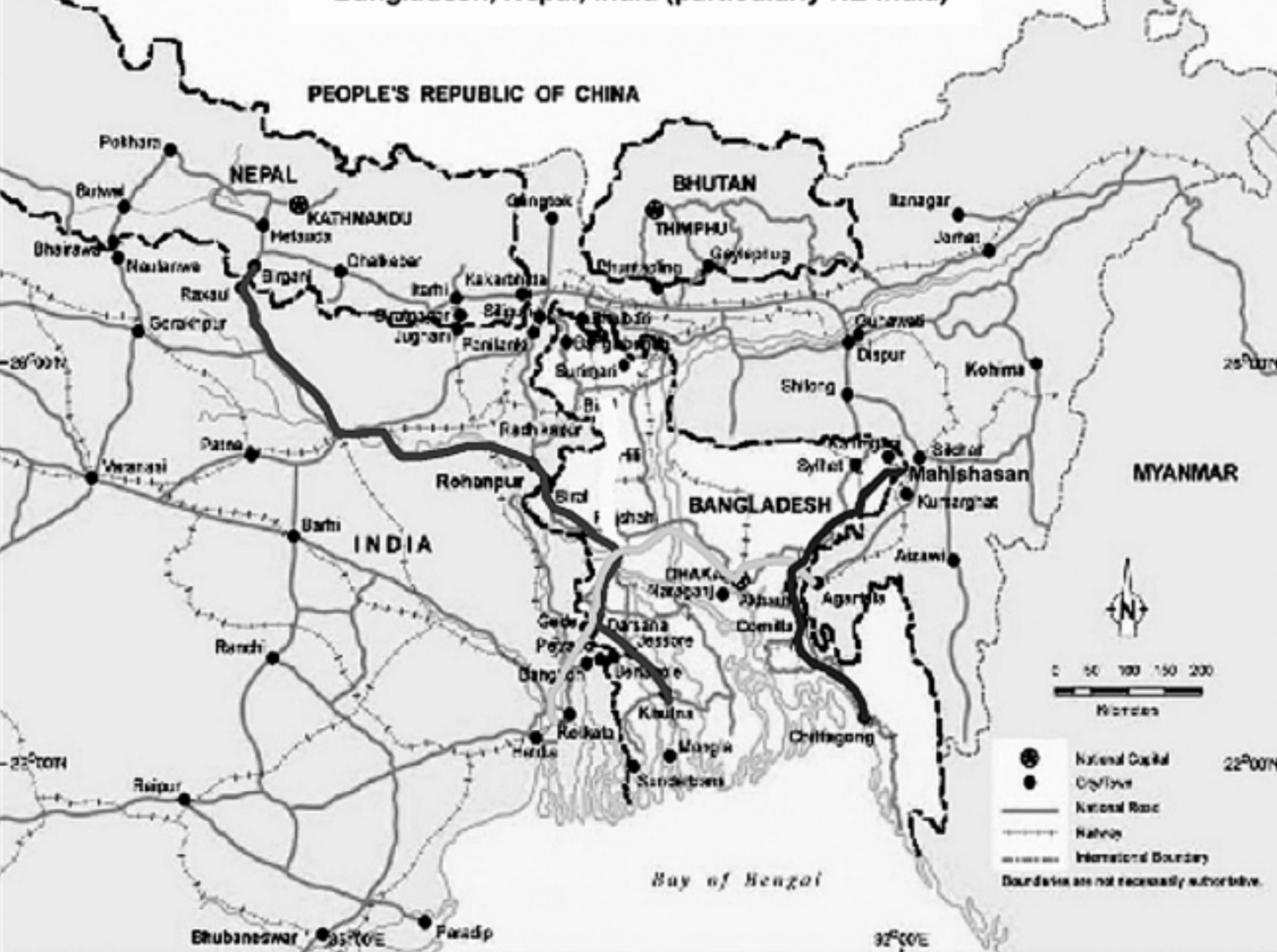
## Connectivity between NE India-Bangladesh

At present, there is no direct connectivity between NE-India and Bangladesh. Since distance involved would be substantial and type of commodities likely to move would be heavy, it is proposed to re-commission the following rail connectivity through Shahbazzpur/Mahishasan which has not been in use for several years.

**Rail Route 2: Badarpur (Karimganj)-Mahisasan/Shahbazzpur-Kulaura-Akhaura-Chittagong (with an 8 km rail link to Agartala)**

This rail route (See Map-1) would provide the NE Indian states, a direct access of around 600-700 km to Bangladesh port of Chittagong. This route would provide more than 60% savings in travel distance compared to the route to Kolkata through “Chicken neck”. The Kulaura-Mahisasan rail link needs to be re-commissioned before train operation could start. Until such time that Badarpur Mahisasan section is converted to Broad Gauge (BG) and Shahbazzpur-Kulaura-Akhaura-Chittagong section is converted from MG to Dual gauge (DG), transshipment facilities shall have to be installed at Badarpur to transfer contain-

**Map-1: Sub-Regional Proposed Rail Connectivity Between Bangladesh, Nepal, India (particularly NE India)**



regional cooperation. This integration is crucial to countries such as Nepal, Bhutan and to North East India (NE-India), as the integrated system could serve to end their landlocked or semi-isolated status and provide shorter transport links to their desired destinations including access to sea ports.

The intra-regional trade in South Asia is still around 5% of the total trade, compared to 45% in East Asia and 26% in ASEAN sub-region, despite the fact that South Asia has been having around 6% growth per year. This is happening despite the fact that tremendous potential exists to enhance such trade, for which the political environment needs to be supportive and transport network integrated with access to sea ports for landlocked countries and territories.

Considering the unique geographic location of Bangladesh, having the above named land-locked countries and territories, at its hinterland, a strategy which could greatly benefit all the countries involved, would be to conceive connectivity in a sub-regional context. Bangladesh could then negotiate for Nepal and Bhutan's third country traffic to have access to Bangladesh ports of Mongla and Chittagong. This strategy could create a win-win situation for all countries involved, and provide a “unique opportunity” to Bangladesh to establish itself as the “Transport hub” for the sub-region.

## Poor regional connectivity and its

maritime route is via Bombay and Singapore/ Colombo to Chittagong Port and then by rail to Dhaka. But the same container could have reached Dhaka within 3-4 days, if New Delhi and Dhaka had direct rail services.

- India allowed a transit between Nepal and Bangladesh across the “Chicken neck” and Banglabandh, but for bilateral trade only, and not for the third country trade of Nepal, which now has to pass through already congested Kolkata port. If transport cooperation was there, Nepal could have used Mongla port in Bangladesh, which has spare capacity.
- The shipment of Assam tea to Europe is required to travel 1400 km to reach Kolkata port through the “Chicken neck”, since no agreement exists for India to use the traditional route through Chittagong port which could have been shorter by 60%.
- The Southern border of Tripura State is only 75 km from Chittagong port, but goods from Agartala are required to travel 1645 km to reach Kolkata port through the “Chicken neck”. If there were transport cooperation between Bangladesh and India, goods would have traveled only around 400 km across Bangladesh to reach Kolkata.
- India and Myanmar are jointly implementing “Kaladan project” to link Sittwe port of Myanmar with Mizoram,

Bangladesh and its close door neighbours should try to address these expensive consequences of non-cooperation in transport. Appropriate transport connectivity could perhaps resolve many of the problems indicated above, and bring in a win-win situation for all.

## Improved regional connectivity could make Bangladesh a “transport hub”

The surface transport networks in the North Eastern sub-region of South Asia still continue to remain fragmented due to various historical, political and economic reasons. As a result the potential of the transport system as the engine of economic growth at the sub-regional level remains largely unrealised. This is happening despite the fact that the basic infrastructure and facilities to establish mutually beneficial intra- and inter-regional transport

region comprising Nepal, Bhutan and NE-India. The end result could create a win-win situation for all countries involved.

## Need to focus on a few strategic routes for connectivity, and improve facilitation measures

Although many of the infrastructures are in place in the sub-region around Bangladesh, considering resource constraints, it is crucial that attention is focused on a limited number of strategic routes to provide efficient connectivities to Nepal, Bhutan and NE-India.

## Connectivity between Nepal-Bangladesh

The present connection is by road through Kakarvita in Nepal, Phulbari in India, and Banglabandha in Bangladesh. Currently very little bilateral traffic moves along this route. Third country traffic of Nepal is not allowed to use this

ers/freights between BG and MG. To facilitate smooth train operation along the route, bilateral/multilateral rail transport agreement shall have to be developed and adopted, besides introduction of simplified customs procedures and IT data transfer facilities.

## Connectivity between India-Bangladesh-NE India by Rail

At present there is no direct connectivity by road or rail between India-Bangladesh-NE India for goods or passengers except the limited rail operation for passenger traffic between Kolkata-Dhaka which started on April 14, 2008. For movement of goods by road, goods are transshipped at the border between Bangladesh and Indian trucks. In case of railway, Indian goods train carrying Bangladesh imports come up to the border station, and Bangladesh Railway (BR) locomotives pull Indian wagons inside up to designated locations on the West side

CONTINUED ON PAGE 18



DHAKA MONDAY FEBRUARY 23, 2009

# Transport connectivity

FROM PAGE 68

of Jamuna River. At present there is no transit facility by road or rail for Indian goods across Bangladesh. Thus the following rail route is proposed for consideration.

**Rail Route 3: Kolkata-Darsana-Ishwardi-Jamuna Bridge-Dhaka-Akhaura-Shahbazpur/Mahisasan**

Between India and Bangladesh, currently, three broad gauge (BG) rail corridors are active on the west side. As indicated earlier, Indian freight trains travel only up to the border stations inside Bangladesh. BR wagons also do not cross the Indian border, as the rolling stock is incompatible with the air-braked stock of Indian Railways. Present load restriction over Jamuna Bridge in Bangladesh prohibits the movement of fully loaded broad gauge wagons across the bridge, but allows fully loaded ISO containers on low platform flat cars of CONCOR to move across Jamuna Bridge, without any load restrictions.

While BG container trains can now move up to Tongi (Dhirasram-ICD), transfer facilities would be needed there to transfer containers to MG flat wagons for movement up to Shahabazpur/Mahisasan and Badarpur, until such time that the section between Tongi and Shahabazpur is converted to Dual gauge (DG). For smooth movement of trains across the border, bilateral/multilateral rail transport agreement shall have to be in developed and adopted besides introduction of simplified customs procedures and IT data transfer facilities at the border (Map-1 shows the location of the route).

**Connectivity between India-Bangladesh-NE India by Road**

As indicated earlier, there is no direct movement of goods by road or rail between India and Bangladesh. Transit is allowed only by Inland Water Transport (IWT), but not by road or rail. While a number of rail routes have been proposed for improvement to carry regional traffic, at least the following road link is required to carry specialised cargo (See Map-2):

**Road Route Kolkata-Petropole/Benapole-Jessore-via ferry to Dhaka-NE India/Agartala**

While preference needs to be given to the use of railway to carry most of the regional and bilateral traffic, road transport could be used for high value and perishable commodities. In this context, since Bangladesh roads are not yet fully geared to carry heavy axle loads, multi-axle truck-trailers shall have to be introduced to avoid damage to road infrastructure and goods should be carried by containers.

To replace the costly practice of transshipment of goods at the border, a bilateral/multilateral road transport agreement needs to be developed and adopted to allow direct movement of vehicles across the border. However, till such a time, a bilateral/multilateral agreement is fully adopted; Bangladeshi truck-trailers could immediately start ferrying Indian goods/containers between Kolkata and NE India/Agartala.

**Connectivity between Bhutan Bangladesh**

Since Bhutan does not have any rail system, it is entirely dependent on road transport for its regional connectivity. The following route is, therefore, proposed for improvement:

**Road Route 1: Thimphu Phuentsholing Jaigon Chengrabandha Burimari Natore - Jessore Mongla Port (880 km)**

This road route (See Map-2) would provide Bhutanese traffic an alternative and shorter access to port facilities in Bangladesh. To stop the costly practice of transshipment of goods at the border, a trilateral road transport agreement between Bangladesh, Bhutan and India shall have to be

developed and adopted for smooth movement of trucks across the border. In this context, to avoid damage to Bangladesh Road network, multi-axle truck-trailers shall have to be introduced to carry goods in containers.

**Connectivity between India Bangladesh NE India by IWT**

Since 1972, under a protocol signed between Bangladesh and India, both transit and bilateral traffic between these two countries were allowed to move by Inland Water Transport (IWT). This protocol is now being renewed at certain interval. The routes are as follows:

**IWT Route - Kolkata Raimongal Mongla Narayanganj Aricha Pandu (1439 km)**

**IWT Route - Kolkata Raimongal Mongal Narayanganj Bhairab Bazar Sherpur Karimganj (1318 km)**

Indian transit traffic across Bangladesh and Indo-Bangladesh bilateral traffic regularly travel along the above two designated Inland Water Transport (IWT) Protocol routes. Currently, these routes are highly underutilized, partly due to lack of adequate drafts, navigational aids, and partly due to limited number of ports of call and non-renewal of the Protocol for longer periods, a problem which has now been resolved.

Recognising that the IWT has high potential for carrying both transit and inter-country traffic, it is necessary to assess as to how to address the problems mentioned above and also how the above two routes could be made more efficient and competitive to other modes.

**Need to improve facilitation measures at the border crossing**

Considerable difficulties also exist at the land border crossings. Besides lack of bilateral agreements, other constraints include inefficient customs operations, lack of transparency in inspection procedures, informal payments and inadequate preparation of customs documentation by shippers, etc. None of the borders yet have on-line customs IT connectivity to facilitate faster clearances.

Banking, medical, communication, warehousing, security and fire fighting facilities are deficient and wayside amenities are absent in many of the land ports. Due to lack of adequate parking areas for trucks, vehicles are parked on the road creating acute congestion. At most of the border points, there is only one exit route for both passengers and goods. All these problems need to be addressed properly to facilitate smooth movement across the border.

**How to move forward?**

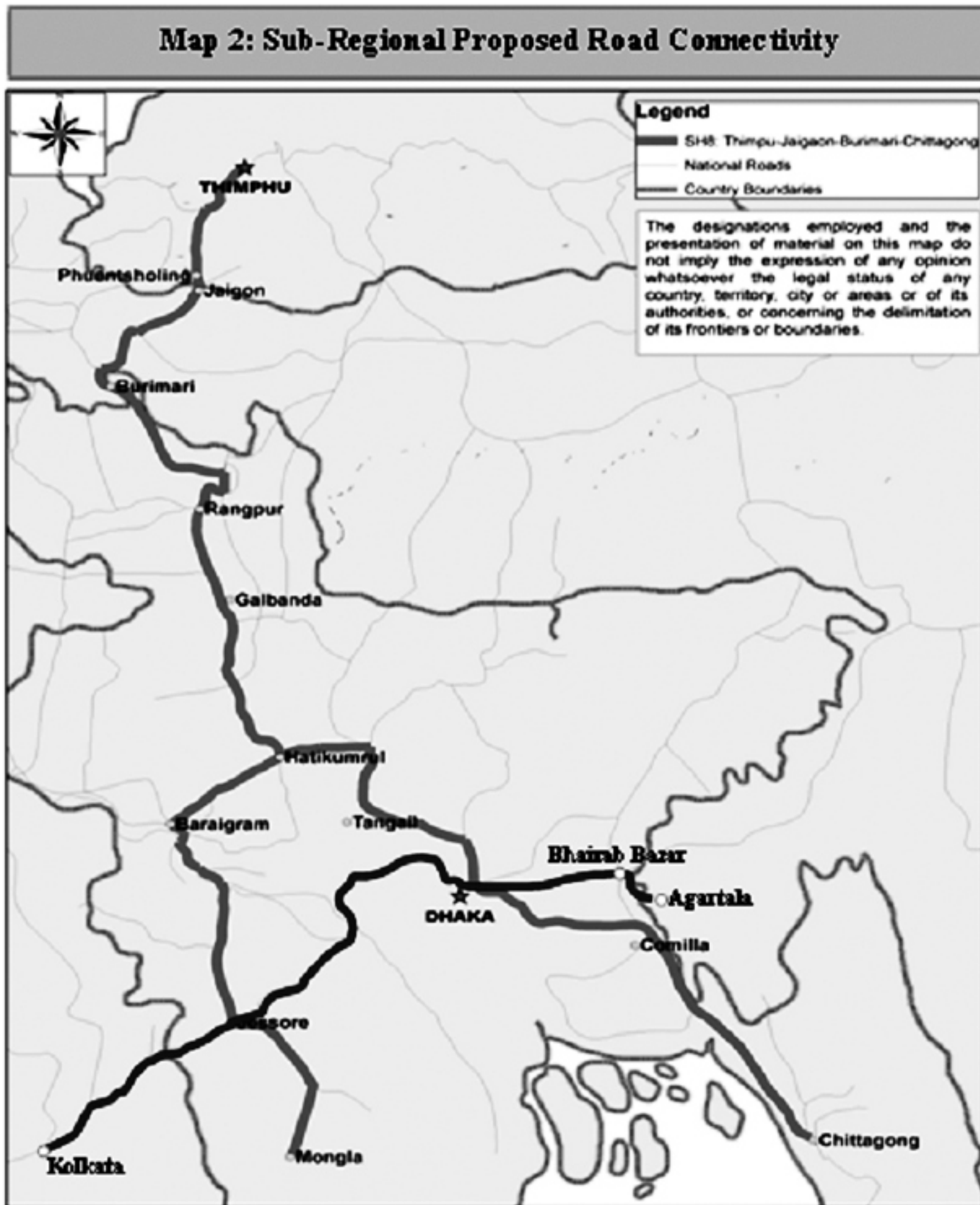
In order to establish effective regional transport connectivity among the countries of North Eastern sub-region of South Asia, the following initiatives could be pursued to make headway.

**Mobilisation of political support**

To establish effective regional transport connectivity, political support is a must. In order to mobilise such a support, it is essential to ascertain the real dimensions of the political constraints and types of reservations. To this end, dialogues could be organised in each of the North Eastern sub-regional countries of South Asian, involving the entire civil society to find the real scope and depth of the political reservations, so that some solutions acceptable to the politicians could be found. Representatives of the Government Intelligence Agencies need to be involved in the dialogues to ascertain if there is any security issue that needs to be addressed. Civil Society Institutions in each of the countries involved, need to take initiative to set the ball rolling.

**Various issues need to be addressed together**

Earlier consultations with some of the



SAARC member countries revealed that problems related to regional transport connectivity cannot be resolved in isolation. This need to be looked into together with other outstanding problems in trade, environment, water sharing, border disputes, international maritime boundary settlements, etc. Strong political commitments of the countries concerned are needed to address together, these diversified problems to find a long lasting solution.

**Misunderstanding about “Transit and Security Issues” to be removed**

“Transit” is a sensitive word in Bangladesh. Some people feel that if transit is given to India, it might create security problem for Bangladesh. In this context, it may be noted that Bangladesh had already given transit to India since 1972, under an Inland Water Transport (IWT) Protocol. Under that protocol, bilateral and transit traffic had been moving from North East India to Kolkata through two IWT routes across Bangladesh.

Similarly, India has also given transit to Bangladesh. While allowing Nepal's bilateral trade with Bangladesh to move by road through Phulbari/Banglabandha, India had to allow transit to this traffic across the chicken neck. So, there is no reason as to why one should be so sensitive to the word “transit”?

In the context of “security” concern

linked to “transit”, it is important to spell out as to what security issue is being talked about? Did Bangladesh ever face any security problem with the IWT transit given to India? The answer is “no”. Similarly, has India ever faced any security problem in the Nepal-Bangladesh transit corridor? Again, the answer is “no”. If one looks at other regional groups, say European Community or to ASEAN sub-region, it is found that traffic is moving over land, across that regions/sub-regions without any security problem. Thus, Bangladesh need not be so concerned about “security” linked with “transit”?

**Awareness creation needed about the cost of non-cooperation**

A process of awareness creation through dialogues, about the mutual benefit of regional transport connectivity, or cost of non-cooperation, based on a study could go a long way in persuading the political leadership about the importance of transport connectivity. This study could focus on a number of selected corridors/routes. Estimate of benefit should be based on potential traffic/trade that could be generated once the selected routes are available to regional traffic movement.

**Integration would need nominal resources only**

The neighbouring countries around Bangladesh, given their physical and

cultural proximity and shared history and heritage, form a natural area for transport integration. Most of these countries once formed part of an integrated economy, and their transport system was fully integrated, but they probably constitute one of the less “internally connected” sub-regions in the world today. The integration of transport networks would, therefore, largely involve a reintegration of existing infrastructures, requiring minimum commitment of additional economic resources.

**Need to involve people at large**

In order to achieve a long lasting solution, it is essential that concerted efforts be made together by all stakeholders: the governments, the private sector and the civil society at large to bring about a change in the political mind set of the leaders, so that a long lasting solution can emerge. The Civil Society Institutions in the member countries could be urged to take the initiative to bring the above players together. Unless this challenge of integration is addressed soon with seriousness by all stakeholders, the countries of South Asia in general, and the land-locked countries/regions in particular, stand the risk of foregoing many of the economic opportunities that the process of globalisation could have provided.

Dr. M. Rahmatullah, former Director, Transport, UN-ESCAP, Bangkok.



DHAKA MONDAY FEBRUARY 23, 2009

# Changing dimensions of privatisation



ENAM A CHOUDHURY

**P**RESS reports on January 30, 2009 revealed President Barack Hussein Obama's US\$ 900 billion economy - recovery package as a means of state intervention to salvage the sick US economy. Reportedly, President Obama expressed his dissatisfaction and dismay at the Wall Street declaration of US\$ 18 billion bonus, saying

that in the current economic situation, it had been disgraceful to share such profits. In many economies of the world, particularly in the USA and in Europe, there have been massive state interventions to arrest the downward plunge of economy, and to save failing banking institutions from total collapse. Analysts tended to conclude that at least for the time being, the days of laissez-faire are over and the myth of

'all milk and honey' free market operations is busted. Eminent economists questioned if privatisation would be sustainable as a method to stimulate the economy. Only state interventions can revitalise sick industries like the Detroit auto-giants or ailing financial institutions.

The twin spectres of deflation and depression mean the response now will be more radical than just rate cuts, and would involve modification of economic approaches and socio-political philosophy. This would result in rethinking in the developing economies regarding their pursued policy of privatisation.

The Economist in its Dec 6-12, 2008 issue commented: 'For American and European savers it has been a lost decade. People's recent losses have made them cautious. They are putting their money into cash or money-market funds, rather than equities or corporate bonds. FDIs have already shrunk, and participation of foreign investors in international privatisation tenders, has in the recent past shown most discouraging trend. Securing credit even for big firms has become extremely tough. Governments are working hard to prop up credit markets, but the limitations are staggering. As the economic situation worsens and profits dive, more firms will be at risk of breaking covenants on standard measures such as the ratio of debt to earn-

ings before interest, tax, depreciation and amortisation.

Furthermore, a good deal of debt will fall due in the next few years. Reuters Loan Pricing Corporation, a data provider, estimates that more than \$ 1 trillion of loans will need to be re-financed in each of the next three years, mainly in USA and Europe. So any possibility of significant foreign investment from the organised private sector of the West in the privatised sector of the developed countries has become rather remote.

Political responses to the financial crisis fall into three main categories.

On the left, whether expressed by British Labour back benchers or spokesmen of communist/socialist parties or by Vladimir Putin, there is an undisguised satisfaction that the state is back in fashion. Let us have more of it, they say. The opponents of privatisation ask for review and reversal of the policy of private sector shunting out the public sector and advocate more of governmental control. Excessive greed, unbridled profiteering and unhealthy competition in economies not under control and supervision, would definitely lead to such disasters, they uphold. On the right, there is the mirror-image doctrine budget-cutting strategy that Canada (where earlier the privatisation process and public-private sector participation under monitoring expe-

rienced considerable success), the Tories in Britain (after all, Margaret Thatcher was the Diva of privatisation) and a few others seem to endorse.

In the middle, where the most are, want to get, as propounded by Lord Peter Mandelson of the British Labour Party, the best of liberal markets along with the security and confidence which his "smart strategic" government model can supply. This model of government would make interventions whenever necessary and would look more "social democratic" than anything else.

In this background, the relevance of privatisation as a government policy or national objective has to be determined. We can not only learn from earlier mistakes, but also can view the problem now in the light of international situation and national priorities. We have to re-frame the relationship between the state or the government and markets -- the most pregnant issue in today's politics. We need not, in my view, reject the "Mantra" of the 'enabling state' of the last decade, but let us be awake to the fact that it would no longer be enough in the current conditions. There are now various alternative formulations for the reframed state -- smart government, effective government, the smart strategic state -- but in all these, there is an explicit attempt at a larger reframing of the

CONTINUED ON PAGE 73

DHAKA MONDAY FEBRUARY 23, 2009

# Changing dimensions

FROM PAGE 72

state's role. The state as a 'safety net' is no longer enough -- if it ever was; the state, if and as necessary, by resorting to control or ownership, must actively set priorities and frameworks, and also do the direction-setting. If we can envisage a mid-income range digital Bangladesh by the beginning of the next decade, why can't we draw up proper five-year plans and not just PRSPs, and make privatisation programme a part of it. The Privatisation Commission should remain powerful and independent, but the programme for privatisation should be an integral part of the planning strategy.

The process of disinvestment which started in Bangladesh in the mid-seventies was by fits and starts. A good number of disinvestments were done, but each set of decisions to privatise a particular state enterprise tended to be an ad-hoc decision originating in an executive order, specific to the enterprise or to policy conditionality attached to a particular foreign loan. In the eighties, the government applied an ethnic process to privatisation by handing over SoEs to original Bangladeshi owners. Prof Rehman Sobhan in the publication 'Privatization in Bangladesh' commented, "None of these actions of the GOB had any policy cover since ethnic disinvestment had not been recognised as an official policy."

Subsequently, the government, under the Privatisation Act of 2000, set out a fairly comprehensive privatisation policy and formed a high-powered Privatisation Commission to implement the programme. The argument for privatisation has been at the fore-front of the agenda of donor-driven policy reforms, and the succes-

sive regimes in Bangladesh have committed themselves to privatisation. Though no serious monitoring or post-privatisation systematic evaluation has taken place, it is generally held that in most cases, privatised SoEs have fared better. One big plus point for privatisation in Bangladesh has been that the process and the commission have remained free from any allegation of corruption, nepotism, partisanship or politicisation.

The emphasis on closure of loss -- incurring SoEs does prevent the 'hemorrhage' in economy, but substitution, and initiation of industrial enterprises in areas where private imitative is lacking or shy also had to be taken care of, and that has not happened. This means that in the whole range of manufacturing activities which may be critical to the growth of economy, and where private enterprise is not forthcoming governmental intervention or initiative would become necessary. World Bank report reveals that Bangladesh is now left with a narrowing manufacturing base, where very little diversification has taken place outside the RMG Sector. The dying jute sector deserves careful attention. Prof MM Akash correctly recommends adoption of a policy-based pragmatic privatisation programme, which should take into account the over-all necessity of the economy and the imperatives of industrial growth. A systematic sector-wise programme for privatisation can be drawn up taking these points, inter-alia, into consideration. This is what he calls 'the case for pragmatism'. I suggest that this should become a part of the over-all period-based economic planning.

Besides circumspect selection of SoEs, privatisation in Bangladesh will have to primarily deal with second-

generation issues such as legal framework, post-privatisation governance, contract enforcement, and re-negotiation, and also fixation of conformity with national and social objectives. Enrique V Iglesias, former Executive Secretary of ECLA and President of Inter-American Development Bank observes in the

*Privatisation, involving as it does, a re-drawing of the public/private boundary, is an inherent political process driven by economic considerations. Hence my insistence on making it a part of the national planning born of a realisation based on my personal experience as well.*

Foreword to "Can Privatisation Deliver: "During the past decade there has been significant change in the roles of the state and the private sector." He adds, "public services of critical importance for economic development and loaded with political implications continue to remain responsibility of the state."

All said and done, one of the government's foremost explicit objectives of

privatisation is, and will always be, the expectation that privatised companies will become more efficient and profitable than the nationalised predecessors. If the customer is to be protected, competition will have to be fostered where it is feasible and regulation relied on where it is not. Monopoly abuse will always be a threat, and there would be a heavy burden on the regulatory 'watch-dogs' which will have the difficult task of controlling monopoly abuses and promoting a range of other objectives. It should also be borne in mind that the links between privatisation and capital market development are strong and can be mutually re-inforcing. The presence of a deep and well-functioning capital market dramatically widens the scope for implementing privatisation, for promoting (initial) wealth distribution, and accessing foreign equity participation in a politically neutral way. Moreover, developed secondary trading capacity can promote efficient monitoring of management, while the tradability of equities enhance their liquidity, and hence their value.

However, the decision to privatise, and the extent thereof, should fully lie with the government and the decision-makers, and the considerations should be nothing else than the interest of the country, and its development. There is no doubt that for the sake of privatisation, and in the name of laissez-faire and open-market economy capitalist exploiters and neo-colonialists would try to expand their economic domain, financial control and political hegemony. We have seen the way donor countries and the World Bank-IMF occasionally lay conditionalities, and induce recipient countries to go for privatisation mostly to meet donor interests. Mr L Gray

Cowan in his book - 'Privatization in the developing world' has the audacity to suggest - "In the final analysis, a combination of carrot and stick may be required to promote government action... . Privatisation may be made a requirement in negotiations for an IBRD structural adjustment loan. It may also be stressed in policy dialogue on fundamental economic policy change".

Developing recipient countries should resist such distasteful efforts, particularly when the world has now experienced the deficiencies of laissez-faire and the pitfalls of capitalist system. Privatisation may also present economic risks that translate into political risks for the government. Governments should go for privatisation on the basis of pragmatic selection of SOEs, but should take care so that the pace and direction of development is not lost, specially in the industrial sector. National interest and popular welfare cannot be sacrificed at the altar of inordinate private profit motive or unscrupulous capitalist machinations. There would be inter-action between the structure of the private sector, the capital market, the regulatory regime and the implementary stages of privatisation, and these need to be carefully watched.

Privatisation, involving as it does, a re-drawing of the public/private boundary, is an inherent political process driven by economic considerations. Hence my insistence on making it a part of the national planning born of a realisation based on my personal experience as well.

Enam A Chaudhury, formerly Chairman of the Privatisation Commission of Bangladesh.



DHAKA MONDAY FEBRUARY 23, 2009

# 'No' to partisan policing

ASM SHAHJAHAN

To disarm the strong and arm the weak would be to change the social order which it is my job to preserve. Justice is the means by which established injustices are sanctioned." Anatole France (1844 1924).

Is not this cynical statement as true today as it was in the 19th century?

In 1918 Bertrand Russell was attacked by a group of angry citizens, who were protesting against his unpopular pacifist views. His friend went to a police station to rescue him. Police paid no attention. His arguments like, "he is an eminent philosopher," "he is famous all over the world" could not cut the ice with the Police. They were unimpressed. The helpless friend made his last effort saying "But he is the brother of an earl." The story goes police immediately rushed to rescue him. Even though it might be an exception in those days for countries known for good policing we find many similarities of the incident in our soil. The machinery of law works in favour of the influential.

People of this country like many other countries of the world pay for all public services including the Police. Government cannot give anything without depriving the people of something. But the police budget indicates 'inputs' and not the 'outputs'. Public expectations are high. A government funded by them should be cost-effective by providing quality services and being 'responsive to their needs'. Any government that fails to provide

of law and in the name of justice" -- Baron de Montesquieu (1689 1755)

For years we have seen how political or politically sensitive cases were not allowed to be investigated neutrally. Instances of manipulative investigation are many. Investigation of many important cases was derailed with political motive. 'Blame game' became a culture and it did not stop there. The investigating officers were compelled to divert the investigation to save the real criminals and to involve the innocent. Many extrajudicial killings were not properly investigated. On many occasions once a case was lodged, the supporters of the political party in power reportedly added names of rival political party activists as accused persons. Police arbitrarily arrested people whenever the opposition came up with a political programme. Police also occasionally indulged in harassing the opposition political leaders and activists whenever they got a chance to do so. Some political leaders supported and connived with such illegal acts. Police engagement with partisan politics came to such a stage that officers started competing to please the political bosses.

The present government has come with a promise embodied in a 'A Charter for Change' adopted in their manifesto for the Ninth Parliamentary Elections 2008. The 'Charter for change' under 'Establishment of Good Governance', which is one of the five priority areas inter alia includes: -

'Terrorism and religious extremism will be controlled with iron hand.'

Efficiency, seniority and merit will be the basis of appointment and promotion in public service.'

'In order to provide security to every citizen of the country, police and other law and order enforcing agencies will be kept above political influence. These forces will be modernised to meet demands of the time. Necessary steps will be taken to increase their remuneration and other welfare facilities including accommodation.'

That politicisation of police impedes good governance is an axiomatic truth. Politicisation is the outcome of shortsightedness of political leadership. Officers should understand that indulging in partisan policing is like dining with a tiger and the tiger will have the last meal.

Each member of police specially the leaders in the service must understand that it is not respectable personally for them or for the force in general to be perceptively aligned with any political party. This causes a breakdown of the moral, image and chain of command of police. Police trust is bruised beyond repair and ultimately this adversely affects the performance of police. There can be nothing more detrimental than partisan policing. Police force is, beyond doubt, a very important institution for the overall growth of a country. Good economics, good governance is unthinkable without good policing. Partisan policing leads to degeneracy of a force. Most of the governments since independence need to share the blame for using the force for party interest or narrow self-interest. Police was not used for greater public interest. Whatever police interest or state interest was served, it was the by-product, but the main product was the use of police for narrow partisan/self interest. The trend must not be allowed to continue. Unless the trend is arrested right now, it will have definite detrimental impact on our state of human security, economy, human rights, access to justice, rule of law and the quality of our politics and image as a nation.

Police leadership has a lot to do in this respect. They must not act on political wishes devoid of legal sanction and conduct themselves in a manner reflecting unbiased, responsible and professional character. There can be no end to the action of playing to the extralegal wishes of the political bosses. Once the malpractice starts, it has a multiplying impact and ultimately it is the people who suffer.

The present government promised to keep police and other law and order enforcing agencies above political influence. We are looking forward to



Inauguration of Victim Support Center at Tejgaon Thana premises.

have an apolitical and non-partisan police force. Partisan policing also creates a culture of impunity. Partisan policing is mainly responsible for abuse of Human Rights.

Allegations against officers involved in abuse of power and indulging in excesses, with the blessings of political masters must be dealt with an iron hand. All allegations of torture should be dealt with exemplary punishment. The government has an obligation to criminalise all torture including those perpetrated by law enforcing agencies.

Police officers 'code of conduct' should be published so that this is known to the members of the public. This will enable them to exercise indirect oversight over police and report the violations to the appropriate authority, when such instances are noticed. Supervising officers should ensure that all personnel under their command act in a manner consistent with professional conduct.

Unless we openly discuss our wrongs and shortcomings, we cannot find ways to achieve what is right. Human Rights suffer due to human wrongs. We are dreaming of a "change". 'Change' will come when it comes from the heart of the people of Bangladesh. We achieved miracle in the past when we dreamt together. We as a nation have been trying to come out of the indignity of so-called 'pretended democracy' practiced in the past by some regimes indulging in politicisation.

Politicisation of police is the worst

form of injustice, perpetrated by the people in power seeking perpetual power. Politicisation is the other name of 'discrimination'. It works against the 'principle of equality' before law, which is the oxygen of the soul of democracy. No police force can be 'trustworthy to the community' if it is politicised. If trust is at stake the image is at stake. If the image is at stake everything is at stake.

Partisan policing is at the root of most of the policing malpractices including brutality and torture, corruption, extrajudicial executions, bias and discrimination.

A community is safe only when the police is neutral and efficient. Partisan and politicised police has the 'right to do wrong' and go 'unpunished'. It is time for our politicians, administrators and police officers to search their souls and examine their conscience to enable us to build a land worth living and a nation to be envied. We need a government with genuine political will to shun politicisation. Where there is no will, there is no way. Our national leaders should try to build a nation of law-abiding people setting personal examples of obedience to law. Lawmakers should never be accused of law breaking as Sophocles said in 400 BC "Nobody has a more sacred obligation to obey the law than those who make the law". Let every policeman be a symbol of security and every police station a symbol of safety.

ASM Shahjahan, former IGP and adviser to caretaker government.

Inputs (cost) -----	Process	----- Outputs (value)
Manpower, money, Machines and legal Powers	Police services	Internal working of satisfaction of community needs
	The Accountability Trap for Police	Tim A. Hooke

services efficiently cannot be deemed to have performed its task well. Ultimately 'Value for money' is undoubtedly the key word. People's money should be spent for the wellbeing of the people who bear the expenses of running the government.

Foundation of democratic policing lies in its 'accountability' to the community. All police services should be aimed to achieve 'satisfaction of community needs'. A police force can function well only when it has a warm supportive community close behind it.

A politicised and partisan police force indulges in violation of human rights, tortures, illegal arrest, and motivated investigation. Partisanship manifests itself in 'repressive' policing leading to abuse of power. Indeed "there is no cruler tyranny than that which is perpetrated under the shield

'Genuine independence and impartiality of judiciary will be ensured. Extrajudicial killings will be stopped. Rule of law will be established; the Human Rights Commission will be strengthened and made effective. Human rights will be strictly enforced.'

'The Parliament will be made effective and the government will be made accountable for its activities. Parliament Members will be allowed to express differing opinions.'

'Security and rights of religious and ethnic minorities will be ensured. Courtesy and tolerance will be inculcated in the political culture of the country. Militancy and extortion will be banned. A consensual and unanimous charter of political behaviour will be promoted.'

'Administration will be free from politicisation and will be pro-people.

## In quest of knowledge economy

M. SHAMSHER ALI

N OBEL Laureate economist Robert Solow pointed out quite sometime ago that the real engine of economic growth is science and technology (S&T). Economists cannot fail to note that it is science and technology that has acted as an instrument of change for all countries. The idea of resource generation using science and technology has never been our strong point. It is with this view in mind that I have concentrated on the S&T challenges of the Twentyfirst Century which have already brought about economic revolution in many countries.

It is true that the mastering of these technologies needs money. It is even more true that the technologies mastered and practised bring even more money. Following this philosophy of using S&T as a money earner, some of the S & T challenges of the twenty first century are listed as follows:

- to increase speed
- to increase the efficiency of energy transformations
- to reduce back-bending labour
- to increase the packing den-

sity in electronics

- to store information for long within tiny spaces
- to produce more
- to control things from a distance
- to teach from a distance
- to produce high temperature similar to that inside the sun
- to produce very low temperatures
- to produce very high and very low pressures
- to probe the minutest parts of matter (? 10 -13 cm)
- to probe the outer reaches of the universe (1028 cm)
- to examine the presence of foreign atoms at the trace level
- to excel in the non-destructive test of matter
- to devise materials which can sustain high pressures, high temperatures, low temperatures etc.
- to devise materials (at room temperatures) whose electrical resistance could be brought to zero (High Temperature Superconductivity)
- to understand the complete Human Genome and to identify the genes responsible for different traits

and to perform genetic engineering

- to understand better the interaction between radiation and matter (including the effects of non-ionising electromagnetic interactions)
- to use various organisms as a labour force in doing things we cannot do (bio-technology)
- to investigate new antidotes for deadly diseases
- to increase the efficiency in food storage
- to understand the interactions between the living and non-living components of our environment.
- to recycle matter and to make non-bio degradable matter degradable
- to look for new sources of energy

**Some key issues for economists and planners**

The challenges which were discovered in the twentieth century continue to be met also in the new millennium. The above list is only indicative and is by no means exhaustive however long it may be seem.

It is not essential for us to go in for research in all of these fields. The key idea would be to identify areas of scientific research that would increase our capability in solving the problems faced by the common man. However, there should be some groups in the country who would be able to undertake high level research and understand the jargons of the day in their field.

Keeping the above technologies in mind some of the questions that need answering are:

(a) If agriculture is one of the cornerstones of the economy on which 70-80% of our population are dependent for a living and if we really have to be self sufficient in the food sector, how is it that we have not been able to make our own tractors and our own water pumps. These are not high technology things and can be produced in the country with the help of mechanical engineers, for the training of whom we have a full fledged university called Bangladesh University of Engineering and Technology.

(b) We are a riverine country and rivers have been the mainstay of our life for long in terms of fisheries, navi-

gation and irrigation. How is it that these rivers have not been dredged systematically over the years and we have not been able to build the dredgers ourselves?

(c) Ship building has been used by many countries as a source of generation of money. It is only recently that some entrepreneurs have been thinking of undertaking this task on a significant scale. Why such steps were not suggested earlier by the planners.

(d) We have natural resources like gas, coal, peat with a great possibility of discovering oil also; how is it that even after 36 years of the independence, we have not been able to acquire the rigs necessary for the lifting of natural resources. These machines are expensive no doubt, but in view of the fact that the exploration, lifting and use of these resources are a matter of life and death for us, one of the highest priorities should have been accorded to this sector. How often have our economists highlighted this problem?

(e) In the present world, services are a major way of earning money but there is no denying the fact that the

CONTINUED ON PAGE 7



DHAKA MONDAY FEBRUARY 23, 2009

# Stop trifling with biotechnology

PROFESSOR A S ISLAM

.....  
**B**ANGLADESH can ill afford to spend money on promotion of something on a conceptual basis unless the scientific community has proved beyond any reasonable doubt the efficacy and viability of the idea and the benefits to accrue from it. The government's top decision makers who set priorities for the country and allocate funds accordingly, need to be convinced with facts and figures as to why bio-technology should get preference over so many other pressing concerns competing for their attention. The topnotch administrators think, and partly they are correct, that Bangladeshi scientists, excepting those engaged in agricultural research, undertake research which have no direct bearing on the economy of the country. It is time their notion changed.

A see-through example of utilisation of biotechnology in BD is baker's yeast: The notion that scientists alone are to blame for the failure of biotechnology is not correct. Rather it is the lack of liaison between the research organisations and industry as well as between university and industry that is responsible for non-utilization of the technology developed in the academia. A concrete example will underpin my contention. In the first half of the 'nineties the Dhaka Laboratory, BCSIR developed a process of baker's yeast production on a semi-pilot scale. A number of bakeries such as Orient

Food Industries, Nabisco were keen to take the lease for commercial production. In fact, the former used the BCSIR product to prepare their bread and expressed satisfaction at its quality. The only impediment about the finalisation of the lease was about the quantity. Whereas the pilot plant at BCSIR could produce daily a maximum amount of 20 Kg, Orient Food Industries' requirement was double that quantity. The problem could have been solved if the premier bread company established a semi-commercial plant and utilised the know-how of BCSIR engineers to set it up. There are sources such as Grameen Udyog and Islamic Development Bank and some industrial banks that could have provided capital for the establishment of a commercial plant, if they were properly approached.

Failure of BCSIR to lease the product: Under the circumstances, BCSIR could not lease this well-proven process to any of the interested parties. As a result the country still imports annually 1000-1200 tons of baker's yeast from Holland, Belgium and France at a cost of Tk. 280 million (US\$ 40 million) and the pilot plant in BCSIR is languishing.

BCSIR has a division called Research and Development. They lease out processes to different interested parties and do the paperwork for finalising the leasing process. But this organisation does not have a section to act as a bridge between industry and itself like what is found in the USA and Europe. Neither Industrial scientists

and engineers nor their counterparts in academia are encouraged to bring the perspective to their opposite number. The model of National Science Foundation (NSF) in the USA may be followed. NSF serves as a catalyst to establish industry-university partnerships. It brings together intellectual capital and emerging technologies in ways that promote economic growth and an improved quality of life.

Bangladesh Academy of Sciences (BAS): In our country, BAS can play the role of NSF. BAS has the potential to play a catalytic role to forge such partnerships to the mutual benefit of both laboratory research and industry. Benefits will be mutual in that a part of funding will be available to universities that may be utilised to a) expand in-house research capabilities; b) design infrastructure to adopt viable technology options; and last but not the least c) such a partnership will create for their students more training opportunities for industrial positions and future employments. This partnership will also encourage industry to carry out more research-intensive activities with a view to shortening the research and development cycles.

Electricity from city wastes: The country is still undecided whether to adopt a well-proven technology of utilising city garbage wastes for the generation of methane gas and its conversion into electricity. The plan has been going on since mid-nineties and in 1996 several technical hands received training at the Asian Urban Information Centre at Kobe in Japan.

Beximco synthetics at Savar successfully tested it. There was a similar survey covering the port city. Now that preliminary studies at three different places have been completed successfully, and Japan has been training the concerned staff, it will be worthwhile for the present government to make a master plan on a priority basis for disposal of garbage of all big cities. Implementation of this doable project will serve a number of purposes: it will i) help disposal of garbage now increasing in an alarming proportion; ii) improve sanitary conditions much to the relief of citizenry of the concerned cities; iii) generate electricity that may alleviate load shedding.

Government's support is a great help to push technology: One of the best examples that government support helps promote industry comes from our own experience. The tissue culture laboratory at the Department of Botany, Dhaka University, developed protocols for mass propagation of several varieties of local and exotic orchids and demonstrated the technology to the then Secretary Ministry of S&T. We asked for grants to do it on a semi-commercial scale. Not only we got the grant but the Ministry came forward to allot some space in front of the Science Museum at Agargaon for construction of a greenhouse. There we displayed tissue-culture-derived local and exotic orchid plants with brilliantly colored flowers. Exhibits of such products in a public place created a keen interest among entrepreneurs

and NGO's, giving birth to a number of firms within a few years. Apart from orchids and other ornamental plants, BRAC Plant Biotech Lab at Joydebpur produces annually 5,000 tons of virus free potato seeds. This lab produces Stevia plant on a mass scale through tissue culture and uses its ingredients to produce a pill sweeter than sugar for diabetic patients.

India's astounding success in the field of biotechnology: Unlike our country, India successfully has been harnessing biotechnology to her economic benefit mainly due to the tremendous support given by the Department of Biotechnology an autonomous body in the Ministry of S&T. The Bangladesh biotech community desperately needs such a positive support from the present government to implement the recommendations submitted by the expert committee formed by the participants of an incredibly successful International Conference held in ICDDR,B, Dhaka in April 2007.

We are lately talking a lot about adopting biotechnology and we are debating where to start and yet we are not utilising what we have already got at our hand. Could the community wake up to have a dialogue with the concerned authorities to move the wheel of biotechnology thereby pushing our country towards progress and prosperity?

.....  
Professor A S Islam retired from Botany, Dhaka University.

## In quest of knowledge economy

FROM PAGE 75

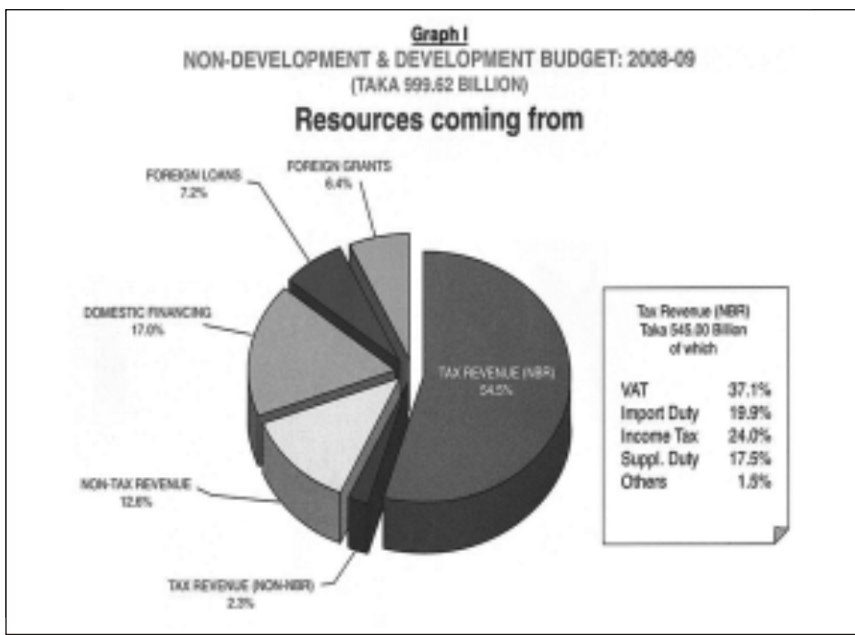
manufacturing of goods is a greater source of income. Is it not painfully true that our country which could have been transformed into a manufacturing country has now been reduced to an indenting country. Have the governments really concentrated on building up a manufacturing base in the country?

(f) Universities all over the world have been recognised as generators of new thoughts and ideas. In fact, most of the recent S&T innovations have come from the Universities of the world. For this to happen, scientific research will have to be undertaken as a regular activity of the University system. Our universities and technical institutions have been largely reduced to teaching institutions. The amount of money spent on the S & T sector is much below 1 percent of GNP. The S & T expenditure in countries which have shown significant rates of growth of economy varies between 2 and 3 percent of GNP. The question is: Why are we lagging behind in providing this vital input?

I am not indulging in any blame game but merely highlighting the pitfalls so as to learn to avoid them in future.

If we look at the economic scenario of some of the countries of South and Southeast Asia, we find that S & T really acted as "Aladin's" modern lamp and served as an instrument of change.

In many of these countries there is a lack of natural resources. But that did not impede their economic development. These countries bring resources from outside, make value addition to them and sell them in the world markets at competitive prices. These nations worked hard to acquire the scientific knowledge that made value addition possible. Thus, knowledge itself is being treated as the best raw material of the day. No wonder, the present age has been dubbed as one of Knowledge Economy. If we have to appear as a nation of middle income economy within a short period of time, and if some of the Millennium Development Goals set for developing countries have to be achieved, there is no doubt but we have to invest more on education and S & T towards



increasing our capability for value addition.

### Knowledge Economy and generation of resources

In Bangladesh we can also use the same principle of Knowledge Economy provided we believe that we can do what others can. Our budgets (including the present one) have not reflected use of the concept of Knowledge Economy in our development projects so far. Some of the practical areas in which knowledge economy can bring economic dividends are as follows:

(a) **Development of skilled manpower**  
Bangladesh earns a major part of its foreign currency thorough the labour force exported to different countries. 'At present almost the entire labour force is unskilled. Our foreign exchange earning would be increased by orders of magnitude only if we could provide highly skilled manpower, especially to countries which are having zero population growth. This skilled manpower could be created in the areas of high grade plumbing, precision lathe work, glass-to-metal sealing, nursing, hotel management and tourism, learning of different languages (Arabic, English, French, Chinese etc.).

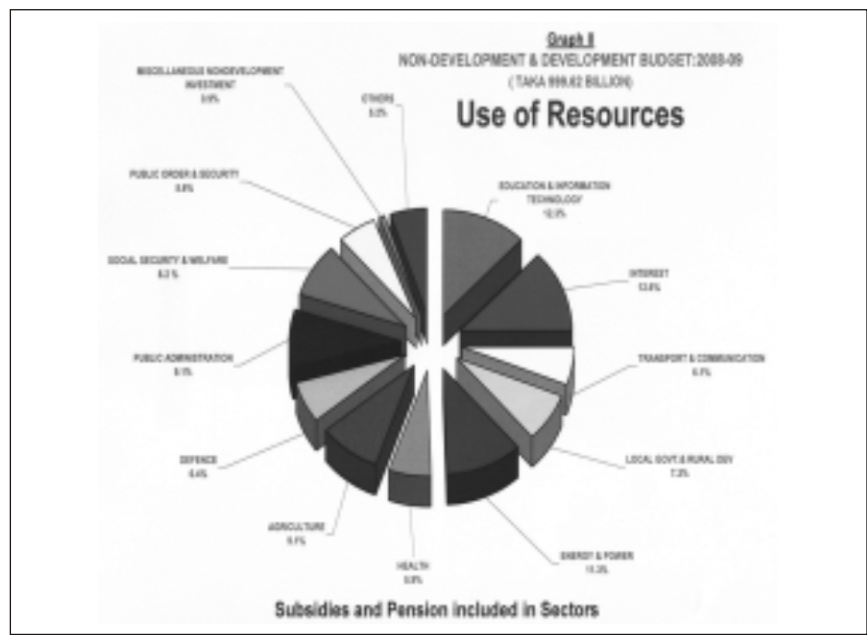
(b) **Use of natural resources**  
For purposes of use of natural resources, the A to Z of the overall operations of survey, exploration, lifting

and utilisation of the resources should be mastered by the Bangladeshis themselves. Bangladeshis are not really poor. Our poverty is the poverty of thoughts. Our poverty is the poverty of vision. In my opinion, we have politicians alright but we do not have statesmen. Anyone having vision would have insisted on acquiring capability to lift natural resources existing under our soil.

(c) **Development of jute products**  
Jute is a wonderful biodegrade fiber and has a great demand in the international market. All we have to do is to make knitted light jute bags as a substitute for polythene bags. If we could provide these bags to the supermarkets of the world on a continuous basis, the economic scenario of Bangladesh would be completely different.

(d) **Planting of trees**  
If we can plant coconut trees along the entire costal belt of Bangladesh, not only would the intensity of storms be reduced and the intrusion of salinity be lessened but the economic benefits would also be tremendous. We could also claim money from the international community in the name of 'Carbon Debt'.

(e) **Software development**  
In this age of ICT revolution our boys and girls could be given adequate training in all aspects of E-trade and E-



Commerce and could also be encouraged to develop a software industry by providing them logistic support and by projecting their ICT strength to the international community through our diplomatic channels. The software developments would, of course, have to know the English Language well.

### (f) Use of bio-technology

The various forms of bio-technology including tissue culture are now being used as money earners in many countries including Thailand. The orchid culture in Thailand has been a glaring example in this connection. The food processing industry in Thailand has also been an economic booster. There is no reason why Bangladesh should not use similar techniques for economic prosperity.

### (g) Agricultural production

The agricultural production in Bangladesh can be greatly boosted if we can arrest the degradation of soil, use bio fertiliser and proceed towards "vertical agriculture" thorough the use of new genetic varieties with fulfillments of the requirements of water, fertiliser and insecticides.

### Zakat as a financial institution

Our planners are yet to treat Zakat as a financial institution for purposes of poverty reduction. It is estimated that billions of takas can be raised as Zakat in Bangladesh every year. If a proper

system of collection is in place, this money can be used for reducing poverty of the huge section of the population, without taking help from international financial institutions thus reducing our debt burden also.

### Conclusion

It must be pointed out that the improvement of the economy of a country is not a simple matter. It depends on a number of factors including the vision to foresee things ahead of time, political stability, foreign investment, proper tax and vat collection, financial reforms in the banking and administrative sectors facilitating the operation of trade and commerce (yet at the same time preserving the transparency of operation), increasing capacity building in science and technology for making value additions to products and processes, arresting environmental degradation through adoption of environment-friendly measures in all social and economic activities; and lastly, through the creation of a knowledge-based society with equal opportunities for men and women and having regard for morality and ethical values.

.....  
M. Shamsheer Ali Vice-Chancellor, Southeast University & President, Bangladesh Academy of Sciences



DHAKA MONDAY FEBRUARY 23, 2009

# Dreaded footsteps of climate change

## Urgent actions for the next five years



DR. ATIQ RAHMAN

**C**LIMATE change is emerging as the most important issue threatening the basic securities of food, water, energy, livelihood and human life. Bangladesh has been identified by the scientists and policy makers across the world as one of the most vulnerable countries bracing for climate change impacts which have already started affecting her rather severely. Though some small islands such as Maldives and Tuvalu are threatened by prospects of obliteration, Bangladesh remains the most vulnerable country with respect to the extent of population to be affected and possible human displacement due to climate change induced sea level rise. The threat of extreme events like cyclones, floods and river bank erosion, drought, increase of sea level rise and salinity conspire against the country and force Bangladeshis to confront the various insecurities lying ahead.

The causes of climate change are global in nature while the impacts are felt locally and often with extreme consequences. The poor are the most vulnerable to climate change, particularly in developing countries because of their lack of capacity to cope with the impacts.

All political, development and environmental expert opinions in Bangladesh agree on one single principle that poverty must be alleviated immediately. But climate change threatens poverty eradication efforts and undermines the achievement of the Millennium Development Goals (MDGs). Furthermore, the international financial instability and insecurity threatens the poor through increased food prices and shortage of food grains in the global market. Hence it is imperative that the challenging of climate change, poverty alleviation and ensuring sustainable development must be addressed simultaneously.

### Climate change impacts

Bangladesh is facing various climate changes impacts and climate related extreme events due to its location and being an extremely flat delta in its early hydro-geological state of formation. Recently, the country is experiencing various climate related natural disasters and extreme events like prolonged and repeated floods in the northern and central parts, severe cyclones and increased salinity in the coastal districts and drought in the northwestern parts. These are affecting the physical environment, ecosystems and natural resources bases severely almost every year. There is severe river bank erosion

induced by enhanced flooding. River bank erosion is one of the key drivers creating environmental migrants and refugees. The climatic events have deadly consequences on agriculture and food security; water, human health and human securities. Bangladesh experiences overflow of water causing floods in the monsoon and scarcity of water in the dry season due to change in hydrological patterns, rainfall and regional water flow patterns. These have been linked with global warming and climate change. This situation will be aggravated due to increasing global warming and climate change.

It is apprehended that the possible sea level rise will affect the country by inundating coastal areas of Bangladesh. Possible sea level rise will affect the coastal ecosystems, water, agriculture and food production. One meter sea level rise may dislocate about 35 million people from coastal districts by the year 2050, if not earlier. These may create severe problems for rural livelihood, local, regional and sectoral development such as agriculture, water and health. The emerging climate refugees will put enormous pressure on the urban economy and infrastructure as well as on basic services such as water supply, power, health, sanitation and demand for energy.

### Actions initiated to address climate change

We, as a country alone, can do very little to tackle the causes and consequences of the climate change problem. Hence, we have to work collectively with the world community. The UN Framework Convention on Climate Change (UNFCCC) gives us the scope and structure to work together and raise our voice to the global community and influence global decision making in our favour. Over the last two decades, some leading scientists, think-tanks and government policy framers from Bangladesh have been raising the issues locally and globally. These have yielded some early results for the country. A number of research, implementation and institutional initiatives have been undertaken over last two decades by the government, NGOs, research centres and the affected communities. Some of more recent key initiatives already undertaken so far are:

- Formulation of National Adaptation Programme of Action (NAPA)
- Establishment of the Designated National Authority for implementation of Clean Development Mechanism (CDM) projects
- Bangladesh Climate Change Strategy

and Action Plan (BCCSAP), which was presented at the London meeting in September, 2008

- Creation of a Budget line for Climate Change and allocation of Tk. 300 crore for Climate Fund by the Government of Bangladesh in 2007

- The General Economic Division (GED) under the Planning Commission has undertaken an assessment of climate change impacts on Poverty Alleviation, MDGs and Economic Growth of the country

- UK-Bangladesh meeting for Multi-donor Trust Fund for Bangladesh generated UDS 150 million for the country from the UK government

- Bangladesh cabinet approved in principle the Climate Change Trust Fund and has set up two committees on February 2, 2009. The committees will oversee the operation and appropriate use of the climate change Funds as well as guide implementation of BCCSAP

- Bangladesh is hosting World Conferences on Community Based Adaptation (CBA) to Climate Change. The First and Second CBA conferences were held in 2005 and 2007 while the Third conference is scheduled in February, 2009, all in Bangladesh.

The process and methods for integrating climate change into development has been initiated by research communities and development agencies in Bangladesh. The government has been taking more progressive role in the UNFCCC negotiation process and gives support to Least Developed Countries (LDCs) initiatives. Several projects have been initiated mostly by NGOs and research communities on adaptation to climate change for build-

ing capacity and learning early lessons. Government of Bangladesh has proposed at the COP-14 in Poznan in 2008 the establishment of an international adaptation Centre, preferably to be located in Bangladesh. Moreover, an initiative has been undertaken to establish a tertiary education centre based in a reputed university in Bangladesh entitled International Centre for Climate Change and Development.

### Immediate and urgent actions needed

The above seems to be an impressive list, but it is the first step towards the enormous tasks of confronting the severe effects of climate change on the people of Bangladesh, its ecosystems, society and economy. Though responding to climate change is a long-term and multi-decade process, the response in the terms of five years by all actors including government, political parties, research communities, NGOs, development agencies and partners is going to prove critical to strengthening formalities of a sustainable adaptation strategy.

The immediate actions for the next five years must focus on implementation of the six pillars and action programme under the BCCSAP. The six pillars include: a) Food security, social protection and health; b) Comprehensive disaster management; c) Infrastructure to ensure and enhance the assets; d) Research and knowledge management; e) Mitigation and low carbon development; and f) Capacity building and institutional strengthening. The several programmes under the six pillars emphasise on: building resilience of vulnerable community to protect their lives and livelihoods; developing climate resilient agriculture and cropping systems for ensuring food security; tackling new diseases and improving health systems and ensuring drinking water and improved sanitation; strengthening capacity of the government department and the community for disaster preparedness; improving and rehabilitating exiting infrastructures; creating new infrastructures considering emerging climatic hazards and associated risk; development of strategic energy plan, promotion of renewable energy and its efficiency for reduction of carbon emission; and scientific and actions research for both knowledge generation and community actions for climate risk reduction.

Bangladesh's future depends on reducing the risks of climate change. For that Bangladesh must also demonstrate leadership in the global negotiating process. It is fortunate that Bangladesh has a few of the world's leading institutes, scientists and negotiators. Their efforts must be consolidated for both national planning and

action as well as harnessing international goodwill and supports. The Government of Bangladesh with other key actors must undertake the following actions:

- Ensure harmonisation between its own agencies such as Ministry of Environment and Forests and Ministry of Foreign Affairs, Ministry of Planning and other relevant agencies;
- Implement NAPA and BCCSAP programmes simultaneously, with emphasis on each pillar of the country strategy;
- Influence international development partners and countries to support Bangladesh in its climate actions;
- Organise training and enhance manpower for better negotiations and international climate diplomacy;
- Develop a strong national position demanding compensation for climate related damages, recovery and adaptation actions as well as addressing issues of climate refugees;
- Promote the Bangladesh's cause as a victim and severely impacted country in all international fora;
- Build capacity in existing institutions of human resources development on climate friendly sustainable development; and
- Prepare for a low carbon development path and ensure energy efficiency and security for all citizens.

Such actions must be part of the mainstreaming climate change into development policies, programmes and projects in all sectors. The emerging political will must be harnessed at all levels towards integrated climate friendly development and risk reduction.

The central focus for the next five years is rapid and coordinated actions. The major thrust would be on implementation. Through discussion, negotiations, scientific research, finance mobilization, capacity building and demonstrations of good adaptation and mitigation practices must be strengthened, the emphasis must be laid on implementation and best utilisation of available funds.

Accountability, transparency, comprehensive inclusion of all key actors in this phase will ensure future resource mobilisation and supports from global partners for Bangladesh. The international goodwill that exists now must be harnessed further for sustainable development, climate risk reduction and poverty alleviation -- simultaneously in Bangladesh.

Dr. Atiq Rahman, Executive Director of BCAS and the Winner of the UN-Environmental Award, Champion of the Earth 2008.

