

Economic Policy Paper

on

Political Decision and Implementation: Effect on Economic Development

1.0 Introduction

Economic development is all about efforts for improving the quality of people's lives. It concerns human well-being which is, however, difficult to measure. There are both qualitative and quantitative aspects of human well-being. Indicators like poverty rates, or educational improvements, lend themselves to rigorous numerous comparisons but the components of a long, healthy and fulfilling life do not necessarily do the same.

Gross Domestic Product (GDP) per person is the most common indicator of development progress. It provides a crude gauge of one, albeit important, aspect of human well-being. But analysis of development progress does also encompass many qualitative aspects like the structure of the family and other social institutions, the nature of the work environment, the relative position of women etc. All these aspects influence the quality of life that cannot easily be measured. Political, social, cultural and ethical factors are, therefore, important too, to analyse the changes in quality of people's lives, particularly in terms of who benefits most.

The task of development is daunting. Raising the standard or quality of living in a sustainable manner is the core purpose of development. It requires policies for actions on several fronts for promoting broad-based growth and widening opportunities for all.

Economic policy-making and implementation which, in combination, constitute economic governance face a variety of constraints on strategic choices. Such strategic choices that governments make are, thus, the outcomes of compromises relating to both economic and political factors. The political feasibility is conditioned by the complex interaction of various aspects of things. This interaction has its relevance to the political culture of a country, the nature of its political organisations, its leaderships, bureaucratic processes and so forth.

2.0 Political Decisions and Policy Adoption and Implementation Procedures in Bangladesh

Notwithstanding its some notable achievements in past three decades of independence, Bangladesh still remains at the bottom of low-income countries in the world economic atlas- the place that has not changed much from right where it had started its journey as an independent nation. Bangladesh enjoys otherwise remarkable social, linguistic and racial cohesion. This is much unlike the case with some of its neighbouring countries in this region where the centrifugal forces threaten the fabric of their societies and economies. Yet it is yet to see the basic right in its development performance that should provide the basis for building a prosperous society for the future.

It is the fundamental responsibility of every government to establish a framework of sound policies within which economic agents can function smoothly. Policies here refer to a set of coherent rules and strategies for short-, medium- and long-term actions in a well defined area of governmental responsibilities that are designed to achieve goals of overall economic development.

The establishment of the primacy of political pluralism in the early 1990s under the parliamentary system of government should have otherwise paved the way for ensuring transparency in government operations and accountability, in substitution of secrecy. But the effectiveness of parliament and the related institution-building efforts unfortunately are still largely missing. Thus, qualitative changes are yet to be brought about in areas of decision-making by subjecting the executive to proper accountability, supervision and monitoring.

Such problems have made it difficult for parliament in Bangladesh to become the focal point of all activities of the state. This has weakened the role of politicians in policy making on issues of national concern.

The failure of the political parties to use the last two duly-constituted parliaments in the 1990s undermined the process of accountability. A large part of the processes of these two parliaments were rendered ineffective because the opposition stayed out of them.

The reason why democratic culture is still to take strong roots among the leaders of the country's political parties even after a decade-long parliamentary system at work, can, thus, be explained largely in terms of the debilitating influence of the prolonged authoritarian rule. Many of the existing problems of government that encompass policy decisions, policy adoption and implementation procedures in Bangladesh emerge from the baggage of its history.

The long-lingering unresolved political crisis has made the decisions regarding moving ahead, with hard but much needed policy-choices, all the more difficult to lead the nation forward. This has slowed down the decision-making process for the political leadership. And whatever decisions are then taken under such a political environment, are often not implemented in a transparent manner. Furthermore, policy reversals become unavoidable and that holds back nation's progress. In addition, follow-up at the working level has become ambivalent because of extreme political bickerings.

However, the parliamentary standing committees had performed relatively well, with participation of members from both sides. But again, such committees had some serious structural problems. Their watchdog role was greatly undermined by the tendency to use them to pursue private agenda.

The consultative process within the parties has also not even open to the extent necessary for promoting openness, ensuring participation and, thus, encouraging democratic decision-making. Thus, party members are often not consulted in formulating political party agenda including that of the ruling party. Nor do the members get involved properly in the intra-party process of consultation, deliberation and scrutiny for formulation of policies from among various options. Therefore, other considerations have tended to become major variables in the political decision-making process, making party politics often an extension of business by other means.

Governance issues that have vital bearings on political decision-making process encompass problems in Bangladesh at three levels. These include the political processes which give the country its government, the structures of the government which determine the various layers of its operation, and the administrative structures and practices which execute or implement the programs of the government. All these areas are connected with either institutional aspects of governance or the overall environment.

The institutional governance concerns about the awareness of the public about the modes of functioning of different government agencies and their constraints. Efforts so far to make such agencies that execute and implement the policies and programs of the government more suitable to the required changes and needs of the people have been inadequate. Changing them has been at the top of successive government's agenda since the 1990s. But equally unchanging has been the record of failure.

Therefore, the decision-making process continues to remain narrowly focused. This has implications macro-economic performance as well. Economic decisions like awards of contracts or selling up of a project office or undertaking new projects or inclusion of various components in projects, irrespective of their relevances to the stated national development goals are delayed. The commitment of the nation to any program of action is hardly secured. Whatever participatory approach of a limited scale has been observed in Bangladesh remains yet of a selective nature. And the process has not been formalised at all.

But when the people of Bangladesh compare their socio-economic conditions to those in many successful countries in Asia, their frustrations become too deep and strong. A number of Asian countries have achieved remarkable progress during the last 30 years by transforming themselves from

largely agrarian, underdeveloped economies into otherwise dynamic industrial and export powerhouses. This comparison should now present a serious challenge to the policy-makers and those involved in policy-implementation in Bangladesh today. A new democratically-elected government has assumed power to steer the nation on the threshold of the 21st century. The experiences of those Asian countries whose station on the road to development three decades ago was not far from that of Bangladesh today, can provide here many useful lessons for its leaders — policy-makers and policy-implementing authorities. Such lessons can help identify the right policies and strategies to adopt and reverse or shun, at the same time, what have proved to be wrong strategies.

In Bangladesh, the relationship between the politicians and the permanent bureaucracy remains a major issue of consequence. This has an important bearing on the process of policy decisions and adoption and, thus, implementation. This issue also concerns the general environment of governance that covers law and order, corruption, administrative efficiency and the overall economic management. The political culture of confrontation and intolerance in the country's polity has badly impaired the public administration system. Furthermore, the culture of political polarisation has led to failings in controlling trade unions or organisations because of their political affiliations.

Weak institutions, poor governance (including corruption) and an inefficient, often unresponsive, public administration affect the quality of citizens' lives in Bangladesh and its economic performance, especially by raising cost of doing business. This is precisely the reason why its poverty still continues to be deep, pervasive and multi-dimensional, despite its somewhat encouraging performance in reducing poverty in recent years. Main impediments to Bangladesh's more rapid poverty reduction and faster growth are political, policy, institutional and structural constraints, especially weak governance. And although its democratic system has been evolving, its politics have not so far been largely conducive to reform.

More importantly, devolution can do the mobilisation of people and secure their participation in nation-building activities. On this count, Bangladesh has so far settled for only cosmetic changes. As a result, without local government bodies at the grassroots, many development efforts such as primary education, population planning, healthcare, rural work or agriculture just cannot be efficiently implemented. A politically empowered and financially viable local government system is yet to emerge in Bangladesh. Its history of local government has been full of rhetoric and devoid of commitment. As of now, the center, thus, retains the power to exercise its control over the rural institutions of local governance. The politicisation of the local government affairs has been a systematic phenomenon, withstanding the explicit 'democratic gloss' covering most local government reforms so far.

The legal framework for local government (LG) is still not efficiently consolidated. Progress has been slow in developing LG units, having an appropriate size. LG funding arrangements are yet not restructured. So also the matters about transforming basic public services to LG management and developing appropriate procedures for recruiting LG staff are largely unresolved. Consequently, elected local bodies at different tiers are ineffectual due to their constricted decision-making powers, limited financial and human resources base, limited public participation (or involvement of stakeholders) and weak administrative and management capacity. What has really held back progress on devolution of effective powers and responsibilities is the absence of that elusive commodity usually known as political will.

The problems of the Bangladesh economy are notoriously stubborn. Making genuine efforts by any government to effectively tackle them needs support of all citizenry. However, this is true for all countries and the case of Bangladesh may not possibly cited here as *sui generis*. What has made the situation more challenging and more daunting in this country are its weak institutions that hurt people and hinder development. Without effective institutions, the benefits of growth under competitive market-driven conditions which are the stated policy-goals of the major political parties in Bangladesh, would continue, as before, to by-pass largely its poor people.

Because of the opaque nature of political decision-making, basic policy issues such as economic policy framework, foreign policy, international relations, security matters including defence

appropriations, reforms in important economic matters, restructuring and reforms of local government structure and reorganisation etc., are hardly discussed in depth in the parliament.

In Bangladesh, the opinion is very hardly sought from those whom policies are likely to affect. Participatory approach to policy- and decision-making process is not encouraged. But this is a fundamental principle of good governance. This is much unlike the practices in most industrial and better performing developing countries where regular consultations with concerned citizen groups are held, before policies are formulated and finalised. Thus, the budget proposals are made several months ahead of the fiscal year in the USA before its Congress starts formal consideration of the budget. The people in the United Kingdom are informed by its government of the proposed policies through a series of official 'white' or 'green' papers. However, the well-connected in Bangladesh enjoy the privilege of scenting or smelling changes in policies that concern them through connections or other means. Many people have come to believe and not without some valid and cogent reasons — that policy-making in certain areas has been hijacked by particular interest groups.

As far as the permanent bureaucracy is concerned, its relationship with the political power in Bangladesh has mainly suffered because the rules of business thereof are yet to be clearly defined and honoured between the two.

Politicisation of bureaucracy at key positions has created conditions where its neutrality has badly been affected or eroded. This is one reason why it is becoming increasingly difficult to ensure effective implementation of government policies and to promote the practices of good governance. Problems have been further compounded by failures to address institutional issues with a view to having a neutral bureaucracy in place. In neighbouring India, an act called 'All India Services Act' has been formulated to give an institutional legal basis to the neutrality of the bureaucracy. This is yet to be done in Bangladesh.

In Bangladesh, policy-making is, in essence, made largely by anonymous bureaucracy. Public representatives — politicians — play, at best, the second fiddle. Thus, executive responsibility also assumes political decision-making role. The weaknesses of the political processes which give the country its government are largely responsible for this. As a result, accountability and transparency of government operations — the most important aspects of good governance that is needed not only for optimal use of scarce resources but also for preventing application of arbitrary authority as well as misuses of discretionary powers — have become victims of abuses.

The executive in Bangladesh decides as to how the government will do business. It sets up ministries and agencies, allocating responsibilities to the government organisations. But democratic decision-making requires that the business of the government is transacted according to the decisions of people's representatives, and executive agencies are established and abolished at their (people's representatives') will. Even in the most powerful presidential form of government in the USA, the allocation of business among government agencies requires the approval of the US Congress.

Too many government ministries and too many autonomous bodies, as these exist and operate in Bangladesh, make the modality for decision-making and the task of coordination of government functions, complex and very difficult. Most issues of public interests are again cross sectoral in nature. Ensuring consistency, coherence and coordination among different inter-related government ministries with a myriad of agencies under them — all of which have some, often overlapping, relevance to such cross sectoral policy matters — is, by itself, a daunting challenge. This is more so when the structure of the overall government machinery remains largely loose-knit, if not disorganised.

Therefore, policy planning or making is often slowed by the demands for consensus building and consultations between different ministries which may not be directly involved in the issues. A loose-knit or disorganised system affects policy formulation and articulation of views, particularly in the context of its organic nature. This is more so when, as in Bangladesh, process is given more importance than substance and procedure gets precedence over results or outcomes. Furthermore, the overextended government structure at the centre — with attendant regulatory intrusiveness and inefficiencies in most of its activities — has too many people. A good number of such personnel have

ill-defined responsibilities across the ministries and agencies, but they, in effect, do too little work. This too often obstructs initiative but there is hardly any penalty for delayed decisions.

In this setting, policy planning and formulation are adversely affected. Articulation of views lacks in clarity. Public welfare is the inevitable victim in the bargain. The institutional arrangements for policy formulation is unclear. Therefore, it is only natural that centralisation and procrastination in policy planning and formulation and, consequently, decision-making are all too pervasive in Bangladesh. This has continued to characterise government, no matter whichever party or alliance is in power at a given period of time.

The present secretariat system with generalist-bureaucrats — jack-of-all-trade-types — at the top has largely lost its relevance to the needs for policy formulation to meet the complex nature of issues in today's world. There has been either built-in resistance or no serious effort by the political leadership, to induct core specialists — technocrats and econocrats — with attractive compensation packages into service for policy planning purposes. This is in stark contrast to the practices that most governments in the rest of the world have done in the past decade or more.

The bureaucracy in Bangladesh is otherwise found to be doggedly averse to co-opting outside professionals — technocrats, econocrats, specialised experts, etc. — for policy formulation and implementation purposes. The technical expertise of the Bangladeshi experts abroad in relevant fields and also of those outside the government within the country, is not involved in providing both analytical inputs at the design stage of draft policies and in offering critiques thereof.

A number of recent studies relating to public administrative reforms in Bangladesh, including the latest report of the Public Administration Reform Commission (PARC) that was submitted in June 2000, have strongly recommended redefining the frontiers of public sector in Bangladesh. Such studies have underscored the need for focusing the energies and resources of public sector (overall government) on core functions which only government can provide and on programs like poverty alleviation which are not adequately provided by others.

Most citizens in Bangladesh also believe that the government is doing too many commercial functions — business of state-owned enterprises — that others can do better. But it is also doing too little — in quantity and quality — of what it should be doing more in areas like rural infrastructures, law and order, judicial services, poverty alleviation etc.

The measures for open government are essentially handicapped by the so-called Official Secrets Act as a legacy of the colonial rule. As a result, it is no wonder that ethics in government is missing and corrupt practices are endemic. Corruption is widespread in Bangladesh at almost all levels of government. When bureaucratic and regulatory controls are pervasive, corruption is bound to become a way of life for sidetracking them — paying officials not to enforce pointless rules and restrictions or making deals to receive favours by the vested interests at public costs.

This environment of graft and venality that rule the roost in Bangladesh has undermined public confidence in government. It is responsible for engendering wrong economic choices and also for constraining the government's ability to implement policies. It makes the poor pay the price. Effective policy formulation and adoption as well as their implementation are hamstrung in Bangladesh in the absence of administrative decentralisation and development devolution. This problem has a vital bearing on the governance scenario including public policies, programs and their formulation. It is well-nigh impossible to achieve the efficient delivery of public services and proper accountability of government without devolution of powers and functions closer to people.

But the problems of public administration in Bangladesh, most starkly in areas of decision-making and related implementation process, have continued to impact adversely the performance of the government. Many of the same are due to excessive reliance on controls which are more rule-based than performance-based. Bureaucrats typically try to justify their decisions on the basis of rules and precedents. They fail to focus on the quality of outcomes.

The technical and professional competence of the ministries is largely poor. Those engaged in formulating policies often lack the technical skills. They fail to carry out the painstaking work that are

needed to explore the potential impact of alternative policy directions. As a result, in-house capacity of the ministries and the officials who man them in key positions is low.

Given such circumstances, it is not difficult to appreciate why policy decision and formulation processes in Bangladesh lack responsiveness to emerging needs, consistency with other existing policies, predictability for avoiding flip-flop policy reversals and credibility for the private agents to take them seriously. As a result, policy change here is also usually a matter of 'too little, too late.' This is evidenced by the glacial speed of privatisation or the failures to put in place proper regulatory authorities for power, telecom etc., sectors. Also in areas of education, health and human resources development, infrastructure support facilities, private sector development etc., the government has not been able to set out a broad, effective and comprehensive policy framework.

The efficiency of the administrative system and, thus, of the implementation mechanism is further impaired by the deterioration in the quality of the civil service. Staff, otherwise too large in size compared to actual needs particularly at lower levels, lack confidence. This also reflects their lack of knowledge and understanding of policies and deficiencies in training.

The enmeshing of executive functions or agencies of the government in its policy planning or making apparatus has also led to a dichotomy between the secretariat and the subordinate offices. This dichotomy itself impacts adversely the policy implementation capacity, leading to poor performance.

The problem here has been compounded by the pervasive intrusion of a remote bureaucracy in every aspect of life. This is simultaneously a bottleneck and a source of fleecing of people. Rightsizing of government and enforcement of practices of an open government remain a far cry.

Under such circumstances, delays in the implementation of policies and programs illustrate well the problems of public administration — the problems that can best be cited by long process-related delays in completion of development projects and also by the perils of public procurement that entail a heavy drag on the economy. It has caused extra anxieties for citizens and is responsible for adding transaction costs for the private sector.

The bureaucrats are rarely punished for delays. The methods have not been developed to monitor performance by the implementation agencies. The existing Implementation, Monitoring and Evaluation Division (IMED) is responsible only for monitoring and evaluating development projects under the Ministry of Planning. The narrowness of its mandate makes it not possible to serve as an early-warning system even in areas of limited functions that it has been assigned. Such an early warning system could have facilitated the taking of actions to correct any misdirection of resources as a vital supplement to the "after-the-event" examination of performance of implementing or executing agencies.

As a natural corollary to weak and ineffective policy formulation, implementation and monitoring capacity remains very weak, too. The vague nature of the policy directions, the lack of bureaucratic commitment, the inability to foresee the practical constraints — including a host of related rules and regulations which require amendments to put the policy into effect — and, on top of all, a weak monitoring system undermine, thus, the process of implementation. The implementation weakness introduces extra anxieties for citizens and adds to transaction costs for the private sector. The economy is already paying a heavy cost for the delays particularly in the implementation of development projects and programs involving external aid resources. The bulging aide-pipeline of about \$5.5 billion from the International Development Association, the soft loan affiliate-body of the World Bank, would provide a good example of this.

3.0 Country Specific Experiences/Models with two other Appropriate Country Models/Examples

The experiences of Malaysia and India may be illustrated here to cite how changes in policy decisions, policy adoption and implementation procedures, have been, or are being, made to help accelerate development.

3.1 Malaysia

Malaysia has achieved spectacular success in terms of rapid economic growth. Its per capita income rose more than seven-fold from \$534 in 1966 to over \$3880 in 2000, an outstanding performance by any standard, despite the adverse effects of the Asian economic crisis in the late 1990s. It has also been remarkably successful in effecting significant improvements in equity. Population below the national poverty line came down to 15.5 per cent in Malaysia, according to the World Development Report 2002. It now belongs to the category of countries with high human development index (UNDP). Thanks to effective policy supports of the government, Malaysia has demonstrated an admirable penchant for anticipating dynamic comparative advantage and developing production capacity accordingly, duly supported by the required investment in human resources.

The nature of relationship between the government and the private sector has been one of the important institutional aspects of Malaysia's economic management. It made conscious efforts to promote a collaborative relationship between the business community and the government. It established the Malaysia Business Council, comprising of relevant ministers, senior public servants and business leaders. The council, chaired by the Prime Minister, meets two or three times a year with its clear and goal-oriented specific functions. It concentrates on facilitating a free flow of information and ideas, identifies industrial and commercial problems, removes impediments to growth of the private sector and promotes collaboration between government and business.

Malaysia set up, almost three decades back, a permanent institutional arrangement attached to the Prime Minister's Office. The arrangement-Malaysian Administrative Modernisation and Planning Unit (MAMPU) is meant to formulate reform proposals and monitor their implementation. It is playing an important role in implementing reform programs in Malaysia. It has also an advisory body comprising members of the civil society and having representatives drawn from the public and private sector.

In 1986, Malaysia set up a Panel on Administrative Improvements to the Civil Service (PANEL), composed of the highest level of civil servants, to act as a think-tank for administrative reforms. The key restructuring feature of the Malaysia Public Service Reform has been the Malaysia Incorporated Framework chaired by the Chief Secretary. To make its civil service more customer-oriented, a Total Quality Management Program has been introduced. Besides, a major investment program was initiated by the government of Malaysia for improving and strengthening Counter Services that link government agencies and citizens with the aim of promoting efficiency and responsiveness of related services.

Malaysia has taken steps to develop key agencies like Trade and Finance, Infrastructure Development etc., as "frontier" organisations in the forefront of economic development in order to undertake catalytic activities in expansion of market intelligence, global marketing and similar other activities. Important changes like establishment of new salary system that links salary system to performance and of "Critical Services" group with its own incentive system to attract and retain highly qualified staff in short supply. Financially viable state-owned enterprises (SOEs) are allowed to determine their own remuneration system that has been brought into effect in areas of personnel management.

In 1991, the government of Malaysia elaborated the core value that civil servants must cultivate through a book entitled 'Values and Ethics of Public Service.' Besides, a Work Action Form has been introduced since then to monitor file movement and to identify easily the location of files and the officers involved in undue delays in action, with the aim of ensuring accountability. Further actions to improve accountability included steps for better management of government assets through new categorisation and definition of government assets and new forms for record keeping. An Expenditure Control Unit/Public Accounts Committee has also been set up, along with other measures taken to improve financial management infrastructure and modify budgeting system.

With strong commitment of top political leadership and supporting institutional mechanisms for planning, coordination and implementing changes, Malaysia has, thus, ensured its economic progress

through its efficient, responsive and ethically motivated civil service. It has clearly recognised the critical development role of public administration and also demonstrated strong political will in support of development.

3.2 India

India jettisoned its four decades of economic isolation and planning ten years ago when it had faced a severe balance-of-payments crisis. Then it freed its entrepreneurs for the first time since its independence in 1947. After the first burst of economic reform, growth in India picked up, inflation fell and investments rose. India then began to capture some of the ground it had lost in world markets. Many consider that India could and should be, doing better still, if progress with the second generation of reforms was made in bold strides and not in hesitant steps.

For dismantling the 'Licence Raj' and unleashing the productive potential of its entrepreneurial people, India has initiated major steps for administrative reform programs. Its government has established the Department of Administration Reform and Public Grievances as a permanent organisation under the Ministry of Personnel, Public Grievances and Pension. This Department is headed by a State Minister. It is entrusted with the responsibility of formulating policies on administrative reform. It has also been given the task of guidance for implementation of such policies. The Prime Minister of India holds the overall responsibility of the Ministry under which the Department is placed.

Furthermore, this Ministry/Department is responsible for formulating performance standards for different public sector organisations and citizen's charter for service-oriented organisations. Already much progress has been achieved in this area, both in the Union Government and state governments in India. Outsourcing and induction of outside technocrats, econocrats and professional management personnel into the high positions, particularly at policy planning, analysis and formulation stages in economic and technical ministries, are being actively encouraged by the government of India. Thus, professional and technical competence has been improved for strengthening public management and targeting at result-oriented performance of public services.

Reform of government and administration in India has few detractors barring narrow interests which resist it silently. One major reason for this is that economic growth, after a brief wobble, picked up, making India one of the world's fastest-growing economies in the 1990s. Foreign direct investment rose from next to nothing to well over \$2 billion in 2000. India's share of world exports which had fallen from 2% at independence to 0.41% in 1980, climbed to 0.7% in 2000.

Having faced the prospect of default on its external debt in 1991, it accumulated in mid-2001, \$40 billion of foreign exchange reserves, enough to cover nine months' imports. The Indian Planning Commission which periodically calculates poverty rates for each state, announced in the middle of this year (2001) that between 1993 and 1999 the share of the population below the poverty line plunged by ten percentage points to 26%, a faster decline than the preceding ten years. Even in the wretched Indian state of Bihar, the poverty rate fell dramatically, from 55% to 42%.

Other indicators too point to improved well-being. The National Council of Applied Economic Research in India which surveys household incomes and spending on consumer goods, has found a sharp decline in implied poverty rates. The share of households it classes as 'destitute' dropped from 23% in 1992 to 16% in 1998. According to a recent employment report, real wages per head in India between 1993 and 1999 rose by 2.5% a year in rural areas and by 2.7% in Indian cities. The same report found that more Indian people had left the workforce to attend school.

The developments in India in last one decade provide one of the best demonstrations that falsifies the argument that a heavy-handed state is the only reliable friend of the poor and vulnerable. The signs that some of the Indian red-tape has been cut since the early days of liberalisation in 1991 are heartening for its businesses because it now requires far less time for them to spend in government for getting things done. Thus, to cite an example, new system of self-certification has also cut the time

to get through the Indian customs and greatly reduced the 'rents' that one has to pay to get imports checked and cleared. To illustrate another example about the use of technology for better services, India has introduced the use of information technology by connecting individual checkpoints for trucks, found to be violating overloading vehicles — and their weigh-scales — by computers to central offices of the motor vehicle department for automatically reporting information on vehicle weights and collected fines. This has helped to reduce discretion on the part of inspectors responsible for enforcing restrictions on overloaded trucks in the Indian state of Gujarat. This measure has also helped to curb opportunities for corruption. These examples have been noted here to point out how things can move in the right direction through greater openness in public management.

The lessons from India — its successes and failures — are certainly of relevance to fledgling democracies in the poor countries. India was ruled by a "Permit (licence) Raj" under which any kind of economic initiative required a stamp and in which endlessly waiting around official offices for a government sign-off was essential to a daily business. The trust in "unassailable wisdom of government" had for long been embedded to the point of unquestioned faith in India, despite its long tradition of "democratic" politics. It was in 1991 that it embarked on its historic change, beginning a process of rolling back government control and ownership and opening the country to participation in the global economy.

The rolling back of the "Permit Raj" was accepted across much of the political spectrum, by the end of the 1990. It will be of great interest for new democracies to see how the "benefits" of the new policy course are spread beyond the growing Indian middle class to help truly erode poverty there. If such benefits do really increase convincingly and enormously over a reasonable period, the same will meet the aspirations of the Indian common people.

India has been a country otherwise obsessed with politics. But politics today there is turning increasingly local and regional, driven more by parties with regional agendas than by ones having elephantine national political machines. Such regional parties are demonstrating their preparedness to make coalitions and deals when these favour their regional economic interests and to break them when they do not.

Building a new system of governance on this line is, no doubt, an exceedingly daunting challenge in the Indian society in which pluralism sharpens people's expectations of government and also imposes the constant requirement to co-opt, continue and build coalitions. How India proceeds with its efforts to build this new system and with what successes or failures to tap its otherwise enormous economic potential under a democratic polity will, therefore, be carefully followed by many other countries.

4.0 Lessons

These two country-specific illustrations would bear out the importance that has been given, although with varying accents and differences in actual operations in two different political settings and contexts, to reforming public administration in order to make government work better in pursuit of their respective national development goals and objectives in the changed policy perspective.

But the situation in Bangladesh — so far it concerns policy decision and formulation and their adoption and implementation that relate to public (government) management including public service delivery and facilitation of accelerated development — has not changed much in substance in past three decades. The intractable issues, as they seem to be, have defied solutions, despite the fact that Bangladesh has had more than its fair share of studies on reforms of government and public administration.

At least twenty reports on reforms of the structures of government and its public services since 1971 were already there before the Public Administrative Reforms Commission (PARC), the latest one of the kind, was set up in 1997. Also reforms in parliamentary affairs, local government bodies, judicial administration, electoral practices etc., have been under process since long. The PARC itself

submitted its three-volume report to the government in June 2000, taking into consideration the recommendations and findings of all such commissions and committees for the same purpose.

But few practical results have so far been achieved. Reforms of administrative structure, culture and practices have, thus far, resulted only in imperceptible changes in the bureaucratic system and practices that have bearing on policy- and decision-making process and implementation mechanism thereof. In view of changes of such nature over the years, it is often alleged that the basic structure has remained a legacy of colonialism.

It is interesting to point out that while most of the recommendations — made so far in 21 reports, in all, on public management reforms — have not been acted upon, the part in those reports that deals with areas of pay and services, has meticulously been implemented throughout the post-independence period.

There is, no doubt, a strong need for political reorganisation in Bangladesh. But this, by itself, cannot ensure development progress if the administrative system is not simultaneously rationalised and improved. Attempts at reorganising and reforming public management system in Bangladesh have not brought the desired results mainly because of lack of commitment on the part of Government. This is the main reason why the essential elements of political and bureaucratic behaviour have largely been left undisturbed and contacts and/or bribes have remained the principal mode of dealing with public administration in Bangladesh. This is, indeed, the stark reality in spite of the large number of evaluation reports and studies that had been carried out by different committees, commissions and organisations to make the government work better.

Thus, the concept of New Public Management that lays emphasis on performance-based and result-oriented administration in overall government structure, with outsourcing and contracting-out wherever possible, particularly in policy planning and also implementation areas for upholding citizen's rights for better and cheaper service, is yet to be operationalised in Bangladesh.

5.0 Review of Bangladesh's Development Performance

Bangladesh has been in a tryst with its development efforts in the past decade to get the basics right for alleviating poverty, improving economic performance, fostering accelerated growth and promoting private sector. These were the basic goals of its 'development planning' during the Fourth and Fifth Five Year Plans in the 1990s.

It has made some remarkable progress in some areas. But progress has been unsteady and not promising in many areas. Thus, its overall performance has been much below its potential. Key development indicators of Bangladesh, as are available from World Development Indicators in the World Development Report (2002) of the World Bank, show where the country stands in the global economic atlas.

With per capita gross national income (GNI) at \$380 in 2000, Bangladesh is placed among the 30 bottom-order countries in the world. It belongs to the category of least developed countries (LDCs) numbering 49 in different parts of the globe.

GNI—formerly gross national product or GNP, the broadest measure of national income—measures total value added from domestic and foreign sources claimed by residents. It comprises gross domestic product (GDP) plus net receipts of primary income from foreign sources.

Bangladesh's GNI stood at \$49.2 billion in 2000. Its GDP that measures total value added from goods and services produced in the country was valued at \$47.86 billion in 2000 against \$20.24 billion in 1990.

Bangladesh was ranked 132nd among a total of 162 countries that were covered under Human Development Index (HDI) in the Human Development Report (HDR), an annual publication of the United Nations Development Program (UNDP).

Economic growth has perceptibly accelerated from an annual average rate from 3.7 per cent in the 1980s to 4.8 per cent in the past decade. In spite of its failings on many development counts,

Bangladesh during the 1990s was the 10th most rapidly-growing economy among 31 large developing countries, with population greater than 20 million.

One might also note that the purchasing-power-parity figures for GDP are more than three times as high for Bangladesh as its GDP figures, at the market exchange rate. In 1999, its per capita income, adjusted for purchasing power parity, was 22nd higher among 53 low-income countries. But there is hardly any room for complacency. Even otherwise a respectable growth of Bangladesh in the 1990s has been inadequate for addressing its massive poverty. The huge backlog of its massive socio-economic under-development and under-employment is mainly responsible for this.

Official figures also showed that per capita incomes (in terms of constant prices of 1984-85) increased by 23.1 per cent between fiscal year (FY) 1984-85 and FY 1995-96 and this growth rate rose to 24.3 per cent between FY 1995-96 and FY 2000-01.

Two main factors — exceptionally high crop harvests that led to high growth of GDP and some otherwise commendable reduction in population growth — were responsible for increased per capita income at a higher rate in the latter half of the 1990s than before.

However, the growth performance of the Bangladesh economy in the past decade, though higher than that of the 1980s, was still lower than what the two successive medium-term development plans (Fourth and Fifth Five Year Development Plans) had projected at six per cent or more. Thus, the actual growth performance, in terms of average annual growth of the GDP, was lower than Bangladesh's potential. This has been the case in an unbroken chain during last three decades.

Some significant structural shifts in the Bangladesh economy during the past decade are noteworthy. The share of agriculture in GDP has fallen from 37.6 per cent in 1990-91 to 27 per cent in 2000-01. The Bangladesh economy has also become more diversified, with the share of industry rising to 26 per cent of GDP, about the same as that of agriculture, during the 1990s. The service sector's contribution to GDP stood at about 47 per cent in 2000-01.

Bangladesh has achieved more significant progress in agriculture with the annual foodgrains production reaching a level of 27 million tonnes compared to 10 million tonnes in 1972. Yet the actual land under cultivation has been reduced to eighty five per cent compared to that in 1972.

Over the last three-four years, the agriculture sector, particularly the foodgrain sub-sector, has been the engine of economic growth in Bangladesh. This, however, has also raised some concerns over sustaining the growth rate of the economy.

Bangladesh cannot expect agricultural production to grow at more than 3.5 per cent a year on a sustained level, even with diversification from the present pattern of subsistence farming — mainly rice-growing into higher-value crops. Crop diversification has otherwise made very little progress so far. But this is imperative for generating export revenues. The share of agriculture to the country's GDP growth is otherwise declining from 28 per cent in the 1980s to 11 per cent during the last decade. This would drop further. Seventy per cent of the country's land is already under cultivation. If anything, this percentage will shrink further in the coming years.

Greater use of fertiliser and irrigation could still help increase yields to a point. But the keys to stronger performance in the sector lie in freer markets, more extensive and more rapid introduction of suitable new technologies and a more vigorous exploration of the opportunities for growing non-rice products and fruits, fish, livestock etc., for both domestic production and export.

The planned development targets for the same in the 1990s under both Fourth and Fifth Five Year Plans could not, however, be achieved.

Industry's contribution to GDP growth rate has increased from 9.8 per cent to 11.2 per cent in the 1990s. The share of modern manufacturing has risen less rapidly, to about 10 per cent of GDP. But annual manufacturing growth in the 1990s has been limited to about 7.00 per cent. Fast export growth has contributed to strong performance in few sub-sectors, notably readymade garments (RMG). The growth of broad industry sector — the potentially dynamic one — showed an average growth of over six per cent in the 1990s. Though otherwise impressive, it has not been enough to match the country's

needs to serve as the focal point for accelerated growth, job- and income-creation, and economic modernisation.

The less-than-satisfactory growth performance of large, medium, and small scale industries is a cause for concern in view of the stated policy objectives for labour-intensive and export-oriented development strategies of both the Fourth and the Fifth Year Plans.

Though industrial output, grew during the 1990s better than that in the 1980s, yet this rate was somewhat pushed down in the second half of the past decade because of the damage caused by the 1998 floods to industry as well as poor infrastructures. Many analysts would, however, like to explain this less-than-satisfactory performance in Bangladesh's industrial sector, in terms of painful liberalisation-driven restructuring during the 1990s.

The contribution of the services' sector to the GDP growth has increased from 52.6 per cent to 57.3 per cent between 1990-91 and 2000-01. Within the services sector, power, gas, water and sanitation have shown growth rates of 10.4 per cent. Transport, administration, banking and insurance, and professional and miscellaneous services have achieved only modest growth. The construction sector, for example, achieved a growth rate of only 5.5 per cent in the 1990s.

Foreign direct investment (FDI) has been growing in Bangladesh as elsewhere in South Asia, by liberalisation measures. It had witnessed only trickles of such flows for long before, but attracted in 1998 more than 150 per cent as much as FDI per \$1,000 of GDP as India. The main recipient of FDIs, coming mostly in forms of imports of capital machinery and other equipment, has been the energy sector in recent years. However, the FDI flows has, once again, ebbed substantially in the last couple of years.

The Bangladeshi investment regime otherwise requires no prior approval. It has also no limits on equity participation or on repatriation of profits and income.

However, many of Bangladesh's daunting developments challenges — the cross-cutting issues of institutional capacity-building, governance, social concerns, environmental protection, sustained macro-economic stability etc. — do still remain. Yet then, its successes — its quite significant progress in economic growth, poverty reduction, human resource development and democratisation in the past decade — should not also escape attention.

Thus, development performance of Bangladesh would be considered a "mosaic of achievements and disappointments."

5.1 Achievements

On the positive side, Bangladesh has shown great resilience in the face of exogenous shocks and natural adversity. It has, thus, transformed itself from an international 'basket case' to a country self-sufficient in food. Its coverage of education and health has also steadily increased. Besides, there have been some commendable growth in non-traditional exports, some notable progress in infrastructure development and a reasonable degree of economic stability over the past decade.

5.2 Some striking features of such developments include

Food production — the country has now achieved self-sufficiency in rice with production of foodgrains rising from 13 million metric tons in 1975-76 to 17.85 million tons in 1990-91, 19 million tons in 1995-96 and then to 26.4 million tons in 2000-01.

Population Growth — During the last two decades, the annual population growth rate in Bangladesh has come down by more than one percentage point to 1.6 per cent. Its fertility rate has fallen to 3.2 per cent indicating a decline by 50 per cent. More than half the married couples in Bangladesh now use contraceptives. These figures compare well with other South Asian countries, giving Bangladesh a lower population growth rate than all other countries in the region except Sri Lanka.

The success of family planning programs in Bangladesh which is the world's ninth most populous nation is something that it can be proud of. Yet then, it must not be forgotten that its population density — at more than 800 people per square kilometer — is still one of the highest in the world. Therefore, population and fertility rates are important for sustainable development in Bangladesh.

Health — Bangladesh can boast of some of its achievements in the health sector, too. For instance, it has achieved, in the field of child immunisation, rates of 91 per cent against tuberculosis and 67 per cent against measles.

Public health initiatives such as the Expanded Program for Immunisation, has raised the proportion of fully immunised children from just two per cent in 1985 to 50 per cent in 1995 and now further to about 65 per cent. As a result, infant mortality rate has fallen from 145 per 1,000 live births in 1970 to 58 now. This is a positive achievement, though the rate, thereof, remains still high.

Also maternal mortality during child birth is now down to about three per thousand. Infant mortality rate in Bangladesh is, thus, significantly lower than that of Pakistan, but higher than those of Nepal and India and far higher than that of Sri Lanka.

Life expectancy at birth (57) in Bangladesh in 1999 was higher than in Nepal but lower than in Sri Lanka, India and Pakistan. However, the increase in average life expectancy by 3.1 years during the last five years till 2000-01 provides an encouraging picture.

Accessibility to potable water is now quite high and 97 per cent of families have access to safe drinking water. However, the arsenic menace is potentially a big threat in Bangladesh. Also the number of underweight children — at still a high rate of 56 per cent — remains a cause for concern.

Education:— Over the last one decade, Bangladesh has made progress in the field of education, although much remains to be done. The current adult literacy rate — the official one — is 61 per cent, notwithstanding the question about its quality. Primary school enrolment rose by over 30 per cent in the past one decade, the most positive aspect of it has been a still higher rise in female enrolment rate. The primary net enrolment ratio in Bangladesh is now comparable to that of India, both in terms of the whole age group and in terms of girl pupils. But both were still much lower than those of Sri Lanka, the regional leader in all social indicators.

Exports — Exports from Bangladesh have both grown and changed substantially. Its exports rose from \$17.18 million in 1991-92 to \$3473.0 million in 1994-95 (in the terminal year of the Fourth Five Year Plan) to \$3882.4 million in 1995-96, to \$5,161.2 million in 1997-98, to 5752 million in 1999-2001.

In the late 1970s, the principal export of Bangladesh was jute. Twenty years later, jute accounted for no more than 9.00% of Bangladeshi exports. The dominant category is now readymade garments (RMG) (including knitwear) which accounts for nearly 72 per cent of the total exports valued at \$4.3 billion.

RMG exports have, thus, grown dramatically, during the past twenty years. Most of such exports go to the United States and the European Union (EU) markets. RMG industry is estimated to employ 105 million workers, nearly 90% of whom are women.

The Multi-Fibre Arrangement (MFA), set up in the early 1970s to regularise imports from developing countries in the interests of the textile industry in the developed countries, has been the major factor responsible for the phenomenal growth of the RMG industry in Bangladesh. It has provided incentives to major exporters of textiles and clothing to invest in other countries like Bangladesh to benefit their quota allocations.

The MFA is now expected to be phased out by 2005, to be succeeded by a freer international market. The phasing-out would create some difficulties for countries like Bangladesh which would then have to compete with more efficient producers like China and India which also have more integrated industries. Bangladesh lacks backward linkages. Sixty per cent of the inputs to the Bangladeshi RMG industry are imported. Additional investment to restructure the industry and create local substitutes for imported yarns and fabrics will be needed if the country is to preserve and strengthen its most successful industry.

Moreover, the latest developments, both before the September 11 terrorist attacks in the USA and after the global recessionary trend, provide serious concerns over the future of the Bangladesh's RMG industry.

The major dependence on RMG exports makes the country's balance-of-payments situation vulnerable to severe exogenous shocks.

Remittances — The growth of workers' remittances in the past decade has contributed to transformation of the country's balance of payments. Earnings from remittances rose from \$868 million in 1991-92 to around \$2.00 billion in 2000-01.

Growing middle class — Bangladesh is generally thought of as populous and poor — some 130 million people with little purchasing power. This is an impression, largely true. However, it has to be balanced by several considerations. In the first place, there is a middle class with some purchasing power as in the rest of South Asia. As economic growth picks up in this part of the world, in significant measure as a consequence of the economic opening up, this class and its purchasing power is also beginning to grow. And in a country with 130 million people, even a small middle class is not a negligible market.

5.3 Disappointments

Despite all such positive achievements — the stellar performance in increasing foodgrain production, expanding health and education coverage, promoting human resource development, reducing population growth and raising exports — Bangladesh has not been able to turn the corner in its development performance. It still remains in the mire of poverty.

The primary objectives of planning and development policies, as stated by government during the 1990s under two successive (Fourth and Fifth) medium-term development plans have been: poverty alleviation, human resources development, provision of infrastructural facilities and their expansion in priority areas, export diversification and promoting private sector development.

It is quite obvious why the major thrust of the medium-term development plans has been poverty alleviation. Half of the country's population manage no more than bare survival. The government has, therefore, to focus its main development attention on improving the living standards of the poor through a set of policy interventions that are 'meant' to encourage employment-augmenting and income-generating activities for the poor, particularly in the non-farm sector in the rural areas. But the success so far has fallen far short of the needs to achieve a breakthrough in poverty reduction.

The GDP per capita witnessed a three per cent growth in Bangladesh in the recent years. Though this would be considered a good achievement, this is certainly not sufficient for a country in which 60 million people still live below the poverty line, in order to make a rapid dent into poverty. At this rate of growth, it will take the country a quarter of a century to double its per capita income. And Bangladesh would still then remain among the world's poorest economies. Its progress in meeting the basic needs would then remain negligible, too.

This is not an acceptable scenario for Bangladesh. Given the starting point of massive poverty, the progress, thus, has so far been too slow to achieve its "cherished" and "stated" (as by the political leadership in the government) policy objective of substantially eliminating poverty and becoming a lower middle-income country within a generation (e.g. by about 2000).

As many as 44 per cent of the people in Bangladesh, according to assessments made by multilateral capital donors, are still under the poverty line. In fact, bottom 10 per cent or so of the population are in a state of severe deprivation.

Without accelerating growth in GDP, avoiding an increase in the number of poor people will itself be difficult. If the modest growth and small efficiency gains — those also at levels much below the targets under two successive medium-term development plans — that Bangladesh has witnessed in the '90s, remain static in the coming years, the current development scenario will largely remain unchanged.

It will require much higher levels of economic growth — at least between seven and eight per cent a year — over a sustained period of time, if Bangladesh is to raise its sight and to achieve any significant reduction of poverty. This performance is feasible and thus, achievable because Bangladesh's considerable potential has been trapped since long in a low investment and a low growth cycle for reasons of misdirected policies and strategies, weak implementation capacities and poor quality of public institutions.

6.0 Redefining Frontiers of State for Economic Governance

Unlike the situation through the 1970s and 1980s when Bangladesh pursued a public-sector-led approach to industrialisation and most of its major investments were made in SOEs, the private sector has been considered the major source of investment in the 1990s.

On the policy front, the government has liberalised the investment regime for the private sector. Two medium-term industrial policies were announced in the 1990s. Private sector participation is now open to a broader area of economic activities that have been termed as belonging to the industrial category.

The list of areas reserved for public sector investment now specifies only four, related to defence, forestry, nuclear energy and security printing. The government has decided to make no public investment in the manufacturing sector, barring the reserved areas. Its investment in the sector is otherwise now meant, according to the stated policy objectives, for mainly modernisation and renovation of SOEs with a view to making them viable for privatisation.

A total of sixteen priority sectors and industries have been identified as thrust or priority sectors with a view to giving special incentives and supports. These include: agro-based industries, artificial flower-making, computer software and information technology, electronics, frozen foods, floriculture, gift items, infrastructure, jute goods, jewellery and diamond cutting and polishing, leather, oil and gas, sericulture and silk industry, stuffed toys, textiles and tourism.

Incentives for the purpose have included duty-free import of capital machinery and spare parts, bonded warehouse facilities, duty-drawback and cash compensation financing schemes for exporters, and tax rebates and exemptions. Considerable importance has been placed on stimulating competitiveness, in both internal and external markets. Export Diversification Fund has been created. Likewise, Equity Development Fund has been established for the development of three potential sectors: software, agro-processing and data-processing.

But the actual outcome has so far been not promising at all. Implementation weaknesses are mainly responsible for this. Therefore, diversification of exports and manufacturing remains a major challenge for Bangladesh. The failures to pursue assiduously sectoral reforms or adjustment programs have compounded the problems. The reform process has virtually come to a halt in the later part of the 1990s.

7.0 Haemorrhage of SOEs: Crippling Blows to the Economy

The continuing and still amounting losses of state-owned enterprises (SOEs) has been the Achilles heel of the Bangladesh economy, in the past decade. This has impacted adversely on the budget and the banking system. Gross loss of loss-making SOEs during the period FY 1991-2001, averaged Taka 15.5 million annually while annual net losses averaged Taka 9.6 billion. Financing of the SOE deficit, together with bank recapitalisation on account of bad SOE loans owned to nationalised commercial banks (NCBs), has led to a systematic resource transfer on a significant scale for many years.

The SOEs still control 40 per cent of industrial capacity and are estimated to account for 25 per cent of gross capital formation. The SOEs are to be found in a number of industries including jute, steel, chemicals, gas and textiles.

The surge in SOE losses is a serious concern. Such losses and deficit rose to record levels in FY 1999-2000. The SOE deficit financed outside the Annual Development Program (ADP) increased by 0.2 per cent of GDP in fiscal 2000-01. This did offset the effect of the reduction in central government deficit on consolidated fiscal deficit and its domestic financing. As such, SOE losses increased over seven times between FY 1998-99 and FY 2000-01 from Taka 4.5 billion to Taka 33.1 billion.

Although there has been a consensus at the top and a Privatisation Board (PB) has been set up, there is considerable opposition by trade unions to privatisation. The legal basis of the privatisation program has meanwhile been strengthened through legislation of a Privatisation Act.

The PB had drawn up in 1999 a list of 52 SOEs for privatisation. The earmarked enterprises were also to be bought by foreign investors. Besides, the government reviewed the procedures for sales of SOEs, introducing some changes. Earlier, the entire assets of an enterprise including land were used to be put up for sale as one package and there were restrictions on restructuring assets or reducing the workforce. This naturally discouraged buyers.

The new procedures require that the government take the responsibility for reducing the workforce so that the buyer can start without excess labour. The assets can also be unbundled to separate operating assets like machinery and inventory from land not in use, and sold separately. Furthermore, the buyer is allowed to restructure the operating assets so as to make the enterprise commercially viable.

The government has, time and again, acknowledged the problem of large and increasing SOE losses in the past decade. But a real action plan, rhetorics apart, has been missing to clean up this sector by addressing its underlying causes of continued delays in privatisation and poor governance of SOEs.

Divestiture of SOEs, including offloading of shares, has been limited to Taka 2.4 billion or 0.3 per cent of SOEs assets since the establishment of the PB in 1993.

Notwithstanding the stated policy objective of the government, it initiated in late 1990s a program for building three more fertiliser factories, and rehabilitation of two existing fertiliser factories and one paper mill under the Bangladesh Chemical Industries Corporation (BCIC), a permanent parastatal in the economy. The total cost of these projects is Taka 30.3 billion, all to be financed by costly suppliers credit.

The BCIC is already in the process of implementing the Shahjalal Fertiliser Factory and a DAP plant with a total estimated cost of about Taka 15 billion. It has been sick for a long time now, its annual operating loss is about Taka 1.5 billion in recent years.

As such, new investment in the public sector through the BCIC in fertiliser production is financially risky and a source of contingent liability for the government. But, more importantly, it gives a very wrong signal to the role of the state in the economy. As such, the public sector rationale and priority for involvement in new production-oriented activities are matters of concern.

The same is the case with the move that has been taken also recently for establishment of some textile vocational institutions in 34 districts and a textile college and for provision of stipends to the students in the textile institutes, involving additional public expenditures. Such services would better be developed in partnership with the private sector.

8.0 Financial Sector & Capital Market

The financial sector — one of the main props for accelerated growth performance of the economy and increased private sector participation in it — has seen a few significant policy reforms in the 1990s. But it still remains shallow and underdeveloped. While banking has expanded in terms of value added at a reasonable rate, a robust and efficient regulatory system is not yet in place. There is no

denying that the government has taken a number of legal and other steps to address some of the problems of the financial sector. However, the progress has clearly been slow. Therefore, the financial sector, particularly the NCBs and development financing institutions (DFIs), has continued to perform poorly. This is reflected by the high proportion of classified loans, rising losses and capital shortfall. The losses of NCBs and DFIs, with loan provisioning, were Taka 43 billion in 1999.

Recent studies have estimated that Bangladesh's real per capita income could have been 16%-37% higher by 1995, had the inefficiencies of its financial sector been removed. Such inefficiencies continued to persist in the latter half of the 1990s. As a result, the adverse impact, in terms of potential incremental growth lost, is quite high, indeed.

The real sector that has performed relatively well in the past decade would have, no doubt, shown more promising outcomes, if the financial sector been efficient with its effective intermediation role.

The country's capital market, still at a nascent stage, has equally been weak because of structural weaknesses, regulatory inefficiencies, absence of adequate transparency in market transactions, flaws in disclosure and reporting standards of issues, prevalence of many fraudulent practices and absence of professionalism on the part of market practitioners.

High real interest cost and scarcity of credit (short-and long-term) have, thus, impaired efforts for promoting the growth of a vibrant and dynamic private sector.

9.0 Tall Promises, Poor Actions

Weaknesses in policy implementation and service delivery and inconsistencies thereof have been contributing to the under-exploitation of the economy's growth potential. This can be illustrated by two examples here. The government approved in 1999 the national agriculture policy which, among other things, was to strengthen the base for an efficient and effective agriculture research system. But follow-up actions have so far been poor. Likewise, the implementation of the national fisheries policy that was adopted by the government around the same time for encouraging private investment, fisheries, fish and shrimp cultures as an industrial sector activity, has been in operational troubles. Therefore, considerable potential for expanding activities in this sector as new, value-added items, remains untapped.

10.0 Poor Targeting of Social Sector Spending

Government's budgetary allocations have increased for social sector development in Bangladesh over the past decade. But the performance indicators are still low, even in comparison with South Asian countries.

In Bangladesh, benefits of social sector expenditure by the government remain low due to several reasons. Vested interest groups at various levels tend to delay or frustrate reform in the delivery of services. Bureaucratic delays and extraneous interferences affect the system at all levels. Furthermore, centralised management of basic social services and inadequate community involvement erode the efficiency of the programs.

The administrative constraints of the government lead to poor impact and effectiveness of public spending in social and, indeed, all other sectors. Examples of such ineffectiveness and poor performance are glaring in both education and health sectors. Quality and cost-effectiveness of government-provided services in both these sectors are indeed, very poor. This has been so, despite the increasing budgetary allocations and public commitments, made through medium-term development plans, to high-quality basic services.

Therefore, it is no wonder that the Thana Health Complexes, to illustrate here as an example only, are grossly under-utilised due to the poor quality of services, the lack of medicines, and the doctors frequent absence of doctors. Their occupancy rate is hardly fifty per cent. In the rural areas, a far

greater number of the sick population use private sector or obtain herbal, Ayurvedic or Unani services than they use government-provided services. Likewise, in government primary schools, the average pupil-teacher contact time is a minuscule period of two hours per day and it takes on average child seven years to complete the primary education cycle rather than the standard time years. The quality of teaching is low and suspect at both primary and secondary levels.

In this backdrop, the need for increasing government's budgetary allocation for social sectors — which is itself otherwise strong in view of the current level of its low social sector spending at three per cent of GDP — leaves strong reasons to question the rationale and justification of the same, in terms of quality and outcomes.

There is no denying that Bangladesh needs to double its social sector spending to almost 5.00-6.00 per cent of the GDP — the level targeted under both Fourth and Fifth Five Year Development Plans — to improve qualitatively and quantitatively its social development indicators in the medium-term. The budgetary constraints will limit the ability of the government to do this. And also, more importantly, the government will need to strictly prioritise its expenditure, first of all, in order to increase social sector spending without jeopardising macroeconomic stability.

11.0 Savings, Investment and Macroeconomic Management; feats and promises, slippages and new worries

The savings and investment rates of the economy have shown notable improvements in the past decade. Gross national savings which oscillated in the range of 12 to 13 per cent of GDP in the early 1990s was an improvement compared to the past trend of national savings in Bangladesh. The emergence of some positive savings in the public sector (revenue budget surplus), an increase in workers' remittances from abroad, and a significant rise in private savings, largely in the form of government savings instruments that was propelled by a continuing high positive interest rate in the economy, have contributed to this.

National savings have increased further in the second half of the 1990s to 21.4 per cent of GDP in FY 1999-2000. Remittances by out-of-country workers, averaging at around 3-4 per cent per annum of GDP, have been an important contributory factor in raising the level of national saving. Gross domestic investment rose, in tandem with national savings rate, in the 1990s. The ratio of investment to GDP that had stood at 16.5 per cent in FY 1990-91 increased to 19.5 per cent in FY 1995-96 and then to 22.4 per cent in FY 1999-2000.

Over the 1990s, investment surged mainly because of increased private investments. This rose from below 10 per cent of GDP in the late 1980s to over 12.5 per cent in FY 1995-96 and then to 15.7 per cent in FY 1999-2000.

Public investments in absolute terms increased. In nominal Taka terms, the ADP through which the planned or targeted medium-term development expenditure is phased out, was sized at an amount of Taka 55 billion in fiscal 1990-91 and increased to Taka 100.9 billion in FY 1994-95 and then to Taka 185.00 billion in FY 1999-2000.

The ADP represents public sector investment. The acceleration in public development expenses — a progressively larger size, in financial terms, of the development budget — was facilitated by its increased financing out of domestic resources from nil in FY 1989-90 to over 25 per cent in FY 1990-91, and further to an estimated amount of 42 per cent in FY 1995-96 and to around 45 per cent in FY 1999-2000. However, public investment as a proportion of GDP has still remained sluggish — at around 6-7 per cent.

There is also a very pertinent question about ADP expenditure. It relates to the quality of such expenditures. Besides the lingering issue of poor implementation capacity, the ADP has been found to include, more particularly in recent years, a large amount of resources for questionable projects. The share of capital expenditure in total development expenditure, according to many analysts, has

decreased. This has also distorted the priorities of the medium-term development plans. In the process, the planning discipline has adversely been affected.

The overall savings and investment rates, despite their modest rise in the 1990s, are low in Bangladesh in comparison with countries at a comparable per capita income. If its economy is to grow at 7-8 per cent which is necessary for meeting the government's poverty reduction targets, then the savings and investment rates in Bangladesh will have to be substantially stepped up.

The East Asian high-performing economies had to raise domestic saving and investment rates dramatically to achieve rapid growth. They have more or less sustained them in the 1990s, in spite of the Asian financial crisis three years back. On the whole, gross domestic saving as well as investment in the East Asian economies have remained close to 30 per cent of GDP, with the savings rate slightly higher.

Interestingly, both savings and investment rates in low-income countries, on average, exceed those of middle or high-income economies of the world. Japan and China are outliers in their respective groups with the former saving 32 per cent and investing 32 per cent of GDP (until the recent developments in its economy) and the latter, saving 44 per cent and investing 42 per cent.

Macroeconomic stability, important in itself, is crucial to meeting the nation's need for greatly increased levels of savings and investment. Indeed, both theory and evidence suggest that high rates of both activities are prerequisites for achieving high-growth.

Starting in FY 1990/91, Bangladesh continued to make efforts at stabilising its economy and, since then, was able to maintain a reasonable macro-economic balance, alongwith undertaking a range of reform measures. Such reform measures were aimed at liberalisation of the foreign trade regime, strengthening fiscal management, making the financial and banking sector more competitive, maintenance of a flexible exchange-rate policy etc.

Until FY 1997-98, macro-economic management was a strong point in Bangladesh. The ratio of tax revenue to GDP rose from 5.9 per cent in 1990-91 to 7.3 per cent of GDP in 1993 and to 9.3 per cent in 1995-96. Since then, this ratio remained virtually stagnant at that level. Non-tax revenues in Bangladesh are virtually stagnant — at less than 2.00 per cent of GDP — and they too stagnated for much of the 1990s, particularly in the later half. The growth of current expenditure was more or less contained within the nominal growth of GDP despite increases in pay and allowances of government servants, subvention for private school teachers, subsidies on food and a rising payments on foreign debt. This expenditure varied between 6.3 per cent and 6.8 per cent of GDP between fiscal 1991-92 and fiscal 1995-96. However, this expenditure rose to 7.6 per cent of GDP, on an average annual basis, in the last three years of past decade.

The current expenditure growth in past decade exceeded the targets of both the Fourth and the Fifth Five Year Development Plans.

For most part of the 1990s, the government, despite not much of encouraging revenue collection efforts, was able to maintain the fiscal deficit within 4-5 per cent of GDP. But over the three years till fiscal 1999-2000, government expenditure, both current and capital, increased rapidly. As a consequence, fiscal deficit rose to 6.1 per cent of GDP in FY 1999-2000. And it has remained also at above six per cent in FY 2000-01, when non-development expenditure has recorded a 12.9 per cent growth — a level higher than the nominal growth of GDP for the year and, thus, exceeding prudent limits.

The main reasons for the unanticipated rise in non-development expenditure increases have been subventions for salaries of teachers of private schools, increase in subsidies to readymade garment industries, rise in interest payments and increased pension payments on the higher salary scales. Simultaneously, the ADP increased by 10.5 per cent in FY 2000-01. It is noteworthy that most of the ADP expenditure in excess of the FY 2000-01 budgetary allocation took place in the last quarter of the year. Such a pattern of development expenditure casts doubts on its effective utilisation.

Another disconcerting feature about fiscal deficit should be noted here. This relates to its financing. The proportion of deficit financed by external resources has declined over time. Domestic

borrowing, both from bank and non-bank sources, has become progressively more important in financing the fiscal deficit. In the last fiscal, domestic resources financed 56 per cent of the deficit and external resources, 44 per cent.

The increasing recourse to domestic financing of the fiscal deficit merits a serious consideration. The share of interest payments on domestic budget in the recurrent budget is increasing rapidly; it stood at 15 per cent in FY 1999-2001 compared to 11 per cent in FY 1997-98. This rate of increase in non-discretionary expenditure, reflecting the rapid increase in government borrowing to finance its deficit and, thus, its stock of domestic debt, cannot be accommodated in future without creating pressure for cuts in essential but discretionary expenditures such as operations and maintenance of public assets and provisions for well-targeted transfer programs for the very large number of the poor.

There is yet no convincing evidence showing the crowding-out of the flow of credit to the private sector because of increased domestic borrowing by the government. But the possibility of the same cannot be ruled out. The ready availability of a large supply of government paper that is perceived to be relatively riskless may also reduce the banks' willingness to extend new credit to the private sector.

Moreover, the increased monetisation of the fiscal deficit poses a threat to ignition of inflationary pressure and further destabilisation of macro-economic performance. It is, to some extent, fortuitous that the domestic financing and resultant monetisation to accommodate the sizeable growth in fiscal deficit in recent years have not so far caused any major setback to macro-economic stability.

Inflation has remained largely subdued — below three per cent. But that has, to a large extent, been possible because of successive good crop harvests. It should, however, be noted that there is also a substantial lag between the inflation rate and the monetary growth rate in Bangladesh. It will, therefore, be foolhardy to conclude that monetary growth due to government's borrowings is not inflationary.

12.0 Weak, Inadequate and Inefficient Infrastructures

Infrastructural facilities in Bangladesh are weak — quite inadequate and very inefficiently managed. This is a disadvantage for doing business. But this also means that the area offers substantial prospects for investment.

In areas of infrastructural support facilities, the strength of a chain is determined by its weakest link. This has to be borne in mind while reviewing the infrastructural constraints that face the Bangladesh economy today.

Telecommunication: Until now, telecommunication in Bangladesh has been characterised by a low teledensity of only 0.26 lines per 100, one of the lowest in the world. This compares unfavourably even with the neighbouring countries (India : 1.0, Nepal 0.5, Pakistan 2.1, Sri Lanka 1.0 and Thailand 2.5). Most of the telephones are in the urban areas. Barely half of the total of the country is being met with existing fixed lines.

The lack of capacity of the state-owned telephone company — the Bangladesh Telegraph and Telephone Board (BTTB) — and its high installation and international call charges (notwithstanding the latest reduction thereof), the long waiting time for new connections, the poor rate of successful call completion, the annual average completion rate, etc. reflect the poor and cost-ineffective quality of the country's telecommunication service.

With its opening up to private investment, a number of cellular telephone companies have entered the sector. Many such companies have operational partnership with major international telecom companies.

Digital and cellular technology has now made the rationale of a parastatal as a natural monopoly, obsolete. But except cellular phones, Bangladesh and the state-run BTTB have been slow to embrace institutional reforms — the reforms that highlighted in the national telecom policy to fully open the sector to private investments and operators.

Bangladesh will not be able to come out of the grip of a mismanaged state monopoly, to join the global information technology and exploit its potential for accelerating growth without undertaking effective regulatory reforms in telecom sector.

The high-growth scenario — seven or eight per cent a year on a sustained basis — will require the placement of over eight million lines by 2020 which is far beyond the demonstrated capacity of the BTTB.

Without the development of a fully functional telecommunication services and the provision of cost-effective adequate number of channels for domestic and international communications, the competitive strength of the Bangladesh economy will be in serious jeopardy.

12.1 Water Transportation

Bangladesh has traditionally relied on water transport. It is, perhaps, also the cheapest mode of transport in the region. It accounts for two-thirds of cargo transport within the country. Hundreds of rivers criss-cross the land, connecting all its parts.

But the mode of riverine transport is still critically slow and cannot reach all parts of the country. Siltation, especially in the coastal region, hinders severely water transport.

Proper planning and selective developing are necessary to facilitate playing of a useful role by water transport in the future. Private sector operators should play the main role here.

12.2 Port

Chittagong Port is the principal port of Bangladesh. It plays a pivotal role in its international trade. But it is plagued by inefficient practices that are further fouled up by failures of the authorities to upgrade and improve its services and to take programs and implement the same.

Progress on making the plans for reducing the cost of moving a container through the Chittagong Port has been slow. The existing facilities there have suffered from poor industrial relations, efficiency-opposed dock labour and frequent strikes.

The Chittagong Port is the costliest one for its users, the cost thereof being two or three times higher than those at neighbouring ports. Bangladesh's competitiveness has seriously been compromised by such inefficiencies. The costs of this to the overall economy are now estimated — that too conservatively — at about \$180 million a year.

The government has been hesitant to consider proposals for alternative modes of cargo handling, particularly in the private sector.

The country's other seaport, Mongla, is likewise beset with many problems since its inception. In the changed context after the operationalisation of the Jamuna Bridge, the policy options merit early consideration for developing Mongla Port to handle bulk freights or to have a deep seaport to the south at the mouth of the river not far from it, for only container handling.

12.3 Roads and Railway

Almost all parts of Bangladesh, even the remoter ones, are today connected by a road network. Trucking is a major industry. Upgrading the road network would, however, remain a major priority, for a considerable period of time, for public expenditure. Heavy investments will also be required for constructing the Dhaka by-pass in order to expeditiously improve communication and trade links between the country's southern, on the one side, and its northern and the northwestern parts on the other. Only then, the best advantage, out of the multi-million dollar Jamuna bridge project, can be reaped.

The involvement of the private sector in upgrading and expanding the road network has not yet taken place, despite its being the stated policy objective of the government.

The railway system has been exclusively in the public sector for long. Only recently, some operations, though on a very limited scale, have been given to the private operators on some routes. The parastatal — Bangladesh Railway — has been a constant drain on the public exchequer. The revamping of the railway — a long stated policy goal of the government — has not yet taken place because of the opposition of the vested interests. This has impaired its efficiency.

There are, no doubt, difficulties for railways to be competitive with buses and cars in handling passenger traffic, in view of different gauges in the western and eastern parts of the railway. But that should offer no alibi for postponing policy actions for contracting out the operation and maintenance of passenger services of inter-city trains as well as rail services on its most branch lines.

12.4 Air transportation

Biman, the state-owned airline, has a fleet of 13 aircraft and flies to a number of destinations. But its inefficiencies are an unnecessary obstacle to development. The earlier policy decision of the government to corporatise Biman and bring it under professional management through appropriate strategic partners remains to be executed.

The civil aviation policy has serious shortcomings. It has not only failed to protect Bangladesh Biman but also turned the international airlines sector into a major drain on the country's foreign exchange. Biman's total share in passenger traffic increased by about 25 per cent only between 1991 and 1998 while foreign carriers' share of passengers (originating from and to Bangladesh) rose by about 135 per cent during the same period. Thus, Biman has persistently lost market share to the foreign airlines and, if things continue like this, it is destined to lose more market share to the latter.

Biman's negotiation about a partial buy-out with a strategic partner has, as of now, proved to be inconclusive. The latest policy signal suggests that move is about to be shelved.

The opening of domestic air routes to private competition has been a welcome development. Now, the opportunities should be fully explored to facilitate, wherever possible and feasible, further private participation in domestic, regional and international routes, in competition with Biman and other operating foreign airlines.

The country's two new international airports — one at Chittagong and the other at Sylhet — have now been operationalised. This should call for a new look at the prospects of regional and international air traffic from a long-term perspective. International airline business are now facing severe problems, particularly in the aftermath of the September 11 terrorist attacks in the USA. When the situation returns to the business-as-usual position, it should seriously be examined how far Dhaka can position itself to handle diverted regional and international air traffic.

12.5 Power

Persistent load-shedding and high distribution losses (at over 30 per cent) have been the long-persisting problems in Bangladesh. Its annual per capita electricity consumption is about 71 kilowatt (KWH) — the third lowest among the developing countries in Asia. This would amply bear out the constraints of power supplies to its development.

Only about 18 per cent of the country's population has access to electricity — the driving force for any economy. The installed electricity generation capacity at the end of 2000 was 3500 megawatt (MW). But only about 2500 MW was effectively available. This was mainly because of low efficiency of existing plants.

The demand for electricity under the Power System Master Plan (PSMP) has been estimated to increase by about 8 per cent annually. The peak demand is projected to reach 4443 MW by 2005. The PSMP estimated that an investment of \$6.00 billion would be required between 1997-2005 to meet this envisaged demand. This is certainly beyond the capacity of the government.

In this context, participation of private developers — independent power producers (IPPs) — and encouragement of public-private partnership have been allowed under the private power generation policy, small-scale power generation policy and power sector reform program.

The major elements of the reform program have been the separation of sector regulation and operation, autonomy and commercial orientation of the sector entities, unbundling of generation, transmission and distribution, and increased private sector participation. But a great part of this program still awaits implementation.

Till June, 2001, contracts have been signed with private sector for setting up power plants, having an aggregate capacity of 1185 mw. Out of this, 578 mw were already being produced by then. Seventeen power generation projects in private sector involving a total investment cost of Taka 81.90 billion were then under implementation.

IPP generation accounted for little over 10 per cent of total generation around the close of FY 2000-01. This is expected to reach the level of 40-45 per cent of total generation by the year 2003. If this is achieved, it will represent a remarkable shift in power production from the government to the private sector.

However, the policy decision of the government to corporatise Ashuganj power station — a 725 mw power generation of the parastatal Bangladesh Power Development Board (BPDB) — is yet to be implemented.

12.6 Gas : Utilisation and Charged Issue is its Exporting

Bangladesh has huge reserves of natural gas with proven reserves (officially stated) at around 11 billion cubic feet (bct) and the estimated reserves are much higher.

A number of foreign firms including Unocal, Shell, etc., are active in exploring and developing these reserves.

Gas is used for fertiliser production as well as power generation. Both the World Bank and the Asian Development Bank are financing projects in gas distribution and electricity consumption.

Export of natural gas, a charged issue in Bangladesh, is a prospective foreign-exchange earner. Foreign investors see a straightforward commercial logic in the export of gas which could earn the foreign exchange necessary to major investments on their part.

Some circles in domestic private sector do also generally support the export of gas, since it would earn foreign exchange that could help with a number of development objectives.

On the other hand, many others have expressed concerns over export, as a policy option, of a substantial but exhaustible natural gas. They see natural gas to be used for the internal market for power generation and the fertiliser industry. They want to ensure first, on the basis of credible estimates about reserves, domestic reserves adequate to meet consumption for a reasonable long period of time (25 years or 50 years).

Traditionally, Bangladesh pursued a fixed exchange rate policy. It has now been replaced by a flexible exchange-rate system, leading to periodic depreciation of the currency on the basis of the trade-weighted movements of its major trading partners. Over the past three years, the national currency has undergone major adjustments downward a total of fourteen times.

Potentially, Bangladesh faces some foreign-exchange difficulties, especially as a substantial amount of foreign direct investment, particularly in energy sector, has already come and when more FDI flows to the country. This will be because of increased foreign-exchange payment requirements for profits and interest, which will call for new avenues of earning foreign exchange.

13.0 Trade Liberalisation : Too Fast or Too Loose

The liberalisation of the foreign trade regime picked up its pace in the early 1990s as part of the public policy to encourage entrepreneurs, both local and foreign. A more comprehensive trade policy

reform program extended its reach to both tariffs and non-tariff barriers, though without a pre-announced implementation schedule or phased program targets.

Significant progress has since been made in removing quantitative restrictions (QRs) and average tariff rates. In contrast with the highly protectionist stance of the early 1980s, trade policy in Bangladesh today is far less protective, and its anti-export basis, significantly lower.

Since FY 1990-91 to FY 2000-01, the maximum tariff rate has dropped from 350 per cent to 37.5 per cent, the average (unweighted tariff rate) has fallen to around 17 per cent and the coverage of protective QRs has been lowered from 253 double-digit codes to 28, now affecting mainly textile imports. Thus, an otherwise good deal of import liberalisation since the early 1990s was effected to remove QRs (though still incomplete) and tariff redundancy.

It should, however, be noted that the movement toward a lower and uniform tariff rate that began in the early 1990s has slowed after the mid-1990s due to concerns for budgetary revenues, the balance of payments, and, in particular, some possible adverse effects of trade liberalisation in import-competing industries. Concerns have particularly been voiced during this period by some business and government circles and researchers over the "adverse impact" of trade liberalisation.

They have criticised it "for being too" fast and for "flooding" domestic industries with foreign goods in amounts that harm local industries.

The government has, in fact, put on hold further trade liberalisation as a deliberate policy stance in recent years. Thus, the top rate has been stationary at 37.5 per cent since FY 1996-97. Also the four-slab structure (5,15,25 and 37.5) that was earlier in existence has remain unchanged, even after some unification exercise in FY 1999-2000.

Meanwhile, the continuation of the 2.5 per cent Infrastructure Development Surcharge (IDS) and other import levies such as Regulatory Duty and the non-neutral application of Value Added Tax (VAT) and Supplementary Duty (SD) have resulted in much higher nominal protection for numerous products.

The fiscal measures under the budget for FY 2000-01 exempt IDS "on special circumstances subject to fulfilment of conditions and limitations". But it does not give here a credible signal about removing discretionary power of customs authorities that is often used for rent-seeking purpose. The VAT and the SD are otherwise supposed to be trade neutral taxes. These are to be applied equally on imports and domestic production. But domestic production often enjoy, in practice, full or partial exemption from such duties. Moreover, more than 37.5 per cent of tariff lines have now nominal protection exceeding the top 37.5 per cent.

In the last couple of years, there have, however, been some duty reductions on industrial inputs for benefiting particularly ceramics and melamine, dry-cell batteries, agro-processing, textiles, electric bulbs, footwear, plastic, pre-fabricated building materials and electric goods producing industries. The interests of such domestic industries (covering as many as 20 "selected" local market-oriented ones) may be 'safeguarded' or 'protected by this move. This is, in fact, intended to offer higher rate of "protection" to domestic industries. But this also affects the dispersion in the tariff structure. On the whole, the cascading structure, with lower rates for raw materials and intermediaries and higher rates for finished goods, would rather indicate the earlier stated more cautious step by the government in recent years on trade liberalisation.

A reduction of tariffs on raw materials or intermediate inputs for domestic industries, however, does not raise costs to the users to the extent such industries supply inputs to other industries.

Despite the cautious policy stance on further liberalisation in recent years, the average ex ante customs duty has, on the whole, been declining (in terms of unweighted import average) — from 57.30 per cent in FY 1991-92 to 17.06 per cent in FY 2000-01.

In cases with selective increases in protection (or safeguard) levels, a closer and detailed scrutiny through firm level studies would be needed in order to assess or gauge what is actually going on. The question involved here is: Are efforts for productivity improvements in related domestic import-substituting industries delayed by such measures? Or, would a commensurate exchange rate

adjustments would better serve the purpose of providing the desired inputs to higher production and employment in export-oriented industries?

Meanwhile, the tariff measures — reduction in input tariffs for backward linkage activities — in the last couple of years for export-oriented industries would provide evidence about the ineffectiveness or malfunctioning of the duty draw-back system. Here the question is worth examining about whether such measures are a good or poor substitute for addressing the real problem posed by the high cost of doing business — infrastructure bottlenecks, corruption by government functionaries, toll-collection, unreliable law enforcement and exchange rate maladjustments. Such factors do, no less, undermine the competitiveness of the Bangladeshi products by increasing the cost of production.

The policy debate is still on in Bangladesh over whether trade liberalisation in Bangladesh has been "too fast" or narrowly focused or "too loose" or not properly coordinated with other necessary reform measures. Since the lowering of rate and the reduction of QRs and, thus, liberalisation of foreign trade regime have been made to the exclusion of effective, coordinated and synergetic efforts for removal of institutional constraints, structural rigidities in many sectors and non-economic adverse factors, its disintegrated or loose nature is a matter of detailed scrutiny for an appropriate impact analysis.

In this connection, cross-country comparisons in trade liberalisation can be useful in providing an international perspective. But that cannot be taken as effective criteria for determining the pace and sequencing of a country-specific trade liberalisation program. The initial conditions about trade barriers, structure of trade, participation in global economy, the stages of economic growth etc., are no less important, besides the situation about other policies and institutional, socio-political etc., conditions.

However, measured in terms of only trade regime, liberalisation (or trade reforms) in Bangladesh in the past decade does not appear unusually fast in comparison to the related developments in other countries. Many countries in South East and East Asia and in Latin America and even some in Africa have achieved more significant cuts in average tariffs and also spread between these lowest and maximum rates within a similar time-frame. Such countries have also gained more in boosting both export and GDP growth. In South Asia, Sri Lanka has moved further than Bangladesh on the road to trade liberalisation.

On the whole, Bangladesh has otherwise witnessed a better economic performance in the 1990s than in the 1980s, under conditions of trade liberalisation. Its merchandise foreign trade has more than doubled in the 1990s, to 30 per cent of GDP since the beginning of the decade. The expansion of its exports, notwithstanding its yet largely undiversified structure, has notably taken place.

It still requires hard and substantive evidence to examine objectively the concerns, perhaps not all without some valid points, over "too fast" trade liberalisation hurting Bangladesh and flooding its markets with goods from abroad, particularly the neighbouring countries.

However, it is difficult to explain the phenomena of smuggling and its growth and proliferation as being the induced effects of trade liberalisation. Effective trade liberalisation should have, on the other hand, led to reduction of the informal imports.

14.0 The Development-Supporting New Roles of Politicians, Policy Planners and Implementors

Political leaders or politicians provide the broad guidelines to shaping the nation's life embracing all its facets on the basis of the felt-needs of the people. They do this on the basis of how they feel the nerve of the people or how they appreciate, evaluate, and assess the problems thereof. They seek and provide the broad answers to such problems in order to confront the challenges and to mitigate or redress them and, thus, to realise the hopes and aspirations of the people. That is the way democracy works to help promote people's well-being. And democracy functions through institutional arrangements for holding free, and fair periodic elections.

The Election Commission — the constitutional body in a democratic system — should ensure that the elections are conducted in a transparent way to ensure voters' participation. The voter list has to be

accessible and verifiable and then it has to be protected so that voters are not disenfranchised. To ensure a free and fair election, voting procedures and policies have to be clear and free. Polling officials have to be unbiased and trained to follow these procedures. They have to work to ensure free, unobstructed voting. These are the kinds of standards that have been used to assess elections under democracy in countries around the world.

The role of the politicians in a democratic system is crucially important in the electoral process. If politics is to be fought through active campaign and democratic institutions like parliament, and not on the streets, each political party has an obligation to make a pre-election pledge or manifesto. The electoral campaign which is the hub of democratic politics evolving around institutions should provide the conduit for raising policy issues with their respective constituencies. Most voters prefer to choose their representatives on the basis of how the candidates of different parties — or independents — would like to address issues and subjects that are important to the community. Most voters in democracies around the world do not like campaigns that merely vilify the opponents.

Given transparent electoral rules and regulations which are what they, no doubt, should be in a democracy, no political party should impose conditions for participation in the electoral process. If the process is not free and fair, then the basics should be made right beforehand on the basis of a consensus in accordance with standard rules of the game.

After the elections, the winners should be gracious in victory and the losers should accept defeat gracefully. All the elected people's representatives should take their seats in parliament — or, for that matter, any elected body, — for which they are elected. They should spend the subsequent years during the tenure of the democratic constitutions — like Jatiya Sangsad or Parliament at the national level or local government (bodies) at different tiers in Bangladesh, as in elsewhere — under the periodic electoral cycle.

The role of politicians in Bangladesh can be pivotal for its development to defeat poverty and to rise from the ranks of the least developed countries (LDCs) to become a middle income country within next fifteen to twenty years' time. But parliament has to be made functionally fully effective for the purpose. While the majority party in parliament forms the government to implement its stated programs and the agenda of actions in key areas of focus, the opposition should also make its views known very effectively in parliament. Indeed, a tough, no holds-barred stand — that, of course, within the well-established norms and practices under a democracy — can enhance responsiveness of the government. The executive can then be made accountable for openness in government. This is vital for good governance. That is the way that the ruling party and the opposition — the responsible representative politicians across the party lines — can each play its role in charting the nation's path to progress and faster development, through, of course, shifting of gears particularly for improvements in economic governance.

A number of steps like establishment of permanent legislative supports and oversight agencies, strengthening of the system of parliamentary standing committees along bipartisan line, enforcement of the system to subject decision-making on all major national issues to full and open parliamentary debate and discussions before formulation of national policies, reinforcement of the time-tested parliamentary practice of questioning ministers, strict adherence to standard parliamentary norms and practices etc., can all contribute to making parliament more prominent in national life and, thus, to strengthening the role of politicians.

In addition, establishment of the Ombudsman's office, as called for in the Constitution, strengthening of the office of the Comptroller and Auditor General (CAG), separation of the audit from the accounting office etc., can be the catalysts for reinforcing accountability mechanisms within the executive branch of the government that includes ministries, agencies, state-owned enterprises (SOEs) and the like, in addition to improving parliamentary oversight.

But lots are also needed to change in the country's political culture. If the elected representatives are not prepared to forget the bickerings of the past, look forward and play their assigned role to

making parliament effective and meaningful, the democratic system will remain malfunctioning, if not dysfunctional.

The nation has had already more than its fair share of such confrontational politics with violence and intimidation casting its gloomy shadows on every sphere of its life. Such violence and intimidation cannot be a permanent part of a democratic culture. Enforcing hartals is not democratic; they hurt the economy; and they also hurt the country's image in the eyes of the world. Letting thugs or 'mastaans' commit crimes with impunity is not democratic either.

It remains, first of all, an onerous responsibility for the political leadership, particularly of the government, to help build a consensus around its policy agenda. This agenda can be effectively pursued only in a stable environment. This stability is needed to remove the perception of uncertainty in business environment and, thus, stimulate both domestic and foreign private investment that would support a sustained increase in economic growth.

Fortunately, here is an advantage for Bangladesh. Its two major political parties have otherwise shown a close convergence of views on major economic and other national issues. This is evident also from their respective election manifestos that were announced before the general election of October 1, 2001.

For the ruling party, it will, perhaps, be easier to proceed on policy actions first on those areas where there is already a distinctive similarity or closeness of views between itself and the main opposition party, about tackling the problems that face the nation in its endeavours to accomplish the cherished national goals and objectives. This can provide a good ground for building blocks for forging a national consensus.

There is no escaping for the government from moving ahead resolutely with the implementation of the much-needed policy-changes to put the economy on a higher growth path. An improved political climate, no doubt, will be needed for making such policy-changes and their implementation easier. This is, perhaps, easier said than achieved. Nonetheless, efforts for ensuring such a climate should be the prime goal of the governing party through its own course of action, now after the election. Only this can help create and sustain an enabling environment for the market-based private sector growth.

If this problem is systematically addressed and new institutions suited to local needs are created, this can dramatically increase incomes and reduce poverty.

The political leadership in Bangladesh has the daunting challenge of building the right kind of institutions, before them. If this challenge can be addressed through a firm political resolve, along with simultaneous efforts for building a strong consensus within the government (ruling party) and then across the party-line, it will create the ground-swell for a stronger and more positive and assertive role of the politicians in the development process.

Development has not been an even course for mankind. The experiences over the past five decades in the wake of the Second World War have shown wide variations in development performance of nations across the globe. The terms — the First World, the Second World, the Third World, the least developed countries (LDCs) etc — do amply bear out this.

Yet then, it must be noted that some countries in the developing world, even with few endowments other than resourceful people, have succeeded in raising their standard of living more than fivefold in the past half-a-century. But many others have made little progress. Poverty still haunts the lives of more than a billion people in the developing world. Millions in sub-Saharan Africa and South Asia are experiencing deprivation. Thus, there has been enormous variation even in the performance of developing countries.

This variation is, by itself, a troubling global phenomenon in view of the long-persisting problems of endemic poverty in countries where the problem remains still now largely concentrated. Examination of the critical issue of this otherwise puzzling variation in development performance involves the question — what has gone right and wrong with economies?. And this is a question that has the most vital bearing on public policy — the political economy of development.

Political decision and implementation influence most the process, course and pace of economic development. There is no denying that public policy is critical in promoting economic development and, thus, reducing poverty, as measured by income and improving social indicators. Policy affects incomes indirectly through the rate and pattern of economic growth. It has a more direct effect on social indicators, mainly through the public or government's expenditure program. The two issues here — higher incomes and improved social indicators — are clearly interlinked.

The homogeneous character of the socio-political structure in Bangladesh, coupled with its people's much-tested commitment to democracy, should have been a potent force for dynamic growth performance of its economy. Its people are, no doubt, dynamic. Their resilience have been tested time and again during every national calamity, perhaps each time with renewed and greater vigour.

Also, there are other signs of strengths of Bangladesh like the absence of a rigid feudal structure, the dominance of deeply-held family values and a strong sense of national identity. This could be positive factors providing the basis for building a prosperous society for the future. But unfortunately, that is not yet firmly the case in Bangladesh. The required political commitment, backed by a stronger political will, has been missing.

Indeed, strong political commitment, coupled with stronger political will, are preconditions for ensuring an effective role of the politicians in support of accelerated development. The shifting of gears for the political process will be necessary for the purpose. This will lead to improved policy evolution, formulation and implementation. This can secure the commitment of the nation to a preferred course of action.

Commitment and consensus can be secured only through discussions, hearings and dialogues and then finally deliberations within the political parties and also in public through appropriate institutional forums for consideration of important issues and topics that are now treated secret or shrouded in secrecy. Such a process could lead to policy planning and formulation in enlightened and wider public interest.

Such kind of policy evolution is necessary for securing the commitment of the nation to a preferred course of action. It is worthwhile to note here that lack of commitment is one major reason for faltering steps and little progress in many areas of development priorities in Bangladesh. As a result, even now important development programs get bogged down.

Very careful nurturing of democratic practices and avoidance of an ostrich policy are, therefore, extremely important to help strengthen political processes conducive to growth and development. The parliamentary democracy with political pluralism can be a conduit for this, only when executive is subjected to the scrutiny by parliament and its standing committees.

The open discussion of all major policy issues in parliament and in parliamentary committees would be the principal step towards making it (parliament) the focal point of politics. Budget should in particular be reviewed at regular intervals and its implementation should also be debated. This is not done now.

The parliamentary committees can be the pace-setter for the purpose. They can become so through institutionalised arrangements for not only processing and reviewing legislation but also exercising the watchdog role with regard to performance of different ministries, agencies and organisations of the government. Such committees need to concern themselves with the performance of the executive. The deliberations thereof should also be held in public and only rarely, and that too for specified reasons, the same may be held in camera.

The interaction with the civil society on a regular basis can help expose the existing constraints within the institutions of governance. Consultation with the relevant people is the way of designing good policies and initiating good practices. The dysfunctional public management activities in Bangladesh, to note here, are binding constraints on its development. Weak policy formulation and implementation constitute the major problem here. The public agencies in Bangladesh in their essential nature, in a largely unbroken chain with the past that dates back to the colonial period, are rigid, unresponsive, inefficient and ineffective. They are being pre-occupied with process rather than results

and driven by outdated rules and regulations. And they are insensitive to the changing demands of the time and the people.

Therefore, it is imperative for Bangladesh to improve the functioning of the government machinery through consultations, dialogues and interactive deliberations with all concerned - stakeholders in development activities. The government can then better work in pursuit of national development goals and objectives.

The rule of law and the independence of the judiciary, constitutional bodies, quasi-judicial organisations and regulatory authorities are furthermore vital props for ensuring checks and balances to promote good governance.

Insulating the economic and other technocrats and bureaucrats in key positions of ministries and public sector bodies from day-to-day political developments along with attractive compensation packages for them, will enhance their capacity to formulate and implement policies in keeping with politically formulated national goals with a minimum lobbying for special favours from politicians and interest groups. Such core public officials set a positive tone for the entire economy.

Transparency is the greatest assurance for accountability of, and openness in, government operation. This should be the rule rather than exception. This can contribute a lot to strengthening decision-making capacity among political leadership with valuable input supports from higher bureaucracy, technocracy and econocracy. It is now the evolving nature of governance in many countries of the world. Indeed, openness leads to expediting economic decisions like award of a contract, decisions, on a public procurement and purchase or undertaking a project and selling up of its office. Such decision will then follow an open process and will not be turned into deal making as it has usually been the case in Bangladesh.

Thus, there is a strong urgency to improve transparency, efficiency accountability, effectiveness and dynamism at all levels and in all affairs, particularly of public administration. Improvements thereof are politically indispensable for successful public service delivery. New institutional mechanisms concerning public administration have evolved in several countries in order to devise appropriate public policy- and decision-making process and implementation mechanism thereof.

An overextended government, as in Bangladesh, cannot necessarily be efficient. This is more so because of its regulatory maze and inefficiencies in most of its activities, having too many people doing too little and, in the process, also obstructing too often initiative without any penalty for delayed decisions. This is precisely the reason why the response of the public administration or bureaucracy as the dominant apparatus for the government to govern society and to promote development do not match, by all counts, the expectations of the citizens. Its too elaborate, complex and overlapping. Its procedure-oriented characteristics are responsible for delayed decisions and incapacity to implement effectively whatever decisions are taken. The bureaucracy, as the principal agent in governance and development in Bangladesh, has undergone substantial erosion both in terms of authority and effectiveness. Therefore, the quality of public service delivery system has experienced a secular decline for a long time. At the grassroots people not only faced severe problems in accessing public services but also are often victims of the same policies.

While the development challenges of Bangladesh need to be addressed on a priority basis to untangle many of its unresolved knots and to synergise accelerated growth, the action program for the same should be based on efforts to consolidate further the successes that have been achieved. This will help overcome the problems that constitute the binding constraints on its potentially feasible and achievable much higher performance than what has so far been accomplished.

14.1 Devolution

Devolution, not mere decentralisation, are prerequisites for strengthening political decision-making and better public service delivery at the grassroots. This will be a prod for improving responsiveness of public services to users.

The unfailingly announced policy objective of successive governments in Bangladesh has been for making local government bodies effective and powerful with delegated responsibilities. Yet then, the existing elected local bodies and related administrative structure have continued to remain ineffective for practical purposes. In fact, local government (LG) reform has been in limbo for long. As a result, the vast potential of LG remains yet largely untapped. There is excessive centralisation of decision-making at the national level.

Public goods and services which do not have major spill-over effects or other forms of externality and whose supply is not scale dependent, can, as the experiences of many successful developing countries do bear out, be better delivered by local representative institutions. Such services include primary and secondary education, primary health facilities, local infrastructure and the like. Each type of public good can, indeed, be provided better by the level of local government that enjoys a comparative advantage in responding to the diversity of preference in its service delivery.

Yet then, the de facto unwillingness of governing parties at the centre to devolve real decision-making authority, power, supporting capacity and resources to the grassroots has been the constraint on devolution. Interestingly, successive governments in the 1990s till now have invariably put the general secretaries of their respective political parties in charge of the ministry of the Local Government and Rural Development (LGRD), perhaps as the overt or covert means to exercise partisan political control over the LG bodies.

Devolution strategies have become successful in many fast-growing developing countries. These have also been applied on a wider scale in many developed countries over the last two decades or more. Devolution has drawn support from the "public choice" school that has become popular in both modern economics and political science for bringing decision-making closer to the people. This allows users of (or stockholders in) goods and services of LG bodies to exercise some control by holding the elected members of the same LG bodies accountable at election time through the ballot and in between elections through citizen pressure. Such controls, as the public choice school explains, can more effectively be exercised at the local level than at any other extended ones. The more devolution, in short, the greater the accountability of government to its people.

The unwillingness of ruling or governing parties at the central level in Bangladesh over the years in an uninterrupted sequence to facilitate devolution at the grassroots can, perhaps, be explained well in terms of their fear of losing their political grip — a typical patron-client mentality that is antithetical to development. Such parties, thus, assume that LG bodies, after devolution, would become centres of opposition to the central government.

But this may not be the case. Rather, the central government can gain the political advantage of devolution by transferring the responsibility of decision-making and implementation in specifically delineated areas to the LG bodies. This can make the central government relatively at ease by not taking the blame for any shortcomings in the provision of related public services and goods; local government bodies can then act as a political safety-valve by observing a good part of any public dissatisfaction with central government; and devolution can set the ground for competition among LG bodies throughout the country for making continuous efforts to improve their services under a carefully designed national strategy of rewards and penalty and, thus, to win national recognition. In the process, and much of the pressures on existing few cities including Dhaka with their attendant multi-dimensional problems could largely be eased through devolution of policy-making and policy-implementation powers for development of the countryside.

The fear of domination of the LG bodies by local elites — and more so under a devolution process — which is cited by some circles as a political argument against it (devolution) is fraught with a fallacy. The risk is already there: both the political authorities at the centre and the bureaucrats from there are prone to, under the status quo, favour such local elites for different considerations. This is noted here not as an alibi for giving any "blank cheque" to such elites; there must be institutional checks and balances at the local as well as national levels to let things work in accordance with certain minimum standards, practices, norms values and ethics. The local community interests should,

therefore, be protected and promoted in the face of any possible predatory behaviour by the local "elites", through holding of regular and fair local elections with integrity. This also needs to be backed by voter education and awareness by citizen groups and non-government organisations.

14.2 Policy Planners

Democracy, good governance, dedicated public service and development momentum are all dependent not only on the political process which gives the country its government but also on the modus operandi (or structural) of government for provision of inputs and other back-up supports for policy planning and formulation.

In Bangladesh, policies are not underpinned by sufficient analytical evaluation. The painstaking research is almost absent. But that is strongly needed to explore the potential impact of alternative policy directions. Lack of technical skill is largely missing among those involved in formulating and planning policies.

There is an urgent need for either creating or restructuring policy planning cells in the ministries. Otherwise, the role of policy planners in the development process will hardly be different from what the same has been for long. Improved capacity of policy planners will facilitate the emergence and availability of an appropriate menage of policy options clearly in the process of debates, discussions and deliberations through planning cells of ministries for ultimate decision thereon by the political leadership.

For such options to be developed, the elected political leadership at the top needs to provide an overarching vision — provided in a policy statement or in a set of basic conditions — that gives a clear signal to the policy planners in ministries and public institutions and to the civil society about the broad objectives and goals of the government.

Furthermore, establishment of a Prime Minister's Private Sector Advisory Council, comprising key ministers, secretaries, technocrats, econocrats and leading businessmen, will be considered a right step towards strengthening policy planning exercise. This is so because relations between the government and the private sector need to be much more collaborative than at present. Policy planners can then have an effective catalytic role in bringing about changes in policies through coordination among dispersed ministries/agencies handling policy formulation.

The existing institutional weaknesses of the policy planning apparatus of the government and its ministries, therefore, call for strong efforts to address the same. At the national level, a policy planning body for every relevant ministry should, of course, come only after rightsizing the government itself. Such bodies need to consist of subject-matter specialists and experts in general management, international issues, public relations, legal aspects, financial matters.

Political appointees at higher levels of government should be inducted for policy-planning purposes. They will take up the task of policy making with the agency chiefs providing the technical back-up services. The political appointees will be experts but committed political people. They will be responsible for policy advice and formulation under the guidance of the minister. Such policy-planning or policy-making personnel will owe their allegiance to the government in power and will be replaced with every change of government.

All these moves will enhance the role of policy-planners with better inputs and options coming from them for political decision-making about policies. Institutional foundation for effective policy-planning can, thus, be laid by enhancing in-house capacity of the ministries, strengthening the mechanism for monitoring policy implementation and co-opting and promoting local think tanks and universities. Enhancing the speed and quality of decision-making are of utmost importance for Bangladesh. This will involve radical changes in process and behaviour.

However, such changes will have to be straight forward, overcoming the resistance of vested interests with their turf battles. Encouraging policy-planners and decision-makers to take more risks and to demonstrate entrepreneurial risks in the task of political leadership can be one way of doing this.

Appropriate system of incentives can also be useful in affecting particularly behavioural changes that are otherwise complex — among policy-planners and decision-makers.

The restructuring of policy-planning or policy-making process, along these lines, is important and crucial. This will make it possible to give policy planning and decision-making the highest priority and attention. This will enable policies to reflect properly the platform of the political party in power. Furthermore, it will ensure that career bureaucracy is insulated from political pressures or victimisation. This will also have the advantage of avoiding duplication of work and, thus hopefully, cutting red-tape.

14.3 Policy Implementators or Executing Agencies

Implementation of policies is the responsibility of the public administration or officials. The administrative structures and practices that impact the process of execution or implementation of the programs of the government are guided by various rules. Such rules allocate power and delineate responsibilities. In the process, the structures of authority are set out within the bureaucracy, providing procedural guidelines for action.

The existing framework of bureaucracy in Bangladesh is largely the legacy of the colonial period. It has not changed much, in essence. Recommendations and proposals made by several committees and commissions that were constituted in the post-Independence period to overhaul and rationalise the existing framework of bureaucratic activities are yet to be acted upon.

The role of implementors — public officials working under a bureaucratic system within its unnecessarily rigid and hierarchical controls — is, thus, hamstrung by inefficiencies at all levels. Indeed, public service is not in the experience of Bangladesh bureaucracy. Its excessive reliance on controls which are rule-based rather than performance-based has led to failures to focus on the quality of outcomes. The existing bureaucratic system is, thus, secretive and slow. Its processes are non-transparent and, therefore, susceptible to manipulation. It is ineffective in fostering and ensuring expeditious, predictable and well-considered delivery of services and implementation of policies and programs.

Several weaknesses paralyse implementation. Bureaucrats in Bangladesh prefer to push decisions and to pass files to a higher level for final approval, even on routine affairs when rules do otherwise allow decisions at lower levels. The public officials among the executing agencies — or, implementors — have a tendency to rely excessively on precedents and the misapplication of earlier decisions to apparently similar current issues, without proper regard to changes of policy and other contexts. They are prone to a ritualistic process of action in a culture where fear and resignation dominate and the perception persists about common sense being risky and creativity being dangerous.

Recruitment, training, deployment and discipline of the public officials are also matters of importance. Issues here need to be addressed in order to enhance the efficiency of the implementation process. There is also a strong tendency on the part of public officials to oppose introduction of modern technology that can help promotion of transparency and openness in their work. Furthermore, there is an in-built resistance to act with a sense of urgency on pending matters. Compensation package acts as a disincentive to recruiting talented and competent people in responsible positions in the implementing agencies. This is a matter that deserves a priority attention to expedite actions for implementation of policies and programs.

What is of more importance is to increase the usefulness of the IMED in assessing overall policy implementation. For this, widening of the IMED's mandate is necessary in order to enable it to serve as the Chief Executive's (or Prime Minister's) main Watchdog for monitoring and timely feedback of the entire range of government's activities — development, recruiting, policy, regulatory etc. This can be done by vesting the IMED with adequate resources and well-qualified personnel. Agencies of less systemic importance to the overall administration may be excluded from the operational responsibility of the Prime Minister's office. The findings of IMED's evaluation work could then be used by setting

up an Efficiency Unit also at the PM's office for dissemination of lessons and best practices and establishing service standards for public bodies.

The important thing here is to ensure that monitoring is not done on self-reporting basis, as is the case now. Also independent external agencies like Ombudsman's office, Anti-Corruption Commission, Comptroller General of Accounts etc., need to be involved in the oversight role and in enforcing standards.

In terms of efficiency and openness, the bureaucracy or public administration in Bangladesh is obviously ill-suited to a modern democratic state seeking rapid development. There have been a secular deterioration in its performance and a breakdown of the mechanism for accountability and monitoring. Delays in policy implementation also reflect its inadequate logistic supports.

If the executive agencies are not made more responsive and expeditious in resolving administrative and implementation bottlenecks, the potential for accelerated growth performance of the economy will continue to remain untapped.

A clear delineation of the functional responsibility of the policy planning apparatus and the executing agencies may be helpful here in order to bring about the desired structural changes. Such changes in administrative structure and practices will be a strong prop for executing and implementing the policies and programs of the government.

An effective role of implementors is now impaired by several overlapping agencies. This problem can be redressed by bringing all the executing agencies under one kind of organisational structure, called bureaux, instead of existing numerous kinds of directorates, boards, corporations, bureaux, commissions, authorities etc. A total of less than 100 bureaux or agencies may, in all, be required for the government after its rightsizing. The requirement of individual ministries will, however, depend on specific needs. A vigorous scrutiny of all existing organisations will be needed for rightsizing the government. All those existing executing agencies, having no meaningful functions or doing the same or similar work in an overlapping manner, may be merged.

The bureaux, manned by career civil servants, can clearly be executing agencies without political responsibility. They will function in a business-like style with specific result-oriented targets under a clear set of performance criteria while enjoying their financial and management autonomy as well as responsibility. They will, of course, have to operate in an accountable and transparent manner with properly delineated accounting and reporting requirements.

Each bureaux under the proposed framework can have its own bureaucracy recruited for it under some national guidelines and, if necessary, by the national recruiting agency. This may again help remove inter-cadre rivalry. Such a rivalry has often been found to be a cause of much too damaging frictions, with their some crippling effects on the efficiency and efficacy of the existing bureaucracy.

With devolution of decision-making power and wide-ranging management and implementation responsibilities to the local government, only a few bureaux will require to have extensive field staff. Most field staff, currently employed by the central government, can become local government (LG) employees also under a similar pattern of restructuring of the LG outfit at the grassroots.

The role of the policy implementors, as the Bangladesh's development experience in past three decades does amply bear out, will have to be strengthened for realising its vastly untapped growth potential and for making public services and supports responsive to the needs of the people. This can largely promote and encourage participation of people—stakeholders—and their commitments to efforts for enhancing development.

15.0 Recommendations

➤ A liberal democratic system that can alone guarantee an effective role of the politicians in running the statecraft can be achieved on the basis of mutual accommodation and understanding among political parties. Otherwise, confrontational politics will continue to take, as it has been doing, its toll on governance, economy and, thus, nation's development. This holds true for all, irrespective of whichever party or parties are or, will be, in power through periodic electoral cycles.

➤ The elected political leadership at the top needs to provide an overarching vision — provided in a policy statement or in a set of basic conditions — that gives a clear signal to the policy planners in ministries and public institutions and to the civil society about the broad objectives and goals of the government.

➤ Devolution is necessary to do the mobilisation of people and secure their participation in nation-building activities. On this count, Bangladesh has so far settled for only cosmetic changes. As a result, without local government bodies at the grassroots, many development efforts such as primary education, population planning, healthcare, rural work or agriculture just cannot be efficiently implemented.

➤ Devolution, not mere decentralisation, is a prerequisite for strengthening political decision-making and better public service delivery at the grassroots. This will be a prod for improving responsiveness of public services to users.

➤ Establishment of the Ombudsman's office, as called for in the Constitution, strengthening of the office of the Comptroller and Auditor General (CAG), separation of the audit from the accounting office etc., can be the catalysts for reinforcing accountability mechanisms within the executive branch of the government that includes ministries, agencies, state-owned enterprises (SOEs) and the like, in addition to improving parliamentary oversight.

➤ Without effective institutions, the benefits of growth under competitive market-driven conditions which are the stated policy goals of the major political parties in Bangladesh, would continue, as before, to by-pass largely its poor people.

➤ Because of the opaque nature of political decision-making, basic policy issues such as economic policy framework, foreign policy, international relations, security matters including defence appropriations, reforms in important economic matters, restructuring and reforms of local government structure and reorganisation etc., are hardly discussed in depth in the parliament.

➤ For the ruling party, it will be easier to proceed on policy actions first in those areas where there is already a distinctive similarity or closeness of views between itself and the main opposition party, about tackling the problems that face the nation in its endeavours to accomplish the cherished national goals and objectives. This can provide a good ground for building blocks for forging a national consensus.

➤ Parliament has to be made functionally fully effective for the purpose. While the majority party in parliament forms the government to implement its stated programs and the agenda of actions in key areas of focus, the opposition should also make its views known very effectively in parliament. Indeed, a tough, no holds-barred, stand — that, of course, within the well-established norms and practices under a democracy — can enhance responsiveness of the government. The executive can then be made accountable for openness in government. This is vital for good governance.

➤ A number of steps like establishment of permanent legislative supports and oversight agencies, strengthening of the system of parliamentary standing committees along bipartisan line, enforcement of the system to subject decision-making on all major national issues to full and open parliamentary debate and discussions before formulation of national policies, reinforcement of the time-tested parliamentary practice of questioning ministers, strict adherence to standard parliamentary norms and practices etc., can all contribute to making parliament more prominent in national life and, thus, to strengthening the role of politicians.

☛ Accountability and transparency of government operations — the most important aspects of good governance — are needed not only for optimal use of scarce resources but also for preventing application of arbitrary authority as well as misuses of discretionary powers.

☛ There is a strong urgency to improve transparency, efficiency accountability, effectiveness and dynamism at all levels and in all affairs, particularly of public administration. Improvements thereof are politically indispensable for successful public service delivery. New institutional mechanisms concerning public administration have evolved in several countries in order to devise appropriate public policy- and decision-making process and implementation mechanism thereof. This can be a guide to spur action in Bangladesh.

☛ Strong political commitment, coupled with stronger political will, is a precondition for ensuring an effective role of the politicians in support of accelerated development. The shifting of gears for the political process will be necessary for the purpose. This will lead to improved policy evolution, formulation and implementation. This can secure the commitment of the nation to a preferred course of action.

☛ The open discussion of all major policy issues in parliament and in parliamentary committees would be the principal step towards making it (parliament) the focal point of politics. Budget should in particular be reviewed at regular intervals and its implementation should also be debated. This is not done now.

☛ The interaction with the civil society on a regular basis can help expose the existing constraints within the institutions of governance. Consultation with the relevant people is the way of designing good policies and initiating good practices.

☛ It is imperative for Bangladesh to improve the functioning of the government machinery through consultations, dialogues and interactive deliberations with all concerned - stakeholders in development activities. The government can then work better in pursuit of national development goals and objectives.

☛ The rule of law and the independence of the judiciary, constitutional bodies, quasi-judicial organisations and regulatory authorities are furthermore vital props for ensuring checks and balances to promote good governance.

☛ Democratic decision-making requires that the business of the government is transacted according to the decisions of people's representatives, and executive agencies are established and abolished at their (people's representatives') will.

☛ The technical expertise of the Bangladeshi experts abroad in relevant fields and also of those outside the government within the country, should be involved in providing both analytical inputs at the design stage of draft policies and in offering critiques thereof. This will improve policy planning. Government should focus its energies and resources of public sector (overall government) on core functions which only it can provide and on programs like poverty alleviation which are not adequately provided by others.

☛ A concentrated attention on a synergy of actions for improvements of quality of civil service is needed to raise the efficiency of the administrative system and, thus, of the implementation mechanism. The present secretariat system with generalist-bureaucrats — jack-of-all-trade-types — at the top has largely lost its relevance to the needs for policy formulation to meet the complex nature of issues in today's world.

☛ Transparency is the greatest assurance for accountability of, and openness in, government operation. This should be the rule rather than exception. This can contribute a lot to strengthening decision-making capacity among political leadership with valuable input supports from higher bureaucracy, technocracy and econocracy.

☛ Political appointees at higher levels of government should be inducted for policy-planning purposes. They will take up the task of policy making with the agency chiefs providing the technical back-up services. The political appointees will be experts but committed political people. They will be responsible for policy advice and formulation under the guidance of the minister. They will hold office

during the tenure of the political government that appoints them and will leave office as soon as the latter vacates power.

☛ There is an urgent need for either creating or restructuring policy planning cells in the ministries. Otherwise, the role of policy planners in the development process will hardly be different from what the same has been for long. Improved capacity of policy planners will facilitate the emergence and availability of an appropriate menu of policy options clearly in the process of debates, discussions and deliberations through planning cells of ministries for ultimate decisions thereon by the political leadership.

☛ Improved coordination and decision-making within key economic ministries — the ministries of planning, finance, commerce, industry, and the like — can strengthen the policy-makers' role under a structured institutional arrangement through the Prime Minister's office. Establishment of a Prime Minister's Private Sector Advisory Council, comprising key ministers, secretaries, technocrats, econocrats and leading businessmen, will be considered a right step towards strengthening policy planning exercise. This is so because relations between the government and the private sector need to be much more collaborative than what is at present.

☛ The usefulness of the Implementation, Monitoring & Evaluation Division (IMED) should be increased for assessing overall policy implementation. For this, widening of the IMED's mandate is necessary in order to enable it to serve as the Chief Executive's (or Prime Minister's) main Watchdog for monitoring and timely feedback of the entire range of government's activities — development, recruiting, policy, regulatory etc. This can be done by vesting the IMED with adequate resources and well-qualified personnel.

☛ A clear delineation of the functional responsibility of the policy planning apparatus and the executing agencies may be helpful in order to bring about the desired structural changes. Such changes in administrative structure and practices will be strong props for executing and implementing the policies and programs of the government.

☛ An effective role of implementors is now impaired by several overlapping agencies. This problem can be redressed by bringing all the executing agencies under one kind of organisational structure, called bureaux, instead of existing numerous kinds of directorates, boards, corporations, bureaux, commissions, authorities etc.

☛ The central issue that concerns the Bangladesh economy revolves around the task of raising investment and accelerating labour-intensive economic growth while maintaining macro-economic stability.

☛ The jurisdiction between political decision-making and executive responsibilities should be properly delineated.

☛ A freedom of information law should be enacted so that all government documents and information are made open to the public, in some cases after some passage of time. The reasons for classifying information and documents as secret or confidential must be explained to the public on demand. This would help limit the exercise of discretion in policy-making and discretion, where needed, will follow some justifiable reasoning.

☛ One major complaint of the opposition for boycotting parliament in the past has been that major policy decisions were taken by-passing the people's representatives in the parliament or its (opposition's) legislators were not given enough time to speak on matters of public importance. The introduction of time clocks, similar to those used in chess to record the time allocated to legislators and as is already in use in the Australian Parliament, can be considered here to help overcome this problem.

☛ The procedural weaknesses of the public administration or the bureaucracy for whatever reasons or a combination of the same — archaic or ineffective rules, secretive or slow nature of its work, inadequate or imperfect logistic supports, deterioration in quality, tendencies to pass files to a higher level for final approval even on routine affairs, should be effectively addressed.

☛ Public spending in social sectors should benefit the poor. As such, its benefits need to reach them. It is important to improve quality and equity of public spending through effective social expenditure management, proper selection and designing of projects and programs with high poverty reduction impact and effective targeting.

☛ The weak implementation capacity of public institutions and the absence of an adequate accountability regime have been one of the major causes of the poor performance of the state in regards to the needed public investments and efficiency of overall public expenditure. Therefore, steps should be taken to improve implementation capacity.

☛ With all public services in Bangladesh, what policies say is one thing; how they are applied by bureaucrats and implementors is another. The overall implementation capacity is weak. This is, in general, explains why public investment continues to be at extremely low levels of 8-9% of GDP, despite the availability of concessional aid funds at over \$6.00 billion in the pipeline.

☛ The government also creates major problems when it announces policies which are clearly unrealistic. Thus, it, for example, committed itself in the early 1990s to provide formal education for 15-23 million learners (largely adults) by the year, 2000. While the policy was laudable, it was widely regarded as non-serious, rhetorical and impossible to implement in the seven-year time-frame and also as not being based on proper assessment of the resources available—institutional, financial or human. And indeed, it proved itself to be so. Therefore, both capacity and quality of implementation agencies should be improved.

☛ The feasibility of budgetary expenditure in social sectors critically depends on effective efforts to strengthen considerably domestic resource mobilisation, alongwith prudent expenditure management. Improving aid utilisation may be also an effective option for enhancing the availability of public resources for social sectors. But here too, demonstration of major improvements in project implementation and also of the ability of the government to undertake policy or institutional reforms will be necessary to utilise the existing pipeline of assistance and to gain access to higher levels of concessional assistance that are concentrated mainly on social sector investment.

☛ A rigorous exercise will be needed for rationalising ADP expenditures, reviewing and prioritising the projects and examining critically their components.

☛ Being still below the average, even for low-income countries, in savings and investment performance, Bangladesh needs to embark on a concerted effort at mobilising both savings and investment to reach rates of 30 per cent of GDP within the next decade.

☛ The confrontational politics have made the decision regarding moving ahead with hard choices of reforms all the more difficult. In the process, many reform programs that were earlier initiated, have got bogged down due to ineffective implementation. The implementation of reforms in general has to be expedited. But caution will also need to be exercised so that reforms are implemented in a transparent manner. Policy reversals and ambivalent follow-ups at the working level must be avoided.

☛ Building of infrastructure—ports, roads, electricity, telecommunications etc.,—has not progressed in the 1990s at the required pace, in both quantitative and qualitative terms. Therefore, infrastructure-building efforts should receive a befitting priority to materialise the vision of 7-8 per cent sustained annual growth of GDP in order to lift the Bangladesh population out of poverty.

☛ Problems of inefficient management of the country's port services and their poor productivity (at nearly one-third of productivity of its neighbouring counterparts like Colombo, Madras and others) should be addressed effectively. Privatisation of the back-up services in the existing containing terminal of Chittagong should be implemented on a priority basis. The existing capacities and the future growth of container traffic at the Chittagong Port heighten the need for development of container facilities there by using the private sector. This offers a better solution, on efficiency consideration, to its problems.

☛ Effective measures should come at the earliest to expedite actions on unbundling of generation, transmission and distribution of electric power, establishment of a power sector regulatory body, enforcement of a rationalised tariff structure and the like. Besides, it is necessary to install new

capacities for adequate transmission and distribution of power in the country, alongside efforts for increasing the generation capacity through private sector. It is also important to consider how the role of the private sector can be extended to financing and managing the distribution network.

☛ Public sector domination of the physical infrastructure is now out of fashion. It would, therefore, do better to change effectively the policy orientation and implementation in favour of the practices elsewhere. Private sector should be associated more and more in infrastructure building while the government is involved in setting up independent and competent regulators for the purpose.

☛ The provisions of the physical infrastructure need to move in harmony for not only improving the productivity of the economy but also enhancing its size and structure. Private investment in infrastructure is likely to expand and strengthen the role of the private sector in the overall economy.

☛ With the construction and regular maintenance of roads, bridges, irrigation canals, seaports, airports and river ports, power stations and transmission lines, telecom networks and the like in private sector or under public-private partnership, returns from projects and efficiencies thereof are expected to improve. Then public funds can be used for meeting other competing demands. Such an approach is unavoidable to help gradually overcome inadequacies in the nation's infrastructure base.

☛ The policy departure away from an earlier highly restrictive system focusing on import substitution to a more dynamic, export-oriented structure has shown some of its dynamism and competitiveness in the Bangladesh economy last decade, until the recent recessionary trends in global markets for ready-made garments, knitwear, foreign trade and leather products. However, the progress so far in pursuit of such reform policies has been mixed, much like the outcomes thereof in terms of their stated goals. Half-baked reforms were responsible for it. It is important to properly sequence the reform agenda.

☛ Divesting the losing public enterprises to arrest a drain on public exchequer, apolitical restructuring of the civil service based on merit and performance, consolidation of fiscal measures to sustain the growth in government revenue, strengthening the financial system, liberalising labour policies and putting into effect appropriate regulatory and institutional framework are necessary for attracting both domestic and foreign private investment. For such purposes, effective policy changes will need to be formulated or devised and will then have to be carried out expeditiously and with full political commitment.

☛ The ailing state-owned enterprises (SOEs) that are already putting a heavy drain on the budget and the economy should be phased out. Where privatisation of SOEs does not appear to be a feasible option, there should be exit policies to save scarce budgetary resources from being pumped every year into what are essentially non-viable enterprises. This would release additional resources for anti-poverty programs aimed at increasing the poor's access to school, health centres, nutrition, roads, electricity and microcredits, to name a critical few.

☛ An explicit criterion should be developed for identifying the core social services; expenditure should be prioritised; attractive means of service delivery should be devised; better financial management should be ensured; and management responsibilities to the local levels should be decentralised. Furthermore, beneficiary participation should be incorporated for increasing the efficiency of service delivery.

☛ Lack of coordination among those responsible for setting specific goals and objectives of national development plans and formulating the strategy thereof and institutionalising the mechanism for their implementation- have been considered as a major impediment of better performance.

☛ Democratic good governance has been considered essential pre-condition to accelerated socio-economic development.

☛ All stake-holders should be involved as much as possible in all economic, political and social decisions, commitments and reforms for good governance.

☛ Factionalism and politicisation at key levels should be done away with and immediate steps should be taken to train skilled manpower, increase productivity in plant level and boosting competence and morale.

➤ Need for political reforms in order to orient the policy towards serving more purposefully are the daunting challenges of time.

➤ Stress should be given in pursuit of the oft-repeated national goal of strengthening the local government bodies and devolving development activities at the grassroots.

➤ While development efforts on a long-term basis are made, policy makers should try to achieve maximum possible performance in short and medium-term policies as well.