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**Business**

## **Managing food security to sustain political transition**

Sajjad Zohir

*[This article has summarised in two instalments a paper available at [www.ergonline.org](http://www.ergonline.org). The first part looked into the plausible reasons of price increase observed. The second part addresses the future and immediate actions to face it so that the goals of political transition remain shared.]*

### **PART II**

Discussion in the previous instalment of this article (published on Sunday) suggested that rice and other food prices would remain on the high side, at the least till next Aman harvest and till the winter vegetables start to enter the market in large scale. It is quite possible that the rice price will eventually settle at a high level

(say, Tk. 22 per kg for coarse rice) because all indications in the international market suggest of 'rice getting commercial', with major upward adjustment in its relative price. If all of us were parties to the old non-accountable corrupt system and the 'illegally earned' money circulated widely within the economy, people would only have to adjust their consumption basket in accordance to changes in relative prices. And sooner or later, the wages would adjust and so would the bribe money and the rest -- eventually the economy settling to new set of prices, consumptions, production and distribution. But such convergence of 'unholy' actions is not expected in the changed environment where the drive is towards a less corrupt society. Unfortunately, the economic implications of such moves have drawn little attention so far and we do not get into the topic here. Broadly, one may observe that there has been dislocation of informal sectors, having far-reaching implications for the livelihood of the poor and for internal remittance flows. The problems have been aggravated by dislocation of the traditional actors in some of the markets, and by sudden stoppage of the 'corrupt' money that had once lubricated parts of the economy. Since some of the steps are essential for the political transition, and because such steps are bound to incur cost (slow down economic activities), it

is all the more important that errors in economic management be minimal and steps be taken to ensure that the cost be shared across society so that the goal of realizing political transition remains shared.

- Earlier discussion also alluded to costs of political transition from a corrupt to a less corrupt economy and society, but the task of identifying its many facets within the scope of a single paper is not possible. The focus therefore confined to issues of immediate concern -- that of increases in food prices with dislocations in employment (and possible shrinkages in the size of employment), both affecting adversely the poor segment of the society. Given a scenario of little hope for immediate changes, the country needs to face the situation in a collective way. In its role as prime mover, the government ought to reactivate institutions under an environment of clean business, reactivate the economy with fresh investments, and address the dire situation that the poor will be facing in the coming months. If needed, the budget has to be recast accordingly, focusing on the recovery of the economy -- if needed with additional

(fiscal) deficit, spent in transparent manner. With that perspective, a set of recommendations, focusing on a limited immediate issues pertaining to the food sector, is given below.

- Recent initiative to facilitate food grain imports to make up for the aggregate shortfalls is praiseworthy; and the foreign exchange reserve permits such undertakings. At the same time, there is a need to translate our savings (currently in the form of impressive build-up of reserve) into investment. One needs to look into ways of linking subsidised food distribution with real investment -- if needed, centering around urban areas.
- Rice procurements are meant to support farmers when the prices are expected to be depressed; and there is no good rationale in the present situation of rising prices. Internal government procurement of rice needs to be stopped immediately, except for certain pockets in the country. This will save the government of undue claims on allowances, and also of having to deal with rotten rice in future. Moreover, it will give breathing space to the private sector, which need to

- keep the economy moving. Government procurement can remain confined to external procurement only.
- Recent initiative from the government to engage with millers is praiseworthy but an appeal for a 'no-profit' gesture is unlikely to be sustained. The millers may have the option to switch back (part of their rice) to mill coarser varieties, which may reduce their cost substantially. It is possible that introducing further price differentials between the (traditional type) coarse variety and the fine variety will have beneficial re-distributive effects.
  - In a regime of high prices of food grain, input subsidy is the primary instrument to resort to for ensuring increased production during next Aman harvest; as well as to promote summer vegetables and Rabi crops. It is important that steps are taken immediately to have an action plan worked out well before the plantation begins.
  - The government should seriously consider closing the OMS operation by para-military forces; and review the actual cost of undertaking such operations that involve payments of allowances (over and above the subsidy embedded in

lower prices), not often revealed. If OMS is to be continued, the responsibility should lie with the traditional players within the government -- those in the Department of Food and of Relief & Disaster Management. If the institutions within the government ought to perform, this is the best opportunity to make them deliver, when the country's military and para-military forces have opted to assist the government in making institutions (including civil administrations) deliver services these are established for.

- It is now beyond doubt that OMS operation has failed to lower food prices prevalent in the markets. If the objective is to provide supports to the poor, distributing cooked food (say, once a day meal) through 'kitchen centres' close to clusters of poor and very poor is a better option it will save the fuel energy and time loss of numerous poor households, who may then seek meaningful employment. Private initiatives to open such centers may also be facilitated and/or donations for such initiatives may be encouraged.

**The writer is executive director,  
Economic Research Group**