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LENDING POLICY OF THE WORLD BANK WITH SPECIAL
REFERENCE TO ITS CONTRIBUTION TO THE ECONOMIC
DEVELOPMENT OF BANGLADESH FROM 1972 TO 1978

by

© Md. Abdul Halim, M.A.

A thesis submitted to the Faculty of
Graduate Studies and Research in partial fulfillment
of the requirements for the degree of
Master of Arts
Department of Political Science

Carleton University

OTTAWA, Ontario

July 16, 1979

The undersigned recommend to the Faculty of
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"Lending Policy of the World Bank With Special
Reference to Its Contribution to The Economic
Development of Bangladesh from 1972-1978"

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ABSTRACT

In view of recent criticism of foreign aid both from the ideologically left as well as other non-Marxist reformists, the present study examines the actual role played by World Bank aid in promoting the development of Bangladesh. The main thesis is that the current lending policy of the World Bank is not succeeding in promoting economic development in Bangladesh and that, to do so, it should be revised to meet the basic needs of the poor.

The importance of this study lies in the fact that of late the development experts have recognized Bangladesh as the test case of development. When interviewed by the present author, a few officials of the World Bank also admitted that though the question of development of Bangladesh was a burning one, the World Bank aid was not succeeding in enhancing this. Yet, they could not specifically point out the causes. Accordingly, we begin with a systematic analysis to find out the reasons for the failure of the World Bank to promote the development of Bangladesh. It is found that the responsibility for this lies both with the donor (i.e., the World Bank) and the recipient (i.e., Bangladesh). Finally, the present study recommends that if the World Bank is to succeed in promoting the development of Bangladesh, it has to provide more money on concessional terms to meet the basic needs of the poor Bangladeshis. At the same time, for achieving an indigenous and self-sustained development, the Government of Bangladesh must adopt a basic needs strategy, and thus provide the poor with necessary inputs for increasing their productivity.

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INTRODUCTION

The Attack On Aid:

In recent years the aid agencies have been criticized by many development experts on the ground that they do not serve the real interests of the under-developed countries; rather they help preserve the capitalist system only to continue capitalist exploitation in these countries. For example, Teresa Hayter in her book Aid as Imperialism maintains that the "contribution [of aid] to the well-being of the peoples of the Third World is negative, since it is not in their interest that [capitalist] exploitation should continue".¹ She even goes to the length of declaring that

Any contributions to their well-being which may arise through aid are incidental to its main purposes, and must be balanced against its generally negative effect. Aid can be regarded as a concession by the imperialist powers to enable them to continue their exploitation of the semi-colonial countries; it is similar in its effects to reforms within capitalist countries, in the sense that the exploiting classes relinquish the minimum necessary in order to retain their essential interests.²

In her opinion, aid helps "to create and sustain, within

¹ Teresa Hayter, Aid as Imperialism, (Penguin, 1971), p.9

² Ibid.

Third World countries, a class which is dependent on the continued existence of aid...and which therefore becomes an ally of imperialism".¹ Another vocal critic of aid from the dependencia school is Andre Gunder Frank who in his study of "The Development of Underdevelopment" maintains that underdevelopment is produced by "the development of capitalism itself" and not the "capital shortage". He puts the hypothesis that "the satellites experience their greatest economic development and especially their most classically capitalist industrial development if and when their ties to their metropolis are weakest."² Thus his argument virtually presupposes the break-down of the metropolis-satellite structure. In a recent article Professor Lawrence R. Alschuler developed the thesis that "satellization causes stagnation".³ By examining the dependent elites within the periphery [clientele class], international aid agencies, and foreign investment by multinational corporations [MNCs], and by using a complete data set for 18 Latin American nations between

¹ Hayter, op. cit., p. 9.

² Andre Gunder Frank, "The Development of Underdevelopment", in James D. Cockcroft, Andre Gunder Frank and Dale L. Johnson (eds.), Dependence and Underdevelopment : Latin America's Political Economy, (New York: Anchor Books, 1972), p. 10.

³ Lawrence R. Alschuler, "Satellization and Stagna-

1960 and 1965, and he has found that these three agents identified by him -- clientele social classes in under-developed countries, multinational corporations with home bases in developed countries, and international aid agencies -- are controlled by developed countries and are mutually reinforcing. Clientele classes and MNCs sustain the satellite interaction structure and at the same time create a need for aid to satellite countries. Aid in turn reinforces clientele classes and MNCs. The entire causal explanation of "satellization causes stagnation" developed by him is shown in figure 1.

Professor Alschuler is skeptical of the role^{of} aid because he observes that the "international agencies have maintained that financial and monetary stabilization is a precondition for economic growth. In practice, stabilization programs are given priority while development programs often have to be shelved".¹

But the Pearson Commission, in its Report² on International Development submitted to Robert S. McNamara, President of the World Bank Group on September 15, 1969

tion in Latin America", in International Studies Quarterly 20:1 (March 1976), pp.39-81.

¹
Ibid., p. 56.

²
Partners in Development: Report of the Commission on International Development, (New York: Praeger Publishers, 1969)

Figure 1: the Alschuler model.

Source: Alschuler, op. cit., p. 61.

expressed optimism on the record of the past twenty years of the international development effort and recommended that the emerging partnership between developed and developing countries should be strengthened. Yet despite the contributions of aid mentioned in the Report, the authors honestly admit that "the correlation between the amounts of aid received in the past decades and the growth performance is very weak."¹ They rightly observe that "growth has been deeply affected by the amount of foreign exchange needed for debt servicing."² They explained the low correlation between aid and growth by the fact that

much aid was given in ways which did not make it as efficient a contribution to development as it could have been. For one thing, a considerable portion was allocated on essentially political criteria without regard to whether the recipient made effective use of it or not and without regard to general economic performance. For another, even aid which was extended with the objective of promoting economic growth was given with little or no previous experience. Finally, aid has often been directed at the promotion or financing of exports from developed countries with little relevance to development objectives in the receiving countries. In recent years, however, aid has increasingly been given for purposes of long-term development and with greater concern for economic performance on the recipient side. Aid agencies, both bilateral and multilateral, have required a greater familiarity with the problems of developing countries and recipients have learned much

¹ Partners in Development, op. cit., p. 49.

² Ibid.

about how to use the help given.¹

The most up-to-date World Bank publication, World Development Report, stressed the fact that

the progress made by developing countries so far has not been sufficient to reduce the numbers of people living in absolute poverty -- without access to the basic necessities of a productive life. The economic difficulties of the industrialized countries and the prevailing atmosphere of uncertainty about the growth of international trade and the future movements of capital suggest that it will be more difficult for the developing countries to expand their economies in the coming decade than it has been in the past 25 years. Even to maintain their present rates of progress, developing countries will need larger inflows of foreign capital, while undertaking vigorous efforts to withstand the growth of protectionist barriers to their exports and to stimulate the productivity of their agriculture.²

Apart from the conflicting viewpoints expressed by the political economists over the role of foreign aid in the economic development of the underdeveloped countries, they also differ on the actual performance of aid. The Pearson Commission has assessed the contribution of aid even beyond purely financial terms. The Commission was of the opinion that by undertaking extensive training programs in the developing countries, aid contributed to the transfer of technology and ideas. It introduced new managerial skills, raised educational standards, and helped to create much infrastructure and expanded industry. Aid has also

¹ Partners in Development, op. cit., p. 50.

² World Bank Release on First "World Development Report", August 16, 1978, p. 2.

helped to give rise, has fostered the growth of systematic allocation of resources, the careful analysis of projects and programs and the increasingly professional assessment^a of policies.¹ These all sound very encouraging and more so if it were the true picture. There are others who observe that

The conduct of many aid-recipient governments in the Third World clearly offends the most elementary moral principles. The expulsion of tens of thousands of Asians from Uganda is only the most widely publicised and, therefore, the most familiar instance. Large-scale maltreatment of minorities, including expropriation and expulsion, has taken place since World War II in many aid-receiving countries, including Burma, Burundi, Sri Lanka, Egypt, Indonesia, Iraq, Nigeria, Pakistan, the Sudan, Tanzania and Zaire. In some of these countries there have been large-scale massacres.²

But it should be made clear here that this is not due to the evil effect of aid but the policy on the basis of which aid agencies give aid to them. It is true that "much of aid benefits^{the} relatively well-off in the recipient countries and leaves the poorest untouched or even affects them adversely."³ This again gives credence to the assertion of the dependencia school.

Thus, we can see that the critics of foreign aid assert that it does not contribute to the economic development of the underdeveloped countries, rather it results in

¹ Partners in Development, op. cit., p. 51.

² Bauer, P.T., "Foreign Aid, Forever", in Gerald M. Meier (ed.), Leading Issues in Economic Development, (New York: OUP, 1976), p. 356.

³ Ibid.

growing underdevelopment there by maintaining the world capitalist system and retaining the exploitation of the satellite by the metropolis. Others are quite optimistic of the role of foreign aid in promoting economic development in the existing underdeveloped countries of the world.

The Thesis:

In such a confusing situation, the present study will seek to examine the actual role played by the World Bank in promoting economic development in the underdeveloped areas of the world. The World Bank Group comprises the Bank itself, officially named the International Bank for Reconstruction and Development (IBRD), and its two affiliates, the International Development Association (IDA), and the International Finance Corporation (IFC). For our present study, we will focus our attention on the IBRD which was founded at the Bretton Woods Monetary and Financial Conference in 1944 and is a Specialized Agency of the United Nations, and the IDA which was established in September 1960, as a subsidiary of the IBRD. These two institutions were designed to serve the same general objective -- the provision of financial and other assistance for the economic development of the poor member countries.

As it is beyond the time and scope to encompass all the underdeveloped countries, it will be the endeavor

to examine the role played by the loans of the IBRD and the credits of the IDA in the economic development of Bangladesh taking her as a case study. The main thesis is that the current lending policy of the World Bank is not succeeding in promoting economic development in Bangladesh and that, to do so, it should be revised to meet the basic needs of the poor. More specifically, the present study will first seek an explanation of why the World Bank aid has not promoted the economic development of Bangladesh and then make recommendations as to what should be done to accelerate the cause of genuine development here.

As far as the first part of the thesis is concerned, the present study will establish the fact that the World Bank loans and credits given to Bangladesh over the past few years did not promote her economic development. The main reasons to be identified for this are the defective lending policy resulting from the nature of the institutions, the commercial and political interests of the major shareholders of the World Bank -- explaining the present nature and functioning of the Bank -- and the activities of the bureaucrats serving it who are concerned more with looking after the interests of its major shareholders to whom they are accountable

than the development interests of the borrower like Bangladesh, as well as the responsibilities of the political leadership, especially the policy-makers in Bangladesh, and Bangladeshi bureaucrats and others who are in charge of implementing the development projects and programs financed by the World Bank. The second part of the thesis will argue that unlike the current lending policy and practice which does not promote development, rather it served the interests of the Western capitalist countries who are the major shareholders of the Bank and resulted in growing impoverishment of the mass of poor Bangladeshis, the future loans and credits of the World Bank should be directed at meeting the basic needs of the poor if they are to lay the foundations for sustained, self-reliant development in Bangladesh.

The Choice of the World Bank:

The World Bank has been chosen in the present study as the major multilateral aid agency for financing the economic development of Bangladesh for many reasons. First, as will be evident from one of the two major assumptions that follow, Bangladesh needs foreign capital to finance a number of development projects and

programs. That external capital might come from either private or public sources. Private sources of foreign capital are not viewed with favor in this study because private banks "lend short-term based on private profits and not global requirements.... An increased role for the private banks in channeling resources mean[s] a greater scope for market forces. Lesser risks and higher profits dictate[d] concentration of lending in the most successful of the developing countries."¹

Hence we should look at public sources for the capital needed by Bangladesh. Again, public foreign capital may come from either bilateral or multilateral sources. But the main disadvantage of the bilateral [public] foreign capital lies, inter alia, in the political interest of the donor governments. Considering the fact that the United States at present is the major source of bilateral foreign aid, the political motive of the donor with such bilateral foreign capital with 'strings' attached to them in general will be evident from the following speeches and assertions made by one U.S. President, one leading Senator and one renowned economist. As President Kennedy said in 1961, "Foreign aid is a method by which the United States maintains a position of influence

¹
 Albert Fishlow, "Debt Remains a Problem", in Foreign Policy 30 (Spring 1978), pp. 134-35.

and control around the world, and sustains a good many countries which would definitely collapse, or pass into the Communist bloc".¹ George McGovern, Chairman, United States Senate Select Committee on Nutrition and Human Needs, has admitted that

... We dispense the surplus foods not on the basis of where they are most needed; but on the basis of power-political considerations of foreign affairs. In other words, we use the food as ammunition. There has been a continuing struggle between the Department of State, which favors giving food to our military allies, and the Department of Agriculture, which prefers to use the food to develop future commercial markets for American business. Very little of our Food for Peace has gone to Africa, where tens of thousands have perished from famine. But during the last year nearly half of it went to Cambodia and South Viet Nam. We stopped food assistance to the Chilean people when they elected Allende, and then resumed it when the military coup ousted the Allende Government. ...²

And Professor Hollis B. Chenery has written that "Economic assistance is one of the instruments of foreign policy that is used to prevent political and economic conditions from deteriorating in countries where we value the preservation of the present government".³ This leaves the multilateral agencies as the main source of external

¹Quoted by R. B. Sutcliffe in 'Foreword' for Teresa Hayter, op. cit., p. 5.

²Report on Nutrition and the International Situation, (Washington, U.S. Government Printing Office, 1974), p. 28, in Development Dialogue 1975, p. 31.

³Quoted by Sutcliffe, op. cit., p. 5.

capital needed by present-day Bangladesh. Of all the multilateral public sources, we have chosen the World Bank because aid provided by it has several distinctive advantages over all other sources:

It is less influenced by the donor's interests; the undesirable effects of tying are more easily avoided; it can more readily harmonize and improve the financial terms of aid (unlike bilateral aid, which allows one country to insist on hard terms while another offers aid on soft terms); it facilitates coordination of aid programs among the various aid sources and with the development priorities of the recipient countries; and it provides the opportunity for more aid consortia and consultative group arrangements to bring together the aid donors assisting a group of developing countries. ¹

Secondly, it can hardly be doubted that the World Bank has assumed the role of a leader of opinion in the field of aid. The very fact of establishing it in the Bretton Woods Conference in 1944 as the instrument of post-war monetary and financial cooperation for international development, has resulted in putting world-wide confidence on it. It has, as it were, become the symbol of international cooperation for development. But in recent years it has been less successful in living up to the expectation of the underdeveloped countries. As is

¹

Meier, op. cit. p. 359

evident from the World Bank Annual Report of 1978, the World Bank lending and investment commitment in fiscal 1978 has witnessed a decrease of 5.7% compared to that in fiscal 1977 in real terms.¹ The same is the case with "Net transfer of resources by the Bank and IDA to member countries during the year (disbursements minus repayments of principal, interest, and other charges) which totaled \$1,598 million, as against \$2,078 million in fiscal 1977."² Perhaps more distressing is the fact that IDA disbursements show a drop of 18% which adversely affected the implementation of many projects in underdeveloped countries.³ As a result of more demand for IDA assistance than the existing available funds, "IDA credits are severely rationed" and the result has been, inter alia, "low agricultural productivity" in many underdeveloped countries.⁴

¹ World Bank Annual Report 1978, p. 9.

² Ibid., emphasis added.

³ Ibid.

⁴ Ibid., p. 10.

Finally, though the World Bank loans and credits have accounted for only a small portion of the total external capital assistance to Bangladesh (till June 30, 1978, the total aid commitment was \$6,228.9 million of which the World Bank share was only \$554.8 million, i.e., about 12.93 percent), World Bank aid is considered vital for her for a number of reasons. The World Bank is suited more to make concessionary assistance, specially through its soft-loan window, i.e., the IDA, which Bangladesh needs. It is the only external source of capital which is legally authorised to make investigation on economic, technical, financial, organizational, managerial and operational aspects for suitable project preparation, financing and implementation. Although constituting a small proportion, the Bank aid has an important impact in the economy of Bangladesh well beyond its share of the total net aid flows. The country study reports and evaluations on the performance of Bangladesh economy prepared by the World Bank staffs have considerable influence on the official inflow of assistance from other bilateral and multilateral sources. The role of the World Bank in arranging and coordinating the Aid to Bangladesh Group since the grim year of 1974 has made it increasingly important.

In such circumstances, though the critics say that it fades in and out as a result of its decline in recent performance, it is necessary to see whether the World Bank can still serve the purpose of development of the poor, underdeveloped countries as the Bank had proved so successful in accelerating the task of post-war reconstruction of the war-ravaged Western European economies, and thus fresh confidence can be put on it. In the case of Bangladesh, it is urgent to see whether and how the World Bank can play a major role in initiating long-term change in the economy and thus make a far-reaching impact in the future.

Bangladesh As A Case Study:

Now we are to show the degree to which the Bangladesh experience is relevant to other Third World nations. It is necessary to mention here that Bangladesh stands out as a distinctive field for the testing of the latest theories of development. Bangladesh as a case study seems unique in the sense that she was forced to become a testing ground, especially of the theories of development experimented with by the World Bank in recent years. in view of the succession of calamities -- both natural and man-made -- which struck her over the past few years.

These include the devastating cyclone in 1970, the bloody war of liberation in 1971, and the unprecedented flood and the resulting famine in 1974. At present the economic infrastructure of the country is inadequate and she is prone to further cyclones, floods and droughts. Already the country is overpopulated but more distressing is the fact that about 80 per cent of the population live below poverty line.¹ The actual picture of the country may be well understood in a few words contained in a recent Bangladesh document, "Nowhere in the world is there anything like so much poverty shared by so many, squeezed into so little land area."²

The future of the Bangladesh economy presents so gloomy a picture with its present glaring resource imbalance and large and rapidly expanding population that the World Bank has recognized it to be "of major concern in international development".³ As a recent country economic

¹
The poverty line in Bangladesh is defined by the Government as a per capita annual income of \$110 (at 1975 prices). See Report No. 1469-BD, IBRD, Bangladesh: Current Economic Situation and Development Policy Issues (Document of the World Bank, May 19, 1977), p.3.

²
Government of Bangladesh, Some Thoughts on a Development Perspective for Bangladesh, A case for Concerted International Effort, (Dacca, Nov. 1975), in Ibid., pp. 3-4.

³
Ibid., p. 21.

report on Bangladesh prepared by the World Bank has admitted, "there are reasons to believe that the potential for progress toward alleviating the abysmal poverty of the population, given time, unflagging support from the international community, and feasible improvements in economic management, is greater than ¹present conditions would suggest."

Thus we can see that Bangladesh presents a unique feature in development studies because of her high density of population and low resource base giving her a per capita income of only \$90 in 1975. But despite this unique feature, the Bangladesh experience seems to be relevant and useful for other poor countries having a per capita income as low as that of Bangladesh. Table 13 in the Annex gives a list of the low income countries of the world (having a per capita income below \$200 in 1975). A careful inspection of the table reveals that the economic situation of most of these countries presents a similar situation as Bangladesh, especially as far as their growth rate over the past decade is concerned. These countries are also confronted with almost the same development problems as Bangladesh in view of the existing inadequacy in economic infrastructure and other natural calamities such as drought, etc. Hence the

¹ Report No. 1469-BD, op. cit., p. 21.

research interest of the present study lies in the fact that if the World Bank experiment in Bangladesh is successful, the Bank can be sure of further success in future in its dealing with other very poor countries.

This is all the more necessary because of recent criticisms that "Money from the World Bank... has not gone to help really poor people. It's been done in the name of the poor, but when you look over the projects, there's very little evidence that it's ever¹ really done anything to help the poor." It can be argued that the future of the Bank ultimately depends on the policies and practices that govern the quality of its lending and the amount of success achieved by it in promoting development of the present-day underdeveloped areas of the world. In other words, the Bank must manifest that it is more than a profit making instrument of its major shareholders, that it is really a development agency, and the Bangladesh economy presents a suitable ground for that purpose.

After making the main purpose of the study clear, it is now necessary to define the concepts like 'economic

¹ Steve Hellinger, "Checking out the World Bank", in New Internationalist 69 (November, 1978); p. 13.

development' and 'basic needs'. It is also necessary to spell out the major assumptions of the study.

Definition of Terms and Concepts:

The main concepts used in this study are 'economic development' and 'basic needs'. We now define these concepts.

Economic Development: Economic development in this study is seen as a dual test of growth and redistribution. Traditionally economic development was seen as the transformation of a feudal, often unproductive, society to a modern and productive one. Such a definition of economic development stresses 'economic progress' or an increase in economic welfare of a society. It views economic development as a "process whereby an economy's real national income increases over a long period of time. And, if the rate of development is greater than the rate of population growth, then per capita real income will increase." Thus the test of development in this sense is an increase in real per capita income without much attention as to how the income was distributed. But in recent years it has been increasingly recognized that development is meaningless if it

1

Gerald M. Meier and Robert E. Baldwin, Economic Development: Theory, History, Policy, (New York: John Wiley and Sons, Inc., 1964), p. 2.

does not serve the purpose of eradicating poverty, reducing income inequality, providing employment and guaranteeing a life of material, physical and spiritual prosperity for all the people in a country.

So the present study emphasizes that development, to be meaningful, should be man-centered and it should endeavor to improve the quality of life which man is leading. In fact, development should be viewed as being "concerned primarily with the quality of the life of the individual and not merely with the economic well-being of the state in which he lives"¹. This implies, in turn, "the gratification of all fundamental needs of a 'human being -- those giving him his dignity and his raison d'etre"². The human factor in development was stressed first by Dudley Seers in his article "What are we Trying to Measure?"³ in which he considered "what are the necessary conditions for a universally acceptable aim, the realization of the potential of human personality".

¹Richard J. Ward, Development Problems for the 1970s, (New York: Dunellen, 1973), p. xii.

²Paul Gérin-Lajoie, "A Selective Strategy", in Ceres 49 (January-February, 1976), p. 47.

³Dudley Seers, "What are we Trying to Measure?", in The Journal of Development Studies 8:3 (April, 1972), pp. 21-36.

He set forth three criteria for an evaluation of development in terms of what is absolutely necessary. The first criterion is "enough food", the second is "a job", and the third important criterion is "income distribution". His argument was that "below certain levels of nutrition, a man lacks not merely bodily energy and good health but even interest in much besides food, ... without [a job] personality cannot develop [but] this does not necessarily mean paid employment: it can include studying, working on a family farm or keeping house ... [and] it is a truism that poverty will be eliminated much more rapidly if any given rate of economic growth is accompanied by a declining concentration of incomes".

Viewed from this angle, the main emphasis of development should be devoted to "the creation of the capacity to create wealth" rather than "the creation of wealth."¹ It also envisages a "consciously projected forward movement of the total society; in other words, it is assumed that an upcoming generation will be prepared to maintain the gains already made and carry

¹ Richard J. Ward, op.cit., p. 75.

forward the process".¹ Thus development is seen in the present study as an attack on the chief evils in the underdeveloped world today: hunger, malnutrition, disease, illiteracy, slums, unemployment and underemployment. This may be effected by a rise in the GNP per capita per annum, income redistribution and utilizing human resources, that is, the vast majority of unemployed and underemployed labor force.

Basic Needs: The purpose of development is to raise the standard of living of the poor in the underdeveloped countries by providing them with the opportunity to develop their full human potential. This necessitates the meeting of the basic needs of the poor if development has to bear any meaning to them. The concept itself was coined by Mahbub ul Haq when he maintained that "new development strategies must be based on the satisfaction of basic human needs" which may be thought "in terms of a minimum bundle of goods and services that must be provided to the common man to eliminate the worst manifestations of poverty: minimum nutritional, educational, health and housing standards, for instance."²

¹ Richard J. Ward, op. cit., p. 76.

² Mahbub ul Haq, The Poverty Curtain: Choices for the Third World, (New York: Columbia University Press, 1976), pp. 27, 35.

Immediately after Dr. Haq's coining of the phrase at the 12th World Conference of Society for International Development, Ottawa, May 1971, it attracted world-wide attention and it was adopted as the main philosophy of the World Bank's lending policy as is evident in the annual speeches by its President, Robert S. McNamara, to the Board of Governors, especially in 1972,¹ 1973 and 1975. In the Tripartite World Conference on Employment, Income Distribution and Social Progress and the International Division of Labour, the proposed approach was that "development planning should include, as an explicit goal, the satisfaction of an absolute level of basic needs."² The Report of the Director General Of the International Labour Office on Employment, Growth and Basic Needs: A One-World Problem, for the first time provided the concrete conceptual framework for basic needs. According to this Report, basic needs include two elements:

¹ The main theme of his Santiago address in 1972 was to "reduce the deprivation" among the bottom 40 per cent of the population in the developing countries. In his Nairobi speech in 1973, he developed the new concept of "absolute poverty" defined by him as "a condition of life so degraded by disease, illiteracy, malnutrition and squalor as to deny its victims basic human necessities." And in his Annual speech in 1975, Mr. McNamara developed a new strategy for dealing with urban poverty of the developing countries.

² Employment, Growth and Basic Needs: A One-World Problem (Report of the Director-General of the International

First, they include certain minimum requirements of a family for private consumption: adequate food, shelter and clothing are obviously included, as would be certain household equipment and furniture.

Second, they include essential services provided by and for the community at large, such as safe drinking water, sanitation, public transport, and health and educational facilities. ¹

The ability of the poor people to increase production would depend on such factors as adequate food, better nutrition, better health, better sanitation, better housing, easy access to capital, marketing facilities, technical advice, appropriate technology and in appropriate cases among the rural poor, land. Thus the basic needs strategy is concerned with the "objective of providing the opportunities for the full physical, mental and social development of the human personality. ... It focuses on the end of channeling particular resources to particular groups, identified as deficient in these resources (e.g., caloric adequacy ² by age, sex and activity)".

Labour Office), (International Labour Office, Geneva, 1976), p. 31. emphasis original.

¹
Ibid., p. 32.

²
Paul Streeten, "The Distinctive Features of a Basic Needs Approach to Development", in International Development Review 1977/3, p. 9, emphasis original.

Basic needs constitute the minimum requirements for the poor people in the underdeveloped world as long as their overall economic well-being cannot be achieved. It is not the ultimate goal for them. Thus it is an immediate and intermediate step towards the vision of a good life characterized by rising prosperity. For an extremely poor country like Bangladesh, the minimum basic needs at present should include adequate food and nutrition, shelter, clothing, agricultural and other credits for the rural poor farmers and urban slum dwellers, basic health, proper sanitation, basic education and sufficient family planning facilities and easy transport and communication.

The Major Assumptions of the Study:

One of the major assumptions of the present study is that foreign aid is indispensable for achieving the economic development of Bangladesh. The validity of this assumption stems from the fact that at present the widespread poverty and low level of GNP cannot promise adequate domestic resource mobilization to finance a number of development projects for raising the productivity of the Bangladesh economy. The result

has been that Bangladesh has to depend on external capital to meet the gap between a high level of investment need and a low level of domestic resource availability.

At present, evidence suggests that "after an increase in recent years, investment still amounts to only about 12-13% of GDP; even though its financing the country depends critically on foreign aid which covers 75-80% of public investment".¹ The current estimate

made by the World Bank assumes that "Bangladesh would require aid disbursements of about \$880 million in FY 79, comprising \$180 million of food, \$400 million of commodities and \$300 million of project aid."²

The World Bank estimates for the requirement of foreign aid by Bangladesh in the past years also show a similar picture. For example, the World Bank representative, acting as the Chairman of the Bangladesh Aid Group, had recommended a similar figure of \$1070 million for

¹ Report No. 2245-BD, IBRD, Bangladesh: Current Trends and Development Issues (Document of the World Bank, December 15, 1978) , p. iv, emphasis added.

² Report No. 1931-BD, IBRD, Bangladesh: Current Economic Trends, Vol. I: The Main Report (Document of the World Bank, April 10, 1978), p. x

FY 1974/75 and \$1.1 billion for 1976/77.¹ According to the view expressed by the IMF representative in the Aid to Bangladesh Group meeting in Paris in July, 1978, "even with an expansion in exports and measures to increase domestic savings, success in the development task will continue for many years to be conditional upon the receipt of large-scale external assistance."²

Apart from these, the estimates made by both the renowned economists and the country's chief political leadership also believe that Bangladesh cannot do without foreign aid at present. For example, Just Faaland and J.R. Parkinson say that they "do not think that Bangladesh will be able to progress at a satisfactory rate unless a concerted international effort is made to assist her and to provide large amounts of aid over a long period."³ Professor Nurul Islam has recognized

¹ See BAN 75-5, IBRD, Bangladesh Aid Group (Document of IBRD, July 30, 1975) (Chairman's Report of Proceedings of the Second Meeting of the Bangladesh Aid Group, held in Paris on June 4 and 5, 1975), Annex IV, p. 2; and also BAN 76-3, IBRD, Bangladesh Aid Group (Document of IBRD, July 2, 1976) (Chairman's Report of Proceedings of the Third Meeting of the Bangladesh Aid Group, held in Paris on May 25 and 26, 1976), Annex II, p. 2.

² BAN 78-7, IBRD, Bangladesh Aid Group (Document of IBRD, July 18, 1978), p. 55

³ Just Faaland and J.R. Parkinson, Bangladesh: The

the fact that foreign economic assistance was so urgently¹ needed by Bangladesh.

Dr. M.N. Huda, one of the country's top ranking economists and presently the Minister for Planning, has also expressed the view that "our development effort is almost exclusively dependent on timely availability of foreign aid, adequate for a program size which ^{we} must undertake in order to effect some small improvement in the existing miserable lot of our people."² And General Ziaur Rahman, President of the country, at his victory press conference in June, 1978, asked all "Western correspondents to write that Bangladesh wanted every last cent in foreign aid the outside world was willing to give".³ In fact the importance of foreign aid for the economic development of Bangladesh is so great that "Actual events followed a course largely independent of the Plan, the composition of the development budget

Test Case of Development, (London: C. Hurst and Co., 1976), p. ix.

¹ Nurul Islam, Development Planning in Bangladesh: A Study in Political Economy, (London: C. Hurst and Co., 1977), p. 148.

² BAN 76-3, op. cit., Annex IV, p. 10

³ The Economist 10-16 June, 1978, p. 77.

often being determined by aid availability rather than
Plan priority.¹"

The other major assumption of this study is that the meeting of basic needs of the poor Bangladeshis is a sine qua non for the economic development of Bangladesh. This assumption rests on the ground that "the poor are prevented from sharing equitably in a general increase in output by a number of specific disabilities that can be summed up as lack of physical and human capital and lack of access".² As was pointed out by Mr. McNamara in his Nairobi speech, "the small farmer is to have at least the necessary minimum of economic and social infrastructure".³

Recognizing the fact that the major problem faced by presentday Bangladesh is extreme poverty resulting from a very high density of population per square mile with inadequate resources needed to feed the population and also recognizing that it is only

¹ Report No. 2245-BD, op. cit., p. iv.

² Hollis Chenery et al., Redistribution with Growth, (London: OUP, 1975), p. xv, emphasis original.

³ The Assault on World Poverty (Published for the World Bank by the John Hopkins University Press, Baltimore and London, 1975), p. 98.

by raising the productivity of the poor can the benefits of economic growth touch the lives of about 60 million Bangladeshis currently living in absolute poverty, basic needs strategy is indeed the proper strategy of development as it aims at "increas[ing] and redistribut[ing] production so as to eradicate deprivation that arises from lack of basic goods and services."¹ The main virtue of the basic needs strategy lies in the fact that in the poorest economies alternative strategies have failed to deliver benefits directly to the poorest section of the society but basic needs strategy is directed at the root cause of underdevelopment of poor countries like Bangladesh. As to the demonstration of the fact that the meeting of the basic needs has positive impact on development, we can see from historical experience that "the provision of more goods to satisfy human wants, individual and collective, is necessarily general, but describes as well the economic growth of Periclean Athens, Augustan Rome, Medieval France, Modern United States, and even India and Egypt in some centuries."²

¹ Paul Streeten and Shahid Javed Burki, "Basic Needs: Some Issues", in World Development 6:3 (March, 1978), p. 413.

² Richard J, Ward, Op. cit., p. 134.

In the presentday world, no government of the poor, underdeveloped countries have yet committed themselves to the satisfaction of the basic needs of the poor, and hence it is difficult to establish an empirical trade-off between the meeting of basic needs and economic development. But the advocates of this strategy argue that the partial experiment of meeting the basic needs of the poor by such socialist countries as the People's Republic of China, Cuba and Tanzania has proved fruitful to a great extent in promoting the overall development of these countries. Paul Streeten and Shahid Javed Burki provide a picture in which the failure to meet the basic needs of the urban as well as the rural, landless poor accounts for the virtual stagnation, even underdevelopment, of these economies. As they put it, "In the towns, access to jobs in organized industry was restricted, so that the majority had to eke out a miserable existence by work of low productivity in the 'informal' sector. In the countryside, where land ownership is highly concentrated, the landless labourers, the sharecroppers, the suppliers of direct services and those with only tiny plots of land were denied access to the resources that would have raised their productivity and income.

Lack of access to productive assets, low wages and rapid population growth kept their earnings low."¹

From this they argue that the meeting of basic needs has greatest relevance in redressing absolute deprivation for societies² where absolute poverty is concentrated.

In the case of Bangladesh, we can see that the effort to raise rice production in Kotwali Thana, the experimental 'laboratory' of the Comilla Program in the mid-1960s "through supplying credit, inputs and extension education did quite well, and yields went up substantially"³. It is also generally believed that much of the economic well-being, however meagre, over the past two years has resulted from good rice harvest which itself is the result mainly of giving production input to the poor farmers by the Government. Still there is no place for complacency. As "hunger and malnutrition are indeed due to the fact that the

¹ Paul Streeten and Shahid Javed Burki, op. cit., p.412.

² Ibid., p. 414.

³ Harry W. Blair; "Rural Development, Class Structure and Bureaucracy in Bangladesh", World Development, Vol. 6, No. 1 (January, 1978), p. 66.

poor are deprived of the means either to produce or to purchase their food, the socio-economic mechanisms being so organized as to ensure that the lion's share goes to the rich and the powerful",¹ the future of the millions of poor Bangladeshis seems to be bleak unless they are made more productive by providing them with the basic needs of life.

In such circumstances, it is imperative that the Government of Bangladesh understand the economic and other problems of the poor Bangladeshis and anticipate their needs and aspirations and undertake adequate measures in an effort to promote the economic development of the country. Although the ultimate task of improving the lot of the Bangladeshis rests with the Government and people of Bangladesh, international assistance will be needed, and the present study is an attempt to focus on the current state of affairs, indicate future economic prospects and advocate what corrective measures may be needed both on the part of the Government of Bangladesh and the World Bank for the genuine development of Bangladesh.

¹ Cf: Towards Another Development (The 1975 Dag Hammarskjöld Report on Development and International Cooperation) in Development Dialogue 1975, p. 30.

Chapter Outline:

The study is organized as follows. Chapter I will discuss in brief the history and lending policy of the IBRD and IDA. Chapter II will introduce Bangladesh as the test case of development. Chapter III will make arguments to establish the bargaining strength of Bangladesh to demonstrate that the World Bank has its own interest in undertaking the task of promoting the economic development of Bangladesh and not merely that Bangladesh should dictate policy in development matters. Chapter IV will try to establish the fact that the World Bank aid has not promoted the economic development of Bangladesh. Chapter V will analyse the reasons for the failure of the World Bank to promote the development of Bangladesh. As will be evident from the discussion, the main responsibility for that lies with (i) the nature and lending policy of the World Bank; (ii) the commercial and political interests of the major shareholders who provide the bulk of lending fund for the purpose of serving their own interests rather than the interest of development of the poor recipient like Bangladesh, and the device through which they control the Bank; and (iii) the bureaucrats serving it who usually look after the interest of its major shareholders more than the development interests of

the borrower. Chapter VI will examine the failure of the Government of Bangladesh to promote the development of the country. As will be evident from the discussion, the main responsibility for that lies with (i) the political leadership, especially the policy-makers in Bangladesh; and (ii) Bangladeshi bureaucrats and others who are in charge of implementing the development projects and programs financed by the World Bank. Chapter VII will be devoted to developing a model showing the link between the World Bank loans and credits, basic needs, and economic development of Bangladesh, and expected working of the model here. Chapter VIII will make some policy recommendations indicating how the World Bank can contribute to the economic development of Bangladesh.

CHAPTER I

A BRIEF HISTORY OF THE IBRD AND IDA AND ITS LENDING

POLICY

When the World War II was in full progress in the early 1940s, the politicians and the diplomats of the Allied Powers were thinking in terms of devising a plan for the preservation of the future peace and security of the world, and the establishment of the United Nations was the logical outcome of this effort. At the same time the economists and the financial experts of these countries also began to consider what plans could be made in order to preserve the future peace of the world by solving the probable economic and social problems of the post-war period. As they could foresee that private international investment which was so successful in promoting overseas development in the late nineteenth and the early twentieth centuries would not be forthcoming in the post-war period, they began to think in terms of establishing an international investment institution which would coordinate the international flow of capital from the developed to the less developed countries for accelerating development in the

latter. It is necessary to mention here that the immediate concern was the provision of relief and physical reconstruction of the economies ravaged by the war. The long term objective, however, was political which may be proved by the fact that they desired "the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and the consumption of goods which are the material foundations of the liberty and welfare of all peoples..."¹

After several preliminary meetings on these issues, the representatives from 44 Allied Nations convened the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire, U.S.A. on July 1, 1944. After extensive deliberations, the Articles of Agreement for two complementary, international financial institutions were drawn up. The first one -- the International Monetary Fund (IMF) -- was designed to promote international currency stability by helping to finance temporary balance-of-payments deficits of the member countries and by providing for the progressive

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Article VII, Mutual Aid Agreement between the United States and Great Britain, in Policies and Operations: The World Bank Group (September 1974), p. 3.

elimination of exchange restrictions and the observance of accepted rules of international financial conduct. The second one -- the International Bank for Reconstruction and Development (IBRD) -- as the name implies, was established for the purpose of financing the reconstruction of the war-ravaged economies of Europe and promoting economic development of the underdeveloped areas of the world. The Articles of Agreement of the Bank were formally accepted by the majority members by December 27, 1945 and the Bank began operations on June 25, 1946.

At first, the Bank was concerned with the reconstruction activities of the Western European economies which were shattered by the wounds of the war. But the advent of American aid under Marshall Plan relieved the Bank in its task of reconstruction and hence it could devote more time and energy to the promotion of economic development of the member countries. As far as its role in promoting economic development is concerned, the Bank's Articles of Agreement provided few positive guidelines beyond a very vague statement of purposes, which mentioned "investment of capital for productive purposes", "promote long-ranged balanced growth of international trade", and "arrange the loans made ... so that the more useful and urgent project ... will be

dealt with first" (Article I). The Articles more explicitly stated their restrictions on lending activities, stipulating (1) that the Bank could lend money if it was satisfied that "in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower", (2) that loans should be for specific and productive projects, "except in special circumstances", and (3) that loans could be used for local expenditures only "in exceptional circumstances" (Articles III and IV). The Bank also pays due regard to the prospect of repayment. Each loan is made to a government or must be guaranteed by the government concerned. The use of loans cannot be restricted to purchases in any particular member country (Article III).

All powers of the Bank are vested in the Board of Governors consisting of one Governor and one Alternate appointed by each member (Article V). With the exception of certain powers specifically reserved to them as stipulated in Article V, such as decisions on membership, allocation of net income, and changes in the capital stock, the Governors have delegated their powers to the Executive Directors who perform their duties on a full-time basis at the Bank's headquarters.

in Washington, D.C. Five of the Executive Directors are appointed by the five largest shareholders, and the remaining 15 (at present there are 20 Executive Directors) are elected by the other members. All matters before the Bank are decided by a majority of votes cast by the Executive Directors. Voting by the Executive Directors is weighted; each Director's vote being the sum of the voting power of the member country or countries he or she represents. All votes by an elected Director must be cast as a unit (Article V).

The Bank usually makes loans from its own capital funds subscribed by its member countries. But a major portion of its lending activities is done from the funds borrowed in the world capital markets. Loans made by the Bank have an interest rate which varies at present from 8 to 9 per cent.¹ The main determining factor of the interest of the Bank loan is the interest rate at which the Bank borrows in the World's capital markets -- the interest rate charged by the Bank being about one-half per cent above the Bank's borrowing costs. Bank loans generally have a grace period of five years and are repayable over 20 years or less. The Bank charges

¹ A World Bank loan on June 30, 1977 carried an interest rate of 8.2%. See IDA: International Development Association (A World Bank Publication, April, 1978), p.5.

interest for the disbursed portion of the loan only plus a charge of one-half per cent over the committed portion of the loan.

The actual lending procedure of the Bank starts with the selection of the project in the borrowing country. All projects are identified through discussion among Bank officials and representatives of the recipient country's government. The Bank insists that the project to be selected must fit within a previously determined national economic plan. The actual lending policy, or its operational phase, i.e., the practice, determines the ultimate success or failure of the World Bank aid in promoting development of the underdeveloped countries. The general practice of the Bank is to direct loans towards projects which are likely to ensure repayments through success of the project in terms of profit-making. For this purpose, before making a loan, the Bank staff examines the overall economic and financial situation of the borrowing country, such as per capita income, population growth, savings rate, tax base, foreign exchange position, terms of trade, external debt and the potential for future. These are usually done by the staff through the preparation of working papers on country economic

reports and evaluations. It is no wonder that the World Bank insists and has the right to receive information in these matters.

As far as the actual selection of a particular project is concerned, first the Bank staff becomes sure of the creditworthiness of the potential borrower. Then the staff carefully apprises the project for which a loan is proposed. This usually involves investigation of various aspects of the project: economic, technical, financial, organizational, managerial and operational. The economic aspect relates to the overall benefits and cost analysis of the project. The technical aspect examines the feasibility and merits of the project. In essence, the project must be of high priority to the economic growth as well as fit into the country's economic development program when it is approached. The result of the investigation is contained in the report the project appraisal^a mission prepares and submits to the Executive Directors. In some cases, the report proposes fundamental changes in the country's economic and social structure and also includes suggestions for sound implementation and efficient operation of the project before it may be financed by the World Bank. Undoubtedly, there is a lag between the submission

of the project appraisal report and the loan agreement signed by the representatives of the World Bank and the borrowing government. During that period, the Executive Directors can be sure that the prospective borrower abides by the suggestions made by the World Bank staff. It is worthwhile to mention here that the Bank's Articles of Agreements provide that economic considerations alone are relevant to its lending decisions and that political considerations should be precluded while making the loan or, in other words, the Bank should not interfere with the domestic political system or situation of a member country. But in actual practice, the Bank recognizes that "Economic policy may be linked to political policy and thus Bank decisions may be influenced by or have an influence on the domestic affairs of a country".¹ The Bank forms a judgement on issues connected with the borrowing country's political situation as far as it is important for the smooth running of the economy. The result is that very often the Bank exerts political pressure on the prospective borrower, for example, to settle

¹ The World Bank: Questions and Answers (March 1976), p. 7.

expropriation claims or similar disputes, before a loan agreement is signed. In fact, before making a loan, the Bank has to ^{be} satisfied about the concrete evidence that the potential borrower is taking positive measures in line with the recommendations made by the World Bank authority.

As has already been mentioned, the Bank makes loans to specific productive projects in the borrowing countries, and only the foreign exchange component is provided by it. The Bank can, however, make non-project loans in extraordinary circumstances, when by doing so, the effectiveness of development efforts of member countries would be enhanced. Non-project loans usually take the form of providing foreign exchange to enable the recipient in importing capital goods for supporting the existing productive facilities of the selective sectors of the economy. Its main purpose is to maintain the momentum of development activities at the time of natural or other disasters in the member country.

Once a loan agreement is signed by the World Bank with the borrower, the next step is to disburse the loan proceeds. The Bank does ~~not~~ hand over hard cash to the borrower for the procurement of goods and services from any country of the world but controls the disbursement

of the loan. Borrowers are generally required to obtain goods and services financed by the Bank through international competitive bidding open to suppliers in the Bank's member countries and Switzerland. In actual practice, disbursements of loan proceeds are carefully scrutinized and are made only on receipt of documentation that the goods and services being paid for are covered by the loan agreement and have been procured in accordance with its terms. The main objective of the World Bank in maintaining so tight a control in loan disbursement is to guarantee the efficient use of the loan proceeds by the borrower.

This lending policy of the World Bank clearly reflects the reality of the intellectual climate of the early post-war period in that it was formulated on the experience of the development of the well-off countries of Europe and North America at that time. This is evident from the closing address of the Bretton Woods Conference delivered by the then Secretary of U.S. Treasury, Henry Morgenthau, Jr. stating that "the chief purpose of the Bank is to guarantee private¹ loans made through the usual investment channels".

¹
Quoted by Aart J.M. van de Laar, "The World Bank: Which Way?", in Development and Change 7(1976), p.73.

Thus it can be seen that "the Bank is for practical purposes structured similarly to an ordinary investment bank. It borrows on the international capital market and lends the proceeds to developing countries."¹ As a result, as has been nicely pointed out by Andrew Shonfield, "the semi-developed countries who are in a position to meet the requirements of World Bank loan criteria have been allowed to get away with things that are strictly denied to the poor, untrustworthy and underdeveloped countries".² "A[nother] major factor bearing on Bank lending is that its capacity to lend is dependent on the level of development of the borrowing country. Poor countries are usually deficient in institutional capacity to prepare suitable projects for submission to the Bank."³ Apart from these, as has been maintained by Eugene R. Black, former President of the World Bank, "a major test of any project the Bank is asked to finance is whether directly or indirectly

¹ Aart J.M. van de Laar, op. cit., p. 74.

² Quoted by Uner Kirdar, The Structure of United Nations Economic Aid to Underdeveloped Countries, (The Hague: Martinus Nijhoff, 1966), p. 121, emphasis original.

³ van de Laar, p. 82.

it will increase production"¹ as if direct and visible productive projects are the only ones which alone contribute to the economic development of a country. Thus initially specific projects were the basic units to which funds were allocated by the IBRD. But when a large majority of Afro-Asian countries achieved independence in 1950s and 1960s, and began their own development planning, it became evident that the traditional lending policy of the Bank was unsatisfactory in solving the problems of development faced by these newly independent and poor nations. Gradually the Bank officials could visualize the nature of problems faced by them and the lending policy of the World Bank has since been modified to face the new challenge of development which could not be realized or anticipated by its original framers.

The over-all policy signals from the Bank during the past decades have been conveyed by its Presidents in their various speeches. Under Eugene R. Black, President of ^{the} World Bank Group from July 1, 1949 to

¹
* Quoted by James P. Sewell, Functionalism and World Politics, (Princeton: Princeton University Press, 1966), p. 201, emphasis original.

December 31, 1962, the main focus on Bank lending was on investment in transport and power projects. His successor, George Woods (January 1, 1963 to March 31, 1968), initiated a change with extended loans to education and agriculture also. But under the present President, Robert S. McNamara (April 1, 1968---), the Bank has embarked on an ambitious program to expand its activities in such sectors as rural development, agriculture, education, health, tourism and even meeting the basic needs of the people of the poor countries.

In more recent years, Mr. McNamara has spelled out the major policy objectives in his annual speeches to the Board of Governors. He could realize the main problems of development faced by the underdeveloped countries and accordingly expressed the determination of the World Bank in tackling them. A major theme of his address in Santiago in 1972 was that economic growth is not filtering down to the bottom 40 per cent of the population in the developing countries and so his declared policy objective was to "reduce the deprivation"¹

¹ See Mahbub ul Haq, op. cit., pp. 9-10.

among them. More important was his Nairobi speech in which he developed his new concept of "absolute poverty" defined as "a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities."¹ Absolute poverty, he said, was the lot of 40 per cent of the people of the developing countries. There was a marked shift in emphasis in the Bank's development policies following that famous speech. And in his Annual Speech in September 1975, Mr. McNamara developed yet another basic strategy designed to help national governments in the developing countries to increase capacity of towns and cities there to absorb the growing number of newcomers in the urban slum areas with a view to alleviating their poverty and miserable conditions of life.²

Thus we can see that this recent change in the emphasis of the Bank's strategy is very much in accord, at least theoretically, with the more recent strategies of development.

¹ See Finance and Development 15:2 (June, 1978), p. 11.

² See Finance and Development 15:3 (September, 1978), pp. 10-12.

It is necessary to mention here that in spite of the fact that the World Bank has increasingly designed "new-style projects" with the objective of directly benefiting the poor, the Bank itself, that is IBRD, still now exists as a commercial type of institution. The major burden of the World Bank's benevolent type of programs is borne by the new affiliate of the Bank -- the IDA -- which was formally proposed by the U.S. delegate to the joint meeting of the IBRD and the IMF in September, 1959 and was established the following year. The original idea of the IDA was expressed by a prominent Indian, Sir A. Ramaswami Mudaliar, to Eugene R. Black as far back as 1950 when he expressed that the Bank's requirements could not be met by those most needing loans, and urged "a little more sympathy, a little more heart, a little less of the logic¹ality that is characteristic of bankers".

The purposes of the IDA are defined as follows:

to promote economic development, increase productivity and thus raise standards of living in the less-developed areas of the world included within the Association's membership, in particular by providing finance to meet their important developmental requirements on

¹

Quoted in James P. Sewell, op. cit., p. 283.

terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans, thereby furthering the developmental objectives of the International Bank for Reconstruction and Development ... and supplementing its activities (Article 1).

In contrast to the loans made by the IBRD with a high rate of interest, the aid given by the IDA, known as credits to distinguish them from Bank loans, have no interest but they include an annual service charge of 0.75% on the disbursed portion. IDA credits are made only to governments and have 50-year maturities with an initial grace period of 10 years. IDA's assistance is concentrated on the very poor countries --mainly those with an annual per capita gross national product of less than \$520 (in 1975 dollars). More than ¹ 50 countries are eligible under this criterion.

Known as the World Bank's "soft-loan window", the main sources of IDA's financial resources are: "members' initial subscriptions, periodic replenishments provided by richer members, special contributions made by some members, loans and contributions made by non-members, grants from the World Bank out of its net income, and IDA's own accumulated net income". ² "IDA's resources

¹
World Bank Annual Report 1978, p. 3.

²
Finance and Development 14:2 (June, 1977), p. 6.

are allocated to countries on the basis of four main eligibility criteria: the poverty level; lack of creditworthiness; adequate economic performance; and the availability of projects suitable for IDA financing".¹ Although technically and financially two separate institutions, the President of the Bank is IDA's President. The Bank's Executive Directors serve as IDA's Executive Directors. The Bank's Governors -- at least those representing countries which have elected to become IDA members -- are IDA's Governors. IDA has no employees of its own. World Bank employees do the work of preparing and supervising the projects and programs financed by IDA.

Dr. Mahbub ul Haq is of the opinion that "IDA has been able to maintain a strong emphasis on poverty in its assistance. This is mainly because IDA is multilateral and non-political, and because its overall objective is to reach the poorest people, 80 per cent of whom live in the poorest countries."² There is no doubt that in recent years the IDA has been channeling an increasing amount of resources to the poorest countries in accordance with the changed philosophy of the

¹ Finance and Development 14:2 (June, 1977), p. 7.

² Mahbub ul Haq, "Changing Emphasis of the Bank's Lending Policies", in Finance and Development 15:2 (June, 1978), p. 13.

lending policy of the World Bank. Apparently it seems that the World Bank's general statement about broad measures needed to alleviate and reduce rural poverty include "sustaining rapid economic growth", "modifying the patterns of economic growth so as to raise the productivity and incomes of the poor", and "improving the access of the poor to essential public services". But we are to examine whether the World Bank has really been successful in translating these highly lofty ideals into actual practice. Pending the detailed analysis from Bangladesh experience in Chapter IV, here we will discuss only the very nature of the institution to see whether there is any institutional constraint which obstructs its successful operation.

To begin with, whatever the Bank has done in the past and is doing at present to promote economic development in the poor countries of the world, we must always remember that the World Bank is not a social welfare agency committed to making transfer payments to solve the problems of misery or poverty. It is a

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Milton J. Esman, Landlessness and Near-landlessness in the Developing Countries, (Rural Development Committee, Center for International Studies, Cornell University, Ithica, New York, September, 1978), p. ii.

development bank largely fed by the fund from the Western capital markets and hence it provides protection and serves the interest of its major shareholders.

"Critics argue that the World Bank, by its very nature, is political: since it is controlled by the financial elites of the world's leading capitalist countries."¹

They have devised various methods through which to serve their own commercial and political interest rather than the interest of development of the poor countries.

These are as follows.

First, they control the operation of the World Bank through commanding the voting power. From table 14 in the Annex, we can see that the five largest shareholders of the Bank -- Canada, France, Federal Republic of Germany, the United Kingdom and the United States -- control 47.95 per cent of the total voting power. As all matters before the Bank are decided by a majority of the votes cast by the Executive Directors, they have always been successful in protecting their own interest in all matters.

¹ Steve Hellinger, op. cit., p. 13.

Secondly, the World Bank provides only the foreign exchange component of a project, and though the loan proceeds are not tied to the purchase of goods and services from any member country theoretically, the actual disbursement procedure adopted by the Bank virtually amounts to the purchase of the capital goods from these countries. The result has been that they were always successful in attaching more importance to the foreign exchange component portion of any project and thus facilitating the supply of capital goods from their own countries. "One US State Department estimate shows that for every dollar the US has paid into the Bank, it has received two dollars back".¹

Thirdly, as the rate of interest of the Bank loan is determined on the basis of the rate of interest on which the World Bank borrows in the Western capital markets, they have been successful in realizing the lion's share from the World Bank.

Fourthly, they have controlled the Bank in such a way that it "helps maintain the prevailing financial, economic, political, and social orders of the Third World -- and indirectly, the First World --

¹
Joe Collins and Francis Moore Lappe, "A Debit Account", in New Internationalist 69 (November, 1978), p. 14.

at the expense of the aspirations of the poor".¹

Even the IDA, which seems to maintain "a strong emphasis on poverty" and whose objective seems to "reach the poorest people", has been devised by the major shareholders to fulfil their own interest. Its main purpose is to build the basic infrastructure in the poor countries over which the Bank may lend in future for productive purposes in specific projects. Although a substantial amount of IDA's lending fund comes from the Bank's net income in every fiscal year as grants, these are made "after prudent allocation of net income to reserves. And only that portion is available to IDA which otherwise might have been appropriate for dividend payments."² In recent years, in spite of the high publicity of the IDA credits that they reach the poor, the main interest of the major shareholders seems to be the financing of such projects as would develop the economy of the recipient country in such a way that earlier Bank loans could be repaid and fresh loans could be made there. The major shareholders

¹ Steve Hellinger, op. cit., p. 13.

² Eugene H. Rotberg, "The World Bank -- A Financial Appraisal: II", in Finance and Development 13:4 (December, 1976), p. 38.

of the Bank know well that "Any of the poorer countries qualifying for IDA assistance which had an outstanding Bank loan would seriously hesitate before defaulting on it lest it jeopardize the interest-free 50-year development credits from IDA".¹

In sum, it seems that the current lending policy of the World Bank is not favorable for achieving the interest of genuine development of its poor member countries. When interviewed by the present author, a few officials of the World Bank admitted that in many cases (Bangladesh being the most striking one) World Bank aid was not succeeding in promoting development, but they could not specifically point out the causes for this, though they put the blame on the national level. Yet the impact of the current lending policy of the World Bank should not be underestimated. Accordingly, the present study focuses its main attention to the analysis of the respective responsibility of the donor (i.e., the World Bank) as well as the recipient (i.e., Bangladesh) for the failure of World Bank aid in enhancing the economic development of Bangladesh. But before doing so, it is necessary to introduce Bangladesh as the test case of Development.

¹Eugene H. Rotberg, op. cit., p. 38.

CHAPTER II

BANGLADESH AS THE TEST CASE OF DEVELOPMENT

As the present study is devoted to the analysis of the lending policy of the World Bank in promoting the economic development of Bangladesh, it is necessary to have a close view of the present economic conditions of Bangladesh, especially the current problems on the way to her economic development.

Bangladesh emerged as an independent state on the map of the world on December 16, 1971, after nine months of a bloody war of liberation. Immediately after her liberation from the occupation of the Pakistan army, the main problem faced by the young republic was the question of survival. The war of liberation had caused heavy damage to the economy of Bangladesh, especially her basic socio-economic framework and infrastructure were completely disrupted. So a gigantic task of reconstruction and development of the war-ravaged economy had to be undertaken by the newly installed Dacca regime with war-like challenge. Initially there was no lack of enthusiasm shown by the national government as well as response from the international community in undertaking the huge task

of reconstruction of the devastated country and also providing food and resettling nearly 20 million displaced people.

The total amount of loss of physical capital was estimated^{at} over Tk. 12493.19¹ million [\$ 1249.32 million]. This tremendous loss caused by the destruction of the Pakistan occupation army had to be repaired if the economy of Bangladesh was to return to normalcy. This was also very essential for starting the eventual task of development once the economy could be set right. Initially it was thought that the reconstruction of the devastated country would take about three years. As Bangladesh was ill-equipped economically to undertake these important duties with her own capital, she had to open her door to the international aid donors. The response from the international community was encouraging, if not totally satisfactory. The ultimate² price Bangladesh has paid in its fight for survival is a growing dependence on foreign aid". Such a dependence on foreign aid

¹ See Mohammad Zamir, "Reconstruction of Bangladesh", in Bangladesh (A Souvenir on the First Anniversary of Victory Day, Dec. 16, 1972), tables I and II on p.93..

² Marcel Barang, "Latest Theories Tested Here",

ever since her bloody emergence has made Bangladesh a "testing ground for the programmes of the World Bank and other international agencies".¹

In its earliest stages, the efforts on the part of the international community consisted mainly of grants but it was clear by 1973 that the emergency relief operation was making Bangladesh's state of crisis permanent. The billion dollar injection of assistance appeared to vanish into a bottomless bowl.² The efforts directed at developing Bangladesh seemed to be fruitless. In other words, in spite of massive efforts, there was no sign of improvement of the Bangladesh economy. So the aid agencies were disillusioned and they began to move into a new phase: development schemes were to take over where relief left off.

It is unfortunate to mention here that the amount of money provided by the international agencies and the bilateral donors for undertaking the task of reconstruction and building the infrastructure of the

in Far Eastern Economic Review May 19, 1978, p. 30

¹
Ibid.

²
New Internationalist 49 (March, 1977), p. 18.

economy of Bangladesh could not be properly utilized successfully because of the misuse of funds. However, this will be examined in Chapters V and VI.¹ It is enough to mention here that aid worked as a double-edge weapon for Bangladesh: first, it created "new dependence of the richer Bangladeshis on Western commodities arriving in the name of aid -- Toyota vehicles, baby foods and sophisticated drugs", and secondly, "the tragedy was, that apart from a tendency to reinforce corruption, the extravagant handouts began to instil a beggar mentality."

At present, the total population of Bangladesh is estimated at 85 million, 93% of whom live in the rural areas. Of them, according to a recent study, as many as 25 per cent are landless. The percentage of marginal cultivators is 45 and so the percentage of combined landlessness and near-landlessness in Bangladesh is more than 75 .² As a result, about 25 million poor Bangladeshis have to depend on physical labor for their livelihood. The top 10% of land-owners

¹
New Internationalist 49 (March, 1977), p. 18.

²
Milton J. Esman, op. cit., p. 8.

in the country own 34% of the land.¹ Bangladesh is one of the most overpopulated countries in the world. The land area is about 55,126 square miles and the density of population is above 1542 per square mile. At present, 83% of the cultivable land is under plough and though the land is fertile, the average yield of rice per acre is about one-fifth of that in Japan. Only 3 million out of 25 million acres in Bangladesh are planted with high-yielding varieties, less than 5% of the cultivated land is irrigated, and although double or triple cropping is feasible, the average farm grows only 1.4 crops annually.

There is a 13% chance of dying before the age of one,² and a 25% chance of dying before the age of five. Life expectancy is 47. The incidence of poverty has increased drastically in the last decade. The percentage of the rural population classified as "extremely poor" is estimated to have risen from 5 per cent in the sixties to 41 per cent in the seventies.³

¹ New Internationalist 49 (March, 1977), p. 3.

² Ibid., pp. 2-3.

³ See Report No. 1931-BD, IBRD, Bangladesh: Current Economic Trends, Vol. 1, The Main Report (Document

Per capita consumption of foodgrains dropped from 388.2 lbs in 1969-70 to 339.1 lbs in 1974-75.¹ Protein and calorie deficiency constitutes one of the most complex problems and there has been a marked deterioration as compared with the sixties. Protein consumption of the absolute poor is now 48 grams per person per day (43 grams per day for the extremely poor), as compared with the FAO recommendation of 61.5 grams. Per capita calorie intake of the "extremely poor" is 1,720 per day, as opposed to FAO recommendation of 2,150 per day.² In short, the chances of being permanently underfed are 54%, and of protein deficiency 40%.³ As a result of this inadequate food intake and nutritional and calorific deficiencies, Bangladesh is hindering the physical and intellectual development of about 40 million children and thus seriously limiting their future genetic potential.⁴

The percentage of literate persons with respect to total population is 20.2 according to 1974 census.

of the World Bank, April 10, 1978), p. vii. See also fn 1, p. 17 in the introductory chapter for the poverty line as defined by Bangladesh.

¹ Report No. 1931 - BD, IBRD, Bangladesh: Current Economic Trends, Vol. II, Population Growth and Planning (Document of the World Bank, April 10, 1978), p. 9.

² Report No. 1931-BD, Vol. I, op. cit., p. vii

³ New Internationalist 49 (March, 1977), p. 3.

⁴ Cf: Paul Gérin-Lajoie, op. cit., p. 47.

The great disparity between male and female literacy is evident from the fact that 27.6% of the males are literate, while only 12.2% of the female population is literate. The enrollment ratio continues to be poor, being 18.7% for the 5-9 age group and 33.8% for the 10-14 age group.¹ On an average, only 14% of the girls² and 33% of the boys complete five years of schooling. The population growth rate is about 2.8% per annum, which means that every year more than 3842,000 children are³ born in Bangladesh.

At present, about 30% (or roughly 8.93 million)⁴ are either unemployed or underemployed, and the number of people added in the unemployment list each year as a result of rapid population growth is estimated to be .31 million. In a country already beset by the acute form of poverty, the

¹ Report No. 1931-BD, Vol. II, p. 10.

² See Zafrullah Choudhury, "The Paramedics of Savar: An Experiment in Community Health in Bangladesh", in Development Dialogue 1978: 1, p. 45.

³ Bangladesh Economic Survey 1977-78, p. 206; Latter figure estimated.

⁴ Estimated from data given in Ibid.

major problem for Bangladesh ... is how in a world of very rapid population growth one can simultaneously solve the problems of economic development and modernisation and the problems of creating employment for the very large numbers entering the labour force each year as well as for the very large numbers of already existing unemployed and underemployed, living in most cases in the rural areas and creating almost insoluble problems of housing, sanitation, public services if they move in large numbers to the cities. ¹

A vast majority of people in Bangladesh live in poverty and a substantial number of them live in crushing poverty. Per capita annual income averages at \$ 110. Among the poor countries of Asia, only in Bangladesh did population expand faster than domestic food production, and only in Bangladesh could one conceivably argue that the trends in food production explain the trends in poverty that is so heart-breaking. Another disturbing fact is that of all the poor countries in Asia, it is in Bangladesh where average incomes have fallen, but nevertheless the rich have become richer while the incomes of the poor have fallen faster than the average. ² In such circumstances, it is necessary to attack the existing poverty at the root

¹ E. A. G. Robinson and Keith Griffin (eds.), The Economic Development of Bangladesh Within a Socialist Framework, (London: Macmillan, 1974), p. xxi.

² A. R. Khan, Poverty and Landlessness in Rural Asia, (Geneva: International Labour Office, 1977), pp. 15, 19.

by mitigating the "effects of inequitable distribution of income, inadequate social services, maldistribution of land, and institutions which tend to perpetuate these things".¹

To add to the problem of extreme poverty, Bangladesh has become heavily indebted over the past few years. "By the end of June 1976 the external public debt actually incurred had soared to US \$2.79 billion. The cost of servicing the debt in 1975-76 was already as high as US \$88 million (as against US \$ 400 million earned from exports, giving a debt service ratio of about 22%). It will jump to US \$ 125 million by 1985 -- a steady and serious drain on the country's pitifully small resources."² The problem is more acute than it apparently seems to be in view of the fact that at present "54% of the national budget is financed by foreign grants and credits. External finance meets 80% of all public development expenditures".³ This huge amount of external capital

¹ Robinson and Griffin (eds.), op. cit., p. xv.

² Marcel Barang, op. cit., p. 30, but table 9 in the annex shows a different picture.

³ Ibid.

relieves the Government of Bangladesh for the time being but as these are not promoting development, they will be a liability in future. Not only will they become a serious constraint for national policy-makers but also they will require more foreign exchange for amortization and interest payment and hence less will be available for financing future development projects and programs. This will impose a need for even larger gross capital inflows to effect a net transfer of resources. But "the tragedy is that Bangladesh is¹ wasting the few precious years it has to develop". In such circumstances, the problem of development of Bangladesh is a burning question, no doubt. Indeed, something concrete must be done to save the lives of the millions of poor Bangladeshis otherwise "the state of extreme poverty and deprivation, of recurring deep crises and of further social disorganisation will become all-pervasive and inevitable; growth and develop-²ment will be a fading dream".

¹ Kai Bird and Susan Goldmark, "The Food Conspiracy", in New Internationalist 49 (March, 1977), p. 21.

² Faaland and Parkinson, op. cit., p. 75.

As is well known to the development experts, the Government of Bangladesh has done a lot in the name of development in the past but all in vain. One of the main reasons for this is that all the activities of the Government of Bangladesh in the past were ill-directed and they also lacked well-defined purposes. So this study attempts to assess the future economic prospects of Bangladesh in the light of the current economic conditions as just mentioned and advocate what pragmatic courses of actions should be taken as corrective measures. We have seen that as it is not possible on the part of Bangladesh to undertake this gigantic task with her own resources, external assistance will be need^{ed} and the World Bank has been chosen as the suitable source of external capital in this study. So it is also hoped that the World Bank will understand the deplorable economic condition prevailing in Bangladesh, as it is clear from the above picture, and its development efforts in future will be directed in the direction demanded by the urgency of the problem if it is to succeed in promoting the cause of actual development in Bangladesh.

CHAPTER III

BARGAINING POWER OF BANGLADESH

Recognizing the fact that Bangladesh is in need of a massive amount of foreign aid at present, one important question arises immediately: whether the international community is expected to help her on its own volition on the basis of humanity or whether Bangladesh has any bargaining strength to show that the international community has its own interest in promoting economic development in the underdeveloped countries including Bangladesh. From the historical point of view, we can see that man has hardly shared his goods with others on the basis of "moral" obligations or "just" principles. So Bangladesh must show sufficient forces that create pressure for a more equitable distribution of the international income. The basic point of argument here is to enhance the cause of development of Bangladesh which becomes easily amenable from the rich countries as these pressures act to convince them that the interest of development of the poor countries is inseparable from the interest of their continued affluence.

Two things should be made clear here: first, that the bargaining strength of Bangladesh cannot be separated from that of the underdeveloped countries as a whole; and second, that the interest of the World Bank is inescapably linked with the interest of the Western capitalist countries who provide the Bank with funds for lending. Viewed from this respect, the bargaining power of Bangladesh vis-a-vis the World Bank will be evident from the bargaining strength of the Third World countries vis-a-vis the industrialized countries.

For long, the rich nations dominated the economic and political life of the world. They were more concerned with their own interests ignoring the interests of the large number of poor countries where the majority of world's people live. This was possible on their part in the past due to the fact that the rich felt that they were not dependent on the poor in any respect. But time has come now when the continued well-being of the rich is dependent on the continued goodwill of the poor. This fact was first given institutional framework in the Articles of Agreement of the IDA which recognizes "That an acceleration of economic development which will promote higher

standards of living and economic and social progress in the less-developed countries is desirable not only in the interests of those economies but also in the interests of the international community as a whole".

It was reflected recently in the Annual Speech to the Board of Governors by Robert S. McNamara, President of the World Bank, in September, 1972, when he declared that

When the highly privileged are few and the desperately poor are many -- and when the gap between them is worsening rather than improving -- it is only a question of time before a decisive choice must be made between the political costs of reform and the political risks of rebellion. That is why policies specifically designed to reduce the deprivation among the poorest 40 per cent in developing countries are prescriptions not only of principle but of prudence. Social justice is not merely a moral imperative. It is a political imperative as well. ¹

And the Thirty-Third Annual Meeting of the World Bank and its Affiliates, held in Washington, D.C. during September 25-28, 1978, emphasized that "Just as the developing countries agreed that economic takeoff was based as much on their own internal policies as on the external environment, so the industrialized nations

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Cited in Mahbub ul Haq, op. cit., p. 10.

acknowledged that their own economic well-being was more closely linked to the growth of the Third World than they had previously realized".¹ The underlying theme of the Meeting was perhaps best captured in the statement by Indonesian Finance Minister Ali Wardhana who said that "the progress of the Third World will automatically lead to conditions conducive to the expansion and therefore prosperity of the industrial countries. We are in this process not in different camps, we are on the same side, and as we march to overcome poverty, we march as partners -- as partners in progress."²

The Pearson Commission, in its Report on International Development, expressed the moral obligation of the rich countries to assist the poor countries in promoting their development when it asserted that "the attempt to do something about closing the widening gap between the developed and the developing countries was based on the assumption that economic underdevelopment would yield to a determined national effort to

¹ See Finance and Development 15:4 (December, 1978) p.2.

² Ibid., p. 4.

change it, with external help from those whose economic strength made this possible."¹ The Pearson Commission also implied the necessity² of doing something by the rich to the development of the lot of the poor countries when it maintained in its Report that "the fullest possible utilization of all the world's resources, human and physical, which can be brought about only by international cooperation, helps not only those countries now economically weak, but also those strong and wealthy".² The same is equally true in view of the fact that "a war anywhere in the world concerns and may engage us all; ... many of the challenges of development pose themselves in much the same way in the industrialized nations as in the developing ones."³

Perhaps there is a stronger point in favor of the poor countries that the rich should come forward to assist them in promoting their economic development because "our underdevelopment is nothing but the other result, the other side of the coin, of the process

¹ Partners in Development, op. cit., p. 3, emphasis added.

² Ibid., p. 9.

³ Ibid., pp. 9-10.

of the development of world capitalism itself".¹

Apart from these assertions made by the academic scholars, there are more important, positive and immediate points concerning the bargaining strength of the poor nations. We begin our arguments from some basic facts.

First, as has been nicely pointed out by Dr. Mahbub ul Haq, the demographic trends of the world indicates that the rich nations are ^a shrinking minority of the world. Today they constitute about 30 per cent of the total population of the world; by the turn of this century, they will have dwindled to 20 per cent, and by the middle of next century, to about 10 per cent. In such a situation, he continues, it is likely that "a reverse dependency" will be created where the life styles of the rich will come to depend on the continued goodwill of the poor.²

Secondly, most agricultural raw materials for industrial use, as well as most minerals, are produced in, or controlled by, the Third World countries. As is

¹ Ismail-Sabri Abdalla, "From Confrontation to Negotiation", in Ceres 49 (January-February, 1976), p. 38.

² Mahbub ul Haq, op. cit., p. 170.

evident from table 11 in the Annex, this control over the natural resources and their current importance in international trade and commerce, make the poor countries strong in international bargaining. Earlier the Western industrialized countries obtained these resources through a colonial pattern of exploitation but the situation has changed over the last two decades, especially after all the Asian and African countries were granted political independence by their former colonial masters. If the Third World countries deny the access to their abundant resources to the industrialized countries, the latter are bound to suffer from recession. The rich countries are bound to become ever more dependent on the natural resources of the Third World in the future as per capita incomes increase in the former. Already we have seen the manifestation of the beginning of a transfer of economic power from the rich to the poor nations. In fact, for the first time in modern history, a decision affecting world economy as a whole was taken by the Third World countries, and not by the West. Third World producers of raw materials saw in the OPEC decision a clear demonstration of their own power. This acted as a strong incentive of their future hope and they became

self-confident of the value of collective bargaining.¹

In this age of growing interdependence, every nation -- whether rich or poor -- is dependent on others and this basic fact should be kept in mind by the rich nations. They should realize by now that the existing international economic order, which is designed to serve their own interest at the cost of the interests of the poor countries, is "no longer capable of supporting either national economic policy or international economic relations. The first shock to the 'perfect world' of classical economists was dealt by the Great Depression in 1929-31".² Similar arguments are made for the recession in the industrialized countries in 1971-74. The most recent analysis shows that the economic crisis of 1973-75 was caused by worldwide inflation and recession in the industrial countries, and aggravated by the rise in oil prices.³ Here the bargaining power of the poor nations, or in

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Ismail-Sabri Abdalla, op. cit., p. 40.

2

Sartaj Aziz, "The New International Order: Search for Common Ground", in International Development Review 1978/1, pp. 6-7.

3

Nicolas Ardito Barletta, Minister for Planning and Economic Policy, and Governor of the Bank and Fund

other words, the importance of the role played by the poor countries, is evident from a World Bank Staff Working Paper on LDC Balance of Payments Policies and the World Monetary System which concludes that "recession in the industrialized countries would have been 'even more painful' than it was had not the developing countries of the world been both willing and able to incur record debts in the past two years".¹ Kenneth Lipper also similarly argues that "the decline in exports to the LDCs could have a negative impact on the fragile economic recovery of the West."² And World Bank Annual Report 1978 recognizes that "to the extent that developed countries recovered from the recession of 1974-75, the recovery was led by exports to developing nations".³ So at last we can see that the active participation of the poor countries is vital for the operation of the world economy smoothly. To effect that, the developed countries, who are now in a much better position, must ensure that the developing countries can make important contribution to the

for Panama, in Report November-December, 1975, p.R-4.

¹ Report May-June, 1976, p. 1

² Kenneth Lipper, "Cartels are no Solution", in Foreign Policy 30(Spring, 1978), p. 157.

³ World Bank Annual Report 1978. p. 15.

world economy by taking an active part and deriving equitable benefit from the same. But it is painful to learn that the developed countries are still not making any provision for that. As a study carried out by UNCTAD has established, the deterioration of the Third World's purchasing power has ascertained that "developing countries have lost in 1972 about \$ 10 thousand million, that is a much^{gr}reater sum than the total public aid for development supplied by the developed countries with a market economy to the countries... of Africa, Asia and Latin America (about \$ 8.4 thousand million in 1972)".¹

The rich countries should understand the fact that if the poor countries become poorer in absolute terms in future years, then consumption in those countries will decline and they will not be able to sell their industrial finished products there. For the interest of the rich, industrialized countries, they must see that the poor countries are developed gradually so that they may consume the manufactured products to be exported by them. It is only in this

¹ Armelle Braun, "A Marriage of Convenience", in Ceres 49 (January-February, 1976), p. 52.

way that the interests of both the developed and the developing countries can be served better. We have also historical evidence behind this argument.

As a League of Nations study has shown, industrialization in newly developed economies can accrue advantages to the older industrial countries.

in view of the fact that the spread of industry, to the extent that it involves an increase in the world's wealth, is likely to be accompanied by a rise and a diversification in the demand of the younger countries. While these countries are likely to satisfy a greater proportion of the standard qualities of consumers' goods than they did formerly through their own production, they may raise their purchases of foreign-produced higher qualities of such goods, or of whole classes of consumers' goods which, before industrialization, their inhabitants were not rich enough to procure. In addition, they will probably have to raise their imports of manufacturing capital goods. Finally, the spread of industry creates fresh demand for industrial raw materials and their primary-products exported by non-industrial countries. As the exports of these countries increase, so will their demand for foreign manufactured goods; and exports from the older industrial countries should be favourably influenced by this new demand. ¹

In the same way it may be argued that economic development in the present-day poor countries will benefit the rich countries and hence they should immediately take certain specific measures otherwise "a

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League of Nations, Industrialization and Foreign Trade, (League of Nations Publications, 1945), pp.5,7.

catastrophe of international magnitude" may result.¹

These specific measures include the provision of net transfer of capital from the rich countries to the poor countries for the purpose of meeting the basic needs of the poor in the latter so that they may contribute more to the production of wealth. It is also to be ascertained that the benefits of the increased production are equitably shared by all, including those whose labor would make it possible. The rich countries will also have to guarantee that the products of the underdeveloped countries get free market in their countries as well as reasonable prices otherwise the lot of these poor countries will not be improved at all.

All the above arguments make it clear that the World Bank should make sure that its loans and credits are properly utilized to promote economic development in Bangladesh. In fact, the question of development of Bangladesh has become a test case in the sense that if the World Bank is successful in promoting development in Bangladesh -- one of the poorest countries

¹

Md. Abul Quasam, "Quo Vadis", in Ceres 56 (March-April, 1977), p. 47.

of the world which has long been recognized as a testing ground¹ -- then only the World Bank may be sure of its actual role. With this bargaining power of Bangladesh vis-a-vis the World Bank in mind, that is, the fact that the Bank has its own interest in promoting the economic development of Bangladesh as a test case, we now proceed to the next chapter to see whether the aid given by the World Bank has actually promoted the economic development of Bangladesh.

¹ See Faaland and Parkinson, op. cit., p. 5, and also Marcel Barang, op. cit., p. 30.

CHAPTER IV

AN ASSESSMENT OF THE ROLE OF PAST LOANS AND CREDITS GIVEN BY THE WORLD BANK TO BANGLADESH FROM 1972-1978

In this Chapter we will try to assess the impact of the aid given by the World Bank for the reconstruction and development of the economy of Bangladesh immediately after her emergence as a sovereign, independent nation till June 30, 1978. As we have seen in Chapter II, the total damage caused by the bloody war of liberation was estimated at Taka 12493.19 million, i.e., \$ 1249.32 million, and hence it is assumed that any genuine effort at reconstruction to put the economy at the pre-liberation level would require an amount which needs to be equivalent to that amount plus the labor, transport and other building costs. It is also thought that any such reconstruction activity should be undertaken and completed as soon as possible because any delay in this respect would result in a delay of undertaking new development activities. And the total need of Bangladesh, in view of the fact that she was economically not in a position to undertake this gigantic task of reconstruction and development with her own resources

and so had to depend largely on foreign aid, is to be seen as the added sum of the reconstruction cost plus annual development budget which is much larger. But it is painful to mention here that the money poured by the international community and aid agencies in^{to} these urgent tasks was not adequate for the purpose. Though the commitment was somewhat large, the actual disbursement was not upto the mark. Till June 30, 1978, the total external aid commitment was \$ 6228.9 million of which the World Bank has a share of \$ 928.7 million (about 14.91 per cent) but the actual disbursement of the external aid during that period was \$ 4292.3 million of which the World Bank share was only \$ 554.8 million (about 12.93 per cent).¹

However, as our study is limited to the aid given by the World Bank, we will focus our attention on the contribution made by the loans and credits provided by it in the reconstruction and economic development of Bangladesh. Table 5 in the Annex gives a true picture of the amount of aid given by the World Bank in different projects and programs for the above purposes.

¹
Bangladesh Economic Survey 1977-78, p. 105. Percentage calculated.

As is evident from the relevant table, credits in only 10 projects were fully disbursed and hence a true economic analysis of the costs and benefits of the World Bank aid is not feasible. For our present purpose, we will rely on the project (or program) performance audit reports prepared by the Bank staff for at least two projects -- one for reconstruction and the other for development -- and also on some other studies made by academic scholars relating to projects financed by the World Bank for assessing the contribution of the aid given by it for the reconstruction and economic development of Bangladesh. The methodology adopted here is very simple: to see whether the World Bank has been successful in reducing poverty and deprivation of the poor Bangladeshis which is the major criterion of development, rather than to estimate the 'economic rate of return' of specific projects financed by the World Bank in the conventional way which favors high rewards for capital but cares little for either distribution or social benefit as a whole. Thus, through the 'exercise of judgment', we are focusing our attention on the performance of the projects financed by the World Bank in terms of meeting the basic needs of the poor through providing equitable benefits as well as increasing employment opportunities for them. In fact,

our basic strategy in judging whether the World Bank aid has promoted development in Bangladesh is to see whether it caters well with the list of indicators designed specifically for the present study. This list is as follows:

- (i) Growth of GNP per capita;
- (ii) Percentage of population starving, underfed, and the amount of calorific intake by an average Bangladeshi;
- (iii) Literacy percentage and the number of children attending school;
- (iv) Death rate per year and infant mortality;
- (v) Life expectancy at birth and inhabitants per physician;
- (vi) For income distribution: number of people below poverty line; percentage of people within certain income level;
- (vii) For employment: number of people currently unemployed and underemployed.

Judged in terms of the growth of GNP per capita, the most recent report of the World Bank shows that "per capita incomes in Bangladesh declined by 0.4% a year during 1960-76, whereas they increased by 0.9% a

year in ^{the} other low-income countries¹". We also see from table 1 in the Annex that growth rate per capita income was -20.5 in 1972-73, -0.6 in 1974-75 and -1.2 in 1976-77. Thus GNP per capita is falling each year in Bangladesh which is a good indication that the economy as a whole is not developing.

As to the percentage of people starving, underfed and the amount of calorific intake by the average Bangladeshi, we see that "more than 30 million people are constantly hungry and are dying slowly and painfully from undernourishment and malnutrition"². The calorific intake of Bangladeshis is low enough today (four out of ten people receive less than 1,720 calories daily; a rickshaw puller needs more than 4,000³) and is falling. "Well over 50% of the population has inadequate caloric intake; over 60% receive less than the minimum daily requirement of proteins and the entire population has vitamin deficiencies"⁴.

At present the percentage of literacy in Bangladesh is only 22.2⁵. Even primary education is

¹ Report No. 2245-BD, op. cit., p. iv

² Marcel Barang, op. cit., p. 37

³ The Economist 10-16 June, 1978, p. 77

⁴ Streeten and Burki, op. cit., p. 418

⁵ Bangladesh Economic Survey 1977-78, p. 191, which

still the luxury of a few. Bangladesh Government statistics indicate that 56 per cent of the nation's school-age children do not attend school. Only 14 per cent of the girls and 33 per cent of the boys complete¹ five years of schooling.

Table 15 in the Annex shows the high death rate of the Bangladeshi children. As we have seen in Chapter II, "There is a 13% chance of dying before the age of one, and a 25% chance of dying before the age of² five". Life expectancy at birth is also low (only 45 according to the most recent estimate) compared to that in the developed countries. And the figure showing the number of inhabitants per physician and hospital bed is equally distressing: the respective figures³ being 9,999 and 5,999. It is really heart-breaking to know that many poor Bangladeshis have little or no access to⁴ safe drinking water and preventive or curative medicine.

also admits that though education is the backbone of a nation, but unfortunately education could not be spread to the mass as yet.

1. See Zafrullah Choudhury, op. cit., p. 45

2. New Internationalist 49 (March 1977), p. 2

3. Ibid.

4. See Report No. 1931-BD, Vol. I, op. cit., p. 1

2

Another measure of development is the extent of income redistribution in a given society. In the case of Bangladesh, we can see that the performance of the over-all development of the economy viewed from this criterion is also distressing. As an International Labour Organization (ILO) report points out, from 1963-64 to 1973-74, the proportion of the population below the "absolute poverty line" (less than 1,935 calories per day) jumped from 40.2% to 78.5%, while that of the population below the "extreme poverty line" (less than 1,720 calories a day) shot up from 5.2% to 42.1%¹. In Bangladesh, some 60% of the population or 47 million people (in 1975) suffered from some form of deprivation. The share of the absolutely poor in total income is estimated at only 30% or \$2.6 billion, giving them² an income per head of only \$56. The bottom 20% fare even worse, of course, receiving about 7% of the income³ here. The result has been that, as has already

¹ Marcel Barang, op. cit., p. 36.

² Paul Streeten and Shahid Javed Burki, op. cit., p. 418.

³ Keith Griffin and Azizur Rahman Khan, "Poverty in the Third World: Ugly Facts and Fancy Models", in World Development 6:3 (March, 1978), p. 299.

been mentioned, though average incomes have fallen in Bangladesh, the rich have nevertheless become richer while the income of the poor have fallen¹ faster than the average.

And in terms of the last mentioned criterion of development, i.e., employment, we can see that in the present-day Bangladesh, about 8.93 million people, or 30 per cent of the total labour force² are currently either unemployed or underemployed.

Thus from the above indicators it is clear that the economy as a whole did not witness development over the past few years. Now we are to examine the individual rôle of the aid given by the World Bank in promoting the economic development of Bangladesh. For this purpose, we will make a comparison as to how much money provided by the World Bank was directed at meeting the basic needs of the Bangladeshis and whether this amount was designed to raise the productivity of the poor. From this over-all picture of the World Bank aid, we will turn to the analysis of projects to see whether the projects financed by it could contribute to the development

¹ See fn. 2, p. 66.

² Estimated from data given in Bangladesh Economic Survey 1977-78.

of the economy of Bangladesh.

From table 6 in the Annex we can see that of the total amount of loans and credits disbursed (\$554.8 million), little was provided for meeting the basic needs of the poor Bangladeshis. Recognizing the fact that food and nutrition are the main ingredients of the basic needs of the poor Bangladeshis, we see that the World Bank could not provide any amount for this purpose because it is not within its scope. It, however, provided \$23.5 million (4.24 per cent) for foodgrain storage. The amount provided for water supply was designed in such a way as it facilitated the urban population. The amount provided for education would in no way benefit the bulk of the population. The same is the case with the amount provided for human resource development (.36 per cent of the total). A small portion was given for developing the basic infrastructure but here also a considerable amount was for telecommunication which benefited the well-off section of the country. Most depressing is the fact that a very small amount was given for agriculture and rural development. Agriculture itself constituted only .18 per cent and agriculture, fertilizer and irrigation together account for only 8.69 per cent. And rural development got a meagre amount of \$0.2 million

(.04 per cent). Though industry accounts for .38 per cent of the total, out of 61.54 per cent given on various imports programs, a lion's share was for industries. It is evident from the program performance audit report prepared by the World Bank staff, specially with regard to the utilization by category of first two program credits (see table 17 in the Annex). For example, we see that almost the whole amount was given for industrial components, raw materials and spare parts for such industries as jute, textiles, paper and board, steel and foundry, chemicals and pharmaceuticals, cement and export-oriented industries (frozen shrimp and fish, tea processing and leather tanning).

If we try to understand the trend of the IDA credits in Bangladesh, we see from table 16 that it had an encouraging start. In the very first year (1972-73), the IDA provided \$218.6 million for initial reconstruction in such sectors as industry, telecommunication, highway, as well as foodgrain storage and coastal area rehabilitation. It had also given a considerable amount for irrigation, water supply, education, technical assistance and cereal seed (for developing a seed industry for high-yielding

varieties of rice and wheat). But this encouraging start suffered a serious setback when in the very next year (1973-74), the IDA had an abrupt cut of its aid to Bangladesh. It had given a meagre amount of \$74.1 million for the purpose of reconstruction in inland water transport, import (mainly for industries) and telecommunication. But no amount was given for either development as such or basic needs. This, coupled with the rise of prices in different commodities in the international market and the unprecedented flood in Bangladesh, resulted in the economic malaise for her. In fact, the financial year 1974-75 was a critical one for Bangladesh. But we see that the World Bank imposed the consolidation loan and credit agreements at this critical moment of the Bangladesh economy. Though the total amount of credit provided by the IDA in this year was \$187.5 million (including the consolidated credit of \$37.5 million), a major portion of it constituted the two instalments of the third import program (\$75.0 million) and little was given for fertilizer, irrigation and population. Exactly the same amount, i.e., \$187.5 million, was given in 1975-76. Again the major share was for reconstruction in such sectors as industry

(\$100.00 million for fourth import program) and water transport. Some amount, however, was given for irrigation, agricultural and rural training, technical assistance, and, for the first time, for rural development. But IDA credit for Bangladesh came to an all time low in the financial year 1976-77. In this year only one credit agreement involving \$50 million was signed and that was for the fifth import program. In the following year (1977-78), the IDA again increased the amount for Bangladesh (\$ 211.00 million). But still a major portion of the total amount was given for reconstruction under fifth and sixth import programs, water transport, and foodgrain storage. However, some amount was provided for irrigation, extension and research, and more important than that, for jute and agriculture.

If we analyse the trend of the IDA credits in Bangladesh, at least three characteristics become evident. First, we get no indication that the credits are given increasingly for the purpose of meeting the basic needs of the poor Bangladeshis to make them more productive or to such sectors as agriculture and rural development which would contribute most to the economic development of Bangladesh. However,

we see some ray of light in view of the fact that in the second half of the financial year 1977-78 (more specifically, in February and June, 1978), one credit agreement for jute and another for agriculture were signed. Secondly, in spite of the high desirability of completing the task of reconstruction at an early period for undertaking the eventual task of development as soon as possible, the World Bank did not provide aid to Bangladesh to facilitate an early reconstruction of the war-ravaged economy and it is still continuing a lion's share of its aid for reconstruction purpose. Thirdly, and perhaps more important, the picture presented above relates to the commitment of aid and not actual disbursement. As disbursement of aid ^{was} much delayed in the past, it could not have a favorable impact on the development of Bangladesh economy. The contribution of IDA credits for such vital projects as jute, agriculture, etc., is yet to be seen.

With this over-all picture of the World Bank aid in Bangladesh in mind, we now proceed to analyse a few projects financed by it to see whether they have actually contributed to the development of Bangladesh. As the project completion reports of some of the more important projects like education, population, rural

development, etc., are not yet prepared, we will have to rely on those which are readily available.

Let us first consider the Bangladesh Irrigation Engineering Project. Credit agreement for this project was signed on April 9, 1973 and it was closed, fully disbursed and fully repaid in February, 1976. A Project Performance Audit Report was prepared by the IBRD on March 10, 1978.

The credit (No. S014-0, BD) provided for preparing the Karnafulli, Muhuri, and Comilla-Noakhali water control and agricultural development projects, and making outstanding payments on the Dacca Southwest Project (completed in 1971 under two former credits made to Pakistan in 1969 and 1970).

The executing agency was the Bangladesh Water Development Board (WDB). International Engineering Co. (IECO) of the United States, in cooperation with Rahman and Associates Ltd. (RAAL) of Bangladesh, were retained as Consultant.

1
IBRD, Project Performance Audit Report:
Bangladesh -- Irrigation Engineering Project (Document
of the IBRD, March 10, 1978).

The major aim for the preparation of these projects was to make a significant contribution to water development in Bangladesh. They were intended to be pioneering projects to be replicated for other parts of the country.

Both the Consultant and WDB put much stress on the large scale civil works but the Bank in its appraisal of the Karnafulli and Muhuri projects reduced the civil work components. As a result, the study could not produce the prototype of a low capital-intensive project to be widely replicable.¹

Another defect is that the appraisal mission found the agricultural, financial and economic aspects of the preparation and evaluation to be wanting. It cited the example that it had to rework the entire cropping pattern. It also found that cost of estimates were two years out of date and the consultant failed to do separate economic analysis for incremental,² separable components.

¹ IBRD, Project Performance Audit Report, op. cit., p. 9.

² Ibid., p. 15.

In the final analysis of the project, it is seen that lack of appreciation by the WED of the agricultural, economic and financial implications of its program at ^{the} macro level enabled the consultant to formulate capital-intensive projects which were delayed due to both technical and related economic and financial issues. This resulted in foregoing opportunities for quick water control benefits which are commonly an element of water control works with very low capital intensity and which normally have a more equitable, geographically wider distribution than the benefits of capital-intensive projects.¹ And hence, finally the projects that have emerged for financing, Karnafulli (Credit No. 605-BD) and Muhuri (Credit No. 725-BD), although economically and technically sound, probably do not represent the optimal use of funds in the agricultural sector.²

As to the import program credits, since 1972, though IDA has made six import program credits to Bangladesh, we have the Program Performance Audit Report of the first two, namely, Credit 345-BD for

¹ IBRD, Project Performance Audit Report, op. cit., p.16.

² Ibid., p. 17.

\$50 million on November 30, 1972, and Credit 458-BD¹ for a similar amount on February 7, 1974. The essential objective of the first credit was to meet reconstruction needs which at that time ~~were~~ far in excess of the country's resources. The proceeds were to be used for procuring (i) equipment and spares to replace or repair capital goods damaged or destroyed in 1970 or 1971, to restore at least in part, the pre-war production capacity of the economy; and (ii) materials, components or goods needed to utilize existing production capacity.² For various reasons, to be analysed in the following chapters, the objective of a rapid transfer of resources under this agreement was not achieved.³ The utilization by category of ~~the~~ first two program credits is shown in table 17 in the Annex. As is evident from this table, about 80% of the amount given under these two credits was for different industries and hence the contribution of these credits may be judged in terms of the extent to which the objectives for which these were given could be achieved. Table 18 in the Annex shows the

¹
IBRD, Program Performance Audit Report: Bangladesh--Import Program Credits (Document of IBRD, February 22, 1978).

²
Ibid., p. A.2

³
Ibid., p. A. 3.

production of selected industrial branches in different financial years. A close examination of the table shows that the production capacity in ~~these~~ selected branches of industries could not reach the benchmark level (1969-70) even as late as 1974-75. Hence, whatever may be the reason, we may say that the World Bank aid given under the import program credits could not make a positive impact towards the development of the Bangladesh economy.

Apart from these, the fact that the World Bank aid designed specifically for raising the productivity of the rural poor and providing gainful employment for them is not achieving these objectives may be demonstrated from the actual working of such a project in Bangladesh. As American researchers Betsy Hartman and James Boyce have found, the IDA credit financing the construction of about 3,000 tubewells and distribution systems to irrigate about 180,000 acres in the Northwest region of Bangladesh for the purpose of bringing major benefits to the economy of Bangladesh through a larger and more certain supply of water which would raise farm incomes, improve living standards and enable farmers to increase both yield and cropping intensities

(Credit No. 341-BD, November 6, 1972), is not in fact helping the rural poor, rather it goes against their interest. In the village they have investigated "the tubewell ended up on the farm of the richest landowner. Smaller farmers, using nearby land were invited to use the well's extra capacity. But, at an hourly rate so¹ high that few can afford it ". Thus "Not only does the tubewell not benefit the small farmers, it may help to undercut their already tenuous position. The rich landowner, with increased income from his new well, will be more secure financially and able to buy out his small neighbours when bad times come. The end result? More landless and hungry people join the trek to the cities"². These evidences clearly show that the loans and credits given by the World Bank so far have not promoted the economic development of Bangladesh.

¹
p. 14. Joe Collins and Francis Moore Lappe, op. cit.,

²
Ibid.

CHAPTER V

THE WORLD BANK AS THE CAUSE

In the last chapter (chapter IV) we have seen that the World Bank aid did not contribute much to the over-all development of Bangladesh. Now we are to find out the reasons for that. Obviously the main responsibility lies with the donor (that is, the Bank) as well as the recipient (that is, the Government of Bangladesh). In this chapter we will make an attempt to analyse the failure of the World Bank in not promoting the development of Bangladesh. We can identify the reasons to be (i) the nature and lending policy of the Bank itself; (ii) the commercial and political interests of the major shareholders of the Bank; and (iii) the activities of the bureaucrats who run the institution.

First, as far as the responsibility of the World Bank is concerned, it is the very nature of the institution which explains its lending policy on which ultimate success depends. As we have seen in Chapter II, the Bank was established on the experience of development of the present-day developed countries

of the world. However, it has modified its lending policy from time to time to cope with new challenges of development in the underdeveloped countries no doubt, but it still exists more as a commercial type of profit-making ^{organization} rather than a truly development agency. Although it works on the principle that capital scarcity is the principal obstacle to Third World development and hence it provides critically needed development capital to these countries with apparently no political strings attached, we can see from the Bangladesh experience that it falls far short of its expressed goals in both ways: it cannot meet the scarcity of capital in the underdeveloped countries and also it cannot achieve the objective of development even with the billion dollars in aid to development projects which very often prove counter-productive.

To begin with, as we have seen, the amount of money provided by the World Bank was inadequate to undertake the gigantic task of initial reconstruction of Bangladesh. Much of the credit committed at that time were not fully disbursed which resulted in postponement of the work. And it can hardly be disputed

that if the recovery of a war-ravaged economy cannot be achieved quickly, then the over-all development activities are bound to suffer. As Just Faaland and J.R. Parkinson argue,

In retrospect it seems that there was a failure to grasp either the need to provide immediately for current imports or even more the difficulties that would be experienced in establishing institutional arrangements to purchase imported goods and arrange for their delivery. Financial aid has to be utilized if it is to help. ¹

The Pearson Commission also argued in the same way for development aid in general. In their opinion, "Aid, to be effective, requires less uncertainty and more continuity than is often the case today. It cannot be disrupted or cut off without harmful results to the recipient's capacity to plan for the future". ² But in the case of Bangladesh, we see that the World Bank did not provide aid in her critical hour of need. However, this is the responsibility of the bureaucrats working in the Bank. The main point of argument here is that the inadequacy of the lending fund, especially of the IDA, stems from

¹ Faaland and Parkinson, op. cit., p. 13.

² Partners in Development, op. cit., p. 6.

the financial structure of the institution. It goes without saying that if the World Bank is authorized to make more loan and credit agreements through providing it with increased financial resources, some of the above problems may be solved.

Then comes the question of present-day lending policy and practice of the World Bank. In spite of the seemingly modification to suit the needs of the underdeveloped countries in recent years, the lending policy of the Bank was not favorable to ~~promoting~~ the cause of genuine development of Bangladesh. But before discussing the actual lending policy of the World Bank in Bangladesh, it is worthwhile to mention here the measures suggested by it in its various staff working papers, country economic reports and in the meetings of the Bangladesh Aid Group for a development strategy to be successful in achieving the goal of a long-term, sustained growth. They include:

- (i) Measures to improve the quality of public administration, including the execution of development projects and the simplification and speeding up of disbursement of existing and prospective aid commitments.
- (ii) Measures to increase the mobilization of domestic resources with all that this

implied for the efficiency of public enterprises, the reduction of subsidies, the evolution of progressive taxes and duties.

- (iii) Measures and incentives to maximize rice production for the purpose of supplying food requirements and providing a broad distribution of benefits through its procurement for domestic consumption.
- (iv) Measures and incentives to increase agricultural production, especially the revival of jute production, and production of the industrial units for the expansion of export items.
- (v) The articulation of an integrated population control program.¹

According to the World Bank, the main elements of a development strategy for Bangladesh are prudent allocation of resources, domestic resources mobilization, higher farm productivity, export promotion and population control. In its view, "increased agricultural productivity is the key to a sustained growth in aggregate output, consumption and savings. Without it, there

¹
See BAN 75-5, July 30, 1975, op. cit., Annex IV, p. 2; and also Report No. 1469-BD, op. cit., pp. 21-23.

is little prospect of reducing the poverty of the bulk of the people".¹ It also sees that "A high rate of agricultural growth is a necessary condition for industrial expansion which in turn will add further to economic development through catering to domestic needs, strengthening the trade balance and creating employment opportunities."²

The World Bank is of the opinion that food-grain self-sufficiency is possible in Bangladesh by 1985, provided the following measures are taken: (i) water resources need to be used more efficiently and cropping intensity is to be increased from the present average of less than 150% to 300%; and (ii) a large expansion in the irrigated area (from 2.7 million acres to 4-5 million in the Bank's tentative estimates) is needed for this purpose. This can be done through

labor-intensive construction of irrigation,³ drainage and flood control works, and rural roads.

The World Bank is also of the opinion that there is an urgent need to reallocate more funds into the agricultural

¹ Report No. 1469-BD, op. cit., p. 4.

² Report No. 2245-BD, op. cit., p. viii

³ Ibid., pp. v-vii

¹
sector.

After agriculture comes the industrial sector, especially the export-oriented industries which will help "boost industrial production, to reduce the enormous trade deficit and to provide additional employment opportunities to the work force".²

The World Bank accords priority ~~to~~ increasing production in agriculture and industry because it will help reduce the dependence on external capital (four-fifths of public development expenditure is now financed through external funds) through increasing domestic saving.

The over-all development philosophy of the World Bank may be expressed as: "domestic efforts at achieving the above mentioned policy objectives must be supplemented by continued support from aid donors. As Bangladesh moves **towards greater** productivity, better economic balance and improved living conditions, it will improve its capacity to absorb external capital

¹
Report No. 2245-BD, op. cit., p.x

²
Ibid., p. ix

and to use it well. Increased external support would¹ then be well justified".

But a critical analysis of the philosophy of development adopted by the World Bank for the economic well-being of the poor Bangladeshis, on which its lending policy is theoretically based, reveals that it ignores the real condition of Bangladesh -- the basic fact of extreme poverty here. We know that Bangladesh faced extraordinary problems in the initial years arising out of the damage caused by the cyclone of 1970, the destruction and plunder of the Pakistan occupation army during the war of liberation in 1971 and the general level of extreme poverty prevailing in the country. So what was needed was the achievement of quick reconstruction and rapid development. But this could not be done under the current lending policy of the World Bank. The extraordinary situation in Bangladesh demands the exercise of something more than the "usual patience, understanding and humility in helping to get things moving"² which means that unlike other countries, Bangladesh needed help in the reconstruction of her

¹ Report No. 1469-BD, op. cit., p. 23, emphasis added.

² Faaland and Parkinson. op. cit., p. 185.

economy, building of her basic infrastructure as well as satisfaction of the basic needs of the poor Bangladeshis to make them productive if there were to be any genuine effort on the part of the World Bank to promote the economic development of Bangladesh. Otherwise whatever amount of money is provided will be of no avail. As is well-known to all, between capital investment and production of output, there is necessarily a lag and for an extremely poor country like Bangladesh, the lag is bound to be a bit longer. In the meanwhile, i.e., in the interval between the investment of capital by the World Bank and a rise in productivity of Bangladesh, the poor Bangladeshis need enough food and other daily necessities so that they may be able to participate in the productive activity. If this all-important fact is ignored, any loans or credits provided by the World Bank will not improve the conditions of poverty of the Bangladeshis and as a consequence, will not be able to contribute to the economic development of Bangladesh.

The major problem with the World Bank lending is that even if the Bank officials can well identify the requisite measures to be taken it is rarely possible on their part to take those measures as a result of the strict institutional constraint within

which it operates.

From the experience of Bangladesh, we can see that a severe bottleneck on the way to appropriate, timely and genuine efforts for the development of the recipient resided with the present lending policy of the World Bank. As we have just mentioned, the inadequacy of the lending fund was one of the prime causes explaining the failure of the effort of the World Bank in developing Bangladesh. We have also seen that as the World Bank did not provide much aid for meeting the basic needs of the poor Bangladeshis, especially the vulnerable groups, it could not make a positive impact on the development of Bangladesh. Apart from these¹, the World Bank loans and credits in Bangladesh usually had high import contents and they always made the foreign exchange costs reimbursable. Even a rural development project included about 31% foreign exchange component. This affected Bangladesh in at least two ways. First, Bangladesh had to plan in favor of high import content and thus any planned project would always take the form of capital-intensive rather

1

IBRD, Program Performance Audit Report: Bangladesh -- Import Program Credits (Document of IBRD, February 22, 1978).

than labor-intensive. Secondly, Bangladesh could not submit more projects in the absence of domestically available resources needed for their approval. Thus in the absence of requisite domestic capital, Bangladesh had to forego many rural development, irrigation and water control projects which would have contributed much to the development of the economy as a whole. The result has been that the cause of appropriate, timely and genuine development of Bangladesh witnessed severe setbacks in the face of the rigid lending policy of the World Bank.

Another problem on the way to timely development of the Bangladesh economy was created by the cumbersome disbursement procedure inherent in the present lending policy of the World Bank. A single example will perhaps suffice. We know from the Program Performance¹ Audit Report that as payment was made directly by the IDA to the suppliers' banks at the time of shipping (since disbursement of the World Bank loan and credit proceeds takes place after shipment of the item which has been ordered), and as the banks

¹
IBRD, Program Performance Audit Report: Bangladesh -- Import Program Credits (Document of IBRD, February 22, 1978).

of some suppliers were insisting upon external guarantees for the letters of credit issued by the Government of Bangladesh as a consequence of the miserable exchange position of the country, the objectives of a rapid transfer of resources under the reconstruction import credit (Credit 345-BD) was not being achieved.¹ The problem has been nicely described in the same report: "It is clear in retrospect that the Association had underestimated the difficulties which the new Government would have in administering the first program credit. A much greater effort should have been made initially in working with the Government to establish procedures for allocating and using the credit funds."² In such circumstances, it is imperative that a simplification of the procedure for quick aid disbursement **be** worked out.

Secondly, as far as the responsibility of the major shareholders is concerned, we may say that their commercial and political interests **are** responsible for the present lending policy of the World Bank

¹ IBRD, Program Performance Audit Report, op. cit., pp. A. 2, A. 3.

² Ibid., p. A. 15.

which in turn explains the reasons why the Bank aid had not succeeded in promoting the development of Bangladesh. Evidently, the major shareholders, who control the Bank through the devices discussed in chapter II, are concerned more with their own interest rather than the interest of development of the poor countries like Bangladesh. They have designed the present lending policy in such a way that it serves their own interest. They in fact use the Bank as a major weapon for serving their self-interest. In the case of Bangladesh, they have always favored import program credits for the purpose of supplying the imported goods under these agreements for Bangladesh. Their own creation of the international competitive bidding for the disbursement of the loan and credit proceeds has assisted them in realising their interest in this respect. Hence, it is no wonder that the World Bank aid has not promoted the development of Bangladesh.

Thirdly, the bureaucrats serving the World Bank have been identified as responsible for the failure of the World Bank aid in not promoting the development of Bangladesh. In examining their role, we have to keep in mind that they cannot do anything

against the broader policy framework within which the Bank operates. But from the Bangladesh experience we can see that they have not done their best to promote the development of Bangladesh. Rather they have always tried to serve the interest of the major shareholders of the Bank to whom they are accountable. Before making this point clear from the actual action they have taken in the case of Bangladesh, we can say that whatever shortcomings there may be in the lending policy of the World Bank as envisaged in its Articles of Agreement, the bureaucrats could have contributed much to the development of Bangladesh by taking more realistic policy actions according to the changed lending philosophy foreshadowed by the President of the World Bank, Mr. McNamara, especially in his annual speeches of 1972, 1973 and 1975. It is undoubtedly true that the World Bank officials know the true economic conditions in Bangladesh better than the domestic policy-makers which is evident from the confidential reports compiled by them. They are well-aware of "these misplaced priorities" which are well understood by documents filled with statistics showing "data on unemployment, budget analysis, crop production, land ownership patterns,

and growth rates" which constitute "damning information" for Bangladesh.¹ It is equally true that "if there is any country in the world where the World Bank possesses direct leverage over economic and political decisions -- it is Bangladesh."² They certainly exercise that leverage but not for the purpose of serving the genuine interest of development of the poor mass of Bangladeshis, rather for serving the political and commercial interest of the major shareholders of the Bank. It is proved by the fact that the basic "economic statistics, which only the World Bank is authorized to compile" are never made public for the fear that these "could easily become political ammunition in the hands of the country's leftist opposition".³ This is because the present ruling class is more amenable to serving the political interest of the major shareholders and thus bolstering up of the present rulers -- even at the cost of the interest of the poor mass - is to serve the political

¹ New Internationalist 49 (March, 1977), p. 7.

² Ibid., p. 6

³ Ibid., p. 7

interest of the major shareholders who want the continuation of this ruling elite in Bangladesh.

* Apart from this, the way in which the World Bank bureaucrats provided money to Bangladesh makes it clear that they are really there to serve the interest of the major shareholders of the Bank rather than the interest of development of the recipient. It is evident from the conditions they set while giving aid to Bangladesh. Each time they have prepared the appraisal report of any project, they have demanded certain policy modifications and as long as Bangladesh did not comply with these suggestions, the World Bank bureaucrats withheld the aid in which matter they could resort to the usual lending practice of the Bank. More distressing is the fact that even during the very initial period soon after liberation, when the plight of the country knew no bounds, the World Bank bureaucrats bargained with the Government of Bangladesh for imposing certain conditions. At a time when Bangladesh was critically in need of external aid, the Bank officials insisted that Bangladesh should service the loans and credits given to Pakistan which had been utilized in former East Pakistan if she was to become a member of the Bank and thus eligible for its aid.

Bangladesh on the other hand, claimed that such debts should form a part of the over-all settlement of assets and liabilities between Bangladesh and Pakistan. It is necessary to mention here that Bangladesh had a claim on Pakistan equivalent to nearly \$4,000 million, in terms of war-time damage and reserves of gold and foreign currency, a far greater amount than the World Bank loans and credits spent in present-day Bangladesh before her liberation. Even so, the World Bank bureaucrats bargained ignoring the immediate need of Bangladesh and ultimately a compromise solution was reached in which Bangladesh had assumed responsibility for the servicing of certain debts in respect of physical assets located in Bangladesh and thus Bangladesh could be admitted as a member of the World Bank in August, 1972 and the first IDA credit was made in November of that year (though IDA reactivated four projects which began before Bangladesh's independence, with total financing from IDA of about \$59 million).¹

¹
Faaland and Parkinson, op. cit., pp. 185, 191

Equally distressing is the fact that the World Bank insisted that Bangladesh assume liability for all the debt which was incurred for the benefit of Bangladesh, including program lending (according to the compromise solution reached between Bangladesh and the World Bank when the former became a member of the Bank in August 1972), in September, 1973, at a time when the economic condition of Bangladesh was going from bad to worse. Bangladesh had to start the negotiation which was deliberate because she was not completely satisfied with the amount involved. Ultimately she came to an agreement with the World Bank in London on June 11, 1974, according to which she assumed the liability for about 84 per cent of the amount the Bank Group originally asked her. The World Bank reduced the amount on the claim of Bangladesh that damage inflicted during the liberation war on certain assets financed under Bank Group loans and credits should be taken into consideration. The total amount for which Bangladesh assumed debts was consolidated into one new Bank loan and one new IDA credit. The consolidated credit was based on standard IDA terms but the consolidated loan had a term of 30 years, including 10 years of grace, and an interest rate of 6.15 percent,

which is ^{the} weighted average of the original interest rates on the amounts for which Bangladesh assumed ¹ liability. Thus the World Bank bureaucrats bargained with the Government of Bangladesh at its most critical hours for the purpose of serving the interest of the major shareholders of the Bank.

Now coming to the actual aid provided by the World Bank, we see that they had always stressed more foreign exchange component to serve the economic interest of the major shareholders of the Bank. This is usually done to enhance the exporting of capital goods from them to the new borrowers of the Bank. The Bank's disbursement procedure of international competitive bidding helps them in this respect. This explains why the Bank's appraisal staff of the Karnafulli and Muhuri irrigation projects reduced the civil works components in favor of high capital-intensity. Similar is the case with a series of import program credits for Bangladesh which did not promote the cause of development of the poor Bangladeshis,

1

See R75-24, IDA/R75-9, Memorandum from the President, dated January 24, 1975, Bangladesh -- Proposed Consolidation Loan and Credit (Document of the World Bank), pp. 1-4.

rather they served the commercial interest of the Western capitalist countries.

The World Bank bureaucrats have been instrumental in providing aid to Bangladesh over the past years in such a way that Bangladesh always faced the problem of a shortage of funds to continue her normal economic life. As a result, Bangladesh could never achieve the target of her development activities and hence her problems increased every year. They have committed aid which was much less than the actual needs of Bangladesh and also they "alter[ed] these conditions and procedures in midstream" and connived in such a way that "disbursements ... have lagged behind commitments"¹ as a result of which Bangladesh could not make much progress in her economic life. In effect, they have always tried to develop a relationship of "superior-creditor, inferior-debtor" which is against the principle of "partnership in development" so earnestly advocated by the Pearson Commission. "Bangladesh does need assistance, because without it revival of economic life appears wellnigh impossible. It will be all the more gratefully received if offered in a spirit of cooperation".²

¹ Faaland and Parkinson, op. cit., pp. 184, 186.

² Ibid., p. 187.

CHAPTER VI
BANGLADESH AS THE CAUSE

In the last chapter (chapter V) we examined the failure of the World Bank to promote the development of Bangladesh. But despite the present lending policy of the World Bank, the commercial and political interest of its major shareholders, and the activities of the bureaucrats who run it, the responsibility of the political leadership and the bureaucrats and others who are entrusted with the task of implementing the projects and programs financed by the World Bank also account for this to a great extent. In this chapter we will attempt to examine the failure of the Government of Bangladesh in not promoting the development of the country. This necessarily involves both the political leadership, especially the key policy-makers, and the bureaucrats and others for their respective duties of wrong policy decisions and responsibility in implementing the development projects and programs.

The emergence of Bangladesh as an independent state from the horrors of the liberation war after about a quarter century of Pakistani economic and

political domination naturally raised high expectations of the vision of a good life accompanied by material prosperity but the prevailing poverty was overwhelming and the scarcity of resources was acute. In such circumstances, the international community and agencies came to assist Bangladesh. So it was naturally expected by the poor Bangladeshis that the improvement of their economic lot would be given the top priority by the new Government of Bangladesh. But this was not the case. As has been nicely pointed out by Professor Nurul Islam as the Deputy Chairman of the Planning Commission of Bangladesh,

there were political and social considerations at work such as the distribution and exercise of political power, as well as the distribution of resources between sectors of the economy and of costs and benefits of development between various interest groups. ... The historical circumstances which led to the emergence of an independent state of Bangladesh, the nature and composition of the various pressure or interest groups in the society and the character of the political leadership determined the intensity and pattern of interaction between economic and political considerations in development planning in Bangladesh. ¹

He also maintains that "there were severe shortfalls in the implementation of reconstruction and development programmes which could be traced to deficiencies

¹ Nurul Islam, op. cit... pp. 1-2.

in the administrative ministries and executive
¹
 agencies".

Professor Islam rightly identified the "various socio-economic classes or groups which directly or indirectly influenced the economic policies and strategies through their control of or influence on the political process and machinery" as being comprised of the ruling political leadership representing such interest groups as "the members of the public service, ... the army, the professional and the intelligentsia".²

Now we will analyse the responsibility of the political leadership and the implementing machinery separately.

First, as far as the role of the political leadership is concerned, it has been said that Sheikh Mujibur Rahman "himself was presiding over the most corrupt, dishonest and disorganized regime in Asia. Bangladesh became a thieves' paradise, a plunderer's dream. The principal villains were the Awami League bosses and the black market racketeers who ran a lucrative rice smuggling trade across the border into India, even while famine gripped the country in 1974".³

¹ Nurul Islam, op. cit., p. 52

² Ibid., p. 3

³ New Internationalist 49 (March, 1977), p. 7.

In fact, the international aid and assistance given to Bangladesh were not properly utilized for the purpose for which these were given and a ruthless drive of profiteering and smuggling on the part of the so-called ruling elite and their continuing prosperity at the cost of growing deprivation of the common people was resented by those who could contribute a lot in the nation-building activities if given opportunities. They became disillusioned with the happening in the country when a section of people were provided with all sorts of undue favors and privileges by the ruling class. This type of political favor for the politically volatile few while millions of people were ready to share the initial suffering for building up Bangladesh was the most costly political blunder which the ruling class systematically committed at the cost of growing underdevelopment of Bangladesh. Even foreign grants and relief materials^{which} were put in the hands of those favored few were ultimately misappropriated and smuggled across the border. As has been pointed out by Tony Hagen of UNROD (United Nations Relief Operations in Dacca), "only one blanket in 13 reached a Bangladeshi in need."¹

¹

New Internationalist 49 (March, 1977), p. 18.

The main problem of development in Bangladesh is political in nature. Even the World Bank officials could read the fact that "development priorities are chosen by the Dacca regime on the basis of what is politically possible".¹ The same view was expressed to Marcel Barang of the Far Eastern Economic Review by a Dacca industrial consultant: "politics here come before economics".² There are many proofs of this established fact. For example, a World Bank supervision mission visiting Bangladesh in February/March, 1973 identified the preoccupation of the governmental machinery with the current national politics prior to the elections as one of the main causes of the failure of the World Bank aid in promoting the development of the economy of Bangladesh.³ Similarly, Denzil Peiris of Far Eastern Economic Review, writes, "the consciences of the power-holders are not sensitive to the agonies of the poor around them" which he proves by the fact that at the time of the last Presidential election in June, 1978, all the major issues were in the air "except

¹ New Internationalist 49 (March, 1977), pp. 6-7.

² Marcel Barang, op. cit., p. 35.

³ IBRD, Project Performance Audit Report, op. cit., p. 12.

the one gut issue that most concerns them: the practical application of an economic development strategy that will provide enough to eat for all".¹ The political leadership in Bangladesh was never sensitive to the cause of the well-being of the poor. They could never provide them with what they need in an effort to make their own contribution by participating in the development activities of the economy of Bangladesh. Apart from the fact that the political leadership never took any practical step for motivating and organizing "the idle labour force, for nation-building activities",² except perhaps in slogan, they also never turned their attention to providing them with what may be termed as their genuine share which is proved by the distribution of food aid which is utilized by the Dacca regime as a political weapon in subsidizing "a welfare system for the politically volatile middle class".³

¹ Far Eastern Economic Review May 19, 1978, p. 23

² Nurul Islam, op. cit., p. 208.

³ New Internationalist 49 (March, 1977), p. 20.

As far as the policy matters are concerned, we see that the cumbersome Government of Bangladesh clearance procedures and the rigid import allocation and licensing system used by the Government caused much delay in utilizing the credit proceeds of the IDA under both the irrigation engineering project and the import program credits.¹ As a result of the very slow rate of project execution and use of aid by Bangladesh contributing to a considerable extent to the economic crisis of 1974, the Government of Bangladesh and the World Bank came to a mutual understanding of the necessity for the formation of an aid group for the purpose of fast-disbursing aid to Bangladesh -- both to relieve the serious shortages and to meet overhanging external liabilities of Bangladesh. Accordingly, the Bangladesh Aid Group* was formed in October, 1974 on the initiative of the World Bank and the immediate objective of its

*At present there are 22 governments and institutions in the Bangladesh Aid Group. Besides the World Bank, they are: Australia, Belgium, Canada, Denmark, France, Germany (West), Iran, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States, the Asian Development Bank, the European Economic Community, the International Monetary Fund, the Organization for Economic Cooperation and Development and the United Nations Development Program.

¹ IBRD, Project Performance Audit Report and

first meeting was to raise external resources for meeting Bangladesh's balance of payments gap and import requirements for the year 1974/75 on the one hand, and on the other hand, to coordinate the effort of those providing the resources for systematic economic development of Bangladesh.¹ In the meantime, the World Bank staff prepared many reports on the economic performance and prospects of Bangladesh in which they indicated critical areas in which urgent action was called for.

Dr. M.N. Huda, leader of the Bangladesh delegation in the third meeting of the Bangladesh Aid Group, held in Paris on May 25 and 26, 1976, said that the Government of Bangladesh had taken a number of policy decisions and actions in many of the fields in agreement with the findings and recommendations of the reports of the World Bank. These measures, in his opinion, were related to the development priorities with renewed emphasis on (a) family planning, (b) agriculture and rural development, (c) consolidation, improvement, and fuller capacity utilization in the

Program Performance Audit Report, op. cit., p. 12 and p. A. 2 respectively.

¹ BAN / 75-5, July 30, 1975, op. cit., Annex IV, p.1

public sector, (d) gradual induction of the private sector to play its due role in industry and trade,¹ (e) promotion and diversification of exports, etc.

But question arises whether the Government of Bangladesh has really done its utmost in this respect, and the doubt is confirmed by the actual performance of the economy in spite of the declared policy measures taken by the Government. Dr. Huda rightly deserves commendation for his honest confession that "we might have caused you some disappointment in the past. We have ourselves paid a heavy price for this".² But his assurance that "we have learnt our lessons from past lapses"³ can hardly be believed. It is because of the fact that the Government of Bangladesh felt the need for a more fundamental reorientation of policies within only two years as it put off the new Five-Year Plan and worked out a Two-Year Plan (FY 79 and 80) for clearing the deck for future action. But even the TYP's claim for progress to be made in these two years in such fundamental areas as employment creation and population control is considered "unrealistic" in the

¹ BAN 76-3, July 2, 1976, op. cit., Annex IV, p. 8.

² Ibid., p. 10

³ Ibid.

latest report on the current trends and development¹ issues of Bangladesh. The same report also clearly points out that "In contrast to the great urgency of agricultural development and the priority accorded to it in government statements, the share of development resources allocated to agriculture has been on the decline. In the TYP, 25% of - development expenditures is allocated to agriculture compared to 30%² in the Hard Core Program of the First Five-Year Plan".

The failure on the part of the political leadership and the policy-makers to do what is objectively necessary to promote the cause of development thus seems to be one of the causes of present-day underdevelopment of Bangladesh. It also has certain disadvantages in that it is "bound to affect international cooperation for development".³ The same view was expressed by Richard J. Ward:

¹ Report No. 2245-BD, op. cit., p. v

² Ibid., p. vii

³ Partners in Development, op. cit., p. 55

Anything less than optimum domestic commitment to a plan by the developing country produces distrust, a groping for the real gaps and requirements, and ultimately a negotiated foreign-aid commitment in which neither side finds confidence and satisfaction. ¹

In the case of Bangladesh, we can see that the Dacca regime's continued pressing for food aid to subsidize the budget even though "food aid to Bangladesh is a disincentive to local self-sufficiency" ² is bad in the sense that it instils "a beggar mentality" and thus lowers the image of the country. But it also has a tendency to reinforce corruption. The international community which sees "Bangladesh as a place" where instead of 'self-help', 'help-self' was the rule" became so skeptical with the conduct of the Bangladesh Government that even in the crisis days of 1974, when flood and famine engulfed the whole of Bangladesh, the international community "refused to believe in ^{the} government's renewed pleas for international help." ³

Thus we can see that the irresponsibility on the part of the political leadership "paved the way for capital accumulation by a corrupt and favoured few....

¹ Richard J. Ward, op. cit., p. 194.

² New Internationalist 49 (March, 1977), p. 21

³ Ibid., p. 18

The presence of corruption on a destructive scale is also a powerful influence making donors reluctant to contemplate the scale of effort that is really needed on their part in support of the Bangladesh economy."¹

Secondly, the bureaucracy of Bangladesh had their own responsibility in not properly utilizing the loans and credits provided by the World Bank for her economic development. The civil service, which constitutes the backbone of the present-day bureaucracy in Bangladesh is not "ideologically or politically neutral"² as is required of them to be successful in serving with successive governments with conflicting political ideologies. The main fault with the bureaucracy of Bangladesh has been nicely pointed out by Professor Nurul Islam:

the bureaucrats could both be pressurised into accepting and implementing policies to which they were totally opposed. In the implementation of the particular policies or programmes the bureaucracy had the ultimate power to delay or frustrate the policy proposals of the Planning Commission or the decisions of the Cabinet. It was not only a matter of wilful opposition or obstruction by the bureaucracy but also a lack of enthusiasm or support for policies or programmes. The motivation of the officials in charge

¹ Faaland and Parkinson, op. cit., p. 27

² Nurul Islam, op. cit., p. 6.

of administration was important, especially when the political leadership was not single-mindedly determined on the implementation of programmes and policies. ¹

Another problem with the bureaucracy of Bangladesh is their inefficiency and lack of experience. As the Program Performance Audit Report could rightly point out, "the lack of experience of the staff involved in administering" the first import credit caused much delay in the disbursement of the credit proceeds. ²

Perhaps more important is their "lack of initiative and administrative efficiency" which also explain the reason why the irrigation engineering project completion ³ caused delay. There is no doubt that economic development of Bangladesh depends to a great extent on the proper utilization of the amount of money provided by the World Bank and the bureaucracy has the important role of ensuring that the development projects and programs are successfully implemented. "Good administration does not come so much from changes in constitutions as

¹ Nurul Islam, op. cit., p. 57

² IBRD, Program Performance Audit Report: Bangladesh -- Import Program Credits, op. cit., p. A. 2.

³ IBRD, Project Performance Audit Report: Bangladesh -- Irrigation and Engineering Project, op. cit., p. 12.

from painstaking efforts over a number of years to¹ improve performance in many detailed ways".

In a developing country like Bangladesh, bureaucracy has more than its routine duty to perform. It often can bargain with the political leadership to provide more money in different sectors of the economy. "The Ministries of Finance, Food Relief, and Industries possess more bureaucratic clout² than the Ministry of Agriculture". As a result, the government policy consistently favors investment in industry over agriculture.

Another fault with the bureaucracy in Bangladesh is their long-drawn practice generally known as 'red tape' -- "the British practice of tying up official documents with red ribbon rather than in files"³. They are more concerned with examining the procedural details and having "endless cups of tea, the charming but insubstantial conversation" and arranging and attending welcome ceremonies rather than discharging their duties efficiently and speedily. What is needed for a poor underdeveloped country like Bangladesh if she is to achieve development is "urgent reform ... in the

¹ Faaland and Parkinson, op. cit., p. 41

² New Internationalist 49 (March, 1977), p. 21

³ Ibid., p. 2

work procedures and attitudes of the bureaucracy that would change the concept of administration from that of file-disposals to one of action and problem-solving".¹

Like the political leadership, the bureaucracy in Bangladesh has a bias for the rich and power-holders. The result is that even projects and programs designed specifically for the benefit of the poor very often do not serve the actual purpose. Rather they serve the interest of the well-off section in the society. As an evaluation carried out by the Swedish International Development Agency -- co-financier of the tubewell project in the Northwest region of Bangladesh -- has mentioned, "It is not surprising that the tubewells have been situated on the land of the well-to-do farmers or that (they) are the chairmen and managers of the irrigation groups. It would (have been) more surprising if the tubewells had not been located on their land...."² It is needless to say that a major fault lies with the implementing authority who are more

¹ Anisur Rahman, "Priorities and Methods for Socialist Development of Bangladesh", in Robinson and Griffin, op. cit., p. 18

² Joe Collins and Francis Moore Lappe, op. cit., p. 14, emphasis original.

amenable to the cause of the rich and politically volatile group.

Another clear demonstration of bureaucratic bias in favor of the rich is their "behaviour patterns" which helped the large farmers take over the cooperative societies of Comilla Program and the result has been that the same program, originally conceived and started to "truly benefit small farmers ... came to be dominated by the bigger farmers". Although "the realities of class structure at the macro- and micro-levels" account for that to a large extent, Harry Blair has shown that the bureaucracy of Bangladesh has "an existence independent of any class context" and an equal responsibility in biasing "any rural development programme toward rural elites, even in the absence of a class structure at national level that favoured these elites"¹.

Now, if we are to rank order the ~~degrees~~ of responsibility of the World Bank lending policy, the interest of its major shareholders and the activities of its bureaucrats as well as the political leadership and

¹ Harry W. Blair, op. cit., pp. 65-82.

implementing machinery in Bangladesh, some basic facts relating to the present lending practice of the World Bank should be kept in mind.

First, the present-day World Bank lending practice is "designed to ensure that Bank financial investments are not only prudently planned, but prudently implemented as well."¹

Secondly, "Whether large or small, each project financed by the Bank is considered in the light of a country's total needs, capabilities, and policies. Those needs are determined through the preparation by the Bank -- in active collaboration with each borrowing member country -- of a 'country economic report'. This report, which describes and analyzes the entire economy and the country's development policies, organization, and principal problems, outlines a general order of development priorities among various economic sectors".²

Thirdly, "All major aspects of the project -- economic, technical, institutional, commercial, and financial -- are considered" by a team of Bank specialists.³

¹ World Bank, Annual Review of Project Performance Audit Results (February 1978), p. i

² Ibid.

³ Ibid., p. ii

Fourthly, "The approval of a loan does not, of course, end the Bank's involvement in a project. In most cases, the borrower must seek bids, on the basis of international competition, for the goods and services needed; the Bank releases money only as needed to meet¹ verified expenditures on the project."

And fifthly, "Bank supervision of each project continues throughout the life of the project."²

With such tight supervision of the World Bank over the projects it finances, it is hardly possible on the part of the recipient government or implementing machinery to do anything without the World Bank's permission. The World Bank may even exercise its discretion to expand, curtail or drop any project it finances if it deems so in view of the changed circumstances. Thus there can be no doubt that the World Bank has a clear 'leverage' over the economic lives of those states which are dependent on its money for financing their development projects. And it is equally true that in spite of its denial, it does exercise that leverage. It is unfortunate that the World Bank officials do not exercise leverage to compel the government of the

¹ World Bank, Annual Review of Project Performance Audit Results, op. cit., p. ii.

² Ibid.

underdeveloped country to promote actual development, rather they always exercise it to serve the interest of its major shareholders to whom they are accountable. Viewed from this angle, it may be argued that the major responsibility lies with the interest of the major shareholders which explains the nature of the institution, i.e., the present lending policy of the World Bank. Next comes the responsibility of the bureaucrats who serve the World Bank. In fact, even under the existing lending policy, they ^{can} serve the interest of Bangladesh by compelling the government to act prudently. Of the responsibility of the political leadership and implementing machinery of Bangladesh, that of the former is more important than the latter because it is ultimately the government in power who decides and the bureaucrats act as directed by the existing government.

Apart from the role ^{of} political leadership and bureaucracy, there are other factors also which determine the failure of the loans and credits of the World Bank to promote the development of Bangladesh. Of them some are humanly manipulated and some are beyond the control of man. Among the humanly manipulated factors, the activities of the Government

of India come first. For the past few years, till the signing of the Farakka agreement, the unilateral withdrawal of the Ganges water at Farakka by India against the norms of the international code of conduct "had a critical effect upon agriculture and river transport" in Bangladesh.¹ Another adverse effect of the Farakka dispute with India was that the Government of India tried to destroy the political stability of Bangladesh, which is very much necessary to make her efforts at development successful, in a bid to "impose a more pliant regime" in Dacca.² Thus the warlike situation that prevailed in Bangladesh resulting from the "night intrusions by 'miscreants', as they are termed in Bangladesh -- but a war nonetheless" was³ a major impediment on her way to development.

Another humanly-manipulated factor which had contribution in the underdevelopment of Bangladesh is "the world-wide inflation, which affected most severely

¹
New Internationalist 49 (March, 1977), p. 3.

²
Ibid.

³
Ibid.

the essential commodities like food, fuel and
fertilizer, etc.,¹ a substantial fall in the
terms of trade".

Finally, given all the above factors, another
one beyond the control of man is the "fluctuations
in agricultural output caused by variable weather
culminating in devastating floods in 1974 which also²
contributed to the economic malaise" of Bangladesh.

¹
Nurul Islam, op. cit., pp. 51-52

²
Ibid., p. 52, emphasis added.

CHAPTER VII

A DEVELOPMENT MODEL FOR BANGLADESH

Prerequisites for a development model:

In the last three chapters (i.e., from Chapter IV to Chapter VI) we have shown that the World Bank aid did not promote the development of Bangladesh, and have explained the reasons for this. But it should be stressed here that the strategy which was adopted for the development of Bangladesh was faulty and hence there is little surprise with its logical outcome. In this chapter, we will make an attempt to develop a model better suited to the objective of developing poor countries like Bangladesh.

From our past experience, we can see that the postwar development strategy of raising the GNP of a country in disregard of its distributional effects could not be fitted to the development needs of the underdeveloped countries. It is because of the fact that in recent years it has been increasingly recognized that economic growth hardly trickles down to the poor. The very experience of development in Pakistan

which was geared to raising the GNP of the country and not the over-all well-being of her population shows that such a strategy was wrong and the eventual price paid by her was also high.

The Western model of development which is based on "terms like national product or income, savings, investment, unemployment and many others have ... no meaning for large sections of the economies of these underdeveloped countries"¹. The Western approach to development, which sees "a conflict between egalitarian reforms and economic growth, in the sense that the price of a somewhat lower growth rate has to be paid for these reforms" is viewed by Gunnar Myrdal as "a mistake"². He also argues and gives reasons "why in these countries radical egalitarian reforms are instead a condition for rapid and sustained economic growth"³.

Mahbub ul Haq also similarly argues that the Western approach to development was not appropriate for the underdeveloped areas. It is evident from

¹ Gunnar Myrdal, "Growth and Inequality", Keynote Speech, Conference on Asia in the 70's, Carleton University, Ottawa, Canada, November 13th, 1971 (in Resource Center, School of International Affairs, Carleton University, Ottawa, Canada), p. 3.

² Ibid., pp. 8-9.

³ Ibid., p. 9.

his own experience as he was associated with the development planning in Pakistan. At first he tried to apply the Western strategy of growth when he argued that "there exists a functional justification for inequality of income if it raises production for all and not consumption for a few. ... The road to eventual equalities may inevitably lie through initial inequalities"¹. But gradually he was disillusioned with the Western model. As he frankly admits, "growth in ^{the} GNP often does not filter down: what is needed is a direct attack on mass poverty"². Thus he could understand later on that "a rising growth rate is no guarantee against worsening poverty. ... Divorce between production and distribution policies is false and dangerous: the distribution policies must be built into the very pattern and organization of production"³.

Apart from this, the Western model of development stresses "Do as we did, and your problem

¹ Cited in Mahbub ul Haq, op. cit., p. 1

² Ibid., p. 27

³ Cited in Ibid., p. 1

will be solved"¹. Mahbub ul Haq points out that the Western view is that "the poor nations must earn their economic development, much the same way as the rich nations had to over the last two centuries, through patient hard work and gradual capital formation, and that there are no short cuts to this process"². But such an argument ignores the distinctive socio-economic conditions of the underdeveloped countries. For example, we can say that prior to industrial development, the present-day developed countries of the world were relatively sparsely populated, and more important than that, the population growth rate was comparatively slow. But in the case of Bangladesh, she is already one of the most densely populated areas of the world and her population growth rate is still very high. As a result, Bangladesh has to start out with a considerable higher man-land ratio than did the developed countries. Thus this important difference in initial situation between poor countries like Bangladesh and the deve-

¹ Peter L. Berger, Pyramids of Sacrifice, (New York: Anchor Books, 1976), p. 12

² Mahbub ul Haq, op. cit., pp. 153-54

developed countries may be cited for making a strong argument that the poor nations must evolve a pattern of development that is independent of industrialized models. Further arguments for such a model may be put forward as follows:

First, as has been maintained by Gunnar Myrdal, "we [the development experts in the West] exclude consumption in our growth models. But doing so becomes grossly unrealistic in countries where the masses suffer from undernutrition and other serious deficiencies in levels of living. There¹ these levels are important for productivity".

Secondly, the successful application of any industrialized model assumes a rapid expansion of trade but in the case of Bangladesh, we see that her trade cannot expand at that rate. Rather the demand for her exports is shrinking in the world market at present.

And finally, the Western development models ignore the low levels of income in the poor countries. For Bangladesh, we see that the main problem on the way to her economic development is the low incomes of the people which work as a double-edged weapon: by adversely affecting the consumption level as well

¹
Myrdal, "Growth and Inequality", op. cit., p. 3

as limiting savings.

Thus it is clear that the Western development models can no longer serve the purpose of development of poor Bangladesh. What is needed is to replace Western development theories and concepts by new ones better fitted to the reality of the economy of Bangladesh. For promoting the development of Bangladesh, we must understand how the economy actually functions and what mechanisms (economic, political and social factors) regulate its performance. Only an indigenous development model can provide that insight. An indigenous development model is seen in the present study as one which takes the distinctive conditions and problems of development of poor countries like Bangladesh into consideration.

Many development models are available at present which assume the character of indigenous models as they are concerned to suit the purpose of economic development of the poor countries. Each stresses the need to develop certain aspects of an economy. Some are concerned with 'employment generation', some stress 'redirecting investment', some focus on 'human resource development', some advocate 'agricultural development', 'rural development',

etc.¹, but none is comprehensive enough to encompass the whole range of economic, political and social factors which are very necessary in order to make the effort of development successful. Of these various types of models, the development strategy developed by Mahbub ul Haq and vigorously supported by Paul Streeten and Shahid Javed Burki² stressing the meeting of basic needs seems most realistic.

In fact, the central concern of any development model to be successful in poor countries like Bangladesh must be the meeting of basic human needs by increasing productivity as well as guaranteeing equitable distribution of the income. It should also be self-reliant which implies "a recognition that the most important resource of any country is its people, and, that successful development must be rooted in making full use of their capacities and in meeting³ their essential needs".

¹ See James H. Weaver et al., "Growth and Equity: Can They be Happy Together", in International Development Review 1978/1, pp. 20-27 for a brief summary of these various strategies.

² op. cit.

³ Shridath S. Ramphal, "On A Large Scale", in Ceres 49 (January-February, 1976), p. 44.

Professor Anisur Rahman, a former member of the Planning Commission of Bangladesh, developed a model with a stress on the building of "the foundation for long-run self-assured growth of the economy" of Bangladesh.¹ He defined self-assurance "as a position where a nation is prepared to dispense with external assistance rather than submit to donors' dictates. Without such self-assurance, genuine economic and social development in line with the culture and aspirations of a nation's own people is not possible".² He provided the basic framework of his model as:

Building the foundation of long-run self-assured growth also involves the early development of social infrastructure, such as power and transport, technical and managerial manpower, and the development of heavy industry in areas of long-run comparative advantage.

* * *

With the plan to build the foundation of long-run self-assured growth should be integrated a plan for attaining early self-sufficiency in essential mass consumption goods. This should particularly include rapid increase in agricultural output, fish and poultry, and a programme for several-fold increase in the production of cloth in small and cottage industries spread all over the country. Other light industries using local inputs and supported by rural electrification

¹

Md. Anisur Rahman, op. cit., p. 21

²

Ibid.

should be designed wherever such possibilities exist.¹

But it is worthwhile mentioning here that the basic assumption in Professor Rahman's model seems to be wrong. It is questionable whether a poor country like Bangladesh can undertake such an ambitious plan with her own resources and without foreign assistance.

A development model:

In such circumstances, it is necessary to develop a new model of development which will be addressed to meeting the developmental goals of the poorest countries like Bangladesh. As we have seen in Chapter II, the major problem faced by present-day Bangladesh is extreme poverty resulting from a very high density of population per square mile with inadequate resources needed to feed the population. We have also seen that at present Bangladesh needs international assistance in continuing her life-blood. Recognizing these and the fact that it is only by raising the productivity of the poor can the benefits of economic growth touch the lives of about 60 million Bangladeshis currently

¹

Md. Anisur Rahman, op. cit., pp. 22-23

living in absolute poverty, the proposed model is an attempt to show how World Bank aid can be properly utilized to meet the basic needs of the poor Bangladeshis to achieve economic development here.

As will be evident from the model, the main development strategy advocated here is that adequate measures are to be taken to encourage increases in production of the poor by providing them with basic human needs as well as productive inputs such as capital, marketing facilities, training, technical advice, appropriate technology and other necessities. In view of the fact that the basic problem of Bangladesh is "one of insufficient capacity to generate resources for development while maintaining minimum¹ consumption levels", the model attempts to utilize assistance from the World Bank in an endeavor to solve the same and thus pave the way for gradual development.

But it must not be thought that the model preaches perpetual dependence on foreign aid. The main point of the argument is that as Bangladesh cannot initiate her economic development with her meagre resources, she needs foreign capital which is to be

¹
Faaland and Parkinson, op. cit., p. 4

Figure 2: A Development Model Showing the Causal Links Between World Bank Assistance and the Economic Development of Bangladesh

judiciously utilized to satisfy the basic needs for achieving development.

The present model seeks to convince the policy makers that the key to solving the problem of absolute poverty in Bangladesh lies in formulating and implementing a policy whereby the limited supply of World Bank loans and credits can be directed at increasing the productivity of the vast labor force by making it participate in development activities. This requires, as has been mentioned time and again, adequate guarantee that their human condition is fit for that purpose. In fact, the model attempts to show that if World Bank aid can be properly utilized, which presupposes a favorable lending policy as well as effective implementation, and also if there is mass participation in development activities aimed at faster growth and equitable distribution of income by guaranteeing the poor Bangladeshis basic needs and full-employment, economic development can really be achieved.

If we elaborate the arguments contained in the present model, we see that the successful operation of the model linking the independent variable, that is, loans and credits of the World Bank, with the dependent variable, that is, economic development,

depends on many factors. First, it is argued that economic development of Bangladesh cannot be achieved through the World Bank aid if it is not geared to meeting the basic needs of the poor Bangladeshis. Secondly, the meeting of basic needs is the responsibility of the political leadership as well as the implementing machinery of Bangladesh. Thirdly, given the level of poverty of Bangladesh, they will not succeed in this respect if the lending policy of the World Bank does not support the basic needs strategy. Fourthly, the policy of the donor and the policy of the recipient are dependent on each other and mutually reinforcing. Fifthly, in the same way, basic needs and economic development, as defined in the present study, are also dependent on each other and mutually reinforcing. And lastly, economic development of Bangladesh will convince the World Bank and thus good performance on her part would facilitate the provision of more money as long as necessary.

A development plan:

Now we are to see how the above model is expected to work in practice in the circumstances of Bangladesh.

Recognizing the fact that "food production is losing out in the race against human production which is the dominant problem of Bangladesh...and it is also the single most important factor explaining the poverty of Bangladesh and its persistently depressed economic and financial situation, internally and externally"¹, it is mainly from increased productivity of the agricultural sector that the major problem of the country can be solved. In a situation where an increasing population is making the present unsatisfactory man-land ratio still worse, open and disguised unemployment and an increasing number of landless laborers is going to dominate the economic landscape of Bangladesh. As additional land will not be available to bring under future cultivation, the present problem of agricultural production in Bangladesh may be solved by the application of the potential of modern agricultural technology: new high-yielding

¹
Faaland and Parkinson, op. cit., p. 124, emphasis added.

seed varieties, better cropping patterns, better and fuller use of fertilizers, better irrigation and flood control, better use of pesticides as well as better harvesting and storage to prevent waste, better distribution and marketing facilities. In this way, as has been assessed by the World Bank itself, "by changing the inputs alone -- i.e. by introducing new seeds, fertilisers and pesticides -- it would be possible to double rice output; if irrigation were also practised to the fullest extent, output could be trebled, while with the further addition of drainage and flood control, it would be possible to quadruple output"¹. This is very necessary if there is to be any successful application of development strategy in Bangladesh.

At present we see that the low level of productivity in agriculture is the main problem on the way to meeting the basic needs of the poor Bangladeshis as well as her self-reliant development. Coupled with this, the faulty policy of the Government of Bangladesh is making the condition of the country still worse. As a recent confidential World Bank report, Bangladesh: Food Policy Review, maintains,

¹

See Faaland and Parkinson, op. cit., p. 72

"Food price and distribution policies as practised in Bangladesh are not moving the country toward the national goals of food self-sufficiency and improvement of the lives of its people". The report adds:

For more than a decade, foodgrain production, the major staple in the diet, has risen only 1.3 percent a year as against population which is growing at 2.8 percent. As a result, imports of foodgrain in recent years, mostly under food aid or other concessionary terms, have increased, ranging from 1-1/2 to over 2-1/2 million tons, depending on whether the harvests were favorable or not. Per capita consumption remains well below an adequate energy (calorie) intake and many people with low incomes are seriously undernourished. If present trends continue, import needs just to maintain current unsatisfactory consumption levels could well increase to 4-5 million tons of foodgrains within a decade, accounting for perhaps 25 percent of total consumption or more in the event of a bad harvest. Such large imports are beyond the capacity of the country to finance or handle physically. Further, since agriculture, particularly foodgrain production, is the mainstay of the economy, progress in improving the incomes and purchasing power of the people will continue to be blocked as it has been for many years.¹

The report defines the need:

- (a) To provide adequate incentives to producers to increase foodgrain production rapidly so as to increase their productivity and incomes, reduce dependence on foreign suppliers, and thus to get the economy moving;
- (b) To assure adequate food supplies for all the people at relatively stable prices;
- (c) To feed the needy and underfed who are unable to purchase food;

- (d) To minimize the costs to the Government so as to have more resources for development.¹

The above formulations of the World Bank are merely policy objectives. We are now to see how those policy objectives can be achieved in practice. We have just mentioned the method suggested by the World Bank through which food production can be increased in Bangladesh. But it has left one important question unanswered. As a vast majority of people consist of subsistence farmers, small farmers and daily laborers, the main agricultural problem in Bangladesh is low productivity resulting from their irregular work and underemployment. "Since the mass of the poor have few assets other than their capacity to work, they will be benefited by policies which increase the demand for labour; in this respect, the problem of poverty and unemployment are closely related".² In fact, the majority of rural people in Bangladesh are so poor that they do not have either land or capital equipment and

ment of the World Bank, December 12, 1977), p. i

1

Ibid.

2

World Bank Operations (Published for the IBRD by the Johns Hopkins University Press, Baltimore and London, 1972), p. 17

hence they cannot directly participate in agricultural production. But the present agricultural and other policies adopted by the Government of Bangladesh do not help those poor people who could make a significant contribution in this respect. As the World Bank Food Policy Review report has maintained,

incentive prices have most meaning for those farmers who produce most of the marketable surplus. These represent little more than 10 percent of the farmers, those with farms 5 acres or more in size and account for about one-third of the cultivated land. There are another 25 percent of the farmers on holdings of 2.5 to 5.0 acres encompassing another third of the cultivated land for whom incentive prices could become meaningful if their production could be raised.

* * *

For the remaining farmers [65 percent of the peasantry] who have very small holdings and are far below the subsistence level, significant improvement in their standard of living will depend largely on creating additional employment opportunities and a higher wage structure which could come from a revitalized economy. In the meantime, expanded rural works programs and Food For Work programs would increase their purchasing power and raise their level of living. There is little short term prospect of making them capable of producing a net marketable surplus. However, the whole food system by offering them higher prices when they are selling at harvest times, keeping down lean season prices, assuring them access to the ration system and expanding rural programs would benefit this group of farmers also.¹

¹

IBRD, Bangladesh: Food Policy Review, op. cit.,

pp. ii-iii

The poor farmer with small land-holdings does not benefit from the credit available for agriculture because he cannot provide acceptable 'collateral' in the form of either land or other forms of transferable wealth needed for obtaining those credits, on whatever easy terms they may be given. So he has to depend on local money-lenders who charge ^{them} exorbitant rates of interest.

In such circumstances, unless the Government of Bangladesh commits itself firmly to devising strategies and policies to raise the standard of living of the poor people, the lot of millions of poor Bangladeshis will not improve significantly. As far as the food policy is concerned, the Government should ensure that all the Bangladeshis, rich and poor, are fed. This may be done by devising a strategy which divides the whole population into three categories and distributes food on the basis of ability of each category. First, there is to be open market stabilized food supply for higher income groups. Secondly, the present ration system should be continued unhindered for only the low-income groups. And finally, food-for-work program should be strengthened through outside assistance coming from such sources as Australia, Canada, Federal Republic of Germany, Libya, USAID, CARE and

World Food Program (WFP), to see that the most vulnerable group, the absolute poor, can have the minimum food necessary to keep their body and soul together. The formulation and implementation of such a strategy should be entrusted to a high-level central unit consisting of representatives from the related ministries.

The World Bank can play a significant role in this respect in that it can assist the Government of Bangladesh with funds which are necessary on the part of the latter to meet the basic needs of the poor Bangladeshis in increasing their productivity. Though the World Bank's development philosophy maintains that "success in this respect depends on many factors, including the availability of complementary inputs and services, sound credit policies, well-managed institutions and appropriate delivery channels"¹, it is also necessary to make the chief ingredients of basic needs, as identified in the model, available to them.

First, sufficient food and adequate nutrition are to be provided to the poor Bangladeshis if they are to be made more productive. Table 4 in the Annex shows the additional income requirements for meeting shortfalls in core basic needs of the Bangladeshis.

¹

The Assault on World Poverty, op. cit., p. 105

In the past it has been seen that whatever agricultural credits were provided by the Government had gone to buying food items by them and hence the basic purpose for which these were given could not be served. As is evident from table 3 in the Annex, for an extremely poor country like Bangladesh which cannot feed her growing number of population, the question of adequate food with sufficient nutrition must be given top priority if any development plan is to be successful here. Next comes the question of shelter in view of the fact that a majority of the poor -- both rural and urban -- live in deplorable housing conditions in Bangladesh. After food with nutrition and shelter comes the need for clothing whose estimate may also be available from table 4 in the Annex. The problem of sanitation arises because of the prevailing living conditions of the poor Bangladeshis.

If the development of Bangladesh is to be self-sustaining and on a long-term basis, basic education and health measures must be taken for those concerned. As is well known to all, any development activity should be directed at guaranteeing its benefits for future generations. At present, poor children of very low age-groups, say, 8-10, also do not get the opportunity to attend school for want of money and join the

labor force -- either working in agricultural farms or in other professions such as hawkers, day-laborers in cities, etc. -- to earn their own as well as their family's livelihood. Thus they are wasting their valuable time and energy for subsistence and in such circumstances, their future is bound to be anything but bright. As is recognized by the present development philosophy of the World Bank,

Projects in both education and health sectors generate benefits of 'human value' as well as economic returns similar to those from infrastructure investment -- for example, irrigation or roads. ... the Bank's approach to education has been widening in recent years, and recognition has been given to the potential for welfare redistribution through education projects aimed specifically at lower-income groups. ... the approach in the health area also should generally be similar to that in education; projects should be sought that combine promotion of economic development with redistribution of welfare.¹

In the case of Bangladesh, if productivity is to be increased, enhancing the prospects of over-all development and improving the pattern of income distribution, the basic educational needs of the poor must be met. If the goals of rural development, which is seen not simply as agricultural and economic growth in the narrow sense but as balanced social and economic development, with emphasis on the equitable distribution as well

¹

The Assault on World Poverty, op. cit., p. 403, emphasis added.

as the creation of benefits are to be achieved¹, basic education is a must for realizing the full potential of the poor Bangladeshis. According to Professor Anisur Rahman, a "major educational reform is necessary to reduce the colossal waste of resources inherent in the present education system, which is geared to produce² more unemployable graduates than productive workers". Hence there is the need for job-oriented education so that the rural as well as the urban poor can be made more productive by imparting necessary training and orientation to them. "The Bank has long felt that an important part of the solution might lie in the improvement and expansion of non-formal education if it could be effectively organized, financed and administered"³. In view of the considerable difficulties on the part of the Government of Bangladesh in expanding traditional education among the poor, non-formal education is easy and its benefits also derive from the

¹ Philip H. Coombs and Manzoor Ahmed, Attacking Rural Poverty: How Nonformal Education Can Help, (Baltimore: The Johns Hopkins University Press, 1974), p. 13, emphasis original.

² Anisur Rahman, op. cit., p. 22, emphasis added.

³ Philip H. Coombs and Manzoor Ahmed, op. cit., p. v

fact that it is rooted in the context of real life in real place for her.

As far as the health policy is concerned, "there is some feeling in the Bank that traditional urban-based medical schools are undesirable, and that training in a rural setting is preferable"¹. The health policy of Bangladesh needs to be adapted to the basic needs of the common people. Its purpose should be to guarantee cheap medical treatment for those whose ill-health is responsible for the current low-level of productivity in all sectors of the economy, especially the agricultural sector which has long been neglected.

And poor Bangladeshis also need cheap and easy transport and communication facilities for moving from one place to another while looking for employment and for the purpose of utilizing necessary market facilities for their agricultural and other products.

Once again it may be argued that the basic needs of poor Bangladeshis are to be met not only to increase the production in the various sectors of the economy but also to increase the productivity of the vast number of labor force who are engaged in agricultural and other activities.²

¹ The Assault on World Poverty, op. cit., p. 394

² Cf: World Bank Operations, op. cit., p. 5

Apart from the fact that any development model on Bangladesh needs to emphasize meeting the basic needs of the Bangladeshis, it also should see that her vast unemployed and underemployed human resources are utilized fully, the income that is generated is equitably distributed and above all, growth of GNP per capita is raised every year -- the last mentioned measure is necessary because without it, an economy cannot provide well-being for its population on a long-term basis.

To begin with, the proper strategy for solving the problem of unemployment and underemployment in Bangladesh must look at the agricultural sector which provides more than 56 percent of her GNP. As 90 percent of the Bangladeshis live in rural areas, the traditional agricultural sector of the economy should be explored first to consume a growing number of labor force. This can be effected to a large extent by undertaking multiple cropping which is possible for at least three times a year provided that adequate measures are taken to provide flood control, irrigation facilities and utilize the necessary amount of fertilizers. As it is considered impossible to consume a large labor force in agriculture in the prevailing economic and power structure of the country, basic land reform is seen as the best measure in this respect by many

development experts. For example, Guy Perrin de Brichambaut, an FAO/World Bank expert, has advocated basic changes in land and water tenure and exploitation for the purpose of involving the poor and creating the considerable number of permanent jobs needed in the rural areas of Bangladesh.¹ He continues:

Under the present ownership the rural workers have little incentive to contribute to the improvement of the production and marketing infrastructure which would benefit mostly the prosperous section of the community ... changes in land tenure, collectivisation of farming, grouping of landless must be considered for the future and carefully examined as a possible Government strategy.²

The First Five Year Plan, 1973-78, drafted by the Planning Commission of the Government of the People's Republic of Bangladesh and implemented in November, 1973, also supported land reform and already the ceiling of land holding per family³ has been fixed at 100 bighas (33.33 acres). Thus this first measure restricting land-ownership apparently seems to be equitable. But actually the assumption in this respect is faulty. As we can understand from our experience,

¹ Cited by Marcel Barang, op. cit., p. 37

² Ibid.

³ The First Five Year Plan 1973-78, p. 191

the ceiling of land holding per family provided sufficient loopholes for the shrewd land-lords as they have divided their landed property among members of the family, including minor ones with the practice of early marriage and thus showing increased numbers of families and also other people close to them, who happen to be poor, but in the latter case, not actually transferring the land. Thus they have been successful in withholding this first measure on the way to an ultimate (still doubtful) agrarian reform. In such a situation, the pragmatic policy and practice of the Government should have been to fix the ceiling of land holding on the basis of population, that is, certain acres per person and this would necessitate keeping new land records.

Another problem faced by the Government of Bangladesh is that the acreage of land thus obtained was distributed among the poor landless farmers who could not get possession in it. As in the case of India, the law fixing the ceiling of land holding and distributing the surplus land among the poor was "executed by a local bureaucracy largely indifferent, occasionally corrupt, and biased in favor of the rural oligarchy; they were enforced by an enormously costly and excruciatingly slow judicial process".¹

¹ Pranab K. Bardhan in Chenery et al., op. cit., p. 256

Professor Anisur Rahman has developed a way by which the above problems can be solved. His prescription is to organize the "surplus land into demonstration collective farms, and putting all the weight at the command of the government to make these a success".¹ This would help increase employment in the agricultural sector. It would also result in an increase in the yield per acre if the landless laborers, who would be given opportunity to work in such demonstration farms, are given added incentive by the Government in the form of sharing the crops, etc.

Another way to utilize the vast number of unemployed labor who cannot be employed in agriculture and also those not working on agricultural farms out of season is to employ them in producing durable assets in the form of road and dam construction, soil conservation, excavation of rivers and canals, minor irrigation and sluice gate construction and such other activities which do not demand scarce capital goods on the one hand and which contribute to the building of the infrastructure of the economy on the other. Food-for-work projects, as is practised by the Government

¹Anisur Rahman, op. cit., p. 21

of Bangladesh at present, to bring seasonal relief to a needy population and build useful structures and institutions, are the ideal types of alternative employment. Considering the acuteness of the problem arising out of a vast number of unemployed labor force, and at the same time, the possibility of utilizing them to a maximum extent on developing the water resources which would contribute to increased agricultural output, the proper strategy of the Government of Bangladesh in this respect would be to decentralize power and give responsibility to local bodies. These would supervise the over-all work and guard against any "misappropriation of grain, misuse of funds, false reporting of works, creation of a new class of profiteers, poor quality of construction, etc."¹.

Other important measures for utilizing this idle labor force consist in expanding the potential of cottage industries which include domestic handloom weaving, processing of foodstuffs for local consumption and a variety of village activities such as pottery, works of cane and bamboo, etc. In the past these have not received much encouragement as government efforts were directed largely at the establishment of large-

¹
Marcel Barang, op. cit., p. 35

scale industries. Other arguments for the support of small-scale industries are socio-economic in character and include widening participation of the people in economic development.

Next comes the question of income redistribution. This is of particular importance for Bangladesh in view of the fact that the 'favored few' enjoy the modern amenities of life in the residential areas of Dhanmondi, Gulshan or Banani having telephone, electric light, radio, television, luxury cars and consuming a high quantity of rich food whereas the rural landless and near-landless as well as the urban slum dwellers continue to pass their days in belly-pinching hunger. It was the Greek political philosopher, Aristotle, who for the first time about 2500 years ago could understand that "in human society extremes of wealth and poverty are the main sources of evil. ... Where a population is divided into two classes of the very rich and the very poor, there can be no real state; for there can be no real friendship between the classes, and friendship is the essential principle of all association".¹

In recent years, the question of income distribution has been recognized as a prerequisite of economic

¹ Quoted by Richard J. Ward, op. cit., p. 93

development in the writings of Simon Kuznets as he emphasized that "economic growth implies change, that change presupposes innovation and that innovation implies adjustments hurting some groups, as well as benefiting others. It is then the function of social, political and economic institutions to accomodate these adjustments, to reconcile conflicts".¹ In the case of Bangladesh, a similar view has been expressed by Just Faaland and J. R. Parkinson when they maintain that "the situation may become socially and politically untenable if there is a great increase in the incomes of some at the same time as the number of landless labourers is growing".² The Pearson Commission also argued that "stable development would seem to require a more equitable distribution of wealth and a greater degree of participation in political and economic life than has so far been characteristic of many developing countries. Without popular commitment and participation, the sacrifices that will be necessary for development will not be easily borne".³ But a question arises here

¹ Paul Streeten, "Review of Simon Kuznets, Population, Capital and Growth. Selected Essays", in Ceres 49 (January-February, 1976), p. 63

² Faaland and Parkinson, op. cit., p. 86.

³ Partners in Development, op. cit., p. 54

as to who will guarantee 'popular commitment and participation'. It can hardly be doubted that the main responsibility lies with the Government of Bangladesh and the World Bank also has the moral obligation to see that its aid is utilized by Bangladesh to achieve development with redistribution as a necessary component. This has two essential parts: redistribution of the existing wealth and distribution of the income which is generated.

As far as the redistribution of the existing wealth of Bangladesh is concerned, the question of land reform comes first. As has just been mentioned, land reform is helpful in enhancing production as well as generating new employment. It has also the advantage of income redistribution in the agricultural sector. It is optimistic that many development experts recognize the need for land redistribution in an effort to promote income redistribution, but it is equally painful to know that they do not visualize the need to undertake a similar drive for the other valuable assets possessed by the few highly privileged in Bangladesh. It is about the possession of a number of houses and residential quarters in the major cities of Bangladesh. Here a big house is as valuable as the price of more than 100 acres of landed property. And when these houses have been built mainly with the money obtained from the

agricultural farm and when one rich Bangladeshi may possess more than a dozen such houses, there can be no justification for not redistributing them at a time when the ownership of land is fixed. As in the case of land reform, the Government must adequately guarantee that a family does not possess more than one house in any of the major cities of Bangladesh. The rest should be acquired by the Government and rented to others and the revenue thus received should be spent for building cheap community housing for the urban poor.

Another important measure on the way to income distribution is to adopt a more progressive taxation system than is practised at present by the Government of Bangladesh. The Government may also indirectly contribute to income redistribution by discouraging the consumption of Western luxurious goods, which cannot be enjoyed by an average Bangladeshi, by the highly privileged. Considering the economic plight of the general mass, it should be the policy of the government to see that public welfare activities such as safe drinking water for all, public bus and other modes of transport and communication, and public hospital treatment, etc., take precedence over the luxury of air-conditioned houses, cars and modern hospital beds for the favored few. The Government should abandon the traditional practice of providing modern amenities to

the powerful urban communities and other politically volatile groups for political purposes.

As the main test of development is the extent to which basic human needs are met and as food, clothing, shelter, sanitation, health, education, etc., are the most important needs of the poor Bangladeshis, the Government must ensure that everyone is fed, clothed, sheltered, educated and leads a life free from disease or illness if development is to be fruitful to them. Considering the absolute poverty of the country, all Bangladeshis should share the present hardship on the basis of solidarity and self-sacrifice, not in rhetorics but in deeds, and this requires redistribution of existing wealth and property as well as future income. But again the main problem in this respect is essentially political. As Just Faaland and J. R. Parkinson say, "the tendency on the part of the wealthy to prefer the motor-car, air-conditioners, luxury houses and foreign travel to other things is deeply ingrained, and it will not be easy within the present social and economic system to bring about a transformation in attitudes".¹

¹ Faaland and Parkinson, op. cit., p. 91

Last but not least, even with the successful implementation of the policies of utilization of the human resources and consequent redistribution of income and also the meeting of minimum basic needs of the poor Bangladeshis, the economy of Bangladesh needs an extensive program through which her GNP per capita can be increased each year if there is to be any long-term benefit for her ever-increasing population. The stress here is on GNP per capita and not only GNP because we know that the over-all GNP increased during the past few years but ¹ GNP per capita witnessed a process of decrease because the rate of growth of GNP was surpassed by the rate of growth of population of Bangladesh during that period.

Though the agricultural sector at present contributes 56 percent of the GDP and employs about 75 percent of the total labor force, any modern economy must explore the possibility of expanding its industrial sector for consuming a surplus labor force who cannot be employed in agricultural sector and also in a bid to make the over-all economic strategy successful. As has been aptly maintained by Richard J. Ward, "success in the agricultural program will reduce dependence upon food imports. Success in industry and manufacturing, including economic import

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See table 1 in the Annex.

substitution, will release foreign exchange for essential development imports". In fact, economic development of Bangladesh should not be one-sided: single-minded development of the agricultural sector should be generously matched by a long-range program for developing many modern productive enterprises in the industrial sector so that output may contribute to the increase in GNP per capita. But before considering the desirable industrial policy, it will be useful to have a cursory look at the population policy of Bangladesh.

The necessity for a sound population policy in Bangladesh can hardly be exaggerated. In a country where "foodgrain imports are already necessary to feed one out of every six of Bangladesh's population"², the question of controlling the present high rate of population growth should come first in any development planning. The question requires very urgent attention in view of the fact that "nothing that happened at the World Food Conference in Rome or since leads us to believe that the world would be ready to sustain on a continuing and cumulative basis an additional 2 to 3

¹ Richard J. Ward, op. cit., p. 205

² Faaland and Parkinson, op. cit., p. 71

million people per year in Bangladesh for very long".¹
And it can rightly be asserted that "any effort to meet the minimum needs of the people in Bangladesh would remain futile unless effective methods of controlling population were adopted".²

But in spite of the urgency of the problem, the measures taken by the Government of Bangladesh in this respect are far from satisfactory. Bangladesh has of late come to be known as a 'Malthusian nightmare' and development experts are conscious that "scarce but considerable resources have to be diverted to the maintenance of a fast-expanding population at the cost of sacrificing productive investment requirements".³ The Government of Bangladesh also is concerned with the problem and the measure it has taken to tackle it is concerned with family planning devise: to sterilise where possible, and to provide contraception for those who want it. But, as has been correctly assessed by

¹ Faaland and Parkinson, op. cit., p. 71

² International Development Review 1978/1, p. 48, emphasis added.

³ Badrud Duza, "Population Policy in Bangladesh", in Robinson and Griffin (eds.), op. cit., p. 261

Just Faaland and J. R. Parkinson, the "existing arrangements for the provision of family planning facilities fail to reach all who wish to avail themselves of them".¹ The same view was expressed in an issue of New Internationalist especially devoted to the problem of development of Bangladesh:

... irregular supplies of the pill has meant that many village women found that they could not get another cycle in time. Coming off the pill they were more fertile, and this is why some government family planning officials are said to fear that the last 3 years may have actually increased the country's population growth rate by as much as 1/2%. And for some village women the experience appears to have caused immense personal suffering, and even suicides because of side effects like bleeding which had been caused by irregular supply of pills. Both USAID and UNFPA in effect put the blame on the Bangladesh administration: not enough is being done, and not nearly fast enough.²

In such circumstances, the question needs priority attention by the government administrators. They may also adopt the more realistic approach to family planning developed by Dr. Zafrullah Choudhury of Savar Gonoshatya Kendra (People's health center) which "envisages the provision of a good village-based health

¹ Faaland and Parkinson, op. cit., p. 115

² New Internationalist 49 (March, 1977), pp. 13-14, emphasis added.

system, improved education and the availability of family planning advice and commodities¹". Thus, claims Dr. Choudhury, "in 5 years' time ... the population growth rate would start to fall noticeably"². This is very essential because without successful family planning no development strategy would be of any avail to Bangladesh.

As far as the development of the industrial sector is concerned, it is highly unlikely that the Bangladesh economy can increase GNP per capita and expand employment rapidly without a fairly rapid growth in industrial output. Keeping this view in mind, the Government of Bangladesh immediately after her emergence nationalized all key industries which were previously owned by non-Bengalis and declared abandoned units and various sector corporations for various industries were set up according to the Presidential Order of, March 26, 1972. But the production in the nationalized industries was very low compared to the pre-liberation period.³ The main reasons for this are attributed to the

¹ New Internationalist 49 (March, 1977), p. 12

² Ibid.

³ See table 18 in the Annex.

inefficient management and political involvement contributing to overstaffing of unskilled labor. Thus the main problem was again political. As Professor Nurul Islam says, the nationalized industries could not be successful mainly as "the results of political ineptitude, administrative inefficiency and misuse of political power -- all combined together in the highly abnormal circumstances prevailing immediately after independence"¹.

In keeping with the goal of socialist development of the economy, initially the ceiling for private enterprises was fixed at Tk 1.5 million (\$.15 million). But in view of the fact that the production in the public sector was not upto the mark and in response to the World Bank's recommendation for raising the ceiling to Tk 10 million (\$.66 million)², the Ministry of Industry published a Revised Industrial Policy in December 1975 which abandoned the reference to socialism and justified the change in policy as follows:

Government [of Bangladesh] is of the view that while industries of basic and strategic impor-

¹ Nurul Islam, op. cit., p. 241

² Ibid., p. 246

tance or in the nature of public utility service, should remain in the public sector, for reaching the goal of mobilisation of investment funds and rapid industrialisation, the private entrepreneurs should be afforded adequate scope and facilities for setting up industrial enterprises within the broad framework of a planned economy, the provision of the constitution and the laws of the land and efforts should be made to consolidate and improve the efficiency of the public sector.¹

The present industrial policy of the Government of Bangladesh should be devoted to the utilization of an increasing number of labor force and processing of indigenous raw materials. In other words, it should be more labor-intensive than capital-intensive. More stress should be given on those industries which complement the agricultural sector such as fertilizer, cement, etc. It should also see that the domestically available raw materials such as jute, bamboo, wood, etc., can be better utilized by concentrating on jute, paper or such other industries. Bangladesh has tremendous potentiality in food industry and leather industry also. As more capital is unlikely to be available from the external source and the amount of money to be available from there will be needed for the meeting of basic human needs for a considerable number of years, Bangladesh Government can no

¹ Quoted by Nurul Islam, op. cit., p. 255

longer invest additional money for fresh industries. However, the existing industries should be supported and private sector should be encouraged to undertake industrial enterprises for the balanced growth of the economy. In such a situation, "the developmental contribution of [World] Bank group industrial operations depends critically upon the policy framework in Bangladesh. Improvements in industrial policy would facilitate the industrialization process and at the same time enhance the effectiveness of Bank group financial¹ assistance".

Apart from the above mentioned activities of the Bangladesh economy, her economic development may remain a lost cause if adequate action is not taken to face the challenge posed by the Nature in this calamity-ridden part of the world. As has been mentioned in Chapter VI, consecutive cyclones and tidal bores and floods each year cause unprecedented damage to wealth and property which explain the causes of underdevelopment of the Bangladesh economy to a certain extent. From our past experience, we can see that the coastal embankment in the sixties helped increase the output of rice production in former East Pakistan to a great extent. So, a

¹ World Bank Operations, op. cit., p. 119, emphasis added.

portion of the World Bank loans and credits should be spent on building new coastal embankments as well as maintaining, repairing and improving the existing ones to prevent the incursion of tidal waves and saline water which cause heavy damage to agricultural products. This may also be undertaken on the basis of food-for-work as practised in present-day Bangladesh.

With the above discussion in mind, which gives us a clear picture of the need for meeting the basic human needs as well as other activities which are necessary for the economic development of Bangladesh as defined in the present study, we are to examine how the World Bank can contribute in the actual realization of these objectives of Bangladesh. However, the proposed modification of the lending policy of the World Bank to suit the need of Bangladesh is considered in the concluding chapter (that is, Chapter VIII). We will only mention here that though Mr. McNamara in his Nairobi speech has said that "the problem [of poverty] must be perceived and dealt with by the countries themselves",¹ the World Bank can also play a major role in this respect. As has been pointed out nicely by Mahbub ul Haq, "external assistance [in this case, World Bank aid] can help

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The Assault on World Poverty, op. cit., p. 98

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in this process ... by linking up with the concept of basic human needs and by supporting production and investment which is geared to the satisfaction of these needs"¹:

¹ Mahbub ul Haq, op. cit., p. 75

CHAPTER VIII

CONCLUSION

In this concluding chapter, an attempt has been made to develop some policy recommendations for the revision of the lending policy of the World Bank in such a way that it may contribute to the actual development of Bangladesh. Under the existing lending policy, "the World Bank makes three types of contributions to the development of its borrowers. Firstly, it transfers financial resources from rich countries to developing countries. Secondly, it encourages the more effective use of the borrower's own resources in the sector in which it is making a loan. Thirdly, it conveys the insights gained from experience in one developing country to other developing countries"¹. Thus the emphasis is still on the amount of money that is spent in the poor countries, rather than to support the initiatives of the poor there. But the fact is that the World Bank aid must be provided to fulfil the needs and aspirations of the poor themselves if it is to be successful in human terms. As far as the Bangladesh case is concerned, considering the fact that both the World Bank and the Government of Bangladesh have equal responsibility in promoting her development, the World Bank assistance should be

¹ The Assault on World Poverty, op. cit., p. 403

directed to such activities and sectors as have been identified in the model (in Chapter VII), and the political leadership and the implementing machinery in Bangladesh should also perform their respective functions properly in an effort to contribute to her development. Another factor necessary for providing long-term benefit to the economy of Bangladesh is the international market facilities to be accorded to the products of Bangladesh by the developed countries. So, we develop three categories of recommendations relating to (i) the World Bank; (ii) the national level; and (iii) the international market, for achieving development in Bangladesh.

The World Bank:

To begin with, the World Bank should modify its lending policy in such a way as to enable the poorest of the poor countries like Bangladesh to meet the basic needs of the population without which any development effort would end in smoke. As a recent World Bank study has recognized, "if the present internal and external policies continue unchanged, the poorest developing countries, below a per capita income of \$200, face the prospect of virtually no increase in this low level of income during 1975-80"¹. Hence, "provision should be made to guarantee that each one is provided with the minimum necessities of life. Sartaj Aziz has advocated a "World Fund for Basic Human Needs"² for this purpose but before such

¹ See Mahbub ul Haq. op. cit., p. 164

² Sartaj Aziz. op. cit., pp. 6-15

a highly desirable project may be successful, the immediate necessity is to provide an increased amount of money so that a vast majority of the desperately poor can live to see the possibility of future well-being. According to the estimate made by the World Bank, the total amount of external aid provided to Bangladesh at present (of which the World Bank's share is about 12.93 percent), is not adequate to finance all the development projects and programs.¹ And if we consider the question of core needs of the poor Bangladeshis, a rough estimate of which is given in table 3 in the Annex, we see that the amount needed by Bangladesh at present is much more. Such an estimate of the total amount of money needed for this purpose can be made on the basis of what has been done by Paul Streeten and Shahid Javed Burki.² Here a question may arise that the huge amount of money provided to Bangladesh immediately after her independence did not promote development and hence, a still larger amount of money will also be wasted and at the same time the external debt of the country will rise. The answer to such a question is that that large amount of money was not geared to development and at the same time it was inadequate in the sense that a major portion of it was "used to sustain current consumption" as well as "to bridge the foreign exchange gap".³ The plea for Bangladesh's need

¹ New Internationalist 49 (March, 1977), p. 3

² Paul Streeten and Shahid Javed Burki, op. cit., p. 419

³ Comments made by Keith Griffin and Branko Hovav on the discussion of a paper by Mohiuddin Alamgir, "Resources for Development",

for more capital may well be understood by "the fact that a country receives low marks on performance may be the very indication that it needs a larger component of aid in its capital inflow"¹

Next, though the President of the World Bank recognizes that "without rapid progress in smallholder agriculture throughout the developing world, there is little hope either of achieving long-term stable economic growth or of significantly reducing the levels of absolute poverty"², still the share of the World Bank lending for agriculture and rural development in Bangladesh, as shown in Chapter IV, is meagre and needs to be enhanced to a great extent. Apart from this, though Mr. McNamara could well understand that the "small farmer is to have at least the necessary minimum of economic and social infrastructure"³, the World Bank assistance has hardly reached the poor Bangladeshis. The recent IDA credit of \$21 million is to "improve the cultivation of jute, the country's most important export product" and "benefit" the poor from increasing the yield,⁴ but it is to be seen whether it actually serves the purpose of those for whom it is meant. The same applies in relation to the \$7 million

in Robinson and Griffin (eds.), op. cit., p. 139

¹ Meier, op. cit., p. 361

² World Bank Annual Report 1978, p. 17

³ The Assault on World Poverty, op. cit., p. 98

⁴ World Bank Annual Report 1978, p. 59

IDA credit sanctioned to Bangladesh to "aid the development of SCIs [Small-scale and Cottage Industries]" by effecting an "incremental direct employment for about 8,000 workers, and increased earnings for an additional 6,000 workers"¹. In fact, the World Bank should give more stress to this vital sector of the economy of Bangladesh in its actual provision of assistance and also make it sure that the interest of the poor landless as well as smallholder farmers is served better.

As far as the utilization of human resources is concerned, the World Bank, especially in its capacity as the Chairman of the Bangladesh Aid Group, should coordinate development assistance in such a way that the surplus labor force in Bangladesh may be involved in a food-for-work program to build the basic infrastructure of this poor economy as well as create durable assets in the form of water resource development, flood control, coastal embankment, etc.

For the successful implementation of an integrated rural development program which involves family planning, basic education, basic health and sanitation and easy credit to the poor farmers, the World Bank can coordinate the activities of other United Nations Specialized Agencies such as UNDP, FAO, UNESCO, WHO, and voluntary organizations such as WFP, WPC, CARE, USAID, etc.

The World Bank should also provide more aid in the above-mentioned activities of Bangladesh from its own funds, especially

¹World Bank Annual Report 1978, p. 60

IDA credits. And a greater portion of its assistance should be devoted to various programs rather than specific projects. Also, the foreign exchange component should be the minimum necessary.

By thus increasing the amount available for domestic use the World Bank can make the programs and projects financed by it more labor-intensive. These all require a change in outlook of the major shareholders of the Bank as well as activities of the bureaucrats serving it. Thus, by providing aid where and when and to what purpose it is necessary without any political or other consideration the World Bank can contribute to the economic development of Bangladesh.

National Level:

It is necessary to mention here that even if the lending policy of the World Bank is modified as advocated above, success will still depend primarily on the efforts made at the national level.

Here, the role to be played by the political leadership and the implementing machinery in Bangladesh is crucial for the development of Bangladesh. Recognizing the fact that "corruption is endemic in Bangladesh at present", one of the requirements for successful development is "to establish a strong, élite and incorruptable inspectorate to act as a deterrent to malpractice"¹. The Pearson Commission has also similarly advocated that "there must be administrative reform to make the government machinery more responsive to

¹Faaland and Parkinson, op. cit., p. 158.

popular need and more effective in implementing development plans".¹ Many scholars have expressed opinions on this matter. For example, Mahbub ul Haq says that "a drastic restructuring of political and economic power relationships is ... required if development is to spread to the vast majority of the population".² He also prescribes that such a "restructuring of political and economic power ... can not happen without a mass movement or a popular revolution".³ But Professor Nurul Islam has expressed the view that "one can only hope that the enlightened self-interest of the dominant groups combined with pressures from organised but disadvantaged groups would lead to progress with equity in an evolutionary process".⁴

Now a question arises regarding the feasibility of implementing the plan outlined by Mahbub ul Haq and the possibility of success of the amount of idealism expressed by Nurul Islam in actual practice in Bangladesh. From our past experience, we can see that any successful movement such as the Language Movement in the late 1940s and early 1950s and also the Movement for National Independence from Pakistani domination in the late 1960s and early 1970s, was led by the students and the intellectual in the country.

¹ Partners in Development, op. cit., p. 54

² Mahbub ul Haq, op. cit., p. 28

³ Ibid., p. 71

⁴ Nurul Islam, op. cit., p. 261

In the same way, it may be possible in the future that when the condition of the poor people becomes extremely unbearable, a consciousness will grow among them about their own miserable life and virtuous students and intellectuals will once again lead them to achieve a radical restructuring of the political and economic power all over the country to save the lives of millions of desperately poor Bangladeshis.

International Market:

Turning to the international market, it may be argued that even if the World Bank aid as well as the national effort is successful in increasing the productivity of the poor Bangladeshis in and out of the agricultural sector, it must be seen that these products get free markets in the developed countries otherwise it will serve no purpose for them. Thus the role of the future commercial policy of the developed countries is also vital for the development of Bangladesh. This point was nicely upheld by Mr. McNamara as he "stressed the dependence of the LDCs for their continued growth on 'a rapid expansion of trade with advanced countries'"¹. Richard J. Ward has also emphasized the need for the increase of exports from the underdeveloped to the developed world "without which the long-term prospect for their ultimate economic self-reliance

¹Richard J. Ward, op. cit., p. 15

would be a lost cause"¹. His specific measure in this respect is clear: "The economic future of underdeveloped countries is in significant measure dependent upon the future commercial policies of developed countries, especially the US, the UK, and Western Europe"². Helen Hughes sees that by "a sound trading framework, both developing and developed countries would have much to gain from increased mutual trade"³.

Final Remarks:

In the last analysis, it may be maintained that though "for many people Bangladesh is a catalogue of woes: constant food shortage and recurrent famine, devastating floods and cyclones, disorder, violence and corruption, an uncontrollable population explosion, failure of government and administration, a malfunctioning economy beset with financial crisis and bankruptcy -- a begging bowl to the rest of the world"⁴, actually it need not be the case. Bangladesh has the potentiality of developing a peaceful and progressive nation. Her huge man-power, if properly utilized, can

¹ Richard J. Ward, op. cit., pp. 15-16

² Ibid., p. 228

³ Helen Hughes (ed.), Prospects for Partnership: Industrialization and Trade Policies in the 1970s, (Baltimore: The Johns Hopkins University Press, 1973), p. 289

⁴ Faaland and Parkinson, op. cit., p. 192

be an asset, rather than a liability, for her. What is needed at present is painful, patient and self-sustained growth by meeting the basic needs of the poor Bangladeshis and thus utilizing them for productive purposes. For this, Bangladesh requires a huge amount of foreign capital. In the past, many blunders were committed by the political leadership and bureaucrats and also the international donors have tested their latest theories of development here. But all in vain; it did not promote the life of an average Bangladeshi. Dependence on external capital continued to grow without any sign of development. "Yet a truly independent and self-sufficient Bangladesh will only be signalled when the flow has peaked and begun to fall dramatically away"¹. As time is running short for Bangladesh, it is urgently needed that a massive effort at development is undertaken initially for a period of at least one decade and then gradually Bangladesh can stand on her own feet without relying on external assistance. To effect this, a mutual understanding and cooperative relations between the World Bank and Bangladesh is needed.

What is needed at present is the genuine effort on the part of the World Bank to help the Government of Bangladesh achieve self-sustained development. And for its part, the Government of Bangladesh must demonstrate and act to convince that it is involved

¹New Internationalist 49 (March, 1977), p. 18

in the task of developing the country from the point of view of urgent need and not political consideration to be able to discard the external notion on Bangladesh as the 'international basket case' and thus raise the image of the country as a self-sufficient and prosperous one in the community of nations.

ANNEX

TABLE 1: THE ESTIMATES OF GDP, PER CAPITA INCOME AND GROWTH RATE

	1969- 70	1972- 73	1974- 75	1976- 77	1977- 78 (preliminary)
Gross Domestic Product (GDP) (Crore Taka)	5,183	4,530	5,060	5,644	6,084
Population (Million)	67.3	74.0	78.2	82.7	85.4
Per capita GDP (Taka)	770	612	647	682	712
Growth rate of GDP	...	(-)12.6	2.0	1.7	7.8
Growth rate per capita income	...	(-)20.5	(-)0.6	(-)1.2	4.4

Source: Bangladesh Economic Survey 1977-78, p.1

TABLE 2: SECTORAL CONTRIBUTION TOWARDS GROSS DOMESTIC PRODUCT

	1969- 70	1972- 73	1974- 75	1976- 77	1977- 78
1. Agriculture ..	62.42	60.08	58.69	56.98	56.77
2. Industry ..	8.25	7.28	7.38	8.23	8.43
3. Construction ..	4.58	3.18	3.47	4.08	4.37
4. Power and Gas ...	0.24	0.40	0.52	0.69	0.67
5. Transport ..	4.63	5.29	5.16	5.35	5.31
6. Trade ..	7.45	7.75	7.75	7.44	7.39
7. Housing ..	4.42	5.20	4.92	4.78	4.61
8. Public Administration	2.44	2.91	4.86	5.37	5.47
9. Banking and Insurance	0.50	0.72	0.68	0.76	0.77
10. Professional and other services ..	6.05	7.13	6.51	6.33	6.16
11. Gross Domestic Product	100.00	100.00	100.00	100.00	100.00

Source: Bangladesh Economic Survey 1977-78, p.2

TABLE 3: THE MINIMUM CONSUMPTION BUNDLE

Description of Goods & services	Assumed per capita consump- tion per annum (lb.)	Minimum require- ment for 1973-4	Minimum require- ment for 1974-5	Minimum require- ment for 1975-6	Minimum require- ment for 1976-7	Minimum require- ment for 1977-8
		(000 tons)	(000 tons)	(000 tons)	(000 tons)	(000 tons)
Rice	341.40	11,934	12,292	12,661	13,040	13,432
Wheat	39.30	1,374	1,415	1,457	1,501	1,546
Pulses (exclu- ding gram)	6.70	234	241	248	256	264
Vegetables (inc- luding potatoes)	67.20	2,349	2,419	2,492	2,567	2,644
Milk	21.04	375*	758	780	804	828
Fats and oils	3.34	117	120	124	128	131
Sugar & molasses	3.50	122	126	130	134	138
Meat	6.00	210	216	223	229	236
Fish	24.60 ^a	860**	836	912	940	968
Salt	8.40	294	302	312	321	330

Contd ...

TABLE 3, Contd ...

Kerosene	1.03 (gallons)	297	305	315	324	334
Cotton cloth	10 (yds.)	783 (m. yds.)	807 (m. yds.)	831 (m. yds.)	856 (m. yds.)	881 (m. yds.)
Education	-	5.00 ^b	4.10 ^b	4.40 ^b	6.14 ^b	7.33 ^b
Population assumption (millions)	-	78.30	80.65	83.07	85.56	88.13

^a Exclusive of subsistence consumption.

^b New enrolment at primary level (in millions).

* Figure given seems to be incorrect.

** Figure given seems to be incorrect.

Source: Mohiuddine Alamgir, in Robinson and Griffin (eds.), op. cit., p.40.

TABLE 4: ADDITIONAL INCOME REQUIREMENTS FOR MEETING
SHORTFALLS IN CORE BASIC NEEDS, BANGLADESH
(Orders of Magnitude)

Item	Shortfall quantity	Unit cost to consumer	Additional required income of the poor (\$ million)
Food	2.5 million tons of cereals	\$400 per ton	\$1,000
Clothing	100 million sq. meters	\$1 per sq. meter	\$100
Water	Hydrants for 44% of the people	Free	-
Shelter	6.7 million dwellings	\$125 per family per year	\$840
TOTAL		Approximately	\$2,000

Source: Paul Streeten and Shahid Javed Burki, "Basic Needs: Some Issues", World/Development 6:3 (March, 1978), p.419.

TABLE 5: IDA CREDITS GIVEN TO BANGLADESH, 1972-78*

	Name of Projects	Credit No.	Agreement signed on	Current principal	Amount disbursed
1	Reconstruction Imports**	345-0	30 Nov. 72	50.0	50.0
2	Small-scale Industry	353-0	19 Jan. 73	3.0	3.0
3	Irrigation Engineering	S014-0	9 April 73	.4	.4
4	Foodgrain Storage	381-0	18 May 73	23.5	23.5
5	Inland Water Transport	424-0	10 Aug. 73	4.1	4.1
6	Imports Program	458-0	7 Feb. 74	50.0	50.0
7	Consolidation Credit***	529-0	1 July 74	37.5	37.5
8	Third Imports Program	515-0	✓ 9 Oct. 74	50.0	50.0
9	Third Imports	515-1	10 Mar. 75	25.0	25.0
10	Fourth Imports	591-0	25 Nov. 75	100.0	100.0

Contd.

TABLE 5: Contd.

11	Costal Area ^a Rehabilitation	339-0	18 Oct. 72	25.0	19.2
12	Chandpur II Irrigation	340-0	18 Oct. 72	13.1	10.7
13	Northwest Region Tubewells	341-0	6 Nov. 72	14.0	12.0
14	Telecommunications	343-0	15 Nov. 72	7.7	7.2
15	Chittagong Water Supply	367-0	9 April 73	7.7	7.1
16	Dacca Water Supply and Sewrage	368-0	9 April 73	14.4	14.0
17	Education	407-0	29 June 73	22.6	16.5
18	Highway	408-0	29 June 73	25.7	14.6
19	Technical Assistance	409-0	29 June 73	4.0	3.0
20	Cereal Seeds	410-0	29 June 73	7.5	2.1
21	Second Telecommuni- cations	487-0	26 June 74	20.0	5.4
22	Ashuganj Fertilizer	527-0	11 Feb. 75	33.0	16.1
23	Population	533-0	10 Mar. 75	15.0	2.0

Contd.

TABLE 5: Contd. ...

24	Barisal Irrigation	542-0	29 April 75	27.0	2.3
25	Inland Water Transport Rehabilitation	424-1	17 Oct. 75	4.6	2.9
26	Karnafuli Irrigation	605-0	28 Jan. 76	22.4	5.5
27	Agricultural and Rural Training	621-0	25 Mar. 76	12.0	1.0
28	Ind. Technical Assistance	622-0	8 April 76	7.5	0.8
29	Rural Development	631-0	3 June 76	16.0	0.2
30	Bangladesh Shilpa Bank	632-0	3 June 76	25.0	2.1
31	Fifth Imports	676-0	25 Jan. 77	50.0	48.8
32	Fifth Imports	676-1	1 July 77	25.0	5.3
33	Shallow Tubewells	724-0	1 July 77	16.0	0.0
34	Muhuri Irrigation	725-0	1 July 77	21.0	0.2
35	Extension & Research	729-0	1 July 77	10.0	0.0
36	Second Inland Water	735-0	30 Sep. 77	5.0	0.0
37	Sixth Imports,	752-0	30 Nov. 77	75.0	12.3

Contd. ...

TABLE 5: Contd. ...

38	Jute	765-0	8 Feb. 78	21.0	0.0
39	Second Foodgrain Storage	787-0	12 April 78	25.0	0.0
40	Second Small-scale Industry	825-0	16 June 78	7.0	0.0
41	Agricultural Research	828-0	16 June 78	6.0	0.0
TOTAL				928.7	554.8

* Amounts expressed in millions of United States Dollars as of June 30, 1978

** The \$50.0 million reconstruction program credit is the first and entirely new IDA credit to Bangladesh since Bangladesh joined the Bank and IDA in August 1972. In addition, IDA and Bangladesh have so far reactivated four projects begun before Bangladesh's independence, with total financing from IDA of about \$59 million.

*** Under the Consolidation Loan and Credit Agreements between the Bangladesh Government and the IBRD and IDA, the former assumed liability as of July 1, 1974 for certain amounts disbursed under IBRD loans and IDA credits originally made to Pakistan and which financed projects in Bangladesh completed before independence. The IBRD loan, equivalent to \$54.9 million at current exchange rates, is for a term of 30 years including 10 years of grace. Interest is at 6.15% which is the weighted average of the original interest rates on the amounts for which Bangladesh assumed liability.

Source: Compiled From IDA, Statement of Development Credits (June 30, 1978), pp. 111-116, with minor corrections.

TABLE 6: SECTORAL COMPOSITION OF WORLD
BANK LENDING IN BANGLADESH 1972-78*

	<u>Amount Disbursed</u>	<u>Percentage of</u> <u>total Disbursed</u> <u>Amount</u>
<u>INFRASTRUCTURE</u>		
Communications	12.6	2.27
Transportation	21.6	3.89
Coastal Area Rehabilitation	19.2	3.46
Foodgrain Storage	23.5	4.24
Sub-total	76.9	13.86
<u>ECONOMIC SECTOR</u>		
Agriculture	1.0	0.18
Irrigation	31.1	5.61
Fertilizer	16.1	2.90
Rural Development	0.2	0.04
Small-scale Industry	3.0	0.54
Industry	2.1	0.38
Sub-total	53.5	9.65

Contd.

TABLE 6: Contd. ...

SOCIAL SECTOR

Education	16.5	2.97
Population	2.0	0.36
Water Supply	21.1	3.80

Sub-total	39.6	7.13
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OTHERS

Imports	341.4	61.54
Consolidation Credit	37.5	6.76
Technical Assistance	3.8	0.68
Cereal Seeds	2.1	0.38

Sub-total	384.8	69.36
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Grand-total	554.8	100.00
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* Amounts expressed in millions of United States Dollars as of June 30, 1978.

Source: Compiled from IDA, Statement of Development Credits (June 30, 1978), pp. 111-116, with minor corrections. Percentage calculated.

TABLE 7: Contd. ...

III. <u>PROJECT AID</u>									
(a) Grants	97.7	44.3	18.8	50.4	159.6	106.6	205.1		
(b) Loans/Credits	101.6	286.0	199.8	355.6	158.9	131.5	484.2		
Total- Project Aid	199.3	330.3	218.6	406.0	318.5	238.1	689.3		
Grand Total (Commitment)	627.1	940.8	553.5	1282.4	930.4	657.0	1237.7		

Source: Bangladesh Economic Survey 1977-78. p. 105

TABLE 8: DISBURSEMENT OF FOREIGN AID

(Million Dollar)

Type of Aid	1971- 72	1972- 73	1973- 74	1974- 75	1975- 76	1976- 77	1977- 78 (Estimated)
I. FOOD AID							
(a) Grants	113.3	175.8	122.6	192.1	104.4	77.6	121.3
(b) Loans/Credits	...	7.4	110.6	182.8	201.5	28.9	68.7
Total-Food Aid	113.3	183.2	233.2	374.9	305.9	106.5	190.0
II. NON PROJECT AID							
(a) Grants	123.3	285.6	38.9	135.9	101.0	106.3	138.9
(b) Loans/Credits	...	5.9	70.5	263.2	277.1	142.3	181.1
Total-Non-Project Aid	123.3	291.5	109.4	399.1	378.1	248.6	320.0

Contd. ...

TABLE 8: Contd. ...

III. PROJECT AID

(a) Grants	...	20.7	58.0	64.4	31.8	45.4	108.0
(b) Loans/Credits	6.9	63.3	80.0	80.8	97.3	101.7	157.0
Total-Project Aid	6.9	84.0	138.0	145.2	129.1	147.1	265.0
Grand Total (Disbursement)	243.5	558.7	480.6	919.2	813.1	502.2	775.0

Source: Bangladesh Economic Survey 1977-78, p. 105

TABLE 9: DEBT SERVICE RATIO FOR BANGLADESH'S
EXTERNAL DEBT

(Million Dollar)

Year	Total Export Earnings	External Debt Service	Debt Service Ratio (Per cent)
1973-74 ...	372.91	17.50	4.69
1974-75 ...	391.98	70.87	18.08
1975-76 ...	382.88	55.62	14.53
1976-77 ...	422.00	50.00	11.85
1977-78 ... (Estimated)	497.00	62.46	12.57

Source: Bangladesh Economic Survey 1977-78, p. 107

TABLE 10: DEBT SERVICE OF BANGLADESH

(Million Dollar)

Year	Interest/ Commitment	Principal and Down Payments	Total
1973-74 ...	8.50	9.00	17.50
1974-75 ...	13.06	57.81	70.87
1975-76 ...	19.91	35.71	55.62
1976-77 ...	27.70	22.30	50.00
1977-78 ... (Estimated)	32.42	30.04	62.46
Total ...	101.59	154.86	256.45

Source: Bangladesh Economic Survey 1977-78, p. 107

TABLE 11: THIRD WORLD'S SHARE IN THE WORLD'S
NATURAL RESOURCES

(Data for 1973; in thousand metric tons)

Commodity	Third World	Total World	Third World's Share (percent)
Cocoa	1,355	1,355	100.0
Rubber	3,449	3,452	99.9
Coffee	4,186	4,193	99.8
Hard fibers	671	681	98.5
Jute	2,404	2,712	88.7
Tin	166	220	75.5
Tea	1,057	1,535	68.8
Rice	179,667	320,714	56.0
Bauxite	35,152	73,134	48.1
Cotton	5,840	13,080	44.6
Copper	2,833	7,533	37.6
Phosphate	32,345	97,199	33.3
Iron ore	211,500	835,900	25.3
Coarse grains (maize)	69,597	311,780	22.3
Wheat	71,786	377,017	19.0

Source: Mahbub ul Haq, The Poverty Curtain: Choices
for the Third World, (New York: Columbia
University Press, 1976), p. 228.

TABLE 12: LIBERATION WAR DAMAGES IN 1971

	Amount in Tk. (Million)
<u>PUBLIC SECTOR:</u>	
Transport	1226.58
Power and Natural Resources	226.29
Industries	134.70
Communication	50.85
Social Welfare	220.90
Housing and Settlement	107.62
Public Health Engineering	108.26
Water	72.66
Agriculture	841.90
Health	68.43
Education	150.00
	<hr/> 3208.19
<u>PRIVATE SECTOR:</u>	
Agriculture	250.00
Housing	8250.00
Hats and Bazars	35.00
Artisans and Traders	750.00
	<hr/> 9285.00
	<hr/> 12493.19

Source: Mohammad Zamir, "Reconstruction of Bangladesh", in Bangladesh (A Souvenir on the First Anniversary of Victory Day, December 16, 1972), p. 93.

TABLE 13: PER CAPITA GROSS NATIONAL PRODUCT AT
 MARKET PRICES -- AMOUNT (1975) AND
 AVERAGE ANNUAL GROWTH RATES (1960-75
 and 1970-75) FOR THE 'WRETCHED OF THE
 EARTH'

Country*	Amount (US \$)	GNP per capita	
		Real Growth rates (%)	
		1960-75	1970-75
Haiti	190	0.0	1.5
Mozambique	180	2.0	-2.6
Tanzania	170	3.0	2.9
Pakistan	160	3.3	0.8
Lesotho	160	4.6	7.3
Afghanistan	150	-0.2	2.1
India	140	1.3	0.5
Zaire	140	1.6	1.5
Guinea	130	0.2	1.3
Malawi	130	4.1	7.0
Niger	130	-1.3	-2.8
Benin	130	-0.3	-1.1
Chad	120	-1.1	-2.0
Burma	110	0.7	0.9
Burundi	110	2.7	-1.1
Somalia	110	-0.3	-0.2
Upper Volta	110	0.7	1.1
Nepal	110	0.3	0.7
Rwanda	100	0.5	0.2
Ethiopia	100	2.0	0.4
Mali	90	0.9	-0.1
Bangladesh	90	-0.6	-2.3

*Data for countries like Lao People's Democratic Republic, Bhutan, Cambodia, and Vietnam were not available.

Source: World Bank Atlas 1977, p. 6.

TABLE 14: SUBSCRIPTIONS AND VOTING POWER OF THE FIVE LARGEST SHAREHOLDERS OF THE WORLD BANK AND IDA (DECEMBER 31, 1973)

(Expressed in United States dollars of the weight and fineness in effect on January 1, 1960 -- in thousands)

Member	¹ Subscriptions		Voting Power	
	Amounts	Percent of total	Number of votes	Percent of total
Canada	\$ 39,682	3.74	32,464	3.86
France	55,035	5.18	38,284	4.55
Germany, Federal Republic of	55,963	5.27	49,874	5.93
United Kingdom	134,650	12.68	71,857	8.54
United States	331,899	31.25	210,927	25.07
Total	617,229	58.12	403,406	47.95

¹ Subscriptions include initial subscriptions of the members and additional subscriptions taken up by members under the Third Replenishment of the resources of the Association.

Source: Adopted from Policies and Operations: The World Bank Group (September 1974), p. 110.

TABLE 15: DEATH RATES BY LANDHOLDING OF
FAMILY IN COMPANIGANJ, 1975

Acres of land per family	Crude death rate	Age 1-4 death rate
0	35.8	86.5
0.10-0.49	28.4	48.2
0.50-2.99	21.5	49.1
3.00+	12.2	15.2

Source: Report No. 1931-BD, IBRD, Bangladesh: Current Economic Trends, Volume II: Population Growth and Planning (Document of the World Bank, April 10, 1978), p. 6.

TABLE 16: TREND OF IDA CREDITS GIVEN TO BANGLADESH
FROM 1972 TO 1978

Year	Credit Nos.*	Commitment of credits**
1972-73	345-0, 353-0, S014-0, 381-0, 339-0, 340-0, 341-0, 343-0, 367-0, 368-0, 407-0, 408-0, 409-0, 410-0	\$ 218.6
1973-74	424-0, 458-0, 487-0	74.1
1974-75	529-0, 515-0, 515-1, 527-0, 533-0, 542-0	187.5
1975-76	591-0, 424-1, 605-0, 621-0, 622-0, 631-0, 632-0	187.5
1976-77	676-0	50.0
1977-78	676-1, 724-0, 725-0, 729-0, 735-0, 752-0, 765-0, 787-0, 825-0, 828-0	211.0

* See Table 5.

** Amounts expressed in millions of United States Dollars as of June 30, 1978.

Source: Compiled from IDA, Statement of Development Credits (June 30, 1978), pp. 111-116.

TABLE 17: UTILIZATION BY CATEGORY OF FIRST
TWO PROGRAM CREDITS (in US \$ million)

Category	Credit 345-BD	Credit 458-BD
Agricultural equipment	8.4	N.E.
Fertilizers and raw materials for fertilizer manufacture	5.5	2.2
Components, chemicals, raw materi- als, spare parts, balancing equip- ment and packing material for:		
Jute industry	1.6	3.8
Textile industry	9.8	11.4
Paper and board industry	0.9	2.9
Food and allied products industry	3.1	2.8
Chemical & pharmaceutical industry	7.3	9.6
Sugar industry	0.3	1.0
Steel and foundry industry	0.5	7.3
Selected export-oriented industries	N.E.	N.E.
Commercial vehicle industry	6.3	3.4
Small-scale industry	1.5	0.4
Construction industry	1.3	4.3
Ship-building industry	3.3	0.9
Telecommunications industry	0.2	N.E.
Total	50.0	50.0
N.E. = Not Eligible		

Source: IBRD, Program Performance Audit Report:
Bangladesh -- Import Program Credits
(Document of IBRD, February 22, 1978),
table 2, p. A.18.

TABLE 18: PRODUCTION OF SELECTED INDUSTRIAL BRANCHES,
1969/70 and 1972/73-1974/75

(in thousand metric tons, except as noted)

Item	1969/70	1972/73	1973/74	1974/75
Jute products (total)	560	446	500	444
Cotton textiles				
cloth (million yards)	60	58	79	86
yarn (million lbs)	106	81	96	101
Paper and board				
newsprint	36	28	26	29
paper	31	21	24	25
Steel (ingots)	54	68	74	76
Industrial chemicals	8.5	5.3	5.7	7.0
Soap	8.7	8.0	10.4	5.9
Commercial and heavy vehicles (thousands)	0.5	1.2	2.1	1.3

Source: IBRD, Program Performance Audit Report:
Bangladesh -- Import Program Credits
 (Document of IBRD, February 22, 1978),
 table 3, p. A.19

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