



Bangladesh has now two choices

Patel tells FE

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Unlike his chain-smoking predecessor Mieko Nishimizu, the new World Bank South Asian chief, Praful Patel, cuts a rather unimpressive figure. He talks in a mumbling voice, one that requires the listeners to be extra cautious.

But in this mumbling voice he tries to be straight, often at the pain of those at the receiving end. At this week's Bangladesh Development Forum (BDF), the local officials here had the taste of that faint yet tough tongue when they heard Patel drawing a new line on development.

Leading the donors in the BDF meeting, the Harvard-trained development economist told the government officials here that the country now has two choices.

The first leads to higher percentage development being fed by proper dosage of reforms, improvement of law and order and infrastructure. The second is of chaos, development hara-kiri and making mess with the progress that the resilient people of Bangladesh had made.

In his straightforward way Patel told The Financial Express at his hotel suite that Bangladesh would one way or the other record an eight per cent growth annually within the next five years in spite of weak institutional supports and government's shaky reform programmes.

However, he claimed: "this country cannot grow more than five to six per cent continuously unless it has the required infrastructure in place".

"This country is performing less than half its potential compared to its counterparts. And it does not seem to have a group of citizens



Praful Patel

who would put the interest of the nation above their own and interact with the leaders in both opposition and the government to force that agenda," Patel rued.

He added that the poor image of the country coupled with ailing infrastructure and lack of progress in law and order, a complex and inefficient judiciary, restrictions of foreign direct investment in the RMG sector are inhibiting the country's march towards higher growth.

"If the country wants to witness an eight per cent growth, it will need measures to remove some bottlenecks in infrastructure. Power sector needs big investment, energy needs more reforms and efficiency of the ports and the road systems should be upgraded to make it suitable for investment," Patel said.

In his third visit to the country, Patel, a Ugandan national, said already the World Bank has made its intention clear that it wants to support in a bigger way to power and infrastructure.

"We will be very happy to take on some very critical binding constraints in infrastructure on a fast-track way. There are binding constraints in trade logistics and power sector. Some of the credits, which remained idle, are being reallocated in power. You might call it a new shift in our approach."

In this context, the WB regional chief reminded the government that it would stand by the government and maximise its aid to the country,

provided the latter responds equally with reform measures. "It cannot be one way traffic."

"In the BDF, I have said two things to the government. As it moves on the reform programmes, we will maximise and optimise the support even in the transition period, focusing on things that bring services to the people. If reforms

take place in these areas, we cannot stay asleep."

Admitting that Bangladesh is a riddle to this development economist, Patel asked: "How can a country with such a deep rich culture and very strong religion can become such a mess in law and order and corruption."

"Somebody who never came to Bangladesh raise these issues as they were already informed about Bangladesh's corruption status. I have been in a meeting in Europe where some said that we stop giving budget support to Bangladesh because it is the worst country in corruption, safeguards."

Stressing a movement within the country, he said: "The question therefore is why there isn't a movement amongst the people that would put the interest of the country ahead of everything else. Somebody needs to tell the leadership of the country that it is time to focus on the development."

"Unfortunately there is not a critical mass of people who would put the interest of the people ahead of everything else. Instead, what I have heard here and seen in almost every issue that there are interests other than the country's interest driving the issue: whether it is confrontational politics, dysfunctional government, or law and order situation."

Reminding the government and the opposition of their roles in parliamentary democracy, Patel said: "In a robust society, the government, civil society and the opposition should be engaged. What we are finding here is that the opposition is not engaged in the democratic process in parliament."

Patel said he wanted to meet the opposition leader during his visits but the opposition leader did not make any response. However, he said if the country wants to end its dysfunctional politics it is the government who has to share the bigger burden in reaching out to the

opposition.

He said that development in Bangladesh is following the Thai path where the development largely happened by default. "It happened by default because the Thai government was so inept in those early days. Same things could happen here."

"The Thai private sector took it upon themselves. If you read their history, there was a period when there was basically no government. You see a bit of such things are happening in IT sector in India despite the country's overall scenario."

On the issue of gas export, Patel said Bangladesh should first take care of the present priorities. "Today's priorities are critical. If you don't use these resources today, you're just holding back the country's development agenda."

On the regulations of NGOs, Patel suggested that the government deal with the six or seven NGOs, against which it had raised questions, in accordance with the law and then involve the NGO leadership and the donors in the reform process.

However, he noted: "The NGO movement in the country evolved very fast without any regulatory framework. There are now issues of source of their money as the Finance Minister informed us. Some of the money could come from questionable sources."

Stressing NGO accountability, he said: "You have to have some sort of accountability of the money and put the NGO operations to public scrutiny. Unless you check that you'll create an empire within the NGOs that'll operate on their own."

"The new bill on NGO regulations would focus on these reforms and I hope it will incorporate the feedback that the donors community gave. Besides, the NGOs should have their own common code of conduct."

On the banking sector reforms, the World Bank regional chief said they have focused on two things: banking supervision and non-performing assets.

"If you don't force people to pay back their loans, political patronage would allow the big fishes to get away. The government has done a good job. But, it should be take more measures continuously."

Claiming that the government hasn't put off its privatisation programme, Patel admitted the progress in actual divestiture has been very low.

"The donors and the government are exploring options for efficient disposal of SOEs through liquidation in areas where public ownership is no longer warranted."

On the government's preparedness for quota-free regime, Patel said the concerns stem from lack of foreign investment in the garments sector.

"Freeing up the FDI in all sectors, including in the readymade garments sector, would help address this problem," he suggested.

"There are difficulties in getting market access for RMG. Labour productivity is low. In an environ-

ment of stiff competition, these are weaknesses that must be improved. Liberalisation of textile imports would allow the RMG sector to benefit from the GSP in the EU countries."

He further said the enforcement of business contracts is a major constraint on the way of private sector development in Bangladesh.

"This is because the laws are complex and legal processes are time-consuming and costly."