

The State of Governance in BANGLADESH 2010-11



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Institute of Governance Studies
BRAC University

The State of Governance

in BANGLADESH 2010-11

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Policy, Influence, Ownership

Institute of Governance Studies, BRAC University

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Acknowledgments, Report Team and Contributors

Report Team and Contributors

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The team takes full responsibility for the contents of this Report.

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List of Acronyms

1/11	Refers to 11 January 2007
A2J	Access to Justice
ACC	Anti-Corruption Commission
ACR	Annual Confidential Report
ADB	Asian Development Bank
ADP	Annual Development Plan
AL	Awami League
APD-W	Appointment, Promotion & Deputation Wing
ASK	Ain O Salish Kendra
ATEOs	Assistant Thana Education Officers
AusAID	Australian Agency for International Development
BAPEX	Bangladesh Petroleum Exploration & Production Company Limited
BASEL	Banks Acting Silly to Enhance Liquidity
BB	Bangladesh Bank
BBS	Bangladesh Bureau of Statistics
BCS	Bangladesh Civil Service
BFID	Banking and Financial Institute Division
BGD	Bangladesh
BHRC	Bangladesh Human Rights Commission
BHW	Bangladesh Health Watch
BLAST	Bangladesh Legal Aid and Services Trust
BMA	Bangladesh Medical Association
BNP	Bangladesh Nationalist Party
BPC	Bangladesh Petroleum Corporation
BPDB	Bangladesh Power Development Board
BPS	BRAC Primary School
BRC	Bank Reform Committee
BSEHR	Bangladesh Society for the Enforcement of Human Rights
BSF	Border Security Force
BWDB	Bangladesh Water Development Board
CAS	Country Assistance Strategy
CBSP	Central Bank Strengthening Project
CC	Combined Cycle
CCHRB	Coordinating Council for Human Rights in Bangladesh

CCs	Community Clinics
CDCS	Country Development Cooperation Strategy
CHCP	Community Healthcare Provider
CHRI	Commonwealth Human Rights Initiative
CIA	Central Intelligence Agency
CIC	Chief Information Commissioner
CIDA	Canadian International Development Agency
CMDP	Capital Market Development Programme
CMI	Chr. Michelsen Institute
CPI	Corruption Perception Index
CPIA	Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
CPT-W	Career Planning & Training Wing
CRAR	Capital to Risk Weighted Assets Ratio
CREATE	Consortium for Research on Educational Access, Transitions and Equity
CSOs	Civil Society Organisations
CSSED	Construction of Server Stations for Electoral Database
CTG	Care Taker Government
D&DPs	Donors and Development Partners'
D&GG	Democracy and Good Governance
DAB	Doctors' Association of Bangladesh
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DESCO	Dhaka Electric Supply Company Limited
DFID	Department for International Development
DFIs	Development Finance Institutions
DG	Democratic Governance
DGFP	Directorate General of Family Planning
DGHS	Directorate General of Health Service
DGP	Development Guide Plan
DO	Development Objective
DPE	Directorate of Primary Education
DPs	Development Partners
EC	Committee on Estimates
EC	Election Commission
EC	European Commission
EFA	Education For All
ERD	Economic Relation Division
ESAF	Enhanced Structural Adjustment Facility
ESAP	Enhanced Structural Adjustment Programme
EU	European Union
FCBs	Foreign Commercial Banks
FCO	Foreign and Commonwealth Office
FDI	Foreign Direct Investment

FFE	Food for Education
FOI	Freedom of Information
FOIA	Freedom of Information Act
FP	Family Planning
FPH	Fourth Population and Health Project
FSAC	Financial Sector Adjustment Credit
FSRP	Financial Sector Reform Project
FSRP	Financial Sector Reform Programme
FY	Fiscal Year
FYP	Five Year Plan
GAC	Governance and Anti-corruption
GBP	Great Britain Pound
GDP	Gross Domestic Product
GEP	General Education Project
GIZ	German Development Cooperation
GoB	Government of Bangladesh
GPS	Government Primary Schools
HIES	Household Income & Expenditure Survey
HNPS	Health, Nutrition and Population Sector Programme
HPNSDP	Health, Population and Nutrition Sector Development Programme
HPSP	Health and Population Sector Programme
HPSS	Health and Population Sector Strategy
HRD	Human Resource Development
HRM	Human Resource Management
ICCPR	International Covenant of Civil and Political Rights
IDA	International Development Agency
IDB	Islamic Development Bank
IDEA	Identification System for Enhancing Access to Services
IDSA	Institute of Defense Studies and Analyses
IEA	International Energy Agency
IGS	Institute of Governance Studies
IISD	International Institute for Sustainable Development
IMF	International Monetary Fund
INGOs	International Non-Governmental Organisations
IPP	Internet Printing Protocol
ITLOS	International Tribunal for the Laws of the Sea
JDRF	Juvenile Diabetes Research Foundation
JICA	Japan International Cooperation Agency
JRM	Joint Review Mission
JUM	Jamaat-ul-Mujahideen
KIIs	Key Informant Interviews
KWh	Killowatt Hour
LCG	Local Consultative Group
LDCs	Least Developed Countries

LGD	Local Government Division
LGED	Local Government Engineering Department
LGSP	Local Government Support Project
LGSP-LIC	Local Government Support Programme Learning and Innovation Component
MATT	Managing at the Top
MCA	Millennium Challenge Account
MCF	One Thousand Cubic Feet
MDGs	Millennium Development Goals
MFI	Microfinance Institutions
MIS	Management Information System
MJF	Manusher Jonno Foundation
MLAA	Madaripur Legal Aid Association
MoE	Ministry of Education
MoF	Ministry of Finance
MoHFW	Ministry of Health and Family Welfare
MoLGRD&C	Ministry of Local Government, Rural Development and Cooperatives
MoPA	Ministry of Public Administration
MoPME	Ministry of Primary and Mass Education
MPs	Members of Parliament
MTBF	Mean Time between Failures
MT	Metric Ton
MW	Megawatt
NAP	National Awami Party
NBA	Needs Based Approach
NBFI	Non-bank Financial Institutions
NCBs	National Commercial Banks
NEP	National Education Policy
NES	North Eastern States
NFPE	Non-formal Primary Education
NGOs	Non-Governmental Organisations
NHP	National Health Policy
NHRC	National Human Rights Commission
NOK	Norwegian Kroner
NORAD	Norwegian Agency for Development Cooperation
NPA	National Plan for Action
NPA	New Policy Agenda
NPL	Non-Performing Loan
NRP	Natural Resource Partners
NSAPR	National Strategy for Accelerated Poverty Reduction
OCAG	Office of the Comptroller and Auditor General
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OOP	Out-of-pocket-payments
OPCAT	Optional Protocol to the Convention against Torture

OPEC	Organization of the Petroleum Exporting Countries
OPP	Outline Perspective Plan
PAC	Public Accounts Committee
PBA	Programme-based Approach
PBES	Performance Based Evaluation System
PCBs	Private Commercial Banks
PEDP	Primary Education Development Programme
PFM	Public Financial Management
PFP	Policy Framework Paper
PIL	Public Interest Litigation
PMED	Primary and Mass Education Division
PMO	Prime Minister's Office
PMU	Programme Management Unit
PNGO	Partner Non-governmental Organisation
PPA	Public Procurement Act
PPP	Public Private Partnership
PPRP	Public Procurement Reform Project
PPR	Public Procurement Regulations
PRSP	Poverty Reduction Strategy Paper
PSC	Public Service Commission
PSRB	Power Sector Reforms in Bangladesh
PTA	Parent Teacher Association
PUC	Public Undertakings Committee
RAB	Rapid Action Battalion
RBA	Rights Based Approach
REB	Rural Electrification Board
RHD	Roads and Highways Department
RMG	Ready Made Garment
RNPS	Registered Non-Government Primary Schools
ROA	Return on Assets
ROE	Return on Equity
RPO	Representation of the People's Order
RTI	Right to Information
SAARC	South Asian Association for Regional Cooperation
SAP	Structural Adjustment Programme
SCBs	State owned Commercial Banks
SCP	Shawdhinata Chikitshak Parishad
SDC	Social Development Commission
SIDA	Swedish International Development Cooperation Agency
SLIP	School-level Improvement Plan
SMC	School Management Committee
SOE	State Owned Enterprises
SOFA	Status of Forces Agreement
SoG	State of Governance
SPD	Strengthening Parliamentary Democracy

SPEP	Second Primary Education Project
SPIPs	Super Performance Improvement Programmes
SPO	Strengthening Parliamentary Oversight
SPP	Strengthening Political Participation
SWAp	Sector Wide Approach
SWAT	Special Weapons and Tactics Team
TACTS	Tax Administration Compliance and Taxpayer Services
TA	Technical Assistance
Tcf	Trillion cubic feet
TFR	Total Fertility Rate
THE	Total Health Expenditure
TIB	Transparency International Bangladesh
TRAC	Transnational Record Access Clearinghouse
UDHR	Universal Declaration of Human Rights
UEO	Upazila Education Officer
UK	United Kingdom
UNCDF	United Nation Capital Development Fund
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNO	Upazila Nirbahi Officer
UN	United Nations
UP	Union Parishad
UPE	Universal Primary Education
UPEP	Upazila Primary Education Plan
URC	Upzilla Resource Centre
USA	United States of America
USAID	United States Assistance for International Development
USD	United State Dollar
USSR	United Soviet Socialist Republic
US	United States
UZP	Upazila Parishad
WB	World Bank
WDI	World Development Indicators
WEF	World Education Forum
WFP	World Food Programme
WTO	World Trade Organization

Glossary

Ibtedaye Madrasah	Traditional Primary Muslim religious Schools
Madrasah	Traditional Muslim religious school/college
Padma	A river in southern Bangladesh
Thana	Administrative unit between district and village
Union Parishad	Lowest tier of local government
Upazila Parishad	Tier of local government

Preface

The Institute of Governance Studies (IGS) of BRAC University from 2006 has annually examined the nature and form of governance in Bangladesh in its flagship publication- *The State of Governance in Bangladesh* (SoG) Reports. This year's *The State of Governance in Bangladesh 2010-11*, coming out after a hiatus of nearly two years, is the fifth Report published by the Institute. While the previous SoG reports identified and analysed the internal causes for poor governance in Bangladesh, IGS felt that there is a need to critically analyse the role and influence of external stakeholders in shaping the country's socio-political and policy arena over the last 40 years and its effect on governance in the country.

The forces of globalisation during the second half of the last century especially during the 1980s and 1990s have blurred social, cultural, political and economic boundaries across the globe. As a result, the primacy and autonomy of the state as a unitary actor in the policy arena is being eroded with growing influence of international and non-state actors. This has also happened in the case of Bangladesh. The ever-changing policy and development prescriptions and discourses of the Bretton Woods Institutions and other international/ national development organisations as well as civil society, over the years played a crucial role in the development and policy arenas in Bangladesh. However, though the first two decades of the country were heavily dependent on foreign aid which resulted in external influence on policy directions, since the 1990s the share of aid in relation to the country's development budget has been declining steadily. Even then, successive regimes have not embarked on a more indigenous policy process mechanism by drawing on domestic expertise and ideas backed by general political consensus. This has led to a situation in which, according to Rehman Sobhan (2002), the state lacks capacity to uphold state sovereignty in Bangladesh's policy arena. In Bangladesh, political fragmentation, confrontational politics, patron-client traditions, and personalised leadership have further contributed to an unstable system of governance with a highly centralised political system. Thus, as the findings of this Report indicate the role and extent of external influence in the country can be traced to both endogenous and exogenous factors which have contributed to rather palpable and lingering influence in socio-economic and political policy domains, and to lesser extent in the development discourse of the country.

This Report is the outcome of the hard work of a young research team of the Institute, overseen by M. Shahidul Islam, Research Coordinator who undoubtedly deserves recognition for their dedication and commitment for completing this report within a time-frame of seven months. In this collaborative endeavour, there are many people whose contributions require to be acknowledged. Among them, Dr. Hossain Zillur Rahman, Distinguished Economist and Former Advisor to the Caretaker Government of Bangladesh, Professor Ataur Rahman, Professor Salahuddin M. Aminuzzaman, and Professor Niaz A. Khan of University of Dhaka, as well as Barrister Manzoor Hasan, Institutional Advisor of IGS and Dr. Gopakumar K. Thampi, fellow of IGS deserve special mention for their interest, guidance and inputs into the Report. Mention must also be made of Professor Geof Wood, Emeritus Professor of University of Bath whose initial ideas led to the conceptualisation of this Report.

We would also like to express our gratitude to International Development Research Centre (IDRC) whose Think Tank Initiative grant to IGS has made this fifth *State of Governance in Bangladesh* Report possible.



Rizwan Khair
Director



The State of Governance in Bangladesh 2010-11

Executive Summary

The State of Governance in Bangladesh 2010-11 is the fifth Report published by the Institute of Governance Studies (IGS) at BRAC University. The Report is the product of an ongoing long-term research programme on governance in Bangladesh initiated by the institute in 2006. The concept of governance is viewed by IGS as the sum total of the institutions and processes by which society orders and conducts its collective or common affairs. The institute's mission is to identify, promote and support effective, transparent, accountable, equitable and citizen-centric government in Bangladesh and South Asia. In pursuit of this broader objective, IGS is dedicated to understanding the strength and weaknesses of governance in Bangladesh and South Asia through research and academic pursuits.

The State of Governance (SoG) reports' aims to provide an evidence-based, critical and analytical investigation of the governance scenario in Bangladesh. The previous SoG reports identified and analysed the internal causes for poor governance. The Institute recognised the need to critically inspect external stakeholders' role in governance, given that ideas from abroad can and in Bangladesh's case have shaped the country's policy-making dynamics.

It is against this backdrop that *The State of Governance 2010-11* explores an uncharted yet integral new dimension - the role of external influence, in shaping Bangladesh's policy-making process. Despite Bangladesh's foreign aid dependency declining drastically, and the country making much economic and social strides, external stakeholder influence on the country's internal policymaking process is nevertheless significant. The Report examined how external interventions in terms of aid conditionalities and policy prescriptions, among other, influence the country's governance structure.

This external influence generally originates from important stakeholders, including development partners, key donor countries, non-profit organisations (popularly known as International and National NGOs [INGOs/NGOs]), multinational corporations, and supranational institutions.

To understand what is meant by external influence in Bangladesh's context the study delineated the concept through four areas/components: understanding the external actors and their forms of external influence; the conditionality- policy ownership debate; the evolution and scope of governance and the process of policy transfer.

Based on the rationales, the objectives of the Report are to analyse how external influence affects the following five critical areas of governance in Bangladesh, which constitute the scope of this

study: democracy and good governance (D&GG) agenda, public sector governance, economic governance, CSO/NGO's governance and political governance.

The external influence generally enters into Bangladesh's policy making process through these actors and areas. The eventual impact on the quality of governance however depends on the strategic interplay among all actors, considering the vested interests of each player and their respective strengths and weaknesses and the context under which external influence has emerged.

In addition to the introductory chapter, the report has five chapters that present analyses and findings on: democracy and good governance agenda, public sector governance, economic governance, CSO/NGO governance and political governance. The conclusions are presented in the final chapter.

Appropriate analytical frameworks and methodologies were opted to fit the objective of each chapter. The report extensively reviewed published literature, interviewed academics, policymakers, donors and development partners, among others.

Democracy and good governance agenda

This chapter analysed the interaction between the GoB and donors and development partners (D&DPs), specifically with regard to aid given for the purposes of promoting democracy and good governance (D&GG).

The analysis was arranged to answer three broad questions: (1) How has the D&GG agenda emerged in the donor community; (2) How is the donor community pursuing this agenda in Bangladesh and how are D&GG interventions prioritised, designed, negotiated and implemented in the country; and (3) How does the GoB respond and react to this agenda and to what extent does it converge or conflict with the GoB's own vision of D&GG reform in the country.

Notwithstanding differences in how D&DPs define D&GG, many of them have made the intellectual shift in acknowledging the importance of political context. As a result, D&GG aid today is informed by a far more mature and nuanced understanding of the political economy of the recipient country, which underlines the need to prioritise, sequence and time reform initiatives in a strategic way, rather than launch an overambitious governance agenda. The question arising then is how are donors translating this newfound understanding of political structures, processes and actors into concrete strategies for governance reform in Bangladesh? Analysing the World Bank (WB), Department for International Development (DFID)¹ and United Nations Development Programme's (UNDP) D&GG portfolio in Bangladesh is an attempt to answer these questions.

The research focused on three key Donor Agencies' aid portfolios: WB's Public Procurement Reform Project (PPRP) and Strengthening Parliamentary Oversight; DFID's Managing at the Top (MATT); and UNDP's Local Government Support Project- Learning and Innovation Component (LGSP-LIC).

It has been found that the absence of an effective vision of D&GG from the GoB has opened up a space for donors to experiment with different governance reforms most of which is technocratic and executive-driven, while cautiously engaging political actors and processes. While the donor

1 Now known as UKAID

community is increasingly beginning to acknowledge the political challenges facing D&GG reform in Bangladesh, this does not always translate into interventions capable of changing the *status quo*. This is largely due to two reasons. First, some donors are restrained by their institutional mandate to engage heavily in political matters. Second, a contextual analysis of Bangladesh reveals that the GoB has fledging ownership of D&GG reforms that are sponsored by donors. In reality, the GoB that is at the receiving end of the donors' agenda is struggling to navigate a new type of aid conditionality - D&GG.

That previous donor experiences with aggressive anti-corruption interventions and involvement with political processes have not been beneficial or pleasant. Consequently the response, in the case of WB and DFID, has been to move back to promoting 'good enough governance', which implements targeted but largely depoliticised reforms. The UNDP on the other hand, has retained its focus on an all-encompassing agenda continuing to cautiously engage with political actors, albeit with a less than inspiring track record.

Public sector governance

Despite its shrinking role in post-liberalised economy, state remains the key provider of public goods. Against this backdrop, this chapter assessed the influence of D&DPs in the country's policy-making process, by drawing on examples of interventions from the health and education sectors, with a particular focus on their sectoral impact. The role of various domestic stakeholders, including politicians, bureaucrats, professional practitioners, NGOs and civil society are also discussed in this discourse. Given the limited 'policy ownership' in health and education policies, the chapter identified the factors that have had contrasting results on the respective sectors.

Healthcare reform in Bangladesh started with the formulation of the country's Health and Population Sector Strategy (HPSS) in 1997, marking a shift from the multiple project approach to a single sector programme known as the Sector-Wide Approach (SWAp). From the outset, there was little ownership and acceptance of the two policies by some key stakeholders. Implementation efforts were unsuccessful, owing to both political and non-political reasons. There have been frequent policy reversals resulting in enormous suffering of healthcare recipients. This also had serious implications for co-operation between the GoB and DPs.

The section identified a number of areas of mis-governance preventing the GoB from assuming a more dominant role in policy management, bringing greater consensus to strategy formulation, implementation and monitoring, and building capacity to improve service delivery. They are: public administration deficiencies, lack of consistent political support and absence of feedback mechanism.

A number of recommendations are proposed for better governance of the health sector. They are, among others, strong political commitment that supports policies and their implementation; consensus building among stakeholders transcending the barriers of a political divide; strong civil society participation in policy making and implementation; civil service reforms; regular and rigorous policy analysis and greater focus on strategy by the GoB.

The section on education reveals that DP involvement in the primary education sector in post independent Bangladesh broadly took two forms, namely the project-based approach and the

Programme-based Approach (PBA). Their (DPs) working partnership with GoB has contributed towards achievements in school enrolment and improvements in the quality of learning.

The decentralisation framework that has been developed under the Second Primary Education Development Programme (PEDP2), among other, through community involvement resulted in effective and efficient service delivery in the sector. Moreover, NGO provisioning of primary/non-formal pre-primary education demonstrated a superior performance with respects to efficiency and higher quality. These achievements were attained in the vacuum of an overreaching national education policy.

However, sustainability of these accomplishments is questionable, due to the absence of national policy ownership. Therefore, it is recommended that the GOB undertake greater responsibility for planning and prioritising in order to promote national ownership in the primary education sector. Moreover, the existing decentralisation process should be continued for improving governance at school levels.

Economic governance

The chapter on economic governance appraised the trajectory of D&DP-driven economic reforms since the mid-1980s; particularly, how these reforms impacted the economy, understanding the roles and interplay of various actors. Given a mixed bag of results of economic liberalisation, the study explored two cases of banking sector reform and energy price adjustment.

The analysis indicates that any reform that presents the potentiality of political gains, either through rent or increasing vote banks- will find support from the politicians. However, political incentive alone has proven inadequate unless there is a firm commitment from politicians and the commensurate capacity of bureaucrats.

Politicians showed commitments towards key reforms of private participation, privatisation, economic openness, agriculture reform, public resource mobilisation and macroeconomic stability, *inter alia*. However, they hesitated to liberalise certain areas which are politically costly. The government and its agency bureaucracy did not show long-term commitments towards reform measures such as modifying the fuel mix in favour of coal and developing other large infrastructure.

With regard to D&DPs' policy advocacy, denationalisation and privatisation policies have worked in some sectors but simultaneously have not produced measurable change in others. The banking sector case study indicates that privatisation including private participation, may not be a solution to the problems accumulated through nationalisation, unless emphasis is placed on regulation and supervision.

As far as reforms' impact on good governance is concerned, the study identified a number of facts. In line with the burgeoning body of research, it suggests that the D&DP guided reforms have had little impact in improving overall governance structure of the economy. The case study on the banking sector reform clearly designates that liberalisation does not automatically improve governance quality. The regulatory lapses in state-owned banks in the recent past suggest that the

reform's continuation of success is uncertain if the nexus between politicians and businessmen find ways to channel liberalisation's gains to serve their vested interests.

The case study on energy price adjustment suggests that while some of the reform objectives concerning governance have fulfilled, market-based reform in the sector has been unsuccessful in improving overall governance quality, thereby precluding the long-term investment critical for cost-effective electricity production. This is largely due to the short time horizon of any ruling political party, declining governance capabilities of the bureaucratic organisations and the market-based reform's limitations in improving governance indicators.

The D&DP guided market-based reforms (and their governance expectations) often do not serve the vested interests of political elites. This has generated tensions between politicians and the D&DPs, depriving the power and infrastructure sectors of urgently needed financing.

There are limitations to economic reforms. The reform advocacy of the 1990s which urged developing countries with weak institutions to undertake economic reforms with the implicit assurance that political progress and good governance would follow as a consequence, has proven to be erroneous.

Going forward, the country's future challenge to growth could arise from its governance challenges, as is already being witnessed in power and infrastructure sectors. D&DPs could remain the preferred source of financing and technical assistances for large projects. However, the WB, ADB and other development partners' greater emphasis on governance performance as the major determinant of fund allocation should be revisited placing higher weight on sectoral performance and potentials. Given the market-based reforms limitations in improving governance capabilities in sectors such as energy and infrastructure owing to political constraints, D&DPs should study the 'political settlement' arising from competitive clientalism, when they devise governance reforms.

Moreover, given the limitation of market enhancing governance capabilities in Bangladesh, this is also the right moment to contemplate the need for alternative thinking on governance such as growth-enhancing governance capabilities. However, further research is needed in this regard.

NGO/CSO governance

Since the role of Non Governmental Organisations (NGOs) as part of civil society is graduating from a mere social and economic development agency to governance actor, this chapter identified the extent to which NGOs operate as policy advocacy actors, and the degree of 'policy ownership' they avail while shaping the policy agenda in Bangladesh. To understand this third sector's involvement in this discourse two case studies- introduction of Right to Information (RTI) Act and formation of National Human Rights Commission (NHRC) - were presented.

The case study on RTI analysed the role of NGOs *vis-à-vis* government and donors in introducing the RTI Act, along with the processes through which their role took shape; and deciphered whether the NGOs' RTI advocacy agenda was externally driven or home grown.

NGOs were the proactive civil society actors for policy change regarding RTI in Bangladesh. They successfully adapted the idea from other countries with technical assistance of INGOs and

consequently advocated for the introduction of an RTI law, prepared a draft law, generated public opinion in support of the law and engaged with government accordingly.

However, civil society's prioritisation of RTI reflects internationally recognised values of good governance, freedom of expression, transparency, accountability and corruption prevention, which are enshrined in international regimes and often promoted by donors. Facing NGO policy advocacy, the government eventually accepted the demand for the RTI law, introduced the RTI Act and implemented it with NGOs' technical assistance.

The case study on NHRC explored if NGOs, as civil society actors, demonstrate a tangible role leading up to policy change, regarding protection and promotion of human rights in general and the formation of a national human rights commission in particular.

The NHRC was primarily an external actors' agenda that civil society welcomed from the very beginning, due to their convergence of interests. NHRC's institutional design however did not reflect civil society's expectations in terms of independence and effectiveness.

The study underlines that NGOs in Bangladesh can sometimes bring policy change as policy actors. The analyses of NGOs' roles in the introduction of RTI and in protection and promotion of human rights and establishment of NHRC respectively necessitate this mixed answer.

The success of NGOs in policy change is conditioned by levels of government response to NGO advocacy and development cooperation with donors. Again, government response to NGO advocacy varies according to policy field, whether it is RTI or Human Rights and regime type, caretaker or a political government. The RTI and NHRC governance impact on respective fields is still to indicate clear success. Even after three years of the RTI Act's introduction, it is still not widely used by broad sections of people.

For RTI and NHRC to achieve their full potential, it is recommended that NGOs, as representatives of civil society, will have to continue their engagement with government and gradually scale up their involvement in the governance process. Simultaneously, the government also has to be more mature in its response to NGO initiatives. It has to further institutionalise NGO participation in governance through the setting up of mechanisms of formal consultations.

Political governance

The study works with a hypothesis that external influence in Bangladesh is largely catered by domestic political weaknesses. To analyse the role of external influence in Bangladesh's political discourse, the research conceptualises the phenomenon through supply-side and demand-side perspectives. The demand-side of external influence examined how the political distortions of Bangladesh generate demand for external penetration. The supply side, on the other hand, focused on opportunities that Bangladesh retains - through its geopolitical and geoeconomic advantages *vis-à-vis* the external actors and examines the extent to which the country has been able to exploit those to its advantages.

To test the hypothesis that the domestic political weaknesses channel the room for external role-playing, the analysis organised in terms of a democratic transition and consolidation framework.

The democratic transition process is destabilised by the prevalence of a couple of key factors. The constitution has suffered from ad hoc changes, and national or across-party consensus was not derived while such amendments were conceptualised and implemented- thus jeopardising the constitution's capacity to provide the 'rules of the game' within the political arena that will be acceptable to all. While the caretaker government monitored the election process in 1996, 2001 and, 2008 to enable political governments to transfer power, the defeated political side has always rejected the elections hindering the overall democratic transition in Bangladesh.

The country's confrontational political culture is also responsible for the recurrent transitional crises and limping democratic consolidation efforts, leaving most political institutions fragile. Parliament remains ineffective in facilitating broad-based national consensus and resolving conflicts amongst political actors peacefully. Political parties so far largely failed to be properly institutionalised, thereby do not adhere to norms of internal democratic practices including leadership succession.

Democratic deficit emanating from these transition and consolidation processes, enable external actors to assume a role of any kind. While on the demand side phenomenon, the domestic political actors themselves create vulnerable situations and invite external interference; the same political weakness restricts the country from harnessing supply-side benefits in the nation's best interest.

While external influence is not necessarily detrimental, the domestic political fragility and misrepresented power-games contribute to transmuting the prospective beneficial engagement into a win-lose situation. However, maintaining the equilibrium in relations generally depends on the strength of negotiation and bargaining power that could only emanate from domestic solidarity and broad-based national consensus, a function of democratic strength of the country and its institutional resilience.

Consolidating democracy can also provide a better safeguard against undesirable external penetration. To diminish such possibilities, parliament has to emerge as an avenue for building national consensus. In this regard, revision of Article 145A of the constitution, which guides *inter alia* the status of treaties signed with foreign countries, could provide a better safeguard to the government, to avoid undue pressure from external forces. Parliament members should also be given more room in the parliament to speak up freely or take separate stance on such issues, for which revising Article 70 of the Constitution is critical.

Besides, non-democratic leadership creates space for compromising broad national interests. Therefore, to break the monopoly, dismantle the evils of personalised politics, and facilitate infusion of new bloods, there could be a term limit for the key executive posts of the government.

Without reforms and institutionalisation, the counterproductive practices of parties and leaders will continue polluting the political landscape, thereby always facilitating a room for external penetration and unsolicited interference.

CHAPTER

1

Introduction

1.1 Context, objective and rationale of the study

The Institute of Governance Studies (IGS) has been publishing its flagship report *The State of Governance (SOG) in Bangladesh* since 2006. The reports' objective is to provide an evidence-based, critical and analytical investigation of the governance scenario in Bangladesh. The first three reports (2006, 2007 and 2008) focused on the institutions and politics of Bangladesh from a governance perspective. Departing from the examination of cross-cutting macro themes to that of sectors, the SOG 2009 Report looked at four key sectors of Bangladesh: Energy Crisis, Food Security, Digital Bangladesh and International Labour Migration.¹

Coinciding with the 40th anniversary of Bangladesh's independence, the 2010-11 SOG Report explores an uncharted yet integral new dimension - the role of external influence in shaping Bangladesh's policy-making process. In effect, the report examines how external interventions in terms of aid conditionalities and policy prescriptions, among other's influence the country's governance structure. Despite Bangladesh's foreign aid dependency declining drastically (see Figure-1), and the country making much economic and social strides, as reflected by various economic and social indicators;² external stakeholder influence on the country's internal policymaking process is nevertheless significant.

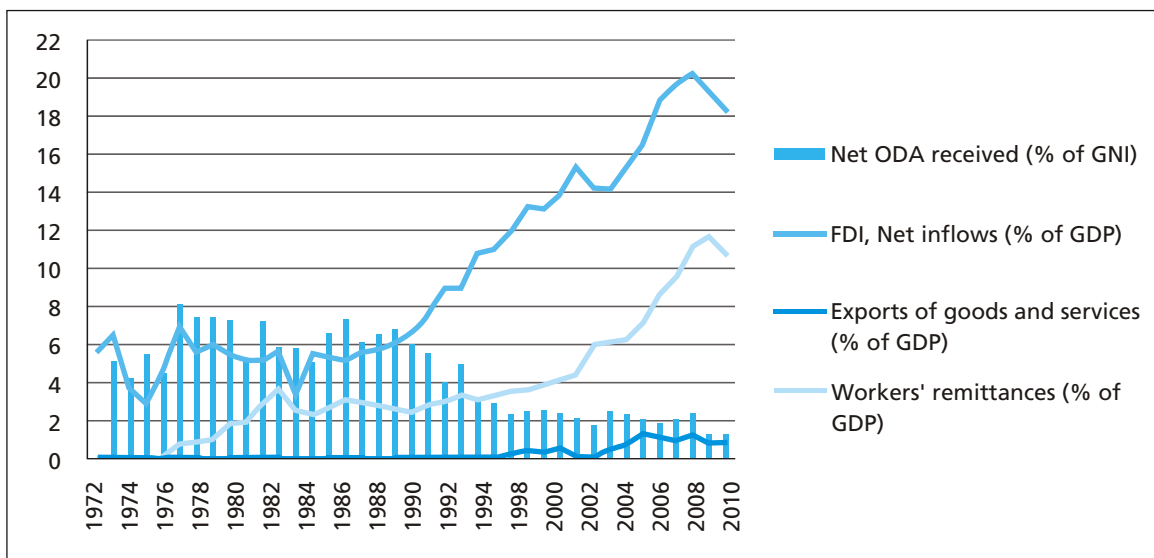
Such external influence is considered one of Bangladesh's conundrums and is not merely confined to economic policies. As the eye-opening Wikileaks³ revelations indicate, the country's political process far from immune to external influence. It is in fact the state which provides the space, willingly or reluctantly, to external stakeholders for such policy manoeuvring to take place.

¹ The reports are available on the IGS website.

³ Bangladesh has attained near self-sufficiency in food production, its [GDP] growth has been steady averaging over 5 percent for two decades, and the country has outshone many of its South Asian neighbours with regards to social sector development, among others.

⁴ See Wikileaks Exposé: Bangladesh, available on <http://www.bdnews24.com/Bangladesh/the-US-embassy-cables/>, accessed on 10 June 2012. Though there is a debate on whether the cables/classified information released by Wikileaks can be used in academic or policy exercise.

Figure 1
Trends in Official Development Assistance (ODA), remittances, Foreign Direct Investment (FDI) and exports: 1972-2010



Source: Based on World Development Indicators (WDI), World Bank

This study delves into how external stakeholders influence Bangladesh's policy making processes⁴ and the consequences of such policy transfer, whether coercive, voluntary or mixture. This external influence generally originates from important stakeholders, including development partners,⁵ key donor countries,⁶ non-profit organisations (popularly known as International and National Non-Governmental Organisations [INGOs/NGOs]), multinational corporations, and supranational institutions.⁷

While previous SOG reports identified and analysed the internal causes for poor governance, IGS recognised the need to critically inspect external stakeholders' role in governance, given that ideas from abroad can, and in Bangladesh's case, have shaped the country's policy-making dynamics.

In this respect, this report intends to provide insights on the governing calculus of 'external influence', in particular explaining the nature of 'external influence' that prevails, and isolating the conditions, creating a *demand* and *supply* for such influence. Furthermore, the report maps the effects such influence bears on the overall governance scenario, especially in key areas of the public and private sphere. This requires a thorough examination of the extent Bangladesh's governance paradigm is shaped by donors and development partners' (D&DPs) governance agenda (Rodrik 2008); and of Bangladesh's reliance on imported governance ideas and policies, which concurrently ignore local needs, culture and customs.

4 i.e., how policies are being transferred, who are the key local actors by whom policies are transferred and more importantly how the influences are filtered through and what the consequences of policy transfer are.

5 The WB, ADB, IMF, DFID (now known as UKAID), USAID, JICA, IDB, among others, who provide external aid, technical assistances, soft loan.

6 Such as United States, Japan, United Kingdom, India, China and Saudi Arabia.

7 Primarily, European Union and the United Nations.

Is the 'Bangladesh paradox' - a state of relatively high economic growth coexisting with poor governance scenario - an outcome of such imported policies which have yielded economic growth, but without good governance? In fact, some scholars (Khan, 2009) argue that there is a limitation of market-enhancing governance capabilities⁸ (protecting property rights, minimising rent-seeking, among others) in developing countries and suggest that their policy-focus should be centred on growth-enhancing governance capabilities (coping with the property right instability, managing technological catching up, and maintaining political stability in a context of patron-client politics).

To begin with, an understanding of what is meant by external influence in Bangladesh's context is essential, with this study delineating the concept through the following four areas/components:

1. Understanding the external actors and their forms of external influence
2. The conditionality- policy ownership debate
3. The evolution and scope of governance
4. The process of policy transfer

1.2 Understanding the nature of external influence

Given the complexities of the global system as well as the non-linear nature of inter-state relations, it is hard to measure the degree of influence of external stakeholders. For instance Japan, though providing more aid, technical assistance and loans to Bangladesh than the United States (US), exerts far less influence than the latter. This is perhaps due to the 'exorbitant privilege' the US enjoys globally as the world's lone 'superpower' or 'hyper-power'⁹. Similarly, the influence of NGOs, whether as a component of 'soft power' (Nye 2004) or as a 'global conscience' (McArthur 2008), and as an integral part of civil society, goes beyond its financial numeric.

Nevertheless, since its inception, Bangladesh has been a crucible for both economic and political influence. Economic conditions during the post 1971 period meant D&DPs' roles were critical for Bangladesh's socio-economic sustainability. At the same time, the D&DPs collective assistance created space for their influence to creep into Bangladesh's policymaking domain. Since independence, a large portion of Bangladesh's development budget has been financed by D&DPs. According to the International Monetary Fund (IMF), Bangladesh's public and publicly guaranteed debt stock was \$23 billion at the end of June 2011, which was equivalent to 22.6% of the country's GDP. Moreover, multilateral debt consists of 85.5% of Bangladesh's total external debt. The World Bank (WB) and the Asian Development Bank (ADB) are the two key sources of multilateral debt comprising 48.6% and 32%, respectively (International Monetary Fund [IMF] 2011).

This enabled such agencies to push forward their reform agendas, which were apparently in line with the 'Washington Consensus' prescriptions. In the post 1980 period, donors were facilitating various 'policy packages' under Structural Adjustment Programme (SAP) and Enhanced Structural Adjustment Programme (ESAP), inter alia, promoting "the minimum government concept" with an increased emphasis on trade liberalisation, privatisation and deregulation. This was partly

8 According to Khan, 2009, the dominant 'good governance' reforms aim to promote governance capabilities that are market-enhancing. They aim to make markets more efficient by reducing transaction costs.

9 A state that dominates all other states in every sphere of activity, akin to the erstwhile Roman Empire, Ancient China, and the British Empire, inter alia (Cohen 2004).

motivated by the neo-liberal philosophy that perceives 'governments' as inefficient entities; and trade distortions through protections as generally harmful to citizen welfare. Nevertheless, the state's role in providing key public goods, notably health and education, is now widely recognised. In its World Development Report, 2009, WB argued against reducing government to a minimalist state, explaining that development requires an effective state that plays a facilitator role in encouraging and complementing the activities of private businesses and individuals (World Bank [WB] 1997).

In contemporary times however, the dependency of the "State" on foreign assistance has sharply reduced (as reflected in Figure-1). At present, Bangladesh has one of the lowest external debt stocks among developing countries. Annual net bilateral aid flows from Development Assistance Committee (DAC) is nowadays barely US\$1 billion, approximately 1% of Bangladesh's GDP¹⁰. While direct aid flow to the government has declined, grants through NGOs have increased from US\$105 million in 1990-91 to US\$658 million in 2010-11 (NGO Affairs' Bureau). The same source also revealed that the country has received over \$5 billion since 1990 as foreign grants through NGOs to finance nearly 18,000 projects.

This is hardly surprising given the surge in NGO activities over the past two decades. According to an estimate, the NGO sector globally constitutes the 8th largest economy in the world, representing over US\$1 trillion annually (equivalent to the economy of California); with 19 million paid workers and countless volunteers; and US\$15 billion development aid disbursements every year (McArthur 2008). The states' inefficiency in providing public goods has prompted the entry of NGOs into the development discourse.

Some analysts argue that in promoting a 'New Policy Agenda (NPA)', bilateral and multilateral donor agencies have been keen, particularly since the Cold War's end, to finance NGOs on the grounds of their economic efficiency and contribution to 'good governance'. Edward and Hulme (1998) have characterised NPA by two theories: first, governments have enabled NGOs to become private providers because of their supposed cost-effectiveness and ability to more effectively reach the masses than the public sector; second, NGOs are vehicles for democratisation, possessing a fundamental humanitarian role to fulfil which should counterbalance state power, protect human rights, open up communication channels and participation, and promote activism and pluralism. This warrants examining how the civil society/NGOs have served the governance agenda thus far, and to what extent the ideas they preach are home-grown as opposed to foreign.

The changing nature of Bangladesh's economy (i.e. the increasing importance of export and remittances, see Figure 1) also implies that the country now depends on Europe and US¹¹ for market access and less for development assistance. This is because roughly two-third of Bangladesh's exports, worth over US\$12 to US\$15 billion, is directed to Europe and the US. The Middle East also remains a key player for the domestic economy, given that 65% of remittances come from the region, amounting to approximately US\$6.5 to 7 billion¹² annually.

It is also worth noting that a supranational institution like the United Nations (UN) is not merely a development partner, since it also employs a large number of Bangladeshi defence personnel in its

10 The United Kingdom is the main source of DAC aid flowed by the EU institutions, the Netherlands and the United States.

11 Being an LDC country, Bangladeshi products, particularly RMG, enjoys tax exemptions and other privileges in the western, notably in the European, markets.

12 This is true for FY2011. For more information, please see <http://www.bangladesh-bank.org>

various peace mission programmes. Nearly 100,000 members of Bangladesh Armed Forces have participated in UN peacekeeping missions since 1988.¹³ Indeed, Bangladesh's reliance on the European Union (EU), United States, Middle East and the UN has created a new type of dependency over the past two decades. While one can argue whether the dependency is mutually beneficial or otherwise, this is also a marked departure from the country's two decades of aid dependency (1972-1990).

The demand for external influence is also increasingly generated from the conflicts that have defined Bangladesh's political domain. More precisely, after the independence in 1971, the political climate witnessed severe volatility, as coups and counter coups rocked the political structure of the newborn nation. Numerous political stalwarts have fallen victim to assassination attempts, while the nation experienced two turbulent military regimes from 1975 to 1990.

Democracy returned however, with elections, in which all parties participated, held on the 27th of February, 1991. Since then, the two principal political parties, Awami League (AL) and Bangladesh Nationalist Party (BNP), have succeeded each other in every respective election. Despite this, the nation's democracy is still considered to be in a transitory phase, as 'winner takes all' and 'confrontational' mindsets have undermined the prospects for democratic consolidation. These political scenarios have also meant that conflicting political forces have often demanded legitimacy from external quarters for political issues on which they have failed to attain consensus. Hence, this report attempted to offer a disaggregate analysis of the factors that have allowed external influence to stem out of Bangladesh's democratic deficit.

The supply of external influence, on the other hand, has emerged out of the geo-political context in which Bangladesh operates. As the global centre of economic gravity shifts towards the east,¹⁴ Bangladesh finds itself in the midst of both advantageous economic opportunities and immense geo-political challenges. Tensions exist among big geo-political players in the region to control the key waterways, notably the South China Sea and the Indian Ocean. Bangladesh's geographically advantageous position between India's land-locked and virtually isolated North-Eastern States (NES) and its mainland offers certain negotiating leverage and opportune NES market-access. Furthermore, India's need for Bangladesh to allow transit and transshipment facilities¹⁵ holds prospective bargaining strength.

China's expressed interest to develop the deep sea-port (The Daily Star 2012) in Chittagong underlies an effort to ensure its energy security and reduced dependency on the Malacca Straits. However, Delhi's geo-political prism views Beijing's strategy as an expansion of its String of Pearl Strategy, aiming to encircle India (DeSilva 2011). This provides an interesting niche for China's influence to penetrate Bangladesh's policy-making domain, where the latter's policy makers can derive some leverage considering China's geo-political strategy. Finally, after the World Trade

13 Since 1988 a total of 100014 members of the Bangladesh armed forces have participated in 52 peacekeeping missions in 40 countries. For details, see the website of Bangladesh Armed Forces Division, available at <http://www.afd.gov.bd/?q=node/25>, accessed on 10 July 2012.

14 According to Dany Quah, an academic from London School of Economics, the global centre of economic gravity that was once at a point deep in the middle of the Atlantic Ocean in the 1980s has shifted east over the past 30 years, and could well shift even further over the next 30 years clustering around the border between China and India (Quah 2011).

15 "Need to Broaden the Scope of India-Bangladesh Engagement: Perspectives from Gangtok and Dhaka", IDSA Comment, available at: http://www.idsa.in/idsacomment/NeedtoBroadentheScopeofIndiaBangladeshEngagement_ShristiPukhrem_241011, accessed on April 30, 2012.

Centre and Pentagon attacks in America on September 11, 2001 (known as 9/11), issues concerning terrorism have received substantial attention from the global community. This shift in global attention also means that external influence in Bangladesh especially from US and India are focused on ensuring that policymakers take sufficient measures to hinder the prospect of terrorist outfits within the country's geographical contours.

On the whole, the nature of external influence that Bangladesh encounters is both dynamic and multifarious. The conditions that have created a scope for their emergence either demand side or supply side require in-depth scrutiny to evaluate whether and how they have shaped the political governance scenario in Bangladesh.

That said, it is also imperative to understand the D&DPs' perspectives (to some extent proxy for external stakeholders) as far as aid conditionalities and policy ownership are concerned.

1.3 The conditionality - policy ownership debate

In the conditionality-policy-ownership debate, which involves borrowers and lenders, the formers' (debtors) concern is policy independence, whereas the lenders' (D&DPs') concern is its little to no collateral when disbursing grants, loans, and other assistance to underdeveloped or developing countries. In the event of default, there is no court to which lenders can appeal or legal sanctions can be imposed. As some analysts observed, the lenders face a quandary best explained as 'Samaritan's dilemma': 'penalties imposed in advance have limited credibility because they are unlikely to be enforced' (Mohsin and Sharma 2001). Secondly, the D&DPs are accountable to their own tax payers and, therefore, need to demonstrate concrete outcomes at the end of the day. Last but not least, theoretically a borrower intrinsically knows more about his/her intention, capacity and opportunities than the lender, a classic case of 'information asymmetry' (Stiglitz 2000).

Nevertheless, given the less than expected outcome from donor-funded projects in various countries, it is now widely believed that heightened country ownership of D&DP-supported programmes is essential. In fact, "ownership" by aid-recipient countries is recognised as a fundamental tenet underpinning the Paris Declaration, which increasingly embodies the new aid consensus.¹⁶ The introduction of Poverty Reduction Strategy Papers (PRSP) in 1999 was perhaps in recognition of the importance of policy ownership of the borrowers.¹⁷

The WB now emphasises the issue of policy ownership as a critical feature in any move to promote better governance (Sobhan 2003). Interestingly, the issue of country "ownership" itself has surfaced as a component of aid conditionality. However, while the PRSP allows the government a *de jure* ownership, its *de facto* ownership is contested by some experts. Thoroughly analysing the ownership agenda in Bangladesh PRSP, Rahman (2011), for instance, argued it as a 'guided ownership'. Even though there was participation from the stakeholders, he doubted that it lacks in credibility.

Nonetheless, on the conditionality-ownership debate, Mahmud (2006) argued that there is a crucial difference between ownership of policy formulation (PRSP in this case) and its

16 Remarks by Christine I. Wallich, Country Director, World Bank, Dhaka August 5, 2006, at a seminar on Monitoring Donor Support to Bangladesh's Poverty Reduction Strategy: Rethinking the Rules of Engagement, available at <http://www.ergonline.org/cws/documents/comments/Christine.pdf>, accessed on 11 June, 2012.

17 The five core principles that underlie the PRSP approach are: country-driven, result-oriented, comprehensive, partnership-oriented and long-term perspective for poverty reduction.

implementation. The reason being little confidence in transparency and accountability of the government's monitoring policies even when they are home grown. So, ownership in terms of policy formulation may not necessarily result in concrete changes on the ground, given the government's lack of practical commitment, institutional capacity and governance constraints.

The conditionality-policy ownership debate bears an important implication by bringing governance issues to the forefront of the development discourse.

1.4 The evolution of 'governance' and it's 'scope'

D&DPs' reform agenda is largely a governance agenda. For instance, according to ADB, 26% of its approved lending projects between 2008 and 2010 contained significant governance/public sector management components.¹⁸ Yet it is crucial to note that the idea of governance is not static, and the consequences engenders have come under considerable scrutiny.

In terms of governance's definition, various organisations have expressed their understanding of the concept in diverse ways. The WB defines governance as "the manner in which power is exercised in the management of a country's economic and social resources for development" (WB 2011). Others such as Department for International Development (DFID), UN etc offer their own set of definitions.¹⁹ What remains common to them all, is the conviction that good governance requires the authority to exercise power in an effective, transparent and accountable manner.

Thus, in this section, we focus on the D&DPs' governance agenda and its linkages with policy transfer, and how it has performed in the overall context. To be precise, the lenders' reform agenda targets a lengthy list of objectives: reducing corruption, improving the rule of law, increasing the accountability and effectiveness of public institutions and access to the voice of the citizenry, inter alia.²⁰ Yet after nearly two decades of governance reform, it seems that the agenda remains far from attainable.

Experts are beginning to assert that such a straight-jacket agenda was devoid of local realities and failed to account for the political landscape and available opportunities. Some even questioned the applicability of a market-enhancing governance agenda as far as developing countries are concerned (Khan 2009). In fact, the IMF's own experts believe that D&DPs engagement on strengthening governance may have been overly ambitious, as it tends to overload developing countries with commitments to change a large numbers of conditions at the same time' (Mohsin and Sharma 2001).

In the context of Bangladesh, the recent Country Assistance Strategy (CAS) paper, devised by the WB, recognised that the earlier governance agenda set in CAS 2006-09²¹ was an overly-ambitious one. Recognising this limitation in hindsight, the governance schema set in CAS 2010-14 is fairly conservative (WB2006, 2012). Similar thinking is also reflected in the academic discourse, as one of the leading governance experts (Rodrik 2008) observed that "instead of a broad-brush governance agenda, there should be governance in the small, tailored to the local context and not merely the

18 See the website of ADB <<http://beta.adb.org/themes/governance/main>>, accessed on 12 June 2012.

19 On this more is discussed in Chapter-2.

20 For details see, Kaufmann-Kraay Governance Indicators Dataset, World Bank.

21 Devised by World Bank, ADB, DFID and JICA.

adoption of the best practice model” (Rodrik 2008). Along similar lines, the argument goes 'that trying to achieve the ever-increasing agenda for good governance (i.e. ideal conditions of governance) may be too challenging and overwhelming for developing countries. A more realistic and manageable option would be to reduce the extensive agenda and reformulate the objective of reformation activities to be that of good enough governance (Grindle 2002)'.

Nevertheless, given Bangladesh's steady economic growth over the past two decades despite poor governance indicators, the country is widely seen as an outlier in cross-country experience of the growth-governance discourse (Khan 2009, Mahmud *et al* 2008). The latest global corruption perception index released by Transparency International, places Bangladesh in the 13th position from the bottom (out of 183 countries),²² while it has also not fared well in the WB's governance indicators.

Experts (Devarajan 2008) argued that the WB's governance benchmark did not possess adequate explanatory power to understand Bangladesh's economic and social discourse, whereas Pritchett and Frauke (2010) postulates that there simply is no relationship between growth and governance at low levels of economic development. Conversely a WB study observes that the state (notably politicians and bureaucrats) undertook major reforms in some key areas: the State created space for the emergence of a vibrant domestic private sector; it recognised the limitations of its service delivery and established partnerships with NGOs for providing public services; public expenditure was relatively 'pro-poor' compared to similar low-income countries; successive governments encouraged the migration of Bangladeshi workers; and the state has improved its capacity of disaster-management. According to some accounts, those measures were good enough for stimulating economic growth in Bangladesh (Khan 2012).

That said, two specific governance issues are critical to this current study. First, whether the inclusion of governance in the D&DPs' agenda has allowed them to broaden their area of intervention into Bangladesh's policy discourse. Second, while governance agenda theoretically seems germane and a long-term nexus between governance and growth with some exceptions (Rodrik 2008) appears to exist, more recently it has been recognised that the agenda is not achievable given a plethora of constraints (CAS 2010-14). For instance, political interest in many cases incompatible with the D&DPs' governance agenda (Khan 2009).

Referring to the PRSP, Mahmud (2006), however, observed the need to a continuous search for appropriate 'entry points' to bring about strategic but incremental changes in the governance system. Hence, expectations should be more conservative when assessing governance impact, keeping the two theoretical issues of 'governance in the small' and 'good enough governance', in the backdrop.

Finally, while this report primarily reviews market-based reform and market-enhancing governance capabilities, it also introduces the discourse/literature on an alternative idea emerging in governance-growth discourse, which places greater emphasis on growth-enhancing governance capabilities within Bangladesh' context (Khan 2009).

22 In a scale of 0-10, Bangladesh scored 2.7. Although, there have been some minor improvements in recent years, the country still prevails in the lowest category (below the score of 3.0). See Corruption Perception Index, Transparency International, available at <http://cpi.transparency.org/cpi2011/results/> accessed on 12 May 2012.

That being said, there is a need for a discussion about 'policy transfer' literature underlying the roles of various actors in public policy making process as well as the circumstances that facilitate 'policy transfer'.

1.5 The process of policy transfer

Although literature on policy transfer is still quite young, the concepts of 'lesson drawing' (Rose 1991, 1993) and 'policy transfer' (Dolowitz and Marsh 1996, 2000) have become two dominant paradigms in public policy literature. However Dolowitz and Marsh's contribution has received wider recognition than Rose. This study will use the 'policy transfer' conceptual framework because it is not entirely 'voluntary', whereas 'lesson drawing' implies the borrower has an option.

Dolowitz and Marsh explore reasons for 'policy transfer' as a central part of their research agenda, providing a conceptual framework for 'policy transfer' occurrence, and identifying the different actors involved in the process. Though the framework does not capture many of the other possible explanations of a given policy-making process, its wider scope of applying their theoretical work to the study, the Dolowitz et al framework is duly followed.

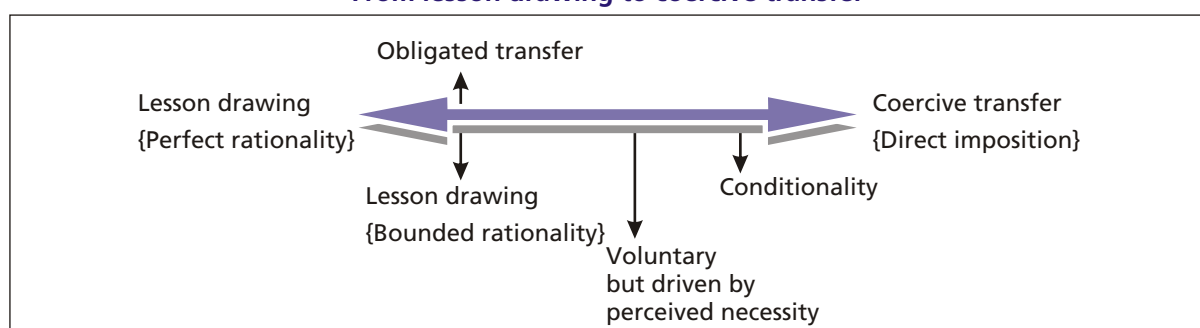
The framework is organised around seven components: the reasons actors engage in policy transfer, the key actors involved in the policy transfer process, the policies being transferred, the lessons from policy transfer, the different degrees of policy transfer, the factors restricting or facilitating the policy transfer process; and the process of policy transfer relating to policy "success" or "failure".

This schema also focuses on two crucial issues: the distinction between voluntary, mixed and coercive transfer and the relationship between policy transfer and policy failure.

The continuum that runs from lesson drawing to coercive transfer is illustrated in Figure-2.

According to Dolowitz and Marsh 'Lesson Drawing' - perfect rationality, is an example of 'voluntary' policy transfer. On the other hand, 'direct imposition' exemplifies 'coercive' policy transfer. However, when a consensus is drawn between the recipients (wanted to) and the actors (have to) involved in policy transfer dynamics, which may include elected officials/politicians, bureaucrats, nongovernmental and other institutions, ideologies, cultural values, consultants, think-tanks, transnational corporations and supranational institutions, it is termed 'mixtures of policy transfer'- 'lesson drawing' (bounded rationality) and loans (conditions attached to business activity).

Figure 2
From lesson drawing to coercive transfer



Source: Dolowitz and Marsh 2000

These actors can also be a part of both 'voluntary' and 'coercive' policy transfer. Dolowitz and Marsh identified eight different categories of policy transfer: policy goals, policy content, policy instruments, policy programmes, institutions, ideologies, ideas and attitudes and negative lessons.

The amplitude of policy transfer varies between wide frequencies. Among some are:

- copying: direct and complete transfer
- emulation: transfer of the ideas behind the policy or programme
- combinations: mixture of several different policies; and
- inspiration: policy in another jurisdiction may inspire a policy change; inter alia.

With this framework, several important observations and caveats are noted:

- I. Politicians generally look for 'quick-fix' solutions relying upon copying or emulation while the bureaucrats are more interested in mixtures;
- II. The state of polity and society greatly affect the degree of policy transfer: political, social and economic stability leads to voluntary policy transfer; policy transfer is likely to have some coercive elements if there is much instability, particularly in the polity.
- III. Policy transfer may lead to policy failure instead of success under three circumstances: uninformed transfer, incomplete transfer and inappropriate transfer.
- IV. Either the framework discussed above or the study, does not suggest that policy transfer is the sole explanation of any, let alone most, policy development.
- V. While the world economy in particular has transformed through new modes of production and trade, and as transnational corporations and institutions have come to exercise more influence and power, the capacity of national policy-makers to frame their own agendas has also diminished in parallel. Public policy now takes place in a world system as well as in national political systems (Parson 1996).

Therefore, the framework and the literature discussed in these sections can be a useful guide, even though the focus should not necessarily be limited to this schema. The study accordingly identifies the actors involved in the process guiding policy transfer in Bangladesh. The individual studies that this report comprises, attempt to isolate the micro and macro conditions determining the relative capacity of external influence in shaping Bangladesh's governance journey.

1.6 Chapter objectives

Based on the report's rationales, the SOG's objectives are to analyse how external influence affects the following five critical areas of governance in Bangladesh, which constitute the scope of this study:

1. Democracy and Good Governance (D&GG) Agenda
2. Public Sector governance

3. Economic governance
4. Civil Society Organisation (CSO)/NGO's governance and
5. Political governance

The policy making process generally involves these sectors with four primary local actors (1) Politicians (2) Bureaucrats (3) Businesses (private sector), and (4) NGOs/ Civil society organisations/ citizens groups, etc. The external influence generally enters into Bangladesh's policy making process through these actors. The eventual impact on the quality of governance depends on the strategic interplay among all actors, considering the vested interests of each player and their respective strengths and weaknesses and the context under which external influence has emerged. Since it is neither feasible nor possible to exhaustively study each and every policy that Bangladesh has adopted owing to foreign influence from its very inception, the report focuses on some fundamental reforms and associated policy transfers that have defined Bangladesh's governance discourse in post 1990 period. The objective for each chapter is as follows:

Democracy and good governance agenda

Given that Bangladesh has offered an important avenue for donors to promote the democracy and good governance (D&GG) agenda, this chapter deconstructs the context and content for D&GG aid, while gauging their affects on domestic power and interests. Furthermore, it seeks to understand whether and how the donor community's reform efforts translate into interventions capable of changing the governance/institutional status quo. Concurrently, it also tries to identify the set of constraints that either undermines or facilitates donors' effective capacity to work within the economic and political domain of Bangladesh.

Public sector governance

This chapter assesses the influence of D&DPs in the country's policy-making process, by drawing on examples of interventions from the health and education sectors, with a particular focus on their sectoral impact. Given the limited 'policy ownership' in health and education policies, the chapter indentifies the factors that have had contrasting results on the respective sectors. It also tries to isolate the issues that D&DPs must pay attention to while operating within the policy making arena of these sectors, so that the prescribed reforms are effective and sustainable in enhancing the sectoral performance.

Economic governance

This chapter appraises the trajectory of D&DP-driven economic reforms since the mid-1980s; particularly, how these reforms impacted the economy, and the roles of the corresponding actors. The study explores two cases of banking sector reform and energy price adjustment, wherein substantial interplay occurs between the D&DPs and domestic stakeholders. It seeks to disentangle elements that guided the reform process to pinpoint the conditions that generally determine what reform is accepted and when it is expected. As a whole, the chapter presents insights on how the

reform agenda has shaped the country's governance scenario in the Banking and Energy sectors and the economy in general.

NGO/CSO governance

Civil society actors like NGOs have become important partners in governance over the years. With the shifting focus of development cooperation from a 'Needs-Based Approach' to a 'Rights-Based Approach', the NGO role graduated from erstwhile social and economic development agency to the broader governance-driven institution. This study identifies the extent to which NGOs operate as policy advocacy actors, and the degree of 'policy ownership' they avail while shaping the policy agenda in Bangladesh.

In doing so, the study observes two policy fields- the Right to Information Act (RTI) and the National Human Rights Commission (NHRC), which have experienced major policy shifts in recent years and where NGOs have been engaged in policy advocacy. Moreover, the analysis intends to examine the extent of the civil society and NGO's role in the introduction of RTI and the establishment of the National Human Rights Commission (NHRC) and to what extent their ownership was secured in the process.

Political governance

The sixth chapter examines the political landscape of Bangladesh and the geo-political reality within which it operates, to deepen understanding of the political and strategic conditions that have created a demand for and supply of external influence within the nation's policymaking domain. The chapter scrutinises the political transitory phase that Bangladesh polity has experienced, attempting to locate the factors proving non-conducive to democratic consolidation.

This chapter's study therefore undertakes to explain the very nature of the external influence emerging out of Bangladesh's democratic deficit. Lastly, the study examines the strategic geo-political issues that engender a supply of external influence, to derive insights on the relative bargaining strength availed by the Bangladeshi policy making body, when encountering strategic external stakeholders.

To conclude, the report offers a disaggregate analysis of external influence in Bangladesh, to acquire a better understanding of the possible cause and consequences of such influence. In studying a diverse set of sectors, it aims to explain if heterogeneity exists in the manner in which external influence shapes Bangladesh's governance scenario - and if so, then why? This, nonetheless, remains a colossal task, but the report does open up avenues for future research with the intention to provoke more informative debates on the subject.

CHAPTER

2

Pursuing the Democracy and Good Governance Agenda in Bangladesh: Exploring Competing Visions from Donors and Government

2.1 Introduction

Bangladesh's impressive feat in economic growth and social indicators has surprised many who cast doubt on its potential 40 years ago. A young, fledgling nation once heavily reliant on external assistance is today no longer aid-dependent. Indeed, immediately after independence, Bangladesh's Official Development Assistance (ODA) as a proportion of Gross Domestic Product (GDP) was nearly 10 percent. Today, it accounts for approximately 2 percent of GDP, a figure which is well below the average of other Developing Countries (Ellmers 2011).

These statistics however mask an important aspect that foreign aid occupies in the development of this country. Although not aid-dependent, Bangladesh certainly carries a legacy of dependency, hosting one of the largest donor consortiums within South Asia and globally (Mathisen 2007). Every year the Government of Bangladesh (GoB) approves an ever burgeoning Annual Development Plan (ADP), roughly half of which continues to be financed by foreign aid (Khatun 2011). As a result, the donor community's imprint on Bangladesh's trajectory of political, economic and social development is manifest. Foreign aid brings with it a set of values, norms, perspectives and ideas, which either conform to or confront Bangladesh's own vision of progress. This interaction between Bangladesh and the donor community is a reflection of the country's relationship with the global political and economic environment at large.

This chapter is interested in analysing this interaction, specifically with regard to aid given for the purposes of promoting Democracy and Good Governance (D&GG). Bangladesh is a priority country for donors looking to promote the D&GG agenda (Mathisen 2007). The chapter will deconstruct the context and content of D&GG aid, in order to understand how such aid is shaped by political and economic forces both within the donor community and the GoB. The chapter's analysis is therefore arranged into trying to answer three broad questions:

- (1) How has the D&GG agenda emerged in the donor community
- (2) How is the donor community pursuing this agenda in Bangladesh and how are D&GG interventions prioritised, designed, negotiated and implemented in the country, and

- (3) How does the Government of Bangladesh (GoB) respond and react to this agenda and to what extent does it converge or conflict with the GoB's own vision of D&GG reform in the country

The chapter finds that while the donor community is increasingly beginning to acknowledge the political challenges facing D&GG reform in Bangladesh, this does not always translate into interventions capable of changing the status quo. This largely owes to a set of constraints faced within the donors' institutional sphere as well as within Bangladesh's own political and economic context.

The absence of an effective vision of D&GG from the GoB has opened up a space for donors to experiment with different governance reforms most of which is technocratic and executive driven, while cautiously engaging political actors and processes. The GoB is struggling to navigate this renewed interest of donors on a D&GG agenda with limited ownership of many projects, and an already marginalised parliament.

2.2 Methodology

Bangladesh's foreign aid sector is massive in financial terms and complex in composition. In order to maximise the depth of analysis, this chapter focuses on the following three Donor agencies respective D&GG aid portfolios: The World Bank (WB); the Department for International Development (DFID), UK; and the United Nations Development Programme (UNDP).

The chapter makes some broad observations on each donor portfolio regarding

- Each donor's policy origins for its D&GG agenda
- The beliefs/histories that underline how each donor interprets the terms “democracy” and “good governance”; and the consequences of interpreting it a certain way, in terms of aid giving
- The tools/approaches/methodologies used to allocate D&GG aid and how they reflect the donors' discourse on D&GG

The study then undertakes specific analysis of the following projects selected from each donor's D&GG portfolio:

- (1) World Bank Public Procurement Reform Project (PPRP)
- (2) World Bank Strengthening Parliamentary Oversight
- (3) DFID Managing at the Top (MATT)
- (4) UNDP Local Government Support Project- Learning and Innovation Component (LGSP-LIC)

Each project analysis takes an in-depth look at how the D&GG agenda is being transmitted in Bangladesh by asking the following questions:

- The rationale behind launching the project and how this fits with the donor's discourse on good governance
- The government actors targeted through this programme and in what manner
- How ownership of the reform is ensured

- The nature of incentives being offered for reforms
- The chances of and reasons for success of this project

2.2.1 *Rationale*

The rationale behind selecting these donors is based on two criteria:

- 1) the importance the D&GG agenda holds in the donors' portfolio, both financially and in terms of prioritising D&GG as an area of intervention in Bangladesh
- 2) a need for a comparative analysis between donors with distinctly different approaches to D&GG reform in Bangladesh

The rationale behind selecting specific projects in each donors' portfolio is based on three criteria:

- 1) to analyse reform projects targeted at executive and legislative functions and central and local forms of government
- 2) all of them are either recently launched or on-going projects
- 3) these initiatives either partner with, or are implemented directly by the GoB and not through non-government organisations. Other reasons are predicated upon the availability or lack thereof, of primary and secondary information on each project.

Both primary and secondary data have been employed to address these points with the former relying on donors' project documents, evaluation reports, country plans and other strategic documents available in the public domain.

2.3 **Setting the agenda on democracy and good governance**

2.3.1 *Origins*

The emergence of the D&GG agenda was marked by two distinct events taking place during the 1990s. First, the geopolitical context of foreign aid allocation changed dramatically with the end of the cold war. With communism's collapse and Eastern Europe's democratisation, western governments no longer had the justification nor need for foreign aid to further political and strategic interests (Crawford 2001). Foreign aid now found a more novel and worthy cause in consolidating and spreading the trend of political liberalisation.

Second, the new direction of foreign aid received widespread academic and scholarly endorsement. In 1993, the OECD's 'Development Assistance Committee (DAC) Orientations on Participatory Development and Good Governance' document stated that:

there is a vital connection between open, democratic and accountable systems of governance and respect for human rights, and the ability to achieve sustained economic and social development... this connection is so fundamental that participatory development and good governance must be central concerns in the allocation and design of development assistance.

Whilst past wisdom had extolled the virtues of stable governments (authoritarian or otherwise) and economic growth, a new body of research substantiated this new direction of foreign aid, by

demonstrating clear linkages between the presence of good institutions and democratic governments, with/and economic growth (See Rodrik 2005; Kaufman and Kraay 2002; World Bank 2000; Friedman, Johnson, Kauffman and Zoido 1999; Knack and Keefer 1995; World Bank 1997; Chong and Calderon 1997; Levine 1997).

As the turn of this millennium marked a decade of such knowledge being put into practice, another body of scholarly work was produced to evaluate foreign aid and its impact on D&GG. Papers by Svensson (1999) and Burnside and Dollar (2000) argued that foreign aid was utilised most effectively by countries having good policies and institutions in place. Another body of work attempted to establish direct links between foreign aid and its impact on democratisation and government institutions (See Heckelman 2010; Wright 2009; Rajan and Subramanian 2007; Ear 2007; Wolf 2007; Johnson and Zajonc 2006; Remmer 2005; Boulding and Hyde 2005; Hout 2004; Burnell 2004; Knack 2004; Easterly *et al.* 2004; Brautigam 2000; Boone 1996). There is no unanimous agreement on whether the link is positive or negative and it is generally accepted that establishing causality between the two variables is riddled with difficulty (Green and Kohl 2007). Despite such methodological and empirical ambiguities, the importance of D&GG promotion has become conventional wisdom among donors and continues to occupy a seminal place in their agenda.

2.3.2 Defining democracy and good governance

Democracy is a concept that is continuously debated, contested and re-envisioned in the realm of political theory. Yet in the political imagination, it has taken a shape and form with which many can identify, characterised by such basic inter-dependent features as free and fair elections, a democratic society, open and accountable government and civil and political rights (Crawford 2001).

The term 'Good Governance' on the other hand, began gaining currency following the post-Washington Consensus. Narrowly defined, it focuses on efficient and capable executive institutions, devoid of a concern for the nature of the political regime. In broad terms however, it encompasses strengthening external mechanisms of executive accountability such as political accountability to parliament; financial accountability to the national audit agencies; and legal accountability to an independent judiciary (Crawford 2001).

While the distinction between democracy and good governance is not always evident, there are certainly overlaps between the two. However the distinction assists in analysing why and how donors such as the WB, DFID and UNDP approach these concepts differently.

World Bank

In the World Bank's Governance and Anti-corruption (GAC) strategy paper, governance is defined as 'the manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide public goods and services' (World Bank 2007). From the outset of its establishment, the WB's mandate has explicitly disallowed it from being influenced by the political character or engaging in the political activities of its member states (World Bank 1991). Its strategy unambiguously states that it 'must conform to the purposes set out in the Articles of Agreement of

each of the WB Group's institutions: broadly stated, to promote the economic development of members (World Bank 2007). The World Bank states that good governance

includes the creation, protection and enforcement of property rights, without which the scope for market transactions is limited. It includes the provision of a regulatory regime that works with the market to promote competition. And it includes the provision of sound macroeconomic policies that create a stable environment for market activity. Good governance also means the absence of corruption, which can subvert the goals of policy and undermine the legitimacy of the public institutions that support markets (World Bank 2002).

Having circumvented issues of political governance, social welfare or human rights, this characterisation of governance can thus be viewed as narrow and economic. Governments are therefore important only in as much as they complement markets or correct market failures. Aside from arguments about being curtailed by its mandate, this conceptualisation points to the WB's understanding that markets are the ultimate source of prosperity and development. Efficient and capable governments are necessary to protect the sanctity of the market, regardless of whether they are democratic or not.

Department for International Development

In what was considered among the strongest donor rhetoric on D&GG promotion, the DFID's White Paper 2006 claimed that the understanding of D&GG had gone beyond the management of the economy, and beyond analysing and reforming public services and the public sector. The focus was now about how power is used, and on whose behalf. Good governance requires Capability- the extent to which government possesses the requisite money, people, will and legitimacy to get things done; Responsiveness- the degree to which government listens to what people want and acts on it; and Accountability- the process by which people are able to hold government to account. The paper further stated that

'This is about politics. Politics determines how resources are used and policies are made. And politics determines who benefits. In short, good governance is about good politics.' (2006)

The paper further posits that the promotion of good governance is expected to ultimately lead to the realisation of the ideal of democracy. However, DFID does not define a particular model of democracy, and insists that democratic principles, values and institutions are determined by the local culture, society and history of each country. Consequently, the demand for democratic change must come from within (DFID 2007).

DFID's definition of the term good governance can be seen as broad and attempting to encompass all aspects of government accountability. Its disposition as a bilateral donor under the auspices of the UK's own democratic system, also explains its understanding of democratic change as being indigenous in countries receiving D&GG aid. Overall, the White Paper 2006 spearheaded the thinking amongst donor agencies that development challenges were inherently political and must be tackled accordingly.

United Nations Development Programme

The UNDP's characterisation of governance is very similar to the WB to the extent that it is defined as 'the exercise of political, economic and administrative authority in the management of a country's affairs at all levels' (UNDP 1997). However, governance systems must be framed

within the goals of human development and human rights (UNDP 2007). In its most recent 'Guide to Democratic Governance Practice', the UNDP states that:

'...in order to achieve and sustain human development, both the ends and means of good governance should be 'democratized'. Democratic Governance (DG) requires efficient institutions and an economic and political environment that renders public services effective and makes economic growth possible; at the same time, DG for human development must be concerned with whether institutions and rules are fair and accountable, whether they protect human rights and political freedoms, and whether all people have a say in how they operate. So from the human development perspective, good governance is DG' (2008-2013)

Democracy and good governance are inextricable, because in the UNDP's thinking, a democratic system is the only system which ensures the twin goals of an economically efficient government, but also a government that nurtures civic and political freedoms, inclusive participation and accountability. The latter is prized by the UNDP as a 'development goal that is intrinsically valuable in its own right' (Guide to DGP 2008-13). The UNDP's mandate is predicated upon widely representative laws and instruments in the United Nations, such as the Universal Declaration of Human Rights and the Covenants on Civil and Political Rights, and Economic, Social and Cultural Rights. Consequently it propagates a very particular model of liberal democracy compared to other donors.

The differences in the interpretation of D&GG terms from the WB, DFID and the UNDP are important because they determine which policies, institutional forms and processes are prioritised in their operations. The UNDP takes an explicitly normative approach, praising democratic governments. The DFID attempts to remain neutral while the WB tries a positive, value-free definition.

2.3.3 The role of politics in the contemporary D&GG agenda

Until recently, the D&GG agenda had come under heavy criticism for being 'de-politicised' (Hout and Robinson 2009). Governance interventions were seen as working more with the executive branches of government, while avoiding engagement with legitimate political structures and processes, which shape the way politicians and policy makers make decisions about progressive changes in governance. New research reveals that technical and financial solutions to governance will not suffice and that D&GG initiatives need to navigate the complexities of power and politics in order to build the critical momentum to bring about lasting change (Thampi 2012).

Notwithstanding differences in how they define D&GG, all the donors WB, DFID and UNDP have made the intellectual shift in acknowledging the importance of political context (See World Bank 2009; DFID 2009; UNDP 2011). As a result, D&GG aid today is informed by a far more mature and nuanced understanding of the political economy of the recipient country, which underlines the need to prioritise, sequence and time reform initiatives in a strategic way, rather than launch an overambitious governance agenda.

Bangladesh is no exception to this and donors are acutely aware of the challenging yet unavoidable political context they face when promoting governance reforms. The question arising then is how are donors translating this newfound understanding of political structures, processes and actors into concrete strategies for governance reform in Bangladesh? Analysing the WB, DFID and UNDP's D&GG portfolio in Bangladesh is an attempt to answer these questions.

2.4 Translating the D&GG Agenda into Practice

2.4.1 World Bank

The WB's concern with governance is reflected in the Country Policy and Institutional Assessment (CPIA), an exercise which scores and rewards various countries' performance in implementing policies promoting economic growth and poverty reduction. This consists of a set of 16 criteria grouped in the following four clusters:

- (a) economic management;
- (b) structural policies;
- (c) policies for social inclusion and equity; and
- (d) public sector management and institutions.

These are the main factors determining resource allocations to a country, notwithstanding population and per capita income receiving some attention. The CPIA's composition has come under attack nonetheless, due to its marked emphasis on economic management and structural policies. The fourth cluster, public sector management and institutions, is WB's primary vehicle for assessing a country's governance and receives the greatest weight, making the IDA allocation acutely sensitive to changes in the governance factor.¹ Yet it excludes generally accepted elements of governance such as public participation, accountability, the rule of law and respect for human rights. Consequently, countries receiving high aid allocations due to high CPIA scores are seen as being rewarded for adhering to neo-liberal economic policies (Hout 2007; Van Waeyenberge 2009).

Bangladesh's CPIA rating remains above average for IDA recipients, maintaining a score of 3.0 out of a total 6 points in recent years. But its scores for the 'public sector management and institutions' cluster remain lower than other clusters' scores, while slightly below the South Asia region average. This has not however prevented the WB from making Bangladesh one of its largest recipients of support, with a dedicated funding of \$6.55 billion for FYs 2011-14 from IDA (World Bank 2010a).

On the contrary, the WB's Governance and Anti-Corruption (GAC) strategy justifies this deep engagement with Bangladesh, stating that the Bank should find ways to remain involved even in those countries with weak governance and a high incidence of corruption, so that 'the poor do not suffer twice' (World Bank 2007). As a result, countries like Bangladesh are provided a Country Assistance Strategy (CAS) which features governance as a central theme tailored to the country context (World Bank 2007).

Although the new CAS 2011-14 is already in place, it is worth briefly mentioning that the WB's strategy during the CAS 2006-09 saw a comparatively stronger focus on addressing 'core governance' issues. It was concerned that Bangladesh's increasingly confrontational politics and political instability were undermining its investment climate and offsetting the GoB's pro-private sector stance. Core governance, according to the WB, consisted of the following (World Bank 2005):

1 (24% Clusters A,B,C average) + (68% Cluster D average) + (8% Portfolio Rating). Source: BGD CPIA Scores

- An efficient, accountable, and transparent system of public financial management functioning at all levels of government and in all state-owned enterprises.
- Transparent and competitive public procurement processes.
- Revenue effort enhanced, and the tax administration stronger, transparent, and more efficient.
- Key guardians of accountability functioning as an effective check on the executive.
- Performance of legal and judicial systems improved.
- A transparent, open government conscious of its obligation to disclose information to the public, and citizens made conscious of their right to information.
- A service-oriented, accountable, and efficient public service.

The WB recognised that “the roots of many of Bangladesh's current problems of governance lie in areas external to the World Bank's mandate that is, political governance” and that it relied on other bilateral development partners to engage the GoB in these matters. Its own work on core governance would thus remain with Public Financial Management (PFM) and public procurement aspects (World Bank 2005).

However, the entry of the caretaker government (CTG) into the political arena, headed by a former WB official, provided the WB some encouragement to veer into more political governance terrain. Aided by the CTG's enormous political will to fight corruption, the WB supported the CTG with high-profile investigations, prosecutions and sanctions (World Bank 2010a). Moreover, civil service and judicial reform went hand-in-hand during that period. The results however, as regrettably noted by the WB were insignificant, owing to a combination of factors, ranging from strong political opposition to reforms to the WB's own operational shortcomings in understanding and responding to the political environment:

The challenge in implementing these reforms was underestimated, especially in a politically unstable environment with frequent changes of government. High-profile prosecutions meant to signal zero tolerance for corruption served instead to create a perception that those in power will pursue those who are not for politically-motivated reasons, within a persistently corrupt environment. Moreover, the caretaker government's will to carry through with prosecutions subsided during the latter part of its tenure (World Bank 2010a)

In the new CAS 2011-14, the WB retreats from an overambitious governance reform programme, stating that outside actors possess “limited ability to counter systemic facilitators of corruption in areas with limited government commitment to reforms.” (World Bank 2010a). As a result the WB has decided to be selective in working only in those areas where the current government has shown sufficient political will for reform and concrete results can be achieved.

Its involvement in sectors characterised as high risk and consisting of little government commitment to address corruption, will take the form of conducting political economy and operational risk assessments to inform future project design (World Bank 2010b). This root problem of political governance then, only finds expression as an academic exercise in its current portfolio of D&GG activities in Bangladesh, which as explained in Table 1, is concentrated around fiscal and administrative reforms. The next section will take an in-depth look at two projects, namely the Public Procurement Reform Project (PPRP) and Strengthening Legislative Oversight.

Table 1
Snapshot of key components of the WB governance portfolio in Bangladesh

Project Name	Sector (s)	Theme (s)	Implementing Agency	Funding	Year
MTBF & Strengthening Financial Oversight	Public Administration Finance	Public expenditure, financial management and procurement	Ministry of Finance	\$50 million	2009-14
Strengthening Auditor General's Office	Public Administration Finance	Public expenditure, financial management and procurement	Office of the Comptroller and Auditor General	\$16.6 million	2011
Strengthening Legislative Oversight	Financial Management	Public Accountability Institutions	Parliament Secretariat	\$5 million	2010-14
Identification System for Enhancing Access to Services (IDEA)	Public Administration; Information Technology	Other public sector governance; Technology diffusion	Bangladesh Election Commission	\$195 million	2011-16
Public Procurement Reform Project (PPRP) II	Central Government Administration	Public expenditure, financial management and procurement; Other public sector governance; Administrative and civil service reform; Accountability/anti-corruption; Participation and civic engagement	Implementation Monitoring and Evaluation Division	\$23.6 million	2007-13
Local Government Support Project (LGSP)	Sub-national Government Administration	Decentralisation; Public expenditure, financial management and procurement; Participation and civic engagement; Other accountability/anti-corruption; Rural services and infrastructure	Ministry of Local Government, Rural Development and Cooperatives	\$115.78	2006-11

Source: Compiled from World Bank 2010a and the World Bank Bangladesh website

PPRP II

The Office of the Comptroller and Auditor General (OCAG) notes that audit experience in the public sector reveals the most financial irregularities occurring in public procurement (Hakeem and

Uddin 2010), which is the process through which budgets materialise into public services (Ellmers 2010). In Bangladesh, public procurement takes up 70 percent of the national development budget. Corruption in procurement can thus misdirect public spending, lower the quality of public assets and give rise to perverse incentives for the private sector (World Bank 2007a).

As much as this is Bangladesh's concern it is also a concern for donors financing its development budget and thus holding an interest in ensuring their funds are efficiently and accountably used. From the WB's point of view, public procurement reform which comes under the rubric of Public Financial Management (PFM), is thus one of the best defenses against fund mismanagement.

The WB has served as lead agency for procurement reforms in Bangladesh. Following an assessment of the country's procurement system back in 2002, the WB concluded that weak procurement processes were the single most important factor affecting public sector performance (World Bank 2002a). The first round of PPRP thus focused on addressing key deficiencies in the legal and policy framework. This outcome was largely successful, with the GoB enacting Public Procurement Regulations (PPR) in 2003 and passing the Public Procurement Act (PPA) in parliament in 2006. The law and the regulations contain most features of international good public procurement practices (World Bank 2007a).

The effective and sustained implementation of such regulations however, as the expressed purpose of legislation to begin with, has been marred with difficulty. There has been significant non-compliance and weak enforcement of the regulations from most government quarters, crippled by fraud, corruption and political influence. The second round of reforms or PPRP II thus concentrates on:

- (1) building institutional capacity on procurement,
- (2) introducing e-government procurement to ensure more transparency and lower costs, and
- (3) building awareness among other non-government stakeholders to encourage procurement monitoring. These initiatives will be implemented in four sectors infrastructure, power, urban and water² (World Bank 2007a).

Since the project anticipates similar bureaucratic opposition to the reforms, the WB has tried to ensure a set of incentives for the officials. These include rewarding exceptionally performing procurement officials, awarding the target agency for best PPRP implementation, recognising procurement expertise in the form of accreditation and certification and exposure visits abroad.

Equally important, government ownership of this PPRP project, which began during the CTG and continued when the current government which came to power in early 2009., has experienced considerable political turbulence. By late 2009, the GoB passed an amendment to the PPA which allowed entities without past experience, production capacity or financial capability to acquire public work contracts worth up to 2 crore (The Daily Star 2009). The WB noted that this carried "serious implications for the bank's processing of future budget support operations and could restrict its ability to rely on the country system (PPA/PPR) in future operations" (The Daily Star 2009a).

² The corresponding agencies are the Roads and Highways Department (RHD), Local Government Engineering Department (LGED), Rural Electrification Board (REB), and Bangladesh Water Development Board (BWDB).

In response, the Finance Minister, AMA Muhith, apparently attempted to convince other ministers of the need for donor-GoB coordination. However, facing opposition, the amendments remained, and the WB reverted to using its own procurement guidelines. The entire spectacle highlighted the fledgling ownership of procurement reforms by the GoB, with the Finance Minister stating “We were not in the government when the PPA was enacted following the WB advice” (The Daily Star 2009b).

In its defense, the GoB claimed to have potentially increased competition and made it easier for newly established businesses to access the procurement market. In particular, the procurement rules for the power sector were waived to speed up implementation of projects and address the crippling energy crisis in the country (Ellmers 2010). But the GoB's commitment to transparency in this public procurement process was compromised by the fact that proposals to seek public opinion on the Bill and then send it to a Select Committee for amendment were rejected by voice votes in Parliament. The amendments also drew criticism from the opposition party, stating that they would encourage tender manipulation and make room for inexperienced ruling party members to obtain tenders with ease.

Media and CSOs in Bangladesh echoed similar sentiments (The Daily Star 2009c; 2010). However the opposition party boycotted parliament when the revised bill was passed and therefore were absent from raising possible objections to the amendments (Parliament Watch 2009). It should be noted that through the Public Accounts Committee (PAC) and the Public Undertakings Committee (PUC), the parliament can monitor financial irregularities in public offices and in procurement (Hoque 2010). However both political and legal obstacles abound which undermine this kind of supervision.

Strengthening Parliamentary Oversight (SPO)

In ensuring the checks and balances in government, the parliament is as crucial an institution as the executive and judiciary. Engaging with parliaments in development work though has always been uncomfortable territory for donors, given the neo-patrimonial tendencies exhibited by many parliamentarians, which characterise the partisan and confrontational politics of Bangladesh. The WB however, soon came to the realisation that bypassing or marginalising parliamentarians created a legitimacy crisis for development reforms (Hatcher 2009).

Parliamentarians as people's representatives and decision makers, hold the authority to veto reforms envisioned by donors. Very importantly, parliamentarians' purported financial oversight role mentioned in the previous section, can, if strengthened, aptly address donor's fiduciary concerns, since most donor aid is provided through budget support (Hudson and Wren 2007).

The WB identified that despite their strong mandate, financial oversight committees in parliament make little impact due to outdated rules of procedure, a perpetual lack of adequate skills, resources and infrastructure and the executives' indifference to committees' work and a culture of defiance of legislative directives (World Bank 2010c). The SPO project would thus support parliament's three financial oversight committees: the Committee on Estimates (EC), the PAC and the PUC.

This involves providing the three committees with technical support; capacity-building of the Parliament Secretariat to support them; bringing greater transparency to the committees' work through public outreach programmes; and supporting government-led e-parliament programmes

and the use of modern technology in committees' operations (World Bank 2010c). Of the parliament's legislative, representative and oversight functions, the WB targets only the latter, as the 'power of the purse' (Johnston 2009).

The SPO is designed to increase accountability and transparency on the use of public funds, focusing solely on the 'relatively technical aspects of financial oversight' (World Bank 2010c). Restrained by its mandate, the WB is working with other donors such as the USAID, UNDP and CIDA who are addressing the legislative and representative aspects of parliamentary reform in Bangladesh.

The SPO seems to have enjoyed a positive beginning, with high-level commitment to reforms from the Speaker, Chief Whips and a large number of committee members. This is encouraging, since much parliamentary strengthening work in the past has tended to focus on piecemeal interventions targeting the parliament as a self-contained entity, detached from the wider political and social system. These interventions had little to no impact, instead fostering suspicion towards donors (Hudson and Wren 2007).

But high-level ownership of the SPO has not equally resonated with the bureaucracy, particularly key stakeholders such as CAG and MoF, whose commitment is equally important to this project's success. After a period of relative political stability, confrontational politics is again heightening to alarming levels, with the opposition party's routine walkouts from parliament and escalating agitation (The Daily Star 2011). This may thwart the oversight committees' ability to function in a bipartisan manner, thus undermining the project's sustainability.

2.4.2 DFID

Bangladesh is the fourth highest recipient of UK bilateral aid. In 2010-11, this aid rose to £150 million, making the UK the country's largest bilateral donor (House of Commons 2010). Bangladesh has been characterised by DFID as a 'fragile state' states that are under acute political stress, where institutions face serious contestation and are potentially unable to manage conflict and shocks (DFID 2011). Consequently it spends around £20 million a year on programmes dealing with governance and strengthening of institutions of accountability (House of Commons 2010).

As mentioned earlier, the White Paper 2006 firmly placed 'good politics' on the development agenda. For DFID, good politics ironically took shape in the operations of the non-elected CTG in Bangladesh. Despite the fact that the CTG had limited civil liberties and rights such as freedom of expression, it had "earned its legitimacy by responding to larger public demands around the right to life, security and demand for political reform" (DFID and FCO 2008). Like the WB then, DFID supported the CTG's anti-corruption drive by funding the Stolen Asset Recovery initiative and also aiding the Anti-Corruption Commission in its activities (ADFID and FCO 2008).

It was keenly aware however, that post-CTG, confrontational politics may return to the country and that such overt support to weed out political corruption may not be entertained. Thus the current country plan 2011-15, based on the new White Paper 2009, consists of conventional governance programmes such as PFM and civil service capacity building as shown in Table 2. It also showcases new initiatives such as tax collection and safety and justice strengthening programmes which are meant to "build the political legitimacy of the state" (DFID 2011).

Table 2
Snapshot of key components of DFID's governance portfolio in Bangladesh

Project Title	Principal Sector	Budget	Year
Strengthening Public Expenditure Management	Public Sector Financial Management	£30,150,000	2009-14
Rights and Governance Challenge Fund	Democratic Participation and Civil Society	£30,000,000	2008-13
Strengthening Political Participation (in coordination with USAID)	Public Sector Policy and Administrative Management	£19,700,000	2010-15
Public Service Capacity Building (MATT)	Economic and Development Policy/Planning	£15,205,000	2004-13
Tax Administration Compliance and Taxpayer Services (TACTS)	Economic and Development Policy/Planning	£7,090,000	2007-15
Safety and Justice	Legal and Judicial Development	N/A	2008-15
WB-DFID Joint Technical Assistance Programme	Public Sector Policy and Administrative Management	£5,500,000	2005-13

Source: Compiled from the DFID website

DFID's approach to D&GG reform in Bangladesh appears to prioritise interventions from the bottom-up, with a significant amount of funding going to the Rights and Governance Challenge Fund. In its Capability-Accountability-Responsiveness (CAR) approach, the civil society is being encouraged to adopt the confrontational role of demanding state accountability.

DFID was criticised in the House of Commons report however, for inadequate engagement with the parliament as a guardian of accountability (2009-10). The reality as a bilateral agency is that DFID's operations are subject to pressures of domestic lobbies and legislatures with a range of security, commercial and diplomatic interests in mind (Unsworth 2009). DFID's new portfolio thus includes a programme on Strengthening Political Participation (SPP), albeit implemented by the USAID. The SPP works with parliamentarians to improve their understanding and practice the basic principles of accountability and responsiveness.

DFID's bulk of funding concentrates on improving the executive's capability to govern effectively, thus displaying a rather de-politicised, technocratic agenda that is a far cry from the White Papers. DFID's rationale for this is that it is "anchoring public administration in the much broader context of public authority and political legitimacy" (DFID 2011). It claims that programmes such as TACTS is not simply technical, but a profoundly political activity that can enhance government accountability through encouraging interest groups to mobilise in supporting, resisting or proposing policies. Similarly, the Managing at the Top (MATT) II programme seeks to create a

critical mass of high-level government officials who can subsequently champion wider civil service reform and drive change from within.

MATT II

MATT II programme's aim is to empower civil servants to generate and demand administrative reform, which is achieved through a two-fold approach:

- (1) Providing support to reform Human Resource Management (HRM) systems within the Bangladesh Civil Service (BCS); and
- (2) Facilitating a performance-oriented, management development programme .

The first approach involves working with bodies such as the Career Planning & Training Wing (CPT-W) and the Appointment, Promotion & Deputation Wing (APD-W) in the Ministry of Public Administration (MoPA). The second approach targets approximately 2000 officers from the BCS administrative cadre (from the post of Senior Assistant Secretary up to Additional Secretary level) to build citizen-centric leadership and managerial skills (MATT website).

In design and concept, the MATT II attempts a more holistic approach to administrative reform, compared to the largely unsuccessful MATT I which addressed strictly policy-development skills of civil servants without considering the broader Human Resource Management (HRM) issues of Recruitment, Promotion and Performance Evaluation (Jacobs 2009). MATT II builds in positive incentives through a 2-stage process, whereby only the best performing officers progress onto the programme 's second stage.

These best performing officers travel abroad for an overseas development programme , to design and implement reform projects with national impact, known as Super Performance Improvement Programmes (SPIPs). MATT graduates have given favourable reviews of the programme and it has been widely praised for its “ability to move civil servants from reactive and essentially passive administrators in the system to proactive, reform-minded individuals” (Jacobs 2009). According to the MATT II website which reveals synopsis reports by the government officials implementing SPIPs, a few SPIPs concerned with improving service delivery have been implemented with relative success.

It should be noted however that the administrative cadre is considered a “premier elite force” in Bangladesh, by virtue of its members being constantly placed in positions of authority across public enterprises and in districts and sub-districts. Their influence in formulating and implementing policy has led them to zealously guard this privileged position; and to be inimical towards reform and innovation efforts in the past, even by democratically-elected governments (Zafarullah 2007).

This dominance of the central government frequently comes under criticism and it is unclear whether and how MATTII is addressing concerns regarding administrative and fiscal decentralisation within the designed SPIPs. Although laudable for working with a challenging echelon of civil servants, MATT II may not be challenging the status quo on the power of the central government.

More importantly, the crippling politicisation of the bureaucracy is an unavoidable reality in the face of larger HRM reforms. Historically, the independence, efficiency and effectiveness of the Public Service Commission (PSC) have been compromised much more during democratically elected governments than authoritarian or caretaker regimes (Jahan and Shahan 2008). This trend may persist, with the incumbent government introducing another batch of civil servants selected more for political leanings rather than merit.

The CPT-W, which is considered the “engine for reform”, and the APD-Wing of MOPA are also marred with patronage and preferentialism, along with problems of few qualified and experienced professionals (Jacobs 2009). A few SPIPs have targeted reforms in HRM³, such as replacing the Annual Confidential Report (ACR) with a Performance Based Evaluation System (PBES). However the final nod to mainstream these initiatives is yet to come from the Prime Minister's office (The Independent 2010). As a result, ownership for reform from the highest offices remains tenuous, ultimately bringing back the issue of engaging with political power players to push through progressive reforms.

2.4.3 UNDP

D&GG continues to be a national priority for UNDP operations in Bangladesh. Unlike WB and DFID, its 2006-10 portfolio targeted all branches of government and much of the persistent problems they face. Its strategy follows a logical progression of interventions.

On the supply side, the portfolio first seeks an alignment of legal, policy and institutional frameworks with international standards to protect basic human rights. It then attempts to empower the Executive, Judiciary and Legislature to promote and implement these rights. On the demand side, the UNDP works to build partnerships between GoB and civil society, to encourage public scrutiny roles for the latter (UNDP and GoB 2005). A snapshot of its ongoing programmes is shown in Table 3.

The UN's own large bureaucracy perhaps explains the ambitious nature of its Bangladesh portfolio, where the UNDP frequently joins hands with other UN agencies in implementing programmes. Historically, its involvement in the more political aspects of D&GG reform has proven more visible than other donors, and was not confined to the CTG regime's tenure.

For example, in its earlier project 'Strengthening Parliamentary Democracy (SPD)' which ran for almost 10 years starting from 1997, the UNDP recommended changes in the parliamentary rules of procedure and worked with Parliamentary Committees to improve their legislative and representative functions. It has also been involved in supporting the establishment of the National Human Rights Commission (NHRC) and in promoting efforts to separate the Judiciary from the Executive (UNDP 2011a).

The development community however, observes that UNDP's successes until now have largely been in electoral reform, institution building in the Chittagong Hill Tracts and *Union Parishad* (UP) governance in Bangladesh (Constable *et al* 2009). It has also left its positive imprints on drafting legal, policy and institutional frameworks such as electoral laws and procedures, the draft Civil

3 See http://www.matt2.org/SPIP_Group_1_Team_C_Synopsis.php?c_id=progresstodate and http://www.matt2.org/PIP_Batch_10_B_Synopsis.php?c_id=progresstodate

Service Act, *Upazila Parishad* (UZP) Rules and the ICT Act 2009 in Bangladesh. Despite its close relationship with the GoB and easy access to high levels of government, however the SPD project's impact on parliament's functioning proved minimal and other interventions in civil service reforms and the NHRC, continue to battle political realities (Constable *et al.* 2009).

Table 3
Snapshot of key components of UNDP's governance portfolio in Bangladesh

Project Title	Budget	Implementing Partner	Duration
Police Reform Programme (Phase II) in cooperation with DFID	\$ 29,000,000	Ministry of Home Affairs, Bangladesh Police	2009-14
Civil Service Change Management Programme (in cooperation with TRAC and ADB)	\$ 5,500,000	Ministry of Public Administration	2008-12
Construction of Server Stations for Electoral Database (CSSED) in cooperation with DFID, Govt of Netherlands and GoB	\$ 30,887,757	Bangladesh Election Commission	2008-11
Activating Village Courts Project (in cooperation with GoB and EC)	\$ 15,050,000	Local Government Division (LGD); Ministry of Local Government, Rural Development and Cooperatives (MoLGRD&C)	2009-13
Bangladesh National Human Rights Commission Capacity Development (in cooperation with DANIDA, SIDA, SDC and KOREA)	\$ 6,943,771	National Human Rights Commission	2010-15
Promoting Access to Justice and Human Rights (in cooperation with TRAC)	\$ 3,000,000	Ministry of Law, Justice and Parliamentary Affairs	2007-11
Local Governance Support Project Learning and Innovation Component (LGSP-LIC) (in cooperation with DANIDA, European Commission & UNCDF)	\$ 18,118,000	Ministry of LGRD & Cooperatives	2007-11
Strengthening Upazila Parishad through Capacity Building Initiatives and Policy Advocacy	\$ 831,171	MoLGRD&C	2009-11

Source: Compiled from the UNDP website

Local Government Support Project -Learning and Innovation Component (LGSP-LIC)

One of UNDP's success stories has been in fiscal decentralisation in Bangladesh. Originally piloted under the Sirajganj Local Governance Development Project (SLGDP), UNDP worked with the GoB in providing direct block grants to selected UPs, who enjoyed discretion in drawing up their budgets in a participatory manner. It also linked the grants to performance improvements and audit requirements, thereby creating positive incentives.

UPs became more participatory, transparent and accountable under this pilot project, the success of which in large part led to its replication by the GoB into a nationwide Local Government Support Project (LGSP), funded by the WB. Under the LGSP, the government's fiscal transfers will be augmented with external funds which will be available to UPs based on pre-defined eligibility criteria. The LIC component supported by UNDP is meant to mainstream lessons from these "second generation" reforms into the LGSP rollout (GoB and UNDP 2007).

Early signs of progress are encouraging in this project, with LGSP UPs demonstrating increased community participation, transparent budgeting, and revenue collection compared to non-LGSP UPs. Rules and regulations have also been formed to activate the UP Act 2009 (UNDP 2011b). Bangladesh is fiscally very centralised with little doubt that efforts to increase UP authority and control over financial resources will improve local service delivery (Fox and Menon 2008).

Yet fiscal decentralisation must be twinned with political and administrative decentralisation to ultimately be successful. Local governance and decentralisation are different processes, where the latter is often a key step in bringing government closer to people and thus institutionalising democracy (UNDP 2011b). Although there are local government acts, there is no comprehensive decentralisation policy and genuine implementation in the country.

The reality in Bangladesh underlies a governance calculus tipped in favor of political decentralisation, which acts as a vehicle for distributing patronage among vote banks (Hassan 2007). Administrative decentralisation on the other hand has been compromised, as evidenced by the recent amendments to the UP and UZP Acts, which allow MPs undue control over decision-making at these levels. The success of the LGSP project may even invite the negative attention of UZP politicians, as the block grants bypass this tier to be deposited directly into UP accounts. Despite UNDP's and the larger donor community's cognisance of these risks, the project has enjoyed, perhaps most importantly, widespread support from the UPs participating in the programme.

2.4.4 *Good enough governance?*

WB and DFID's D&GG agendas in Bangladesh are similar in many ways, beginning with ambitious governance reform during the CTG and eventually subsiding in scope with the incumbent government. This can be interpreted as a positive step since many governance practitioners now warn against reform strategies advocating direct attacks on corruption when weak governance systems persist in a country. Caution is advised against launching anti-corruption agencies, enacting stricter laws, "frying big fish" or establishing whistle-blowing provisions (Johnston 2010).

Rather, there should be a long-term vision for good governance, that starts with building social and political trust and earning basic credibility for the government, through delivering urgently

needed basic services, public security and stability to its citizens. This will begin to create the foundation for more aggressive reforms. This strategy of prioritising and targeting a few areas for reform, even if suboptimal in the short term, is termed 'good enough governance' (Grindle 2007).

The argument sits comfortably with the WB and DFID's current strategies, which seem to have reverted back to more technical, economic governance reforms, with restrained engagement with politicians and political processes. As mentioned before, in the face of Bangladesh's enormous challenges in political governance, this strategy can be approached with cautious optimism.

Conversely, the UNDP's comprehensive D&GG agenda, which carries a history of working with political actors, has also left little legacy in Bangladesh. Notable achievements have been made in its electoral reform and pushing through certain key legislation, but sustainability of such progressive reforms have been thwarted by the GoB's lack of ownership and political will. In this puzzling playground of Bangladesh, arguments advocating either 'good enough governance' or increased engagement with politics have both been tried and tested yielding modest results. The question then arises as to how much change can be affected by external actors *vis-à-vis* the domestic efforts of Bangladesh's own government and people.

2.5 The Government of Bangladesh's vision of D&GG

Does Bangladesh have its own D&GG agenda? The answer in theory of course is affirmative. From a national development perspective, the GoB's National Strategy for Accelerated Poverty Reduction (NSAPR II) situates social and economic progress within the context of broad governance reforms (GoB 2009).

Yet no specific institutional or procedural framework exists to translate these reform priorities into action with linkages to the yearly budget. Nor is there an acknowledgement that confrontational politics and politicisation lie at the heart of governance reform. By all accounts, the NSAPR is an executive-driven process with negligible involvement of parliament (Mahmud 2006).

The two largest political parties however, have not been silent in outlining their own agenda for governance reform in election manifestoes. In 2001, the four-party coalition led by the Bangladesh Nationalist Party (BNP) took office with a two-thirds parliamentary majority based on a campaign that stressed good governance. However, progress on reforms was obstructed broadly due to two reasons. First, a few ministries pursued reforms led by technocrats but failed to rally political consensus around those reforms, leading to slow progress. Second, reforms aimed at preventing rent-seeking were heavily opposed due to the bureaucracy's increasing politicisation.

Many civil servants focused on collecting rents to cover their incurred debts from securing their positions and lobbying costs (senior posts were rumored to have sold for up to Tk. 8 lakhs and ministerial positions for 10 times that amount) (Wescott *et al* 2007). Similar to the donors, the government discounted the impact of the entrenched politicisation within the country's institutions that eventually thwarted reform efforts.

More recently, the election manifestos for the last elections from both the BNP and the Awami League (AL) outline surprisingly similar D&GG agendas. Both advocate strengthening parliamentary

democracy, separation of the judiciary from the executive, the establishment of an independent Anti-Corruption Commission (ACC) and an Ombudsman (AL & BNP election manifestoes 2008).

Some such promises have materialised, starting with successive governments demonstrating a fair amount of political will in holding transparent and credible elections at the national and local levels. The incumbent government has amended the Representation of the People's Order (RPO) to ensure objective criteria in determining participation in elections to public offices; make public disclosure of wealth statements of electoral candidates mandatory; and to strengthen the Election Commission. Parliamentary standing committees were formed in parliament's first session with opposition party members chairing two such committees. The separation of the judiciary from the executive has also been completed (Hasan *et al* 2011).

However, judging from the regressive reforms afflicting several key accountability processes and institutions over the past year, the GoB's genuine commitment to its own agenda appears doubtful. Politics remains deeply confrontational; the ACC has been termed a "toothless tiger" by its own Chairman; ample opportunity persists for the Executive to interfere in the judiciary, with the latter remaining highly politicised, and an Ombudsman yet to be appointed (Hossain 2011; Liton 2011).

Even local government, as the designated vehicle for building grassroots democracy and delivering basic services to people, is overshadowed by political expediency. Since it is politically too risky for the central government to cede much power and authority to urban and rural centers, especially to opposition members, the perpetual hoarding of political authority in Dhaka prevails.

Parliament, as the central institution of democracy to hold the executive accountable, needs special mention here. Aside from parliament's well-known weaknesses in its legislative and budget making roles along with other structural constraints inhibiting its performance, there have been some positive changes. Committee meetings and their reports are now more regular, the number of bills passed per session and per year has increased with parliamentarians showing more activism in submitting questions and motions (Jahan and Amundsen 2012).

An interesting and significant development has been the influx of businessmen into Bangladeshi politics. The number has increased from 30 percent in the 1970s to 56 percent in the current year, earning the parliament the moniker of a 'rich man's club' (CMI Brief 2012). This has important implications for the policy-making process, since a parliament dominated by businessmen would try to enact or obstruct laws to protect their sources of legal or illegal income, and gain preferential access to government contracts.

On the other hand, this new breed of lawmakers could collectively promote the business sector's interests by prioritising better infrastructure, power supply and port facilities. However the latter motive will only override the former if the conflict of interest between law-making and pursuit of personal business is regulated through legal safeguards, which are currently weak (Mahmud *et al* 2009).

Parliamentarians are inclined to prioritise development work over their legislative and oversight role. They become lobbyists for procuring projects for their respective constituencies, which ultimately becomes the vehicle to distribute patronage, build personal and party support and

indulge in corruption. Although the local communities eventually benefit from these projects, the scale of leakage and wastage in public resources is undeniably enormous. This phenomenon partially illustrates the 'Bangladesh paradox' of economic and social progress going hand-in-hand with political corruption and instability. The convergence of public welfare and political incentives thus proves half-hearted.

It would not be an overstatement to mention that much of the progressive reform efforts seen recently are spillover effects from the CTG's rule and donor pressure. Furthermore, free and fair elections as the most basic element of democracy are now jeopardised by the CTG system's annulment (The Daily Star 2012d). In the face of these developments the proposition that donors compel us to hold free and fair elections, in lieu of the GoB's own precarious commitment, becomes more credible. A former mayor of Chittagong commented "in the long run, we are hostages to democracy...we're poor and need aid and so are required to hold elections" (Kaplan 2010).

This cynicism is not entirely unwarranted. Bangladesh is at an interesting stage in its development, where it is neither foreign aid dependent nor completely extricated from its need. This reality has come to dominate the landscape of GoB donor relations. In the public realm, the GoB oscillates from an image of complete authority over its development priorities to one of compromise and partnership with donors.

For example, in early 2011 the WB decided to withhold \$500 million in budget support, primarily due to the GoB's slow progress in anti-corruption reforms. In response, the Prime Minister asked tax officials to step up their revenue collection efforts so that "the government can reduce interference of development partners into its day to day affair" (The Daily Star 2011a). The Finance Minister on the other hand, downplayed the significance of this loss of funds, claiming there was nothing out of the ordinary with it. A few months later however, he placed a request for additional budget support from the WB (The Daily Star 2011b).

WB Funds for the Padma Bridge construction amounting to \$1.2 billion, were cancelled on corruption allegations in the construction process (Byron 2012). The Finance Minister called the corruption allegations 'frivolous', but admitted that domestic resources could not compensate for WB financing.

Funding initiatives such as the Millennium Challenge Account (MCA) for which the Prime Minister recently sought assistance, are also disbursed only in countries with a pre-defined level of good governance (The Daily Star 2012b). These developments reveal that good governance is increasingly becoming the donor community's new conditionality, with the GoB struggling to respond and navigate through this new terrain.

Moreover, donors, do not always speak unanimously nor act in a coordinated manner in their respective strategies to roll out Bangladesh's D&GG reforms. For example, different DFID, UNDP and ADB civil service reform programmes with the government, are running in parallel, while WB, ADB and CIDA PFM reforms also proceed separately (Wood and Landell-Mills 2010).

In addition, smaller, bilateral donors such as Denmark and EC adopt confrontational stances with the GoB while other larger donors such as WB, DFID and Netherlands take a collaborative approach (Mathisen 2007). The Local Consultative Group (LCG) on governance, which is a platform for coordination and dialogue between the GoB and donors on aid-sponsored D&GG reforms in the country, are not very productive. They meet infrequently and have poor representation from, and access to, the highest levels of government (Green and Curtis 2005; Wood and Landell-Mills 2008; Mathisen 2007; NRP 2010; ERD 2011).

These issues coupled allow the GoB to pay lip service to serious changes. A consistent GoB feature is to project a progressive image of itself globally while regressing on reforms domestically. One glaring instance is the GoB enacting key laws or establishing key institutions to conform/comply with international standards, while in reality thwarting or deferring their implementation and consolidation.

This holds true for the Right to Information (RTI) law, decentralisation acts, the PPA, the ACC and the National Human Rights Commission (NHRC). In reality, a serious, practical and nationally-driven agenda striking at the very heart of Bangladesh's governance problems, is egregiously absent. If an homegrown indigenous agenda proves half-hearted, it opens up opportunities for the donor community to spearhead one for the country.

2.6 Conclusion

The global D&GG agenda has found increasing relevance in weak institutional environments like Bangladesh. While the donor community has demonstrated its closer attention to the role of politics in governance reform in Bangladesh, this has mostly been an academic exercise. Some programme and project designs have been influenced with the new thinking, but the mainstream operational agenda still remains unable to make a dent on the *status quo*.

This is largely the case for two reasons. First, some donors are restrained by their institutional mandate to engage heavily in political matters. Second, a contextual analysis of Bangladesh reveals that the GoB has fledging ownership of D&GG reforms that are sponsored by donors. Previous donor experiences with aggressive anti-corruption interventions and involvement with political processes have not been beneficial or pleasant.

Consequently the response, in the case of WB and DFID, has been to move back to promoting 'good enough governance', which implements targeted but largely depoliticised reforms. The projects work largely with the executive branch of government, consolidating its existing power *vis-à-vis* the other branches of government. The UNDP on the other hand, has retained its focus on an all-encompassing agenda continuing to cautiously engage with political actors, albeit with a less than inspiring track record. There is also a rising trend in funding civil society movements to inspire a homegrown, bottom-up change process.

Bangladesh thus serves as a D&GG laboratory where multiple approaches to governance reforms are being experimented, much of which is still without conclusive evidence of success. The absence of the GoB's own national vision of D&GG has created a vacuum in which the donor community articulate its priorities more vocally. The GoB is at the receiving end of the donors' agenda, now struggling to navigate a new type of aid conditionality - D&GG.

However the nascent entry of new bilateral actors onto Bangladesh's aid landscape, for whom D&GG does not assume importance, such as China, India and Malaysia, are also challenging traditional aid arrangements. Furthermore, the GoB is attempting to work with donors whose development priorities are more closely aligned with it (Tusher 2010). But it is naive to believe that D&GG in principle is not a priority for Bangladesh's people. Even if the GoB desists from answering to the donor community, it will ultimately have to answer to its own people.

CHAPTER

3

Identical Interventions and Different Results in Public Sector Governance: Focus on Health and Primary Education

3.1 Introduction

Burdened with the twin tasks of building democratic institutions and addressing pressing concerns of poverty and underdevelopment, the public management system in Bangladesh has been overstretched and expected to deliver development outcomes far beyond its capacity. Realising this challenge quite early, the state has redefined its frontiers, especially in the delivery of services, by creating space for other entities like Non-Governmental Organisations (NGOs) and the private sector. It has also allowed the international Development Partners (DPs) to play important roles in certain sectors, such as health and education.

In addition to being important goals, strong education and health systems are vital to economic growth and prosperity (Sen 1999). Furthermore, the paradoxical relationship between ineffective governance and the impressive gains in Bangladesh's social development (e.g. health and education) indicators have been well documented. This has further highlighted the importance of these social sectors.

This chapter focuses on the Health and Education sectors, assessing the external stakeholders' influence in the policy-making process; the role of various domestic stakeholders, including politicians, bureaucrats, professional practitioners, NGOs and civil society in policy making; challenges to public sector governance; and impacts on public service delivery as a result of policy influence by different stakeholders. The remainder of the chapter discusses each sector separately.

While this chapter analyses the governance-related reasons for weak policy ownership and subsequent implications for DP interventions and service delivery, it does not claim to provide an exhaustive assessment of governance problems in the sectors.

The rationale for selecting the Health and Education sectors includes:

- i) Historically, external influence/ engagement in these sectors has been relatively more visible.

- ii) Efficiency, effectiveness and equity in delivering these services are critical to overall human, social and economic development according to the Poverty Reduction Strategy Papers (PRSP), the Five Year Plans of the country and the Millennium Development Goals (MDGs).
- iii) The government bears the responsibility for providing basic health and education services to the people.

3.2 Methodology

The Health sector analysis is based on:

- i) review of published literature;
- ii) background study undertaken by Institute of Governance Studies (IGS) on the health policy formulation process for the report, Bangladesh Health Watch Report 2009: How Healthy is Health Sector Governance?, involving interviews with sector specialists; and
- iii) interviews of academics and various members of the health policy formulation committees formed during the regimes of the last caretaker government (CTG) and the current government.

The Education sector analysis is based on:

- i) secondary literature review;
- ii) interviews with sector specialists, primary education executives and former consultants to the DPs; and,
- iii) visits to primary schools.

3.3 Health sector

There is widespread perception that conditionality clauses tied to international aid packages often reflect an apparent lack of understanding of local realities and the state's implementing capacities. Critics have argued that, "aid has held back Bangladesh's development by disempowering the country's policymakers because they were subservient to external policy prescriptions" (Lewis 2011, p.39). However, this section puts forward the argument that the state's weak capacity in policy-making itself created the space for DPs to influence health policies in the first place.

The section begins with a general overview of the health sector. Secondly, it examines how DP-initiated health sector reforms have not always improved effectiveness and efficiency of service delivery. This is demonstrated with the examples of two DP-backed policies which the government tried to implement. Thirdly, it identifies the important stakeholders and their politics in the National Health Policy making process, showing that their lack of consensus and the frequent policy revisions have eroded policy ownership and disrupted service delivery. Fourthly, it presents selected challenges in governance that has weakened policy ownership at the national level. Lastly, the section proposes some recommendations for improving governance.

3.3.1 Health sector overview

i. National health goals

According to the Constitution of Bangladesh, the Government of Bangladesh (GoB) is obligated to ensure provision of the basic necessities of life, including medical care, to its citizens [Article 15(a)]; and to raise the level of nutrition and improve public health [Article 18(1)]. These provisions have positioned health as a basic human right, and these broader constitutional goals are supported by national strategy and planning documents, such as the Five Year Plans, the PRSPs and the Vision 2021.

ii. Health service provision

The Ministry of Health and Family Welfare (MoHFW) is responsible for ensuring basic health care. It provides health, nutrition and population services while also coordinating and regulating the services of NGOs and private sector providers. Its management structure follows the general administrative setting of Bangladesh. MoHFW, which is also responsible for public health policy planning, monitoring, budget reform management and decision making at macro-level, is divided into the two general directorates of Health Services and Family Planning (FP), each managing different types of health facilities at administrative levels.

iii. Health programmes supported by DPs

Foreign assistance has played an important role in initiating and financing many key reforms in Bangladesh's health sector. In absence of an agreed national health policy, public health sector initiatives have been guided by DP supported programmes.

A key transition occurred in 1998, when DPs introduced a programme-based approach (PBA) to the sector, thus replacing its earlier fragmented, project-driven health sector activities. Programmes that have been in place since then are the Health and Population Sector Programme (HPSP); Health, Nutrition and Population Sector Programme (HNPSPP); and, Health, Population and Nutrition Sector Development Programme (HPNSDP).

From 1971 to 30th June 2009, cumulative disbursement of foreign aid funds for the sector stood at US\$2,965 million (Choudhury 2010, p. 53). Table 4 shows that DPs funded about one-third of the HNPSPP, the recently closed health programme. The estimated share of DP contribution to HPNSDP, the current health programme, has fallen to 23%, while GoB contribution has risen significantly, indicating GoB's growing ability to finance its health programme (MoHFW/GoB n.d.).

Table 4
The budget for DP supported health programmes

Cost Bearer	HPSP (1998-2003)	HNPSPP (2005-2011)	HPNSDP (2011-2016)
Government Contribution	US \$ 2.2 billion (76%)	US \$ 2.7 billion (63%)	US \$ 5.9 billion (77%)
DP Contribution	US \$ 0.7 billion (24%)	US \$ 1.3 billion (31%)	US \$ 1.8 billion (23%)
Total Budget Estimate	US \$ 2.9 billion	US \$ 4.3 billion	US \$ 7.7 billion

Source: GoB 2011; Vaillancourt 2009; MoHFW/GoB n.d.

iv. Health financing

According to the World Bank (WB) (World Development Indicators Online), Total Health Expenditure (THE) in Bangladesh in 2010 was estimated at US\$3.4 billion or 3.5% of its GDP, increasing from 2.7% in 1997. Per capita spending on health was US\$23, one of the lowest in South Asia. Households are the largest source of healthcare financing, comprising 64.6% of THE in 2007, which is financed mostly through out-of-pocket payments. GoB is the second largest financing agent at 21.2%, considerably lower than 36% in 1997. DPs financed 12.2% of THE, of which 56.1% went to MoHFW and 43.9% to NGOs. The remaining 1.9% of THE was funded mostly by private firms (WB 2010d, p.27).

v. Achievements and challenges

Bangladesh has made significant strides in the health sector since the 1970s, attributed to the persistent, long term government commitment to sectoral goals, the work of countless NGOs and the private sector, and partnership with DPs over several decades. Life expectancy has increased from 45 years in the early 1970s to over 65 years (Bangladesh Health Watch [BHW] 2012). The infant mortality rate has decreased from 92 per 1,000 live births in 1990, to 39 in 2009, while the maternal mortality ratio has declined from 574 per 100,000 live births in 1990 to 194 in 2010 (Government of Bangladesh [GoB] 2012). After stabilising in the 1990s, the total fertility rate (TFR) is again declining (WB 2010d).

However, formidable challenges remain. Only one-fifth of deliveries is assisted by skilled birth attendants and nearly half of the children aged between 6 months and 5 years of age are chronically malnourished. Significant rural-urban divides also exist in healthcare service provision, with the majority of qualified providers located in urban areas (BHW 2010). Furthermore, those seeking medical assistance end up paying 60% of the total expenses as out-of-pocket-payments (OOP), when globally, OOP accounts for 19% of the total health expenditures. Bangladesh also has one of the highest rates of catastrophic illnesses in the world, pushing about 3.8% of the country's population or 5.7 million into poverty every year (ibid).

3.3.2 External influence in policy making

This section provides a brief description of the nature and history of external engagement in the health sector, followed by an assessment of the impact and experience of implementing two major DP supported reform policies: (1) unification of the previously separate health and FP wings in the MOHFW; and (2) introduction of Community Clinics (CCs). These policies' stated intentions were to promote efficiency and better governance. However, the pursuit of a DP driven health sector agenda, without adequate national commitment and understanding of the local context, actually eroded the continuity and effectiveness of service delivery.

i. Nature of external involvement

External influence in Bangladesh's health policy environment has come about in two notable ways. First, major health sector goals and policy directions have been determined largely by various

international agreements and commitments taken on by GoB, e.g. the Alma Ata Declaration in 1978 underlined the importance of primary health care as the key to achieving the goal of “Health for All”; and, the UN's MDGs (Osman 2004). Second, external influence is evidenced in the form of direct interventions by DPs, who have co-financed sectoral programmes and projects and initiated reforms since the 1970s.

While actual policy content is influenced by DPs or global commitments, external influence in the National Health Policy (NHP) formulation process has been limited to providing feedback on the draft policy. A member of the 2008 policy formulation committee observed that there was a sense among DPs that the policy document was more an inspirational document and that their primary concerns lay with the continuity of their own programmes and funding requirements (BHW 2010).

ii. A history of DP engagement

DP activity in the health sector began in the 1970s, when Bangladesh faced severe resource shortage, and the GoB began encouraging assistance in the country's development process. In the early years, DPs were primarily involved in FP programmes aimed at taming the high population growth (Buse 1999). By the 1980s, most DPs had broadened their engagement to encompass health related activities, particularly maternal and child health care (Robinson 1999). By the late 1980s, DPs realised that the core constraint with the economic development process was the public sector itself. Despite DPs' large fund transfers, there seemed to be little political commitment to address key reform issues. In a major shift in strategy, DPs began to concentrate on specific sector-type adjustment operations with clearer, quantifiable targets (Buse 1999). In the 1990s, as public sector governance became a part of the global development agenda, the DP portfolio reflected global concern for health sector reforms that included human resource planning, institutional reorganisation, and resource allocation *vis-a-vis* evidence based analysis. Despite the GoB's growing capacity to generate revenues in recent years, sector reforms and policy continue to be influenced by DPs.

iii. Health sector reform

Healthcare reform in Bangladesh started with the formulation of the country's first Health and Population Sector Strategy (HPSS) in 1997 (Osman 2004). The first sector programme, Health and Population Sector Programme (HPSP), prepared in line with the HPSS, was undertaken in 1998 by the Awami League (AL) government. Both the HPSS and HPSP were heavily influenced by the DPs (Sundewall 2006).

HPSP marked a shift from the multiple project approach to a single sector programme known as the Sector-Wide Approach (SWAp). It called for programme financing from a common pool of funds provided by both the GoB and DPs and aimed to strengthen national ownership of the health sector agenda. This DP-induced shift was a dramatic change for the country's health sector. Since its introduction, the SWAp has gained increased popularity among DPs as a preferred model of cooperation (ibid).

a) Integration of health and FP wings—two key policy changes

Two salient reform features, introduced by the HPSP, are discussed below:

In 1995, a mid-term review of the Fourth Population and Health Project (FPHP), which was in operation at the time, raised concerns regarding the slow progress in reducing maternal mortality and morbidity. The MoHFW was structured into two general directorates: Health Services (DGHS) and Family Planning (DGFP), with services provided by separate cadres of civil servants. MoHFW identified the separate health and FP directorates as the primary constraint to its capability to increase the quality, range, resources and effectiveness of service delivery. Maintaining two separate institutions was also leading to duplication and rivalry between the Health and FP cadres (Martinez 2008).

Based on the FPHP review and suggestions made by DPs, the GoB decided to unify the two wings in stages, a move supported by the HPSS and the HPSP (Sundewall 2006). The intended benefits from unification included reduced project duplication; reduced wastage and administrative cost; improved monitoring; and joint planning and budgeting between DGHS and DGFP. By early 2000, the two wings were unified at the *upazila* level and below.

b) Introduction of CCs

CCs were expected to improve the efficiency of health service delivery at the end-user level. The health system at the village level prior to the HPSP included domiciliary services provided by FP workers, and both health and FP services provided at satellite clinics during scheduled sessions. The service delivery system at the grassroots level was costly, labour-intensive, and offered only a limited range of services. CCs were expected to replace outreach services with more cost-effective, extensive health and FP services at one location. The idea was to build one clinic for every 6,000 people at the village/ ward level, to be operated jointly by the GoB and the local community (Normand 2002). CCs would provide a range of essential health services free of charge, bringing FP, preventive health and limited curative services closer to the people. Out of a targeted 13,500 clinics, 11,159 were built between 1999-2001.

iv. Resistance to reform

From the outset, there was little ownership and acceptance of the two policies by some key stakeholders. Implementation efforts were unsuccessful, for both political and non-political reasons.

The unification process of the two wings was met with severe resistance from within the MoHFW, particularly from the FP wing. Contentious points included (Sundewall 2006; Osman 2004; BHW 2010):

- a) FP officials refusing to suddenly become accountable to health officials, thereby diminishing their own authority over FP services.
- b) The differing choice of birth control products preferred by the two wings, with FP programmes promoting oral contraception but the health wing emphasising clinical contraception.
- c) Disagreement stemming over the control of cash flow within the FP sector intended for various FP incentive schemes, which created opportunities in skimming money.

Thus, while DPs pushed for implementation, MoHFW struggled to overcome its own internal resistance. Interviews revealed that the FP officers' deteriorating morale disrupted FP service delivery, which in turn led to a stagnation of TFR during this period.

The case for CCs proved no different. Due to major opposition from various interest groups, CCs' intended benefits never fully materialised. Interviews with sector specialists provided various reasons as to why CCs did not function well (BHW 2010):

- a) The Bangladesh Nationalist Party (BNP), the main political party in opposition to the Awami League (AL), complained that CCs were introduced with a motive to distribute AL's political influence.
- b) A concern was that CCs would further enhance doctors' role and influence, when it was critical to increase the supply and capacity of other important service providers in the health system, such as nurses, medical technicians and administrators, among others.
- c) The wisdom of investing in village-level clinics was questioned, since health centre at the upper tier of union levels were not fully functioning.
- d) CCs threatened to limit door-to-door service provision and GoB's contact with people.
- e) Actual service delivery was hampered in many CCs due to shortage of medical supplies and equipment and absence of staff.
- f) Actual use of CCs by local people was low in some rural areas, since many women were reluctant to step out of their homes to visit the clinics.

v. Impact of policy reversal

The unification process and CCs were abruptly discontinued with the change of government in 2001, when BNP won the general election. The BNP government reversed the implementation process without any consultation with the DPs. In addition to the implementation constraints listed earlier, there was strong political opposition against HPSP, which was viewed as a "product agreed upon only between DPs and the AL Prime Minister at the time" (Sundewall 2006, p.3).

On top of the enormous suffering brought to healthcare recipients, policy reversal held serious implications for co-operation between the GoB and DPs, given that unification and CCs were two major conditions of DP support for HPSP (Sundewall 2006). DPs were taken by surprise at the sudden reversal of decisions and immediately raised their concerns. Their main objection was that the decisions had been taken without consulting them, and that the GoB lacked a clear basis for reversal (ibid). Consequently, there was a deadlock in dialogues between the DPs and GoB in 2003 and a temporary suspension of funds by certain DPs, including the WB, causing a 20% drop in the 2004/05 development budget, between the close of HPSP and initial disbursement under the next programme (WB 2010d).

The DPs promised to resume the credit as soon as the GoB presented an alternative reform agenda. The interim arrangement was to implement projects on an ad hoc basis, to fulfill essential sector needs with funding from the unspent HPSP balance (BHW 2010).

The DP community was itself in disagreement regarding what the next steps should be leading to incoherence in their dialogue with GoB. While some thought that tough action should be taken

against the government, others were more concerned about restoring the decline in confidence of DPs on the GoB. After almost three months, the credit suspension was lifted and confidence between the two parties was somewhat restored, when the MoHFW presented a comprehensive plan to carry forward reforms in order to achieve some of HPSP's main objectives (Sundewall 2006). However, the Ministry remained firm in its decision not to continue the two policies.

vi. Recent developments

The 2008 election was won by AL, which once again took up the initiative to resume CC services. The new DP-backed programme, HPNSDP, launched for the period 2011-2016, again supports the government-initiated policy to introduce health and FP services in 18,000 facilities (GoB 2011). In addition to repairing the 10,723 clinics that had been established earlier, a new set of 2,876 CCs is planned for construction (ibid, p.26). CCs will be staffed with three different service providers the Health Assistant and the Family Welfare Assistant, posts which existed when CCs were first introduced, as well as the new post of a Community Healthcare Provider (CHCP) that has been created to strengthen service delivery and generate employment. The recruitment of CHCPs is under a separate project¹ implemented outside of HPNSDP, with a budget financed by both the GoB and DPs. According to a MoHFW official, 13,000 CHCPs have been newly recruited and trained. It is envisioned that over time the domiciliary services will be replaced by fixed site services, although mobile healthcare will remain where necessary. Whether CCs can attain greater success this time around remains to be seen.

DPs have repeatedly identified the critical need for governments to strengthen ownership of their development policies as well as the need for greater inter donor coordination (Choudhury 2010; Third High Level Forum on Aid Effectiveness 2008). However, DPs have continued to support policies even in the absence of strong political commitments at the national level. This has led to whimsical policy revisions to the detriment of the people, especially the poor (Martinez 2008).

3.3.3 Politics, players and policy making

Bangladesh's health policy agenda has been driven largely by DPs, due to the lack of domestic consensus over the NHP. Attempts were undertaken to adopt an acceptable NHP in 1990, 2000, 2006, 2008 and 2011, based on constitutional obligations, global commitments and the needs of grassroots end users. To date, only the NHP 2000 and 2011 were formally approved. The policy approval process has invariably constituted a major political challenge, involving protracted controversies and debates that became an integral part of bitter traditions of bipartisan politics of Bangladesh. Conflicts of interest, among and within powerful interest groups have resulted in delaying, revising and blocking the NHP formulation process and its implementation (BHW 2010). Frequent policy revisions have disrupted the delivery system, indicating GoB's poor stewardship role in providing clear policy directions with pragmatic and sustainable strategies.

This section focuses on various attempts at revising the NHP to show how principal stakeholders - bureaucrats, politicians, medical professionals and civil society - have captured the policy making process to further their own vested interests. This section accordingly analyses the role of these

1 The name of the project is Revitalisation of Community Health Care Initiative in Bangladesh

stakeholders, the manner in which they wielded their power, the nature of politics and the mechanisms of their participation.

i. National Health Policy (NHP) 2000

In 2000, almost three decades after independence, Bangladesh approved its first NHP, formulated by the AL government² (Osman 2004)³. NHP 2000 was prepared in support of the HPSP, (which was also prepared by the AL government) and incorporated DP-initiated reforms that included the following:

- a) managing health and FP activities through SWAp
- b) introducing CCs
- c) unifying the health and FP wings of MoHFW.

However, NHP 2000 was never fully implemented and subsequent governments either revised or abandoned various parts of the policy. In 2001, after the change of government, the BNP regime reversed the integration process and discontinued CCs. The following shows the stand taken by various stakeholders toward the reversal of NHP 2000⁴:

Bureaucrats - In the BNP regime's early years, the bureaucracy held considerable sway over NHP 2000's implementation. Ministry officials, involved in the planning and implementation of HPSP and NHP 2000, during the 1996-2001 AL regime, were replaced by officials aligned with the BNP. They believed that integration marginalised the health sector's FP segment, when it was critical to uphold their responsibilities and independence. Successive health secretaries in the BNP administration were either explicitly against or passive to programme implementation, resulting in weak bureaucratic leadership within the ministry.

Politicians - Partial rejection of NHP 2000 can be attributed to the general culture of confrontational politics and intolerance, rather than any substantive ideological difference between the political parties. Ruling BNP leaders were firm in disowning NHP 2000 simply because it was formulated by the preceding AL government.

Medical professionals - The medical profession, represented by the Bangladesh Medical Association (BMA), favoured implementation of NHP 2000. There were two other major medical professional associations, which were aligned with each political party the Doctors' Association of Bangladesh (DAB), which supported BNP, and the *Shawdhinata Chikitshak Parishad* (SCP), which supported AL.

Despite the fractious nature of health politics, BMA, DAB and SCP commonly stood to benefit from integration and the establishment of CCs, as both enhanced the role of doctors in health sector development. Their support was reflected in a policy document prepared in 2004 by BMA, which later influenced the preparation of NHP 2006. However, the politicians and bureaucrats, who dominated the policy formulation process at the time, overrode their interest.

² The first NHP prepared during General Ershad's military regime in 1990 was not approved.

³ Before 2000, health sector guidance came from the Five Year Plans.

⁴ Adapted from Osman (2004) and Bangladesh Health Watch (2010)

ii. National Health Policy (NHP) 2006⁵

Given the BNP government's fallout with DPs over the HPSP implementation, and the ongoing preparation for HNPS, NHP 2000 was no longer a relevant policy document. At the initiative of MoHFW, in July 2003, a 58-member core NHP formulation committee was formed to redraft the health policy. In August 2006, three years after the revision process started, the Ministry approved the draft policy, but it never reached the cabinet level for approval. Because of the upcoming general elections, the government had other priorities, and the draft fell by the wayside.

The little ideological difference between the BNP and AL governments was reflected in the similar policy proposals within the two respective documents. In terms of policy directions, NHP 2000 was more generic than the NHP 2006 draft, but variations between the two regarding major policy issues were quite negligible, such as the continuation of SWAp. Ironically, NHP 2006 contained the very policies that the BNP government had previously rejected - it proposed unification of the health and FP wings as a key health sector target and contained similar provisions for establishing CCs. Without mentioning "community clinics" and facilities "for every 6,000 people", NHP 2006 proposed the establishment of ward level "first contact centers", which would serve the same purpose as CCs (BHW 2010). This highlighted a major contradiction between the BNP government's policy proposal and its practice, given that the government had earlier abandoned the very same policies it later recommended.

Stakeholder participation in the NHP 2006 preparation included:

Politicians - BNP politicians were committed to reversing NHP 2000, which led to the redrafting of the health policy. Eventually, NHP 2006 was not approved because, according to a bureaucrat, health policy formulation had ceased to be a political priority.

Medical profession - The NHP 2006 formulation process was strongly influenced by the medical profession, which grew in influence in the latter half of the BNP regime. According to various former bureaucrats and doctors interviewed, the BNP-backed DAB emerged as a powerful body influencing important Ministry decisions and holding pervasive partisan control over appointments, transfers and promotions within the MoHFW. NHP 2006 drew heavily from BMA's 2004 policy document. Moreover, both documents were prepared by a common group of BMA representatives.

Bureaucrats - By the second half of the BNP regime, when the policy revision exercise started, the influence of bureaucrats in the policy making process had declined considerably. They were no longer as active during the 2006 process, as they had been with the preparation as well as the reversal of NHP 2000.

Civil society - The 1990s witnessed the gradual emergence of a civil society movement in Bangladesh, but their influence was not evident in the NHP 2006 formulation process. The steering committee for NHP 2006 included some NGO representation, such as *Gonoshasthya Kendra* and Heart Foundation, but their role was limited.

5 Adapted from Bangladesh Health Watch (2010)

iii. National Health Policy (NHP) 2008⁶

An interim CTG installed in 2007 with the mandate to hold parliamentary elections decided to update NHP 2000, late into its administration. The policy formulation process began in August 2008, with a draft prepared in October 2008. Explaining the necessity for the update, a member of the policy formulation process stated that since NHP 2000, significant contextual changes had taken place that needed to be incorporated in the policy. The main features of NHP 2008 was the continuity of certain elements of NHP 2000, with some new additions such as climate change related health risks and mitigation measures, medical waste management and a stewardship role for the government.

The NHP 2008 formulation committee aimed at securing policy acceptance by all groups so that implementation could continue regardless of which political party formed the future government. It therefore, excluded controversial issues, such as the merger of health and FP wings and CCs. It was decided that specific strategies could be dealt with at a later stage. However, since NHP 2008 was primarily prepared by bureaucrats, representing a nonparty interim government, the document did not carry much credibility with some of the other important stakeholders, and it was not placed for cabinet approval.

Stakeholder participation in the 2008 policy preparation included:

Bureaucrats - This time the revision exercise was led and initiated by bureaucrats.

Civil society - For the first time, the civil society played an active role in NHP preparation. Workshops with NGO participation were held and the draft NHP was made accessible to the general people, facilitating deeper engagement by the civil society.

Medical profession - BMA strongly rejected the draft, issuing press statements and holding consultations with various organisations to express their dissatisfaction. There was no BMA representation in the advisory committee although the acting president of BMA was included in the steering committee. BMA as an association was mainly concerned that it was not made a more integral part of the process and questioned the CTG's legitimacy in formulating a health policy.

Politicians - Involvement of politicians aligned with the BNP and the AL in the formulation process appeared to be almost non-existent, due to the banning of all forms of overt political activities during the CTG regime.

iv. National Health Policy (NHP) 2011

The general election in 2008 once again brought AL to power with the pledge to update NHP 2000 (Election Manifesto of Bangladesh Awami League 2008). Three years into the government's tenure and nine months after cabinet approval, a revised NHP was formally presented in the Parliament in May 2012 (BDNews24 2012).

According to a MoHFW official, NHP 2011 formulation was considered the completion of a process that was started with the CTG, although the AL government had created a new formulation

6 Adapted from Osman (2004) and Bangladesh Health Watch (2010)

committee to prepare the NHP. Similar to NHP 2008, NHP 2011 was prepared with extensive stakeholder consultations at various stages, including district level workshops, consultations with related ministries, and online posting of draft for feedback.

The policy once again included the revival of CCs. CCs has already started operating under HPNSDP, the new sector programme, and with the introduction of a new CHCP post, service delivery is slightly different from that originally envisioned in HPSP.

In another major development, the NHP recommended the introduction of a compulsory two-year internship for medical graduates, with a year spent in a rural facility, albeit in phases and subject to available resources. Executing this policy, however, will be a major challenge for the GoB.

Stakeholder participation in the formulation of NHP 2011 included:

Bureaucrats - The MoHFW bureaucrats led the policy formulation process.

Medical professional - According to media reports, the main opposition to NHP 2011 came from BMA, particularly to the policy advocating compulsory rural internship of medical graduates (BDNews24 2012). BMA's opposition was overturned by the Prime Minister's personal insistence on this issue when the draft was placed for approval. However, due to hard and persistent bargaining by BMA, the policy was softened such that internships would be subject to available funding. Negotiation with BMA delayed the formal presentation of the document in the Parliament

Civil society - There was considerable effort to engage the civil society, who welcomed the new policy. Workshops held across the country, included representatives of various civil society groups, the media and the NGOs. Moreover, the general public was invited to provide feedback on the draft policy posted on the Ministry website.

Politicians - Although members of the opposition were included in the larger national committee, they did not participate in the policy formulation process itself, nor provide any formal feedback. Since the policy was not debated in the Parliament, there was also no other scope for active engagement by the political parties in opposition.

What are the chances that NHP 2011 will be continued without interruption, should the next general elections bring the opposition political party to power? According to a ministry official, this time round there had been no substantial opposition to the introduction of CCs. However, past trends have shown that policy sustainability depends on the lifespan of the government that introduced it and therefore, the future of CCs may be uncertain yet. Whether the policy for compulsory internship of medical graduates can be implemented at all depends on the political will to overcome the strength of BMA.

A former bureaucrat was of the opinion that the GoB, accepting its limitations in managing the health sector, has "played smartly" to allow DPs, as well as NGOs and the private sector to take the responsibility in areas where GoB lacks capacity, be it service delivery or stewardship and coordination of health programmes. Unfortunately, confrontational politics and anti-incumbency responses have dominated Bangladesh's health sector policy arena, an area where the GoB does

take responsibility. The GoB's leadership and commitment to policy and reform are vital for health sector development. However, frequent policy revisions have weakened ownership and the capacity for implementation and public service delivery. In the absence of a health policy endorsed by key stakeholders, the health sector is run without a consistent strategic direction and service delivery is subject to disruptions as the government changes. Unless these issues are addressed, reliance on DP guidance will continue in future health policy planning and implementation.

3.3.4 Governance weaknesses affecting policy ownership

Good governance requires the commitment and capacity to formulate health policies and implement stated policy objectives, which has been traditionally missing in Bangladesh's health sector. Improving governance to ensure policy continuity and stronger ownership is a continued as yet, the most serious challenges for the health sector. This section identifies four major areas of misgovernance preventing the GoB from assuming a more dominant role in policy management; bringing greater consensus to strategy formulation, implementation and monitoring; and building capacity to improve service delivery.

i. Public administration deficiencies

A highly centralised and bureaucratic public administrative system, where policy ownership is tied to a few senior cadres of civil servants with little accountability, has made it easy to revise policy and halt or restart the implementation, whenever a new government takes over (Buse 1999). According to academicians and former bureaucrats interviewed, DPs have increasingly engaged with very senior cadres of civil servants in matters of policy. This reflects the concentration of decision-making power among a few and the diminishing capacity at other levels of the bureaucracy. Planning capabilities of the bureaucracy are further affected by an excessive emphasis on project formulation and approval; and not enough on sector wide planning. An academician stated that the mindset of the present day bureaucracy is such that they do not want to negotiate with DPs and would rather accept plans and strategies prepared by them. Weaknesses in governance in the public administration can also be attributed to partisan political influence; nepotism; widespread corruption and, an unfavourable incentive system, among others (Kim and Mobasser 2008; Buse 1999).

ii. Lack of consistent political support

The nascent nature of political institutions, absolute power of the ruling party, confrontational nature of politics, lack of political commitment and the absence of an environment of trust among political parties have impaired the quality of governance in health policy making. Policies are neither approved nor discussed in the Parliament, allowing the executive a predominant influence over the policy making process. Ownership over the development process varies according to the discretionary will of the political party in power. Moreover there is little effort made in developing matured, bi-partisan approaches to policy making. Thus, policies are never owned or accepted by the opposition political party.

iii. Absence of feedback mechanism

Absence of an effective system for stakeholders and the community to ensure greater accountability from public officials has contributed to governance failings. The feedback mechanism is weakened by a top-down approach prevalent in public service delivery. Therefore, accessing a health service may depend on the local standing and connections of the service recipient.

A former bureaucrat observed that if service providers have any accountability at all, then it is to DPs financing health programmes. Currently, there is little the DPs can do to ensure accountability, other than carry out audits designed to capture leakages. At most they can penalise the government by withdrawing project funds or by seeking compensation for the misuse. The WB's temporary suspension of funds, following GoB's halting of policy implementation was one instance to hold GoB accountable. However, this did not ensure a return to DP supported policies.

iv. Civil society as watchdog

The civil society, represented by NGOs, academics, former civil servants, etc., is slowly emerging as a pressure group. However, health activism in Bangladesh has not fully matured because of the following reasons (Osman 2004):

- a) NGOs as a key constituent of civil society are mostly project based and less active in the macro policy level.
- b) Absence of a participatory political culture prevents NGOs from being a powerful aid to the policy. The government's policy reversal on integration was facilitated by the lack of public information on the 2006 policy process and on the shortfalls of HPSP.
- c) NGOs tend to consider themselves more as government's partner in development than its watchdog.

3.3.5 Way forward

To achieve policy continuity, faster implementation, better institutional coordination, and ultimately more citizen-focused service delivery, the governance challenges discussed in the previous section need to be addressed. Although DPs have initiated sectoral reforms, unfortunately, there has not been substantive and systematic governance reform that was badly needed in the health sector. The way forward is not easy and will involve long-term, persistent effort by all stakeholders to improve the quality of governance, based on an understanding of the political context. Taking these into consideration, the chapter offers the following recommendations to strengthen health sector governance:

i. Political will

To free the health policy formulation process from politics and vested interests will require strong political commitment to enforce necessary governance reforms. Important steps to create a common political will would include: (i) political leaders regularly and actively participating in health policy debate within and outside the parliament; (ii) developing understanding amongst political leaders of credible health indicators to demonstrate the extent of the problem; (iii) organising large scale focus

events to mobilise support for health related issues; and (iv) presenting clear, alternative solutions to the problem (Overseas Development Institute 2007; Kim and Mobasser 2008).

ii. Consensus building

Building stakeholders' political consensus is critical for ensuring health policy continuity. Currently, there is little space for all stakeholders to get actively involved in policy dialogue. There are no parliamentary discussions over a proposed policy, making it easy for the political opposition to disown or revise health policy. What is needed is a concerted, ongoing effort for a joint stakeholder dialogue, with adequate representation from the political opposition, and an understanding of the division of labour among the different groups. The role of DPs and terms of external financing should be a key part of stakeholder discussion.

iii. Stronger civil society

It is important for citizens, social groups and media to hold public officials accountable for health service delivery. Collective action by civil society groups, which include service beneficiaries, and particularly the poor, might play the necessary role in offsetting the arbitrary actions of ruling parties and pressurising health service providers and policy makers to address their concerns and improve service delivery (BHW 2010).

iv. Civil service reform

Civil service reform, to create a more accountable, depoliticised administration, is urgently needed to improve health service delivery. Reform focus should include: (i) retaining institutional memory for better health sector planning, monitoring and coordinating; (ii) effective functioning of the sectoral regulatory bodies; and (iii) building motivation through performance based pay, promotions and posting.

V. Policy analysis

The GoB does not undertake regular health policy analysis, and therefore, there is little recognition or assessment of policy failure or success. The government's policy formulation typically involves outlining broad thematic areas, but not strategic planning. The GoB should establish a separate wing assigned for policy research to ensure that health policy formulation or revisions are based on technical evidence and to improve the quality of engagement between the DPs and GoB. In addition to establishing goals and targets, health policy planners should devise strategies and design institutional arrangements to manage interest group pressure e.g. creating alternative options to build a common ground, making strategic use of the media, creating coalitions, engaging the opposition in technical debate, etc.

vi. Role of DPs

DPs' development strategy in Bangladesh has not introduced sufficient political consideration in policy discourse. DPs should undertake regular political analyses to generate knowledge and provide a shared language and understanding of the impact of political and institutional context. As a routine practice before all major investment decisions are taken, this would improve aid effectiveness by highlighting risks of alternative strategies and investments, thereby helping set a realistic approach to implementing reforms (Ahmed 2008).

3.4 Education sector

This section looks into the education sector to examine the dynamics of external stakeholders' influences. To establish a sense of history and context of the sector, the analysis commences with a brief sector overview profiling the primary education structure, its national vision and achievements and challenges towards ensuring universal primary education for all children in Bangladesh.

The section then proceeds to identify national players and explain the underlying politics involved in the education policy process. A detailed analysis of development partners' influence in the primary education policy process and the resultant implications then follow. We conclude the analysis with suggestions on how policy ownership can be ensured for a sustainable quality of primary education for every child in Bangladesh.

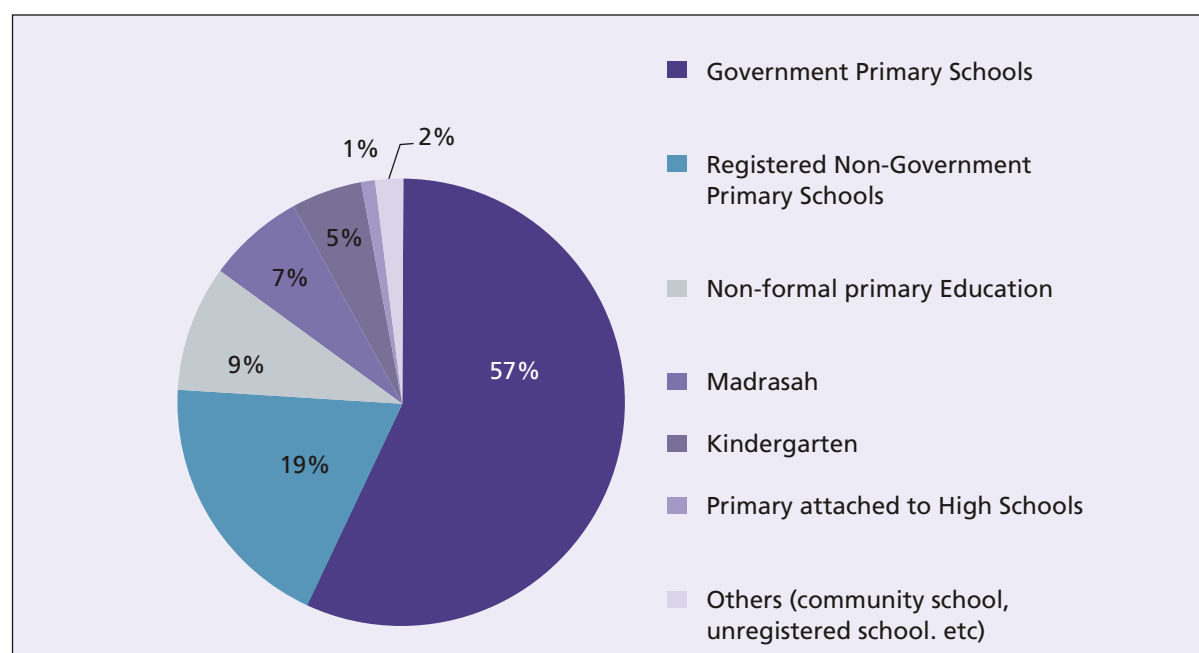
3.4.1 Sector overview

i. Primary education structure in Bangladesh

The provision of primary education in Bangladesh is carried out through five years of schooling from class 1 to class 5, with the official schooling age for primary education being 6 - 11 years. There are 78,685 schools in total, comprising ten types of formal primary schools and *madrasahs* (GoB 2011a).

While the government assumes the fundamental responsibility for primary education, the educational needs of the marginalised are largely catered to by NGOs through the non-formal primary education (NFPE) (see Figure 3).

Figure 3
Providers of primary education in Bangladesh



Source: Consortium for Research on Educational Access, Transitions and Equity (CREATE) 2011

The Ministry of Primary and Mass Education (MoPME) and its attached Directorate of Primary Education (DPE), are responsible for four types of formal primary schools, while the Ministry of Education (MoE) oversees certain primary schools like *ibtedaye madrasahs* and primary schools attached to high schools.

Other schools including kindergarten, and non-registered and non-government schools with large enrollment, operate outside the government institutional framework. The National Curriculum and Textbook Board, under the MoE, develops curriculum and produces textbooks for primary education (Asian Development Bank [ADB] 2008). However, according to a well known expert on the subject, this parallel operation of two ministries without any effective mechanism for coordination has had a considerably adverse impact on the administration and management of primary education in Bangladesh.

ii. The vision for primary education

The founding Constitution of Bangladesh of 1972 envisioned the provision of free and compulsory primary education for all eligible children [Article 17 (a) (b) (c)]. In order to reflect the constitutional aspiration and thus open up primary education for the masses, a number of acts and executive orders were passed by successive governments.

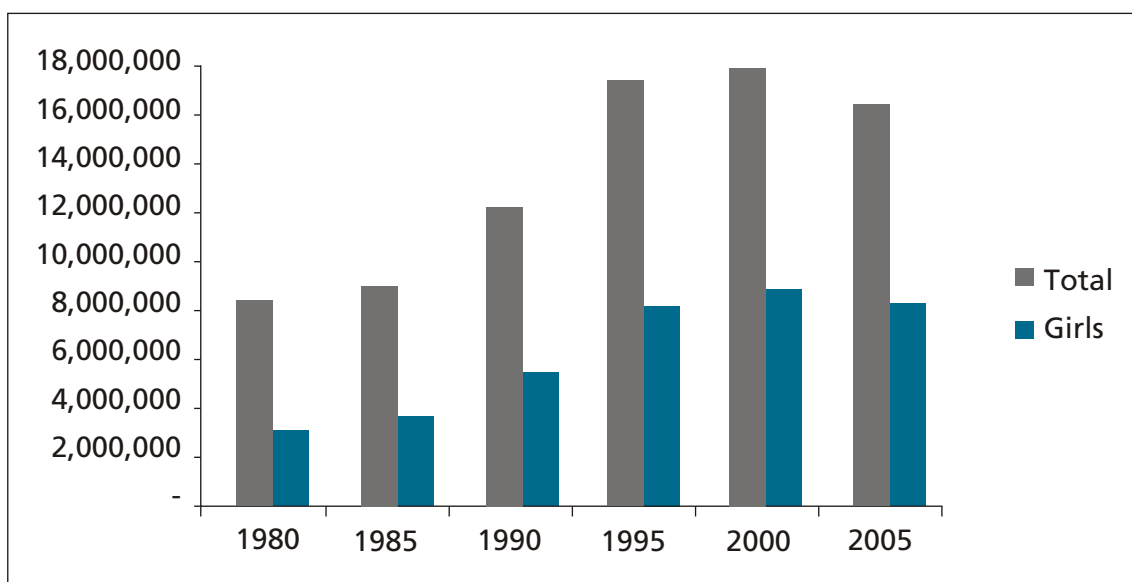
In addition, some international goals have also had an impact in defining the vision and setting agendas for ensuring universal primary education for all children in Bangladesh. For instance, the international goals set at the World Education Forum (WEF)'s Education for All (EFA) conferences held in Jomtien in 1990, in Dakar in 2000 and at the United Nations (UN) millennium gathering in New York in 2000, were reflected in national plans of GoB.

iii. Major achievements and challenges in primary education

Bangladesh has achieved significant progress in primary school enrollment, including gender parity. The country has already met the Dakar and the MDG targets of achieving gender parity by 2005 (United Nations Educational Scientific and Cultural Organisation [UNESCO] 2009). Female students enrolled in primary education institutions made up about half of the total students in 2005 compared to around 35% in the early 1980s (WB 2008).

The number of children enrolled practically doubled from about 8.9 million to over 16 million between 1985 and 2005 (see Figure 4). The average rate of enrollment increase was 1.4 % per year between 1998 (77%) and 2005 (86.8%). Thereafter, the net enrollment slightly fell to 86.4 % in 2008 and remained stagnant (Ahmed and Haque 2011); a fall attributed to the decline in the primary school age population between 2000 and 2005. Significantly, the proportion of out of school children declined from 23% in 1998 to 13.6% in 2008. One striking achievement of the sector concerns the elimination of the gender gap in primary education enrollment.

Figure 4
Trend in primary education in Bangladesh



Source: WB 2008

Despite these relative success stories, the primary education sector's overall performance was compromised by poor education quality and high drop-out rates. These setbacks are especially acute among children of poor families (ibid). Additionally, poor retention rates, widening social inequities and a weak human and financial resource base for primary education development highlight systemic and institutional gaps, highlighting disconcerting faultlines that threaten to derail a promising future. Bangladesh is currently ranked 112 out of 127 countries in the 2011 EFA Development Index (UNESCO 2011).

3.4.2 Politics, players and policy making

Even from a cursory observation, class and political dynamics are evident in the primary education sector. The co-existence of three separate curriculum streams illustrates these class dynamics. A vernacular based secular education carried over from the colonial past accommodates children of lower-middle and middle class families. A religion-based education draws the poor families' kids who are provided free food, education and lodging. Finally, an English medium stream attracts children from affluent families primarily from urban areas. The diverse streams of primary education provided by diverse actors are likely to have different impacts on individuals and society (Ahmed and Haque 2011).

It is critical to reiterate that these multiple providers basically emerged as a response to major deficits in democratic political governance in Bangladesh. Their continuing existence and influence have created enduring legacies, which are difficult to wish away in the short run. In the words of a primary education sector expert, the time has come to reduce discrimination gradually among the different streams of primary education.

Furthermore, the secular educational curriculum, which is designed for the majority of children in the country, is manipulated by the pervasive influence of party politics. The two leading political parties have consistently tried to revisit the social science curriculum to prove the significance of their role in the Liberation War. This political bias has led to distortions of historical facts and presentation of inaccurate information in the curriculum. Furthermore, it teaches children two competing histories and thus, induces future generations to particular party lines, to the detriment of national interest and solidarity.

Party politics has further created a continuing stalemate on national policy in the education sector. For instance, the AL government prepared a National Education Policy (NEP) in 2000, which was scrapped with a change of government following the elections in 2001. The NEP 2010 was again adopted in the parliament in December 2010, but in the absence of the principal opposition party (The Daily Star 2010).

Along with these internal political actors, the bureaucrats and the school teachers are very active in the primary education policy domain in Bangladesh. Reforms in primary education have faced resistance from them (Haque 2009). They emerged as powerful interest groups in the aftermath of nationalising all existing primary schools by the government in early post independence years which bureaucratised the sector and created a massive corps of teachers as public employees.

Resistance of these interest groups and the long-standing vacuum and uncertainty of national education policy open the floor for other players, most likely the development partners, to intervene in the education policy domain. The following sections examine their influence in the Primary Education policy process in Bangladesh.

3.4.3 Dynamics of external influence

This analysis is organised around three simple themes: the rationale for external intervention; the key DP actors involved; and the mode and nature of the influence.

i. The rationale for external intervention

The rationale for external involvement in the education sector stems from both national priorities and international perspectives. The emphasis on primary education as a means to tackle widespread illiteracy during the formative period after independence called for additional resources. Since the government had to spend 96.7% of the education budget for paying salaries of the teachers in government primary schools and grants for salary subvention for non-government primary schools (Behrman *et al* 2002), very little resource remains to finance primary education development which entails national dependency for external financial support.

This created a legacy of dependency on external funding in the primary education system, through aid, loans, and grants, which accounted for around 30% to around 80% of the total development cost during the last two decades (see Table 5).

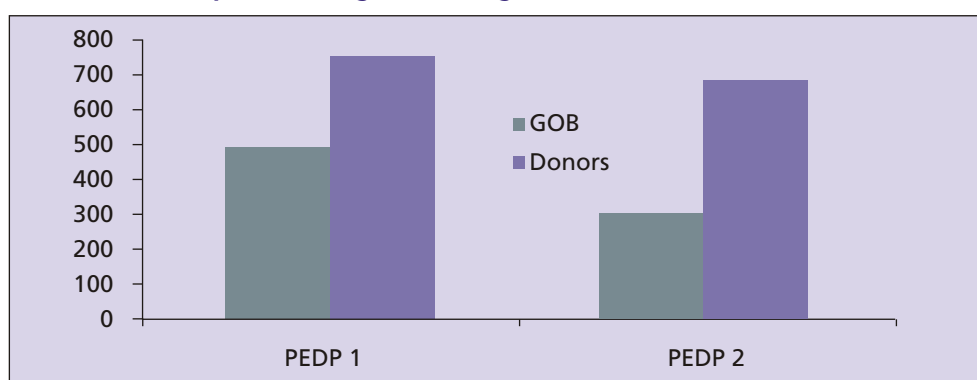
Table 5
Sharing programme/project cost by the government and the DPs

Name of the programme/project	Total cost	GoB	Development Partners (DPs)
General Education Project (GEP)	US \$ 335.51 million	US \$ 68.89 million (20.53%)	US \$ 266.62 million (79.47%)
First Primary Education Development Programme (PEDP 1)	US \$ 2762.78 million	US \$ 2010.78 million (72.22%)	US \$ 752.00 million (27.78%)
Second Primary Education Development Programme (PEDP2)	US \$ 1815.00 million	US \$ 1161.00 million (64%)	US \$ 654.00 million (36%)
Third Primary Education Development Programme (PEDP 3)	US \$ 7357.93 million (excluding discrete project costs BNFE)	US \$ 6302.43 million (85.65%)	US \$ 1055.50 million (14.35%)

Source: GoB 1996; GoB 2003; ADB 2011; GoB 2011b

Although, ostensibly about 70% of development financing of the PEDP 1 and PEDP 2 came from the government, its counterpart funds⁷ are less than that of DPs. A comparison of counterpart funding between the government and the DPs of PEDP 1 & 2 is illustrated in Figure 5.

Figure 5
Counterpart funding between government and DPs in PEDP 1 & 2



Source: GoB 2003 and ADB 2011

In addition to funding requirement, DPs have been providing the government with technical assistance to tide over capacity gaps. For instance, ADB granted the GoB technical assistance costing US \$ 9.9 million for the period from February to July 2009, to prepare the primary education sector development programme (ADB 2008).

The primary education system's need for external support received a boost because of international financial institutions' shift in focus to support for education in the early 1980s. To quote an example: during 1963 - 1980, the rationale for the World Bank's lending in education was

⁷ Counterpart fund means the ratio of the funding of the government and the development partners for the same activity. For instance, although GoB's share of financing in PEDP 2 was US \$ 1,161 million its counterpart funds against the development partners' were only US \$ 297 million and the remaining US \$ 864 million was for the stipend project.

manpower planning, which had no reference to primary education. The 1980 Education Policy Paper drafted by an external advisory panel, led the Bank to shift focus away from higher to basic education as a strategy to protect the poor (Heyneman 1999).

Since then, primary schooling has been acknowledged as providing better access to formal and informal sector employment for poor households and encouraging behavioural change, particularly in the areas of health, nutrition and fertility. This realignment made a significant impact on aid policy (Colclough and De 2010). For instance, the WB, in the aftermath of the EFA Conference in Jomtien, increased lending for primary education by 360% from the 1986 to 1990 period to the 1991 to 1998 period (\$809 million annually) and the percentage of bilateral education grants devoted to basic education tripled between 1989-90 and 1994-95 (Alexander 2001).

The shift of international support towards primary education made Bangladesh a principal candidate for external support. Of the global total of 145 million children of primary-school age out of school in the late 1980s, about 60% were from four countries India, Bangladesh, Pakistan and Nigeria (Colclough and De 2010).

ii. Key development partners involved

A wide range of DPs, including both bilateral countries and multilateral financial institutions have been involved in Bangladesh's primary education sector since the early 1980s (see Table 6) and across the administrative levels from central to sub-cluster level (see Table 7).

The inception of their involvement was marked by the International Development Agency (IDA)'s 'Universal Primary Education (UPE)' project during the Second Five-Year Plan period (1980 - 85). Simultaneously, GoB undertook the 'Universal Primary Education (National)' project with its own finances. United Nations Development Programme (UNDP) and UNESCO also provided financial assistance to these projects which targeted to improve the infrastructural facilities, distribution of textbooks and training of teachers for primary schools (Rabbi 2006; Ahmed 2012).

Table 6
Involvement of development partners in last three decades

Period	Name of the project/ programme	Donor involvement (singly/jointly)
1981 - 85	Universalisation of Primary Education (UPE) project	WB, UNESCO, United Nations Children's Fund (UNICEF)
1985 - 90	The Second Primary Education Project (SPEP)	WB, UNICEF, Swedish International Development Agency (SIDA), UNDP, UNESCO
1991 - 96	General Education Project (GEP)	IDA, ADB, Norway, SIDA, UNDP, United Nations Population Fund (UNFPA), UNICEF, Norwegian Agency for Development Cooperation (NORAD), German, Juvenile Diabetes Research Foundation (JDRF), Canadian International Development Agency (CIDA)
1993 - 2000	Food for Education (FFE)	World Food Programme (WFP)

Period	Name of the project/ programme	Donor involvement (singly/jointly)
1997 - 2002	First Primary Education Development Programme (PEDP 1)	ADB, Islamic Development Bank (IDB), Germany, Norway, Sweden, United Kingdom, UNFPA, UNICEF, World Bank
2004 - 11	Second Primary Education Development Programme (PEDP 2)	ADB, IDA, Department for International Development (DFID), European Commission (EC), the Netherlands, Norway, SIDA, Japan International Cooperation Agency (JICA) CIDA, UNICEF, Australian Agency for International Development (AusAID)
2011/12 - 2015/16	Third Primary Education Development Programme (PEDP 3)	ADB, WB, DFID, European Union (EU), AusAID SIDA, CIDA, JICA, UNICEF, the Netherlands

Source: Based on information provided by DPE, MoPME

DPs also joined hands with the GoB's innovative FFE programmes, which were designed to encourage low-income household parents to send their children to schools, increase school enrolment, promote school attendance and reduce the drop-out rate.

The WFP financed a National School Feeding Programme jointly with the government, which was introduced in the 87 highest poverty prone *upazilas* selected, based on the poverty map from Fiscal Year 2009-10. Two similar programmes namely, FFE Programme (2007-2010) and School Feeding Programme (January 2009 to June 2013) were also undertaken in certain poverty prone and remote areas of Bangladesh, with the assistance from the WFP and the EC respectively (Centre for Policy Dialogue [CPD] 2010).

DPs also played a major role in designing and implementing primary education strategic programmes. The PEDP 1 was highly influenced by the WB and the PEDP 2 by ADB, mainly in the form of Technical Assistance (TA). In an interview with this study's authors, a mid-level primary education executive working at DPE, opined that the use of DPs' TA in designing and preparing primary education programmes would diminish national ownership.

Table 7
DPs activities across the administrative levels of primary education

Level	Development partners	Main Activity
DPE/central	ADB, IDA, NORAD, DFID	Management, Management Information System (MIS), Human Resource Development (HRD)
Division	ADB, IDA	Access, quality
District	UNICEF, German Development Cooperation (GIZ)	Teaching training
<i>Upazila</i>	NORAD, UNICEF, GIZ, ADB	In-service teacher training, <i>Upazilla</i> Resource Centres (URCs)
Sub-cluster	NORAD, ADB and IDA, through DPE	Sub-cluster in-service teacher training

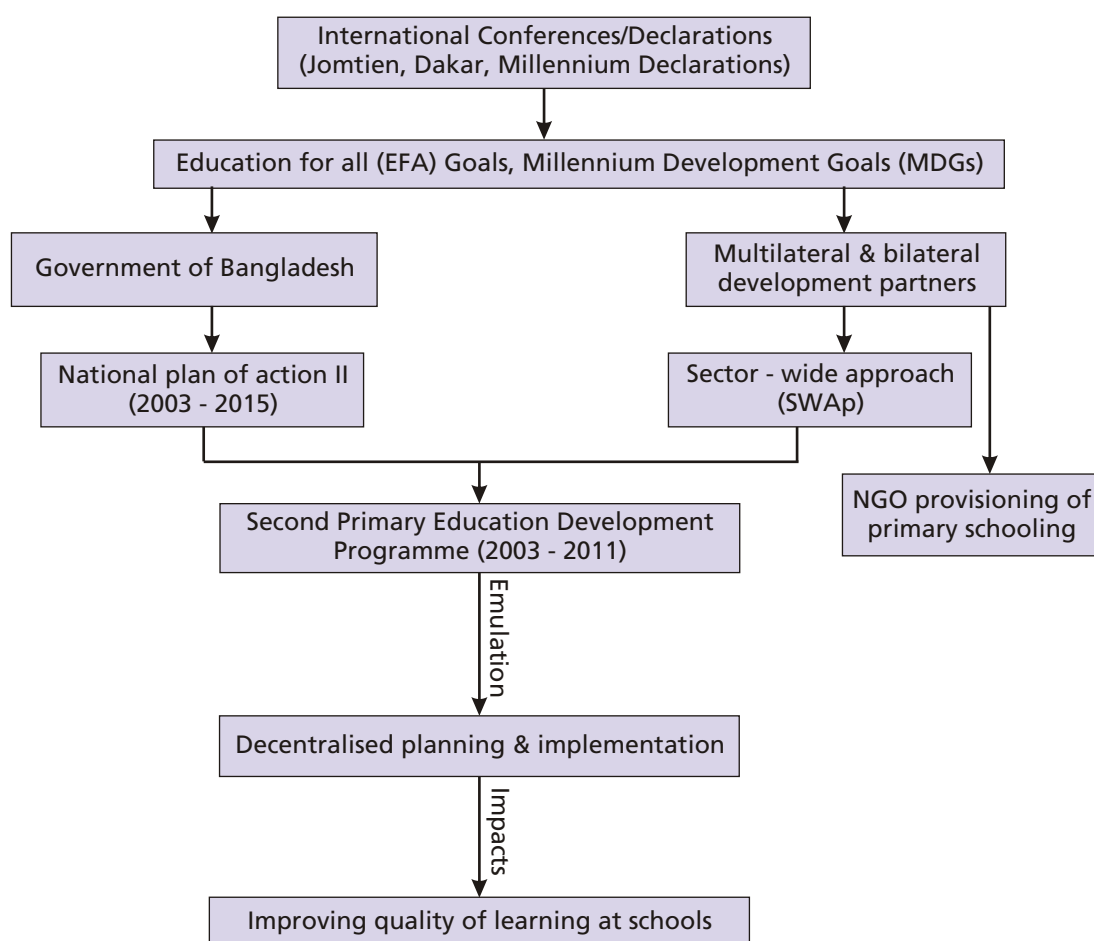
Source: USAID 2002

iii. The mode and nature of external influence

The mode and nature of the DPs' influence has taken the form of emulation⁸ in the primary education system (see Figure 6) which transfers DPs' funds and policy agenda through the consecutive primary education development programmes. Two development programmes such as PEDP 1 and PEDP 2 have already been implemented and the PEDP 3 is being carried out at present. The engagement of DPs, more specifically multilateral development banks such as the WB and the ADB, in the preparation and implementation of programmes significantly impacts the policy domain.

A prominent avenue for the multilateral agencies to push the policy agenda in primary education is international conferences; and three such international gatherings have proved to be the most influential in shaping the country's policies for Primary Education (see table 8).

Figure 6
External influence in primary education policy process and its impacts



⁸ Dolowitz and Marsh (2000) identified four different degrees of policy transfer: copying, which involves direct and complete transfer; emulation, which involves transfer of the ideas behind the policy or programme; combinations, which involve mixtures of several different policies; and inspiration, where policy in another jurisdiction may inspire a policy change, but where the final outcome does not actually draw upon the original.

Table 8
Influence of international declarations on national policies

International Goals/Targets	Their imitation in national policies
World Conference on EFA (Jomtien, 1990) EFA Goals: Goal 1: Universal access to learning Goal 2: A focus on equity Goal 3: Emphasis on learning outcomes Goal 4: Broadening the means and the scope of basic education Goal 5: Enhancing the environment for learning Goal 6: Strengthening partnerships by 2000	Compulsory Primary Education Act 1990: Compulsory primary education programme introduced in 68 <i>Upazilas</i> in 1992 and was expanded all over the country in 1993. A separate Primary and Mass Education Division (PMED) was created in 1992 National Plan of Action (NPA) I 1991-2000: The aim of the NPA I was “to enhance both their quantitative and qualitative dimensions and also take up other feasible supportive programmes to attain the EFA 2000 targets” successfully. The actions proposed in the NPA I would “be dealt with two broad programme categories, (a) Primary Education and (b) Mass Education”.
World Education Forum (Dakar, 2000) Dakar Framework of Action Goal 1: Expand early childhood care and education Goal 2: Provide free and compulsory primary education for all Goal 3: Promote learning and life skills for young people and adults Goal 4: Increase adult literacy by 50% Goal 5: Achieve gender parity by 2005, gender equality by 2015 Goal 6: Improve the quality of education	NPA II 2003-2015: The aim of the NPA II is to “all primary school-age children (6-10 years), boys and girls, including ethnic minorities, disadvantaged and disabled, should be enrolled and successfully completing the primary cycle and achieving quality education by considering the gender equality. PMED was upgraded into a full-fledged ministry in 2003. Poverty Reduction Strategy Paper (PRSP) October, 2005: It was an eight point strategic agenda where the third point was on Quality Education (particularly in primary, secondary and vocational levels with strong emphasis on girls' education).
The Millennium Declaration (UN, 2000) MDGs Goal 1: Eradicating extreme poverty and hunger Goal 2: Achieving universal primary education Goal 3: Promoting gender equality and empowering women Goal 8: Developing a global partnership for development	

a) Finding a common cooperation modality

DP involvement in the education sector in post independent Bangladesh broadly took two forms, namely the project-based approach and the programme-based approach (PBA). The project-based approach aimed to achieve quick gains and was dominant until 1997. However, this approach fell out of favour due to two reasons (Ahmed 2011).

Firstly, though short-term impacts were often generated from these projects, this approach did not create local ownership, which hampered the longer-term effectiveness of the projects. Secondly, the sheer magnitude of coordinating and monitoring large numbers of individual projects through donor imposed disbursement and accounting procedures created parallel channels and weakened the government's own procedures. Furthermore, projects created considerable duplication in an uncoordinated and crowded development landscape (Save the Children 2009).

These developments led to the creation of the Primary Education Development Programme in 1997, now known as PEDP 1, as a PBA. PBA consists of an umbrella of myriad projects that are formally coordinated to deal with multiple issues involving multiple DPs. However, lack of donor coordination and unclear operational arrangements with the government created a new set of challenges. Each development partner had its mandate to set goals, disburse funds, and show progress and achievements working with or around government. Furthermore, PEDP 1 did not operate as a management unit having no forum of government and DPs for advising or making decisions or ever for regular consideration of issues. DPs used to participate in a regular information-sharing group without the government (United States Agency for International Development [USAID] 2002).

To mitigate this issue, sector-wide approaches (SWAp) in Health and Education were mooted as a strategy to achieve greater coherence in their approaches to providing development assistance. The defining rationale for SWAp was that “all significant funding for the sector supports a single sector policy and expenditures programme, under Government leadership, adopting common approaches across the sector, and progressing towards relying on Government procedures to disburse and account for all funds” (Brown *et al.* 2001, cited by Smith 2003).

On the SWAp premise, PEDP 2 was designed and implemented to overcome the weak coordination and duplication that impeded the PEDP 1 implementation. A macro plan for PEDP 2 was prepared with the involvement of the concerned ministries, directorates and DPs (Ahmed 2011), intending to integrate the PEDP two programme within the MoPME and DPE's organisational and operational systems.

This would ensure that policy, procedures, processes and resources were harmonised to support project activities and also facilitate institutionalisation and sustainability. Participating DPs of PEDP 2 created a Project Liaison Unit within the ADB to manage the programme, while the Government created a single Programme Management Unit (PMU). For monitoring the progress made under SWAp, JRM's were held biennially.

Civil society advocates, primary education functionaries and donor consultants expressed a common view to the authors that SWAp has been the right modality for primary education development in the country. Due to SWAp, no donor can push individual agendas; rather they are compelled to fit their individual agendas into the overarching programme.

Nevertheless, SWAp has been a sub-sector approach in reality (Ahmed 2011), as it could not effectively address the total Education sector's diversity and complexity at the national level. For instance, PEDP 2 included four types of schools, namely, government primary schools (GPS), registered non-government primary schools (RNPS), non-registered non-government primary schools and some other schools (ADB 2011). The remaining six types including NGO schools, remained out of the programme coverage. The reasons, according to a key informant, were the dominance of foreign consultants and the non-consultation with the civil society members at the programme design stage.

Furthermore, DPs have had room to influence the policy process. Analysts point to the gaps between the existing national capacity and the SWAp's required capacity to design policy and programme. SWAp calls for a higher level of capacity in decision making especially relating to

planning, prioritising and performance monitoring. It also calls for capacity for high-level policy dialogue with the DP, which the government lacked.

Hence, there is a need for building capacity within state representatives to negotiate with the DPs. This capacity would also need to be backed up by departmental ownership and sector specialisation by staffing the Ministry and the Directorate with strictly career primary education bureaucrats.

However, it was not just financial support that the DPs brought on board, as they were also instrumental in influencing certain policy directives with reaching consequences. We now proceed to examine one such key agenda promoted by DPs decentralisation.

b) Decentralised planning and implementation

A decentralisation framework has been developed under PEDP-2 for effective and efficient service delivery and community involvement. Within this framework, the planning function was decentralised at the school level with the implementation of the school-level improvement plan SLIP (ADB 2008). This framework also planned to introduce *Upazila* Primary Education Plan (UPEP) at each *Upazila*; however, it was not implemented within the PEDP 2 implementation period. A UPEP was supposed to be prepared by an eight member UPEP committee led by the *Upazila Nirbahi* Officer (UNO) as president and the *Upazila* Education Officer (UEO) as member secretary and based on the SLIPs of a particular *Upazila*.

School-level improvement plan (SLIP)

Under SLIP, a three-year development plan including budgets and specific time-frames for implementation are prepared for the concerned school, by the school itself and submitted to the UEO who evaluates the plan and recommends funding support under PEDP 2.

A SLIP school receives a grant of BDT 20,000 from the government and explores community subventions to implement the plan and thereby create a platform for a collective initiative for school development. The concerned UEO and Assistant *Thana* Education Officers (ATEOs) regularly monitor implementation of SLIPs of a particular *Upazila*.

The decision on how to spend the block grant (SLIPs fund) and the community subvention to implement activities agreed by the SLIP committee is made at the school level. The committee is comprised of the School Management Committee (SMC) president as convener, the head teacher as member secretary, two teachers' representatives, the concerned woman ward councilor, a member nominated by the concerned Union *Parishad* Chairman and two representatives from Parent Teacher Association (PTA) as members. Within the SLIP Committee, the President, the member secretary and a women member received SLIP training.

Giving an emphasis on teaching and learning, SLIP incorporates achievement awards for students, strengthening class room management, teaching and learning aids, school dress for poor students, small-scale infrastructure repairing (electrical wiring, fitting fans, etc.), sports equipments, and extra-care of weaker students through appointing para-teachers⁹ and providing specialised teaching materials.

⁹ Para-teachers are generally appointed in a more remote area for disadvantaged childrens of lower wage rate compare to government teachers to ensure quality education (Kingdon *et al.* 2012; Fyle 2007).

The member secretaries of two SLIP committees and the concerned UEO told the authors while visiting schools, that these heads of expenditures have altogether contributed to creating a school environment more attractive than the children's homes, leading to an increase in school attendance and an improvement in quality of learning.

The introduction of SLIP has brought about two substantive changes. Firstly, the concept of planning for the first time, has evolved at the school level thereby providing each school a platform to identify its needs and address them on priority basis to enhance teaching and learning. Secondly, SLIP encourages school managers to explore community subvention in addition to SLIP grants to meet the planned expenditures.

These changes have led to a bottom-up approach to planning and development, replacing previous top-down approaches; the results of such planning were reflected in need based expenditures at school level and an institutionalised community involvement for school development. A Programme Completion Report of PEDP 2 prepared by the ADB (2011) clearly records improvements made on these fronts.

However, some factors have stood in the way of realising SLIP's full potential. As a DPE official and a former ADB consultant pointed out, these factors include a lack of understanding among the stakeholders regarding SLIP's preparation and implementation, inadequate training, corruption and large scale programme roll-outs without any piloting.

The ADB consultant further added that a bulk amount of allocations was cancelled due to the misappropriation of funds, revealed in audit report. Furthermore, the SLIP committee members and the education managers label SLIP grants as very small and inadequate for effectively implementing the plan.

SLIP funding was heavily dependent on DPs' support. A visit of the research team to Savar *Upazila*, just 24 kilometers northwest of Dhaka, found that SLIP could not be implemented in 2011 and 2012 due to a non-release of funds from the government.

In order to overcome these weaknesses and make SLIP more effective, the Head Teachers (member secretaries of SLIP) and the *Upazila* education managers emphasise interventions such as regular refreshers' training, regular monitoring and counter monitoring, payment of SLIP grants in advance, an increase of grants amount, and need-based allocation rather than a fixed and common amount. Furthermore, at the end of a fiscal year, the SLIP committee can present all activities under SLIP before the larger community, to bring in an element of transparency and accountability.

Three reasons can broadly be identified for evolving this successful decentralisation at the school level. Firstly, community's own interest and its previous experience have induced them to support the primary schools under the auspices of SLIP. These schools serve the community's children and historically, primary schools were local or community based institutions, even when receiving government funding (Sobhan 1998).

Secondly, the standard resistance to reforms from the teacher community and/or bureaucrats did not occur, since the introduction of SLIP did not curtail their existing authority. Rather, SLIP involved them in the planning process by redefining their roles, as, the Head Teacher was made SLIP Committee's Member Secretary and the UEO was made SLIP's approving authority.

Thirdly, since 1997, a sequence in undertaking development programmes was maintained in the education sector, leading to a better understanding of carrying out reforms between the government and the DPs.

c) NGO provisioning of primary schooling

The other noticeable engagement by DPs came through their support to NGOs involved in the field of education, with DPs providing US\$147.1 million to nine NGOs from 1998-99 to 2002-03 (see Table 9). However, such NGO support was also not immune to policy prescriptions. In an interview with the authors, a national education sector advocate claimed that DPs imposed their own education agenda on the NGOs, since the latter were fully dependent on the former; and acutely in the case of small NGOs.

Moreover, complete reliance on DP financing leads to concerns about sustainability. For instance, most of the Proshika schools were closed down following a government clampdown on Proshika's DP funding in 2002. In an effort to forge stronger relationships with the government, BRAC adopted a complementary approach by setting up pre-primary schools in localities where the government had little presence. Children that graduated from BRAC pre-primary schools were then enrolled into government primary schools.

Table 9
DP financing of education programmes of big NGOs

Name of the NGO	1998-99	1999-2000	2000-1	2001-2	2002-3	Total (BDT in millions)	US\$ in millions (US \$ 1 = BDT 77.02)
Village Education Resource Centre (VERC)	0.7	1.8	1.0	1.1	0.8	5.5	0.1
Friends in Village Development Bangladesh (FIVDB)	37.5	33.5	27.2	-	-	98.3	1.6
BRAC	902.4	2,226.9	854.5	1,052.6	1,394.2	6,6430.6	107.2
Campaign for Popular Education (CAMPE)	-	5.0	7.7	35.8	47.9	96.3	1.6
PLAN	-	-	212.9	245.9	274.0	732.8	12.2
Rangpur Dinajpur Rural Service (RDRS)	9.8	6.0	4.9	-	-	20.6	0.3
Proshika	468.3	627.4	-	-	-	1,095.7	18.3
CMES	44.2	45.3	94.1	48.3	50.2	282.2	4.7
Dhaka Ahsania Mission (DAM)	16.5	3.4	16.8	8.4	19.4	64.5	1.1
Total	1,479.5	2,949.3	1,219.0	1,392.1	1,786.6	8,826.5	147.1
US\$ Millions	24.7	49.2	20.3	23.2	29.8	147.1	-

Source: WB 2006a

3.4.4 Governance impact of public service delivery in education sector

The DPs' emulative mode and nature of influence have produced mixed results in the education sector. Some critical themes to consider in this regard include:

i. Quality of learning

It was expected that the decentralised framework at school level would result in an improvement in the quality of learning outcomes for students. The Annual Sector Performance Report 2011 of DPE reveals that organisational capacity improved, student absenteeism reduced (23% in 2005 to 16.6% in 2010), and students' contact hours with teachers increased due to the SLIP activities. Broad multi stakeholder forums, increased capacities of school managers including teachers and community representatives and building local ownership are several tangible outcomes from this decentralisation strategy.

ii. Performance of NGO provisioning of primary education

NGO provisioning of primary education demonstrated a superior performance with respects to efficiency and higher quality. BRAC is a case in point as BRAC-operated schools, through community involvement and innovations in the area of instruction and pedagogy, provide the full five-years of primary education within four years. The drop-out rate in BRAC administered schools is 6.13% compared to as high as 39.8% in government primary schools (Khan and Samadder 2010; GoB 2011a). In respects of quality aspects, the students of BRAC non-formal schools achieved, on average, 19.9 competencies in 2008 compared to 18.6 competencies achieved by the students of government primary schools in the same year (Nath 2012).

From a gender equity perspective, NGO non-formal education programmes have helped to improve the educational prospects of poor girls in Bangladesh, contributing to reducing the gender gap at the primary level. This non-formal system has also provided access of these poor children to formal schooling, in BRAC's case, approximately 90% of the 2.6 million BRAC school graduates are believed to have entered the formal system, subsequently leading to renaming BRAC's NFPE programme as BRAC Primary School (BPS) in 2004 (WB 2006).

iii. Policy ownership

Though triggered more by a lack of government capacity to design policy and programmes for the primary education sector, DP influence in the education policy space has weakened national ownership. Taking cognisance of this low capacity issue, DPs have actively provided technical assistance to the sector, a recent example being the ADB's technical assistance of US\$ 9.9 million in 2009, for preparing the primary education sector development programme. Most TA interventions generally involve foreign consultants who may fail to comprehend the ground reality and other contextual factors that have a strong bearing on implementation.

3.4.5 The way forward

Based on the preceding discussions, the following recommendations are forwarded to build a more cohesive, coherent and home-grown strategy for the Bangladesh's primary education sector.

i. Initiative and ownership in designing policies and programmes

A central recommendation put forward in reviewing DPs' role and influence in the education sector is that the GoB should take primary and sole responsibility of designing policies and programmes. The three divisions of Planning and Development, Policy and Operations, and Monitoring and Evaluation within the DPE can form a core team under the leadership of a government Joint Secretary to draft such policies and programmes.

Furthermore, the government's demonstrated capacity to design its own policy agendas should be the basis for accessing aid. This does not however limit the government from receiving technical assistance for building ministerial capacity on how to plan and prioritise activities and to implement programmes.

ii. Decentralisation for improving governance at school level

Access to aid is not solely linked to policy capacity, depending also on the governance of that sector. Therefore, a key recommendation is to continue the decentralisation framework of PEDP 2, especially SLIP with adequate budget support and authority.

iii. Policy continuity to demonstrate national policy ownership

Continuation of reforms across political regimes requires broader consensus on national education policy. Key recommendations in this regard include undertaking steps for full-fledged implementation of the education policy and avoiding policy reversal in future.

Avoiding policy reversal requires that the policy content be developed by those whose professional competence of policy framing is well established and universally acceptable across party lines and who are well versed in analytic techniques of education sector's diversity and complexity. Additionally, inter-party dialogue on policy should be organised inside and outside of the Parliament.

In addition, the National Education Policy 2010 should be the basis for all educational plans and programmes, as exemplified by the PEDP 3, which embodies four policy directions for primary education described in NEP 2010 - establishing an integrated school system; improving quality; decentralising primary education administration and management; and engaging in partnerships with NGOs and the private sector (GoB 2011b).

iv. Partnership for enhancing quality of primary education

Bangladesh is home of many development innovations and models developed by NGOs and there is much to gain by leveraging the learnings and experiences of this vibrant sector. For the effective roll-out of PEDP 3, a partnership framework relating to quality improvement functions at the school level between the public sector and NGOs needs to be devised.

However, it is essential that the framework spells out key actors' roles and responsibilities and lays out the terms of contracting in a transparent manner. Furthermore, consultation among the key stakeholders is another way forward in such a partnership framework.

3.5 Conclusion

External assistance has undoubtedly led to significant achievements in the health and education sectors in Bangladesh. However, as various goals turn into specific programmes and strategies in these sectors, how they fit into national priorities, operational capabilities and political circumstances, have now become critical. To improve aid effectiveness, the key challenge is to strengthen country ownership of policy, implementation capacity and leadership in aid management.

The health section has tried to show how major governance lapses have undermined GoB's ownership of policies, leading to a situation of external dependency. Ultimately, it is the public health service recipients who suffer the most from frequent policy changes. Ensuring good governance is an essential part of sector reform, and without identifying and removing existing governance bottlenecks, investment or donor financing alone cannot effectively redress these challenges.

The chapter proposes the following recommendations for better governance of the health sector:

- strong political commitment that supports policies and their implementation
- consensus building among stakeholders transcending the barriers of a political divide
- strong civil society participation in policy making and implementation
- civil service reforms
- regular and rigorous policy analysis and greater focus on strategy by the GoB
- regular political-economy analyses by the DPs

The primary education section has tried to demonstrate how DPs have influenced the governance and policy processes of the primary education sector significantly in context of resistance of the domestic interest groups and the long-standing vacuum and uncertainty of national education policy. Their working partnership has notably contributed towards achievements in school enrolment and improvements in the quality of learning. However, sustainability of these achievements is questionable due to the absence of national policy ownership. Therefore, this section recommends that the GoB undertake greater responsibility for planning and prioritising in order to promote national ownership. While formulating national policy, setting national vision and preparing plans and programmes, national expertise needs to be explored and capitalised. Finally, the existing decentralisation process in the education sector should be continued for improving governance at school levels.

Providing health and education for all is a challenging mission for any government, especially for Bangladesh. Despite the varying interests and political differences amongst the numerous stakeholders associated with the policy making process, the ultimate goal for everyone is to provide citizens with better healthcare and education. This can very well become a common starting point for aligning the different and apparently conflicting stakeholder interests.

CHAPTER

4

External Influence and
Economic Governance**4.1 Introduction**

When Bangladesh emerged as an independent nation in 1971, its economic possibilities were not considered favourable. Economic performance was proved extremely volatile in its first decade with negative growth in GDP (Gross Domestic Product) per capita (see Figure 7). Higher incidence of poverty, vulnerable fiscal position owing to massive losses from State Owned Enterprises (SOEs), along with fragile politics led the country to the brink of failure.

This prompted many observers to refer to the country as a “test case of development” (Faaland and Parkinson 1976). Limited domestic resources rendered Bangladesh dependant on foreign aid¹. External resources however have yielded limited impact on the economy², an issue widely discussed in aid effectiveness literature (Burnside and Dollar 2000; Ahmed 1992; Islam 1992; Quibria 2010).

More importantly, post-liberation Bangladesh had experienced a secular deterioration in its terms of trade³. Thus leading to a realisation that the economy had to undergo reforms. Given the involvement of a large number of Donors and Development partners (D&DPs) in Bangladesh's development process, external pressures to undertake various reform measures existed.

The economy adopted a series of market-based reforms in the 1980s and 1990s, largely influenced by the Bretton Wood institutions– the World Bank (WB) and the International Monetary Fund (IMF) (Task forces 1991). The main objective of the reform agenda was to remove “excess” government controls, to promote market competition and to bring macroeconomic stability.

Partly owing to those reforms, alongside Bangladesh's own innovation in provisioning social services and concurrent favourable political changes during the 1990s, the economy transformed

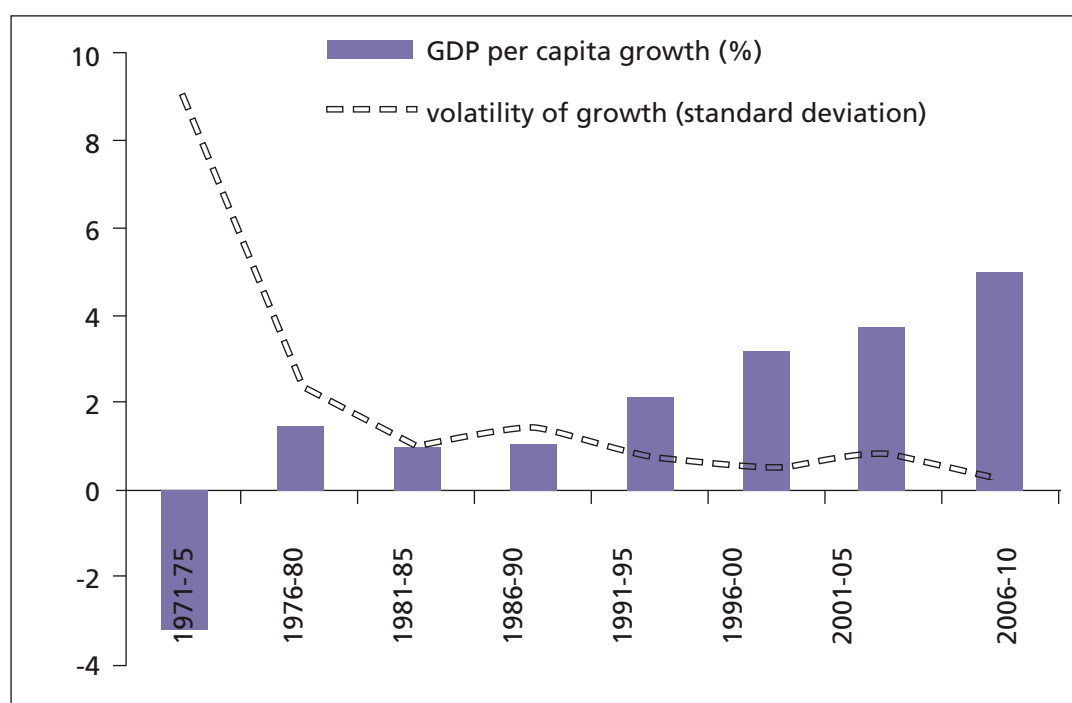
1 Nevertheless, aid dependency is not entirely a post-liberation phenomenon (Sobhan 1982).

2 However, from the late 1970s to the beginning of the 1980s, there was a short-lived investment boom in both public and private sectors, owing, among others, to increasing flow of foreign aid, adopting a privatisation strategy based on lavish dispensation of cheap credit, and provision of other incentives such as highly protected markets for domestic industries (Mahmud 2001).

3 Bangladesh's terms of trade has deteriorated from a high of 155 in 1960 to 100 in 1970 and then continued downwards to 74 in 1978. And in 1981/82 its terms of trade was at its lowest points in two decades (Sobhan 1982).

from a state-owned (quasi-socialist) to a more market driven system. The post-reform era has seen steady GDP per capita growth with macroeconomic stability attained. Furthermore, the private sector has played a pivotal role in economic expansion, domestic resource mobilisation has increased and the country's social sector performed better than comparable income groups. Dependence on foreign aid has declined drastically and the economy is now near self-sufficient in many areas, including food production (See Figure 7, Also see Mahmud *et al*, 2008).

Figure 7
Growth and volatilities of GDP per capita: 1971-2010



Source: Based on World Development Indicators, World Bank

Nevertheless, Bangladesh still faces many economic and social challenges and it remains a least developed country with 31.5% of its population living below the poverty line (Household Income & Expenditure Survey [HIES] 2010) and lagging behind in achieving some of the Millennium Development Goals (MDGs)⁴. As discussed in subsequent sections, growth has not translated into concomitant changes in the country's governance and institutional qualities, scoring poorly in WB governance indicators and faring disappointingly in cross-country comparisons of institutional quality benchmarks, reflected in the 'Ease of Doing Business' indicators⁵ (See Table 10).

Nevertheless, this exercise does not address how Bangladesh's development outcomes fare better than those of other countries with "better" governance (Devarajan 2008). As a result, many experts see Bangladesh as an outlier in the growth-governance discourse (Mahmud *et al* 2008d; World Bank 2007b).

⁴ In absolute numbers, over 45 million people in the country still lives below the upper poverty line and 26 million people are extreme poor (HIES 2010).

⁵ Although some micro indicators of Doing Business have witnesses some improvements in recent years.

Table 10
The state of governance and institutions in Bangladesh

Governance Indicators	Year	Percentile Rank	Governance Score	Indicators	2012
		(0-100)	(-2.5 to +2.5)		
Government Effectiveness	2010	21.5	-0.84	Ease of Doing Business Rank	122
	2000	32.2	-0.56	Starting a Business - Rank	86
	1996	24.9	-0.73	Getting Electricity - Rank	182
Regulatory Quality	2010	21.5	-0.86	Getting Electricity - Time (days)	372
	2000	18.6	-0.87	Registering Property - Rank	173
	1996	16.2	-1.05	Registering Property - Time (days)	245
Control of Corruption	2010	16.3	-0.99	Protecting Investors - Rank	24
	2000	12.7	-0.96	Enforcing Contracts - Rank	180
	1996	27.3	-0.74	Enforcing Contracts - Time (days)	1442
				Resolving Insolvency - Rank	107
				Resolving Insolvency - Time (days)	1460

Source: Worldwide Governance Indicators, World Bank Source: Doing Business, World Bank

Moreover, despite achieving economic independence in many areas, the country's external dependence on policy formation has not declined (*de facto*) in tandem. While the recent reform programmes (such as PRSP) allowed greater autonomy in the government adopting its own policies, influences are still owing to, according to some accounts, lack of policy ownership and internal capacity constraints, *inter alia*.

Rahman (2011), for instance, argued that policy ownership that the country has secured through PRSP is a 'guided ownership'. Choudhury (2010) observed that 'insufficient capacity to plan and manage development projects continues to remain a major challenge to improve aid effectiveness'. Due to GoB's capacity constraint and bottlenecks in project implementation and with lengthy and cumbersome donor procedures, on average 20% of annual external aid remain undisbursed which results an accumulation of over US\$16 billion aid money in the pipeline (Choudhury 2010; The Daily Star 2012).

Is it due to lack of or limited policy ownership, or to the state's capacity constraints to implement various reforms? Or perhaps the very nature of political economy of reform that various reform measures have unleashed the scope for higher economic growth but at the same time they have had facilitated more avenues for corruption, thus deteriorating the country's economic governance indicators⁶. Other experts believe there is a mismatch between the D&DPs' market reform agenda and their governance expectations, given the political structure in developing countries (Khan 2009).

An economic inquiry could help understanding some of these concerns. There are numerous studies quantifying the reasons behind the relative success or failure of these economic reforms. However,

⁶ As Mahmud (2001) observed that economic liberalisation has undoubtedly reduced the scope for rent-seeking, for instance in the import licensing system, such behaviour has been increasingly replaced by other means of patronage politics. Financial extortion, including illegal collections of tolls and protection money, under political patronage has proved a growing phenomenon contributing heavily to the cost of doing business.

very little focus has been placed on the particular interplay between the D&DPs and national stakeholders within these reforms. Against this backdrop, this study attempts to disentangle elements that guided the economic reform process and pinpoint the conditions that generally determines what reform is acceptable and when it is expected.

The rest of the chapter is organised as follows. Section II concerns the methodology of the chapter. Section III offers a broader perspective of reforms, identifying the process and actors of various reform programmes and their impacts. Given the mixed outcomes of these reform initiatives, the study intends to explore two cases based on their sectoral performance where the interplay among the government, politicians, D&DPs and other stakeholders is substantial. Accordingly, in section IV two case studies on banking sector reform and energy price adjustment are presented. The final section concludes drawing, among others, some key points on the implication of economic reforms on the country's governance structure.

4.2 Methodology of the study

The research follows a case study methodology since a holistic and in-depth investigation is needed (Feagin *et al* 1991). Literature on case study methodology generally specifies three types of cases: exploratory, explanatory, and descriptive (Yin 1993). The explanatory case study evaluates whether programmes and projects are implemented as intended or designed, while also determining their outcomes and the reasons behind their ultimate success or failure (World Bank 1999). Secondary literature was extensively reviewed while key informants including policymakers, D&DPs, private sector stakeholders, regulators and academics were interviewed.

4.3 Reform and economic transformation: context, actors, process and impact

It is imperative to understand not only the trajectory of economic reforms and their impact, but also to identify the actors and process of reforms. As sectoral reforms impacts are captured in numerous studies (Akram 1999; Bhattacharya and Chowdhury 2003; Asian Development Bank 2005), here we focus more on the actors and their interplay in the process. One predominant feature of Bangladesh's economic reform (probably other countries as well for that matter) is that until a particular sector is hit by a crisis, the state apparatus, notably the politicians and bureaucrats, are generally reluctant to pursue reforms.

The context of wider economic reforms was set by severe terms of trade and macroeconomic crises in 1970s and 1980s⁷ as well as declining trends in aid flows (Mahmud 2003, Sobhan 1982). The context and some salient features of D&DP-influenced economic reform are discussed in Box 1.

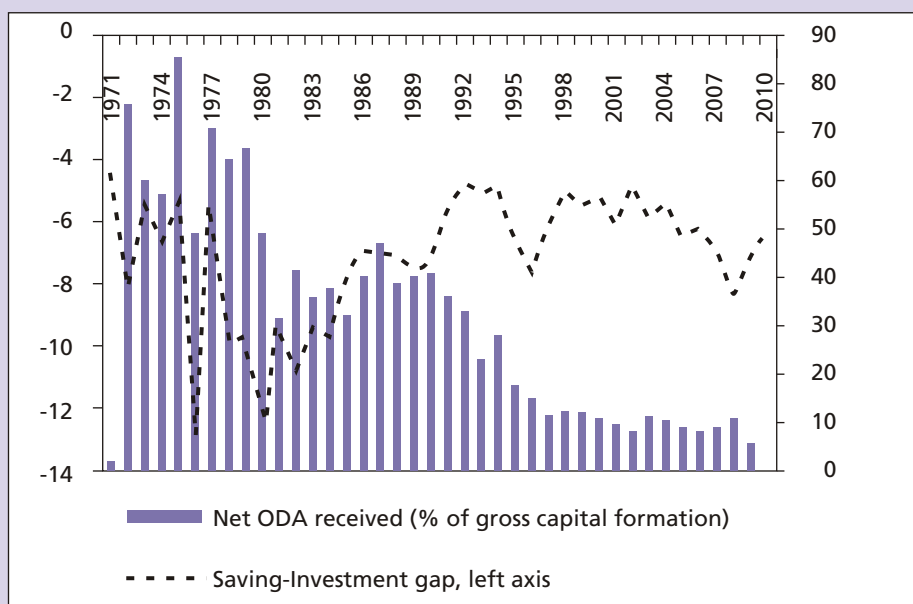
The remainder of the section briefly discusses the key reform measures undertaken since the country's independence in a number of priority sectors and areas. The literature on the various issues under this rubric is vast, so our discussion should be seen as nothing more than a birds eye view. This section is derived from secondary literature as well as insights drawn from key informant interviews.

7 Domestic savings that averaged 8 percentage of GDP during 1960-70 collapsed to -0.25 during 1972-76. The terms of trade had deteriorated from 100 in 1970 to 74 in 1978 (Sobhan 1982).

Box 1 External influence and economic reform

Given the scarcity of domestic resources, reflected in the savings-investment (S-I) gap, external resources were required immediately after independence (See Figure 8).

Figure 8
Saving- investment gap and Official Development Assistance (ODA) share of investment in Bangladesh: 1971-2010



Source: Based on World Development Indicators, World Bank

A 'Bangladesh aid consortium' was formed with the World Bank soon after independence (Sobhan 1982). Conditionalities were tagged with aid by the D&DPs from the very beginning as reflected in World Bank (1975): "the willingness of donors to continue providing aid in generous amounts to Bangladesh will no doubt depend on the implementation of satisfactory economic policies and measures". Given the continued pressure on its economy, particularly on its exchange rate, owing among others to the first oil shock, Bangladesh first used the compensatory financing facility of the IMF in fiscal year 1974. The then government was initially reluctant to meet the IMF's conditions on monetary and fiscal stances. However, in May 1975 it revised its position devaluing the Bangladesh Taka by 56% (Muhammad 2005).

After the regime change in the mid 1970's, there was a policy shift in favour of private sector development. The reforms were supported by resources from the WB and other bilateral donors. The initial phase witnessed four key reforms: reduction of restrictions on investment; momentum of denationalisation of SoEs; limited reduction of tariffs and non tariff barriers; and incentive packages for the emerging ready-made garments sector.

However, a major set of reforms emerged through implementation of a package of Structural Adjustment Programmes (SAP) in the 1980s and Enhanced Structural Adjustment Facility (ESAF)

in the 1990s. Bangladesh is one of the first 35 countries which adopted the Bretton Woods institutions' guided SAP (1986-89) and ESAF (1990-93). Tied to loans, SAP was designed to encourage borrowers to remove "excess" government controls and promote market competition while the ESAF was devised to support macroeconomic policies. In fact, Bangladesh was not the only country that experienced terms of trade shocks during the 1970s, as a large number of countries that were severely affected by two oil shocks in 1970s also adopted similar policies, influenced by the IMF and the WB.

Apart from the WB and IMF, reforms in Bangladesh have been influenced by other D&DPs. ADB is another key player in the reform process, with a strong focus on numerous areas such as agriculture, energy, capital market, transport, urban development, private sector development and governance. The United States Agency for International Development (USAID) financed a number of key reform projects, including the Financial Sector Reform Project and the institution of the Rural Electrification Board. The Department for International Development's (DFID) (now known as UKAID) focus has been on basic social services, private sector growth, and governance and strengthening institutional accountability. Japan International Cooperation Agency's (JICA) major projects include agriculture and rural development, transport, power and energy, private sector development and governance.

Aid Paradigms, development assistance and policy reforms shifted markedly in the past 40 years. The role of bilateral donors has declined but multilateral ones remain an important component of external influence upon the country.

The policy reforms in the 1980s were mainly directed towards withdrawal of food and agricultural subsidies, SOE privatisation, financial liberalisation and withdrawal of quantitative import restrictions. The early 1990s saw the launching of a more comprehensive program of macroeconomic reforms aimed at transitioning to an open economy (Mahmud et al 2008).

In the 1980s, D&DPs' focus was policy reform to create room for private sector development. In the 1990s, more stringent conditions were tagged to address the governance issues. However, there has been a major shift in reform programmes following the formulation of the Poverty Reduction Strategy Paper (PRSP) in the early 2000s. PRSP provides the crucial link between national public actions, donor support, and the development outcomes needed to meet the United Nations' MDGs.

Global norms and best practices

Global norms and best practices have also played a certain role in influencing Bangladesh's economic reforms and policies. The country's external sector reform and policies with respect to trade reform is largely influenced by the World Trade Organization's (WTO) rules and regulations. Moreover, banking sector reform has been heavily influenced by BASEL norms that have a goal of maintaining financial stability by setting common standards for banking regulations. Global development agendas such as the MDGs have exerted significant influence on the reform and policy-making process in Bangladesh.

4.3.1 Privatisation

The economic inefficiency of public enterprises nationalised during the 1972-75 periods placed a fiscal burden for the state, diverted limited resources from growth-enhancing public spending to unproductive subsidies, and affected the country's industrial competitiveness (Akram 1999). Influenced by the WB and IMF, the government embarked upon privatisation programmes and public sector reforms. In the first phase of privatisation (during 1975-1981), 255 public enterprises were divested. During the second phase of privatisation (during the early 1980s), 261 public enterprises were denationalised (Akram 1999).

Although there was a brief reversal in the privatisation policy in the early 1980s when 27 textile mills and 33 jute mills were returned to their original Bangladeshi owners under the industrial policy of 1982 (Uddin 2001). Since the inception of the Privatisation Board which was upgraded to the Privatisation Commission in 1993, 74 public enterprises have been privatised (Sobhan 2002). However, in an apparent shift from the earlier industrial policy, the current government in its new plan stressed on strengthening SoEs in order to both supplement and compete with the private sector (The Daily Star 2010).

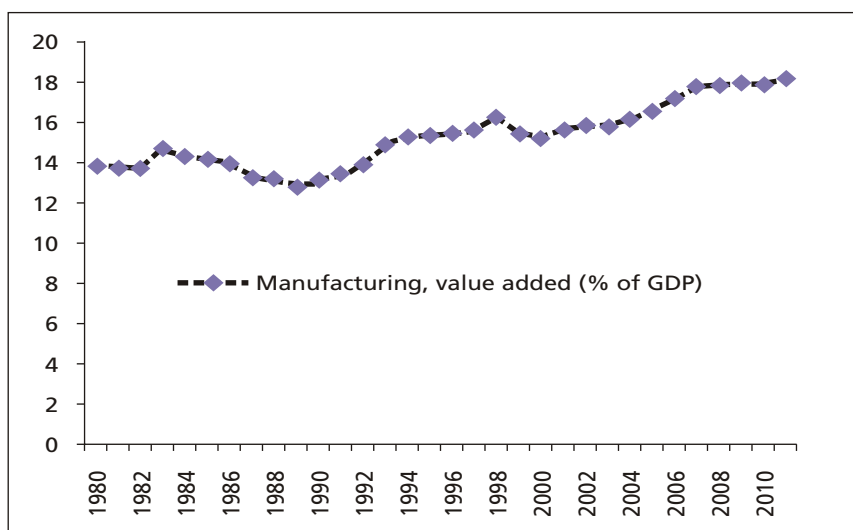
Politicians faced a dilemma when embarking upon privatisation, since the process benefited their allies in terms of resource transfer from public to private hands, but encountered significant resistance from organised labours. Moreover, business people often linked to the incumbent government supported SoE reform, often deriving commercial benefits in their favour.

The results of privatisation are at best mixed. Humperry (1987) observed that the privatisation policy and related regulatory liberalisation have had a beneficial effect on industrial growth and have encouraged private investment. Other studies reveal that instead of augmenting new investments, higher industrial growth and generating additional employment opportunities, privatised units run at losses or are diverted resources to other use. In many instances, the new owners engage in speculative businesses or develop project land commercially for housing and shopping complexes (Ahmed 2000). A leading economist of Bangladesh called them 'invisible privateers' (Sobhan 2002a). Although the privatisation process slowly began to reduce asset stripping from enterprises, the privatised entities proved only marginally better in terms of efficiency, due to the deficiency of regulatory agencies and property rights. Nevertheless, the separation of economic from political rents reduced the most damaging types of predatory rents in the economy (Khan 2010).

Figure 9 shows that privatisation has had modest effect on the country's manufacturing activities, with the sector's growth largely due to Ready-Made Garments (RMG) manufacturing (which has little to do with privatisation of SoEs). However, the paradigm shift in economic philosophy which was influenced by D&DPs and coupled with the state's commitments for private sector led growth, allowed for this sector's (RMG) emergence where the state was directly involved⁸.

⁸ A favourable international rent environment facilitated by Multi Fiber Agreement in technology transfer overcoming various market failures to this to happen (Khan 2012).

Figure 9
Share of manufacturing value added in GDP: 1980-2011



Source: Based on World Development Indicators, World Bank

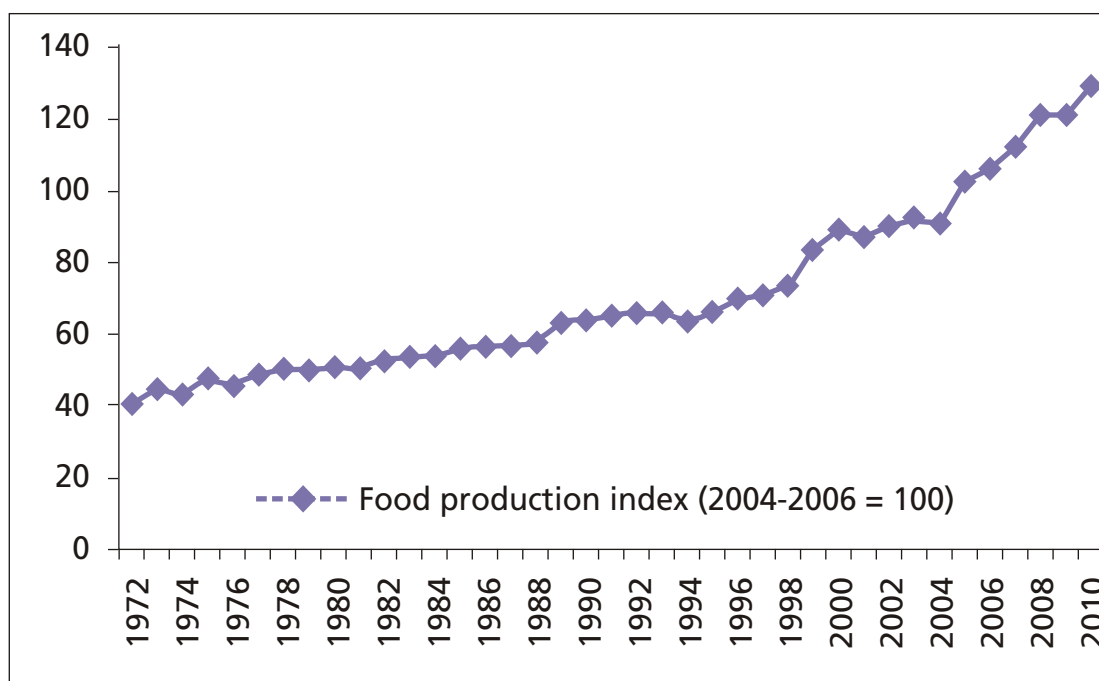
4.3.2 Agriculture sector reform

Agriculture sector reforms were introduced against the backdrop of food shortage and the country's increasing dependence on food aid. Pressure from the main aid donors USAID and WB, domestic concern over subsidy and awareness of the ineffectiveness and inefficiencies of public interventions propelled reforms in the 1980s (Cabral *et al* 2006). By the late 1970s, about one third of the entire development budget was being consumed by agricultural input subsidies (Mahmud *et al* 2008). In the first phase of reform in the early to mid 1980s, agriculture input subsidies were cut back and domestic trading of inputs were liberalised. The second phase in the late 1980s to early 1990s of reforms saw agriculture inputs imports liberalised and private trading of agriculture introduced.

There was broad political support for such reforms, as high population density and land scarcity left Bangladesh with little option but to augment food production, which also proved a key political issue both in rural and urban areas. Although the subsequent abolition of the food rationing system was a politically difficult decision in light of the politically vocal urban middle class being its main beneficiary (Mahmud *et al* 2008). Nevertheless, the military and police, too powerful a group to alienate, continue to get subsidised food (Cabral *et al* 2006).

Agricultural reforms in the 1980s were successful in at least two dimensions. First, there were clear savings for the government from cutting subsidies on agricultural inputs. Second, input dealers and farmers responded by increasing usage of fertiliser and augmenting the ground water irrigation, rapidly outstripping the area under surface irrigation. These combined effects allowed the green revolution varieties of rice to be adopted, and for land to be cropped more than once a year (Cabral *et al* 2006). Food grain production in Bangladesh has increased from around 10 million tons in 1971 to 34.5 million tons in Fiscal Year 2011/12 (World Food Programme [WFP] 2012) (also see Figure 10). The country is now nearly self-sufficient in rice production.

Figure 10
Food production index of Bangladesh: 1972-2010



Source: Based on World Development Indicators, World Bank

Nevertheless, Bangladesh as a least developed country is not required to fully liberalise the agriculture sector. The experience of this sectoral overhauling shows that the country benefited from phased implementation of reforms which allowed for learning, monitoring and adjustment to developments in the markets (Cabral *et al* 2006).

4.3.3 External sector reform

The external sector development in Bangladesh was suppressed during the 1970s, owing to the reign of the 'license raj' and the dominance of SOEs. The industrial policies were developed on the basis of 'import-substitution industrialisation' to protect domestic industries from external competition. Consequently, trade and investment policies were also inward looking.

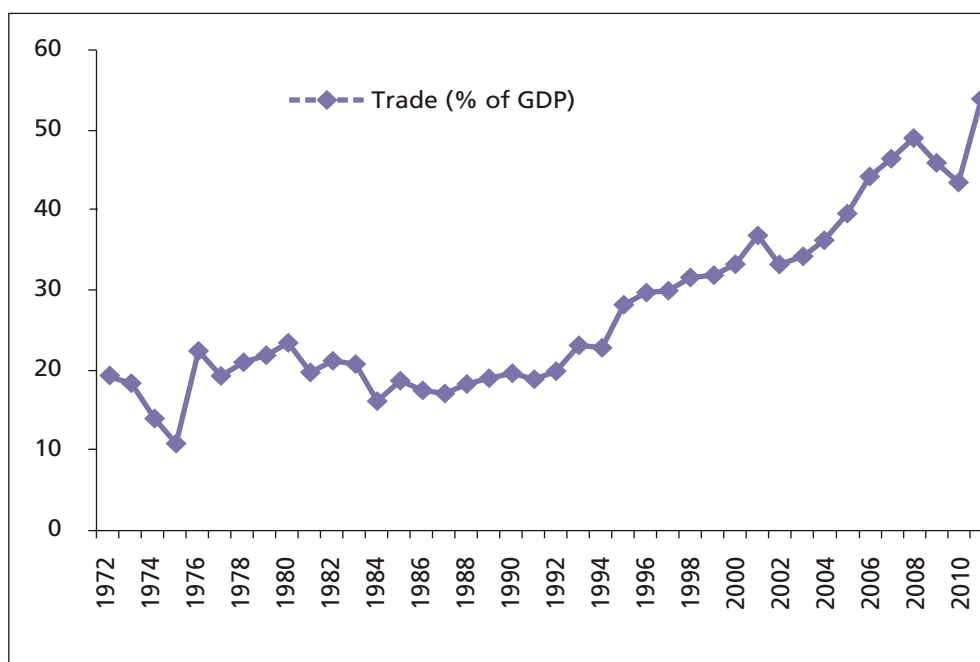
The external sector reforms in Bangladesh started with a moderate liberalisation in 1980s by abolishing the import licensing system. Since 1985, export policy reforms were implemented in trade, exchange rate, along with monetary and fiscal policy incentives aimed at increasing effective assistance to exports (Raihan 2008). Bangladesh followed a 'fixed exchange rate' system until 1979 when the Central Bank, Bangladesh Bank (BB), pursued a managed floating exchange rate regime. The currency underwent a large scale devaluation to make export competitive and to discourage imports, thus gradually erasing the premium on import licenses.

Reforms towards trade liberalisation in fact followed a logical sequence: the relaxation and withdrawal of import quota restrictions along with the unification of the exchange rate and

devaluation of the domestic currency during the late 1980s, followed by large reductions in import tariffs in the first half of the 1990s (Mahmud *et al*/2008).

As a result of reforms, between 1991-1992 and 2004-2005, the unweighted average tariff rate fell from 70% to 13.5%. Similarly, the import-weighted average tariff rate declined from 42.1% to 11.48 % in 2003-04 (Raihan 2008). The revenue effects of tariff reductions have been more than offset by the growth of imports (Mahmud 2004). Nevertheless, Bangladesh still has protective tariff rates for a number of sectors, notably agriculture. Largely owing to reforms, the country's trade to GDP ratio increased from less than 20% in 1980s to 50% in 2011 (Figure 11).

Figure 11
Trade to GDP ratio of Bangladesh: 1972-2011



Source: Based on World Development Indicators, World Bank

4.3.4 Financial sector reform

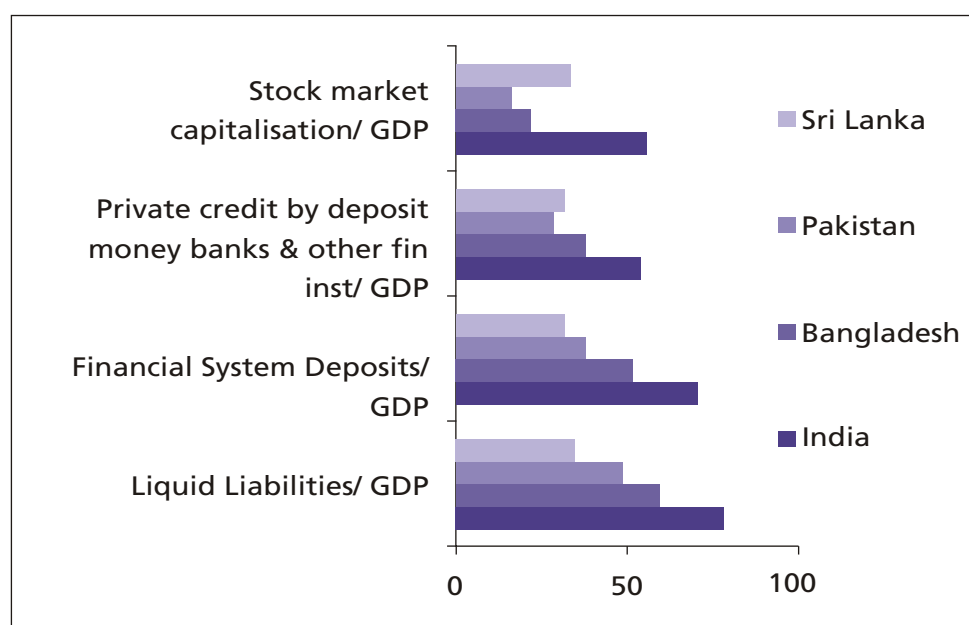
Prior to the initiation of structural reforms in the 1990s, Bangladesh's financial system constituted typical examples of what McKinnon (1973) and Shaw (1973) dubbed "financial repression". The sector, both the market and institutions, in the two decades of post independence period faced major structural problems, evident both in banking and other components of money markets as well as capital markets.

To overcome these problems, financial sector reform was initiated in 1982 with the de-nationalisation of commercial banks, followed by the establishment of the "National Commission on Money, Banking and Credit" in 1984. However, major reforms in the sector were launched in the early 1990s.

The WB Consultative Mission provided a Financial Sector Adjustment Credit (FSAC) under which the Financial Sector Reform Programme (FSRP) was initiated. In line with these reform initiatives, the ADB formed the Capital Market Development Programme (CMDP) following the stock market crisis in 1996. The second round of reforms begun in late 2001 aiming to strengthen the central banking functions, with the Central Bank Strengthening Project in 2003 jointly funded by the WB and GOB.

More recent reforms in the financial sector were undertaken in 2004 with WB funding and guidance under the 'Enterprise Growth and Bank Modernization Project'. Aside from donor influenced reforms, global financial norms and best practices, notably BASEL Norms on capital adequacy, have influenced the financial sector's policy reform (Nachane and Islam 2010).

Figure 12
Key financial sector indicators of selected countries, 2009



Source: Based on Financial Sector Database, World Bank

The financial sector reform, notably bank denationalisation, faced severe hurdles from organised labours but gained political support as the process benefited business allies of political parties. While various market based reforms were initiated in the capital market, regulatory reforms in this segment of financial sector proved more difficult, due to the 'insider trading' often involving the regulators and politically-affiliated investors.

Financial sector reforms offer a mixed bag of results. The capital market remains weak with regulatory failure was apparent in the stock market crash of 2010-11 (Ibrahim Khaled Committee Report 2011 as cited in Alam n.d.) and virtually no corporate debt market (Nachane and Islam 2009). The banking sector has performed far better, particularly in the past decade. The sector fares well *vis-a-vis* its South Asian peers in many key indicators (See Figure 12, BB annual reports and section IV). Nevertheless, the impact of reforms on the state owned banks has been less than satisfactory, largely due to the lack of consistent political commitments.

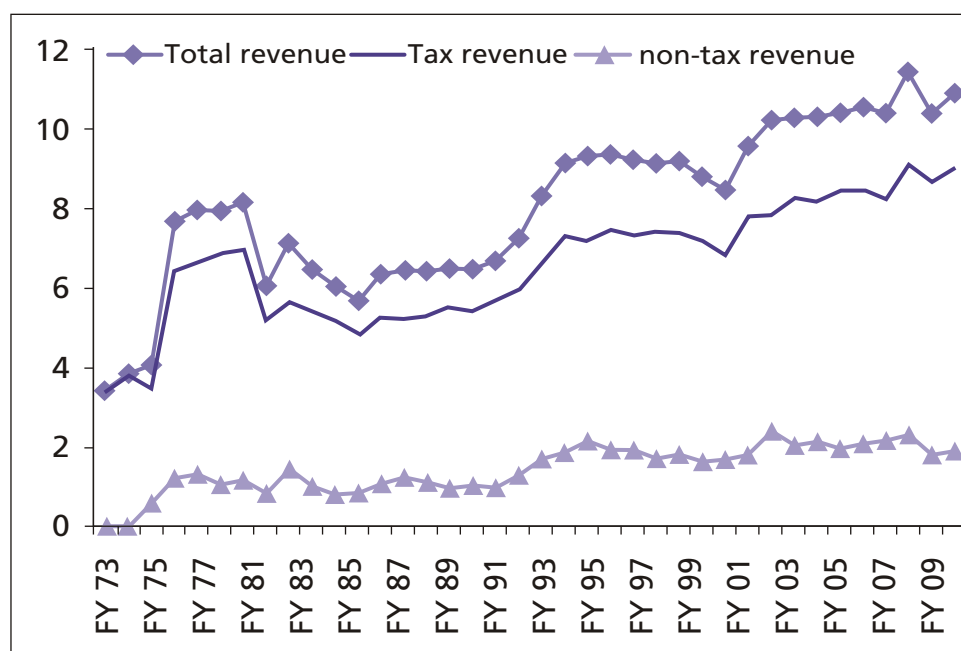
4.3.5 Public resource mobilisation and fiscal reform

As a continuation of structural reform, Bangladesh adopted D&DP-led programmes (policy framework paper (PFP), which asked for, among other things, efficiency of resource use and raised rates of domestic savings and investment. The reforms were introduced in different areas along with public expenditure polices and public resource mobilisation.

To increase government revenue, different reforms were proposed including expansion of value added tax, reforming direct tax, strengthening the tax administration, pricing adjustment of public goods and services. Simultaneously, the public expenditure policies sought budget deficit reduction along with government expenditure rationalisation. These asked for reforms aimed to reduce the growth of current expenditure and subsidies, while along with cutting down administrative costs, and improving project aid utilisation and reducing the SOE's operating deficits (Bhattachariya and Titumir 2001).

As a result of public resource mobilisation efforts, the tax-GDP ratio showed some improvement during the 1990s (Figure 13), but until now remains very low compared to other developing countries. Mahmud *et al* (2008) observed that tax reform is politically expensive and political actors are reluctant to choose hard measures against tax evasion. In fact, political settlements determine patterns of resource mobilisation lying at the heart of economic development (John and Putzel 2009). Exorbitant tax evasion arises from collusion between political and business elites and the top levels of government and this also channeled to fund political stability in developing countries (Khan 2004). Mahmud *et al* (2008) pointed out that the public expenditure reforms were somewhat successful but high wastage and inefficiency in the delivery of public services occurred.

Figure 13
Revenue mobilisation (% of GDP) in Bangladesh: 1973-2010



Source: Based on the 6th Five Year Plan, Government of Bangladesh

4.3.6 Infrastructure, energy and utilities reforms

Bangladesh's reform experience in infrastructure and utility has been less pronounced. D&DPs have been keen to reform these sectors, in which the ADB was a key player, with other actors including Organization of the Petroleum Exporting Countries (OPEC), the WB and bilateral donors (Norway, Netherlands, Kuwait). Reforms in these sectors were introduced much latter compared to other sectors, which is not uncommon as state control in infrastructure and energy often occurs in developing economies. While opening up the telecommunications sector has helped penetrate the service rapidly, the coverage levels of electricity, water and transportation and other services in Bangladesh are among the lowest in South Asia. In fact, Bangladesh has one of the worst infrastructure facilities in Asia (See Table 11). However, it should be noted that there is a high correlation between access to utilities and level of income (Figure 14).

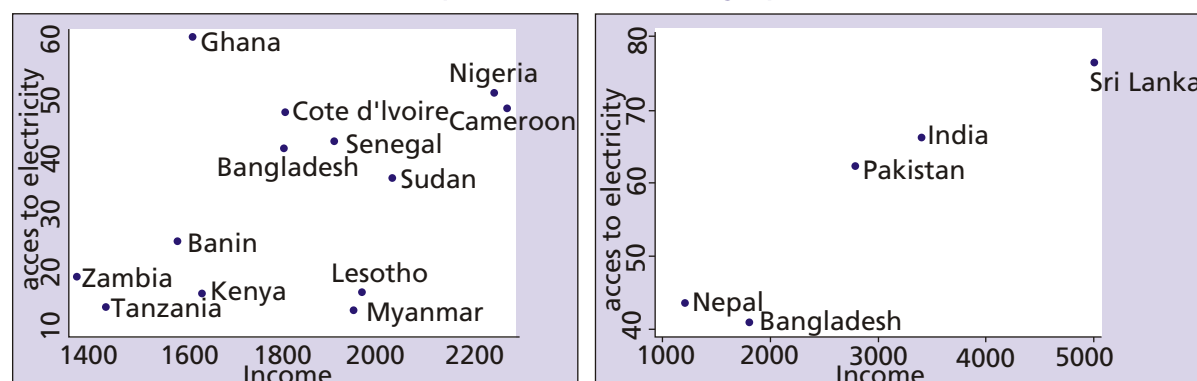
Prices for some utility services- particularly electricity, gas and water- are set below the costs of provision. While successive governments had reformed various aspects of energy and utility services, notably generation and distribution in the power sector, they had been reluctant to reform energy prices until recently, previously fearing a possible backlash from the voters and consumer rights groups.

Table 11
Comparison of Bangladesh's infrastructure quality with key selected economies and regions

Region/country	Overall infrastructure	Road	Railroad	Port	Air transport	Electricity supply
Bangladesh	2.2	2.8	2.3	2.6	3.4	1.9
India	2.9	2.9	4.4	3.3	4.7	3.2
Pakistan	3.1	3.5	3.0	3.7	4.2	2.5
South Asia average	2.9	3.1	2.8	3.4	4.2	2.8
Asia Average	3.8	3.7	3.6	3.9	4.6	4.1

Source: ADB 2009.

Figure 14
Nexus between access to electricity and per capita income: Bangladesh vis-à-vis low similar income group (left panel) and South Asia (right panel)

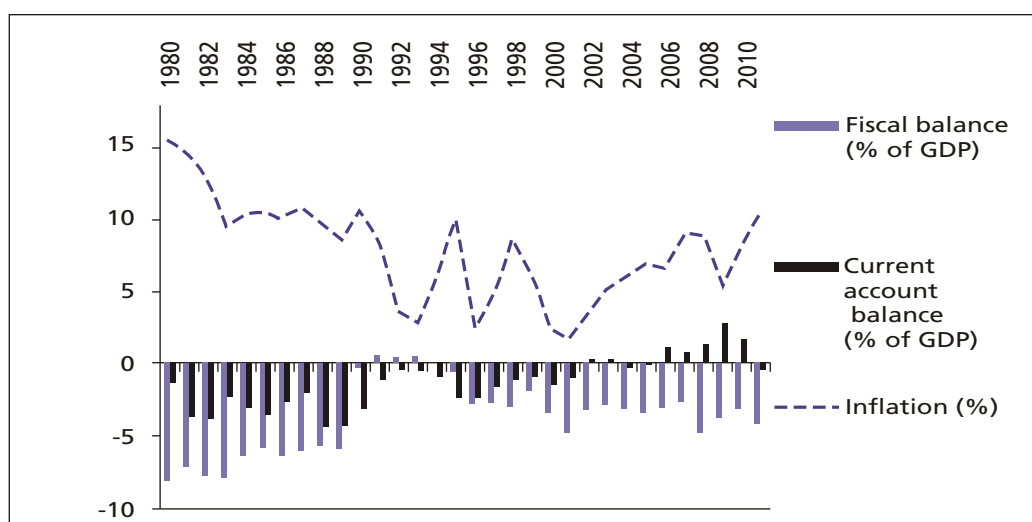


Source: Based on World Development Indicators, World Bank

Moreover, investors do not show long term interest in investing in these sectors⁹ due to two main reasons. First, the GoB exhibits capacity constraints related to procurement management skills and subsequent implementation of projects (Choudhury *et al* 2010). The key informant interview also suggests that energy and infrastructure sectors suffer from gross governance problems. Second, there is a political uncertainty given the shorter time horizon of incumbent governments. Thus the risk premium for private sector financing for power generation is high. Khan (2012) observed that good governance reforms in many developing countries that have tried to directly tackle these characteristics have generally failed to reduce risk premiums.

To sum-up, although sectoral performance has been mixed, the economic reform has helped stabilise the Bangladesh economy. In fact, the most defining feature of reforms is probably attaining macroeconomic stability (see Figure 15).

Figure 15
Trends in key macroeconomic variables: 1980-2010



Source: Based on World Economic Outlook, International Monetary Fund

As far as sectoral performance is concerned, SOE privatisation did not facilitate manufacturing sector take-off in a significant way. However, the paradigm shift to private sector-led development has helped in the emergence of dynamic growth sectors such as RMG. The supporting reform in the external sector through a number of incentives such as undervalued currency (which also helped remittance flow growth), bonded warehouse facilities, helped the export sector significantly.

Agricultural sector reforms have been instrumental in achieving near self-reliance in food production. The banking sector's key indicators have performed better. However, utility, energy and infrastructure reforms have been politically challenging to pursue.

Given the mixed outcome of D&DP influenced reforms, we study two areas banking sector reform and energy price adjustment in the next section.

⁹ An estimate shows that the sector is in need of US\$9 billion investment to increase power generation to 11,500 MW by 2015. The GOB plans to invest about US\$1 billion and expects about US\$8 billion investment from the private sector (Choudhury *et al* 2010).

4.4 Case study

4.4.1 Banking sector reform in Bangladesh

Financial sector reform was one of the key elements of the D&DP-guided Structural Adjustment Programme with banking is a dominant sub-sector of the country's financial system undergoing massive reforms. It is widely recognised that banking reforms have largely been successful compared to other segments of the financial sector (Ahmed 2012a; Nachane and Islam 2009).

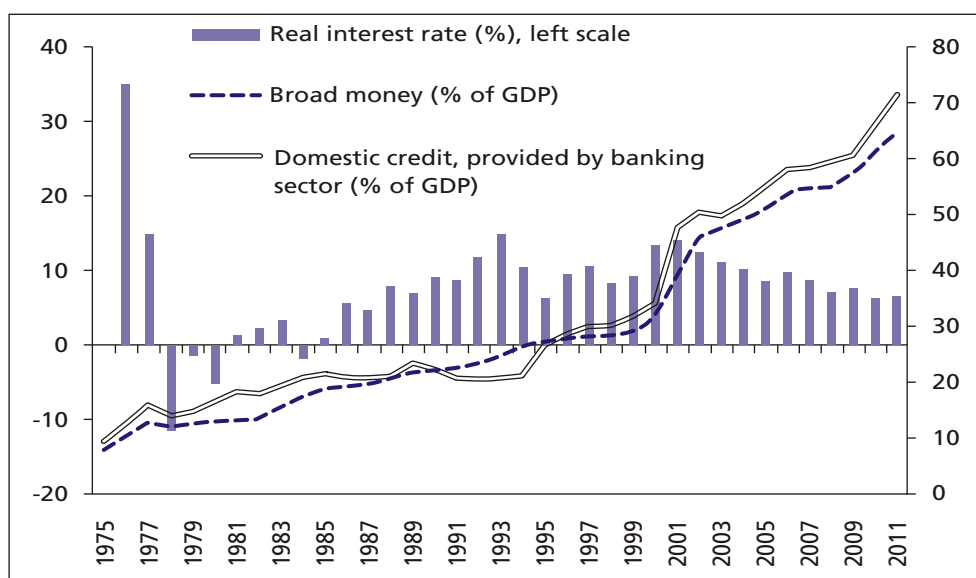
Key banking sector indicators such as share of non-performing loan (NPL), capital to risk weighted assets ratio (CRAR) and broad money to GDP ratio (also known as financial depth) have seen steady improvement over the past decade. In fact, the sector fares well *vis-à-vis* its South Asian counterparts. (See Table 12 and Figure 16)

Table 12
Selected banking indicators of key economies of South Asia, 2009-10

	Bank Deposits/ GDP	Bank Credit/ Bank Deposits	Bank ROA	Bank ROE	Bank Z-Score
India	69	70	1.3	20.2	8.75
Bangladesh	52	74	1.8	21.7	8.2
Pakistan	35	70	0.2	1	5.28
Sri Lanka	31	98	0.1	14.5	14.5

Source: Financial Sector Database, World Bank and Annual Report 2010-11, Bangladesh Bank

Figure 16
Trends in broad money, credit and real interest rate in Bangladesh: 1975-2011



Source: Based on World Development Indicators, World Bank

However, the financial health and governance structure of state-owned/public sector commercial banks (NCBs/SCBs) remains a threat to the sector given that they still constitute more than a quarter of the industry. Moreover, the creation of the Banking and Financial Institution Division (BFID) at the Ministry of Finance in 2009 poses a serious risk to the sector, inducing the central bank's independence (Ahmed 2012). The government with the politicians in particular generally adhered to the key reforms that resulted in a win-win situation for those concerned.

At the same time, given the sector's immense importance in achieving political objectives (a mechanism for automatic monetisation of fiscal deficit, among others), political interventions remains the key challenge in sustaining success in this sector. That said, it is imperative to understand the political economy of reform in the banking sector drawing some lessons for other segments of the financial system.

Rationale and objective of the case study

Economic historians observed that the most successful economies tend to be those that developed sophisticated financial systems at an early stage (Patrick 1966). Therefore success in this sector will largely define the shape of financial architecture that could emerge in the economy in the near future. The specific rationales behind the study of this sector are: 1) External influence has been relatively higher in this sector; and 2) Political economy of reform in the banking sector is critical to understanding the emergence of the overall architecture of the country's financial system.

As discussed in preceding sections, while the reforms in various segments of the economy were undertaken owing to external influence as well as domestic realisation, the key objective here is to understand under what circumstances reform worked in the banking sector through the interplay between D&DPs and the local actors.

Sectoral overview: Banking sector

The financial system of Bangladesh comprises the Bangladesh Bank (BB) at the apex regulatory body for the country's monetary and financial system, numerous financial intermediaries¹⁰, money, debt, and stock markets. The system is heavily dominated by banks, with the banking sector constituting four State Owned Commercial bank (SCBs), 30 private commercial banks (PCBs), nine foreign commercial banks (FCBs) and four development finance institutions (DFIs).

These 47 banks operate throughout the country with 8522 branches (Bangladesh Bank 2011). Prior to reforms the sector was overwhelmingly dominated by SCBs. Even in the early 2000s the NCBs/SCBs constituted 47% of industry assets and half of the industry deposits. However, over the years the PCBs emerged as a dominant player in the sector constituting 58.8% of industry assets (See Table 13). Given the country's underdeveloped equity and debt markets, banking is the key source of credit and investment for the economy.

¹⁰ Financial intermediaries include commercial banks, specialised banks, non-bank financial institutions (NBFIs), and microfinance institutions (MFIs), the last constituting a very special feature of the Bangladesh financial system. For details see Nachane and Islam (2009).

Table 13
Industry asset and deposit shares of various types of banks in Bangladesh

Bank Types	% of industry assets		% of industry deposits	
	2001	2010	2001	2010
NCBs/SCBs	46.5	28.5	50.93	28.1
DFIs	9.5	6.1	5.64	4.9
PCBs	37.2	58.8	36.58	60.9
FCBs	7.8	6.6	6.85	6.1
Total	100	100	100	100

Source: Bangladesh Bank Annual Report 2011

Political economy of banking sector reforms

The reform programmes initiated under various auspices focused on several dimensions, most notably SCB privatisation, entry of new private and foreign banks, recovery of NPLs, interest rate deregulations, BB's increased autonomy, enhancing prudential regulation and supervision, rationalisation and merger of bank branches, and improvements to the money market.

a) First phase of reform (1980-90): denationalisation and private participation

The banking system operated until the end of the 1980s with the aim to achieve the fiscal objectives of supplying cheap money to the SOEs and a number of priority sectors (Raquib 1999). However, given the changing perspective towards denationalisation and private participation, the initial phase of banking reform (1980-90) focused on the promotion of private ownership of commercial banks and denationalisation of NCBs.

While donors supported denationalisation from the very beginning, the compulsion to adopt reform measures was not strong until the mid-1980s. This was largely due to inappropriate accounting and reporting systems, which delayed the adoption of reform measures (Task Forces 1991). As the weakness of the system exposed, the government transferred three NCBs in the private sector during 1984-86¹¹ and four PCBs were granted licenses in the early 1980s¹². This two pronged approaches of denationalisation and private banks licensing was an acceptable equilibrium for the concerned stakeholders, i.e. D&DPs, politicians, private sector bar organised labours (who opposed banking sector liberalisation).

This round of reform from 1982-1990, however, was largely unsuccessful due to the unprecedented influence of vested PCBs and NCBs interest groups, which resulted in a loan default culture. Moreover, the pervasive political patronage of the military government in allocation of resources choked the banking sector (Bhattacharya and Titumir 2001). Nearly 30% of NCB loans became non-performing in 1986 (Watanagase 1990). Although the National Commission on Money, Banking and Credit which was constituted in 1984 submitted a long list of recommendations to the

11 Uttara Bank, Pubali Bank and Rupali Bank.

12 Arab Bangladesh Bank, National Bank, Islami Bank and IFIC Bank.

government in 1986 for which subsequent a number of steps were taken such as fixation of recovery targets for NCBs, prohibiting defaulters from getting new loans, the deterioration in banking efficiency could not be stemmed (Task Forces 1991).

b) Second phase of reform (1990-2000): market based pricing of financial products and private participation

Given the poor outcome of earlier reforms, wide ranging banking reform measures were undertaken under the aegis of the WB's Financial Sector Reform Project (FSRP) in the 1990s. The focus of reforms, among others, have been on gradual deregulations of the interest rate structure, providing market oriented incentives for priority sector lending and improvement in the debt recovery environment (Task Forces 1991).

Moreover, a large number of private commercial banks were awarded licenses in the second phase of reform. Although second generation banks have addressed many demand side issues, such as, development of a wide range of financial products and services¹³, the measures have not been successful in addressing the banking sector's key problems. These include high NPL ratios both in SCBs and PCBs, the deterioration of credit allocation index¹⁴, and lack of enforcement of the capital adequacy and other regulatory requirements¹⁵. Furthermore, changes in the interest rate flexibility were unable to create the kind of competition desirable among NCBs and PCBs. Thus FRSAC/SAP did not bring about the desired outcome in the sector (Bhattacharya and Titumir 2001) with the WB itself admitting that the project was unsuccessful. However, the WB alone was not to blame for the poor outcome of the FSAC as a lack of government ownership and political will to make the reform successful were observed¹⁶.

Thus the reform agenda emphasised economic deregulations rather than broadening prudential regulation and supervision (Bhattacharya and Titumir 2001). Moreover, after the expiry of FSRP in 1996, the government formed a Bank Reform Committee (BRC), which submitted its recommendations in 1999. While the then government partially acted on some of the recommendations of the BRC, a large part of them went unaddressed (Bhattacharya and Chowdhury 2003).

c) Third phase of reform (2000s onwards): risk-based regulations and supervisions, private participation

Since denationalisation, greater private participation and market based pricing of financial products did not generate the anticipated results even until the late 1990s, largely due to the absence of firm supervision and effective economic regulations of BB, the focus had shifted to risk-based regulations and supervisions in early 2000s. The BRC observed that the supervisory and regulatory forbearance of BB has been one of the main reasons for the accumulated banking

13 That includes commercial banking through both conventional and Islamic mode, merchant and investment banking, SME and retail banking, credit card and off-shore banking. The second generation banks also played leading role in syndicated and structured financing (Rahman 2012).

14 The flow of credit to national priority sectors (such as agriculture, small and cottage industries) also declined during 1990-1999. Moreover, the relative share of rural banking has declined after the adoption of banking reform measures (Task Forces 2001).

15 Minimum capital requirement of the banks was also fixed at 8 percent of risk weighted assets since 1996 according to international standard practice and till 1998, both NCBs and PCBs were suffering from capital inadequacy (Task Forces 2001).

16 There was a law put in place to improve bank supervision, bank operating practices and method of debt recovery but commitment to enforce these laws has been dilatory and lacked resolved (Bhattacharya and Titumir 2001).

problems. While the issue of regulation and supervision was spelled out in FSRP and the banks adopted BASEL I norms in 1996, it was indeed the reforms in post 2000 that had a *de facto* focus on risk-based banking supervision including strengthening of the Central Bank.

The most important development in 2000s has been the banks, notably PCB and FCB commitments towards the implementation of Basel II, in which banks are required to maintain a CRAR of 10%. While the SCBs struggled to maintain the ratio, in the past few years they have shown some progress. The overall banking sector success in following the adoption of international best practices, has led to the BB's strong commitment to implement the BASEL-III norms¹⁷.

Moreover, there has also been a strong public opinion including civil society against the defaulters, which along with political commitments facilitated enactment of a number of new laws, regulations and instruments to curb NPLs.

Moreover, the Central Bank Strengthening Project (CBSP) initiated in 2003 focused on effective regulatory and supervisory system for the banking sector, particularly strengthening the legal framework, automation and human resource development and capacity building of BB by strengthening the research department, prudential regulations and bank supervision, accounting and auditing.

The Enterprise Growth and Bank Modernisation Project was adopted in 2004 by WB to help the government achieve a competitive private banking system through a staged withdrawal through divestment and corporatisation of a substantial shareholding in the three public sector banks (Rupali bank, Agrani bank and Janata bank), and divestment of a minority shareholding in the largest SCB Sonali Bank.

However, owing to the nexus between the politicians and businesses these banks' performance has not improved in line with reform objectives. The recent SCB scams indicate that the reforms have not been able to disentangle the state from direct controlling over those banks to achieve their political objectives (see box 3). Private participation in the banking sector continued during this phase. However, a number of leading experts on banking opposed the granting of new private bank licenses in 2012, as the BB decision was widely believed to be influenced by the political interest of the current government rather than economic need (Ahmed 2012a; Mohiuddin 2012).

Assessment/ Impact of reform

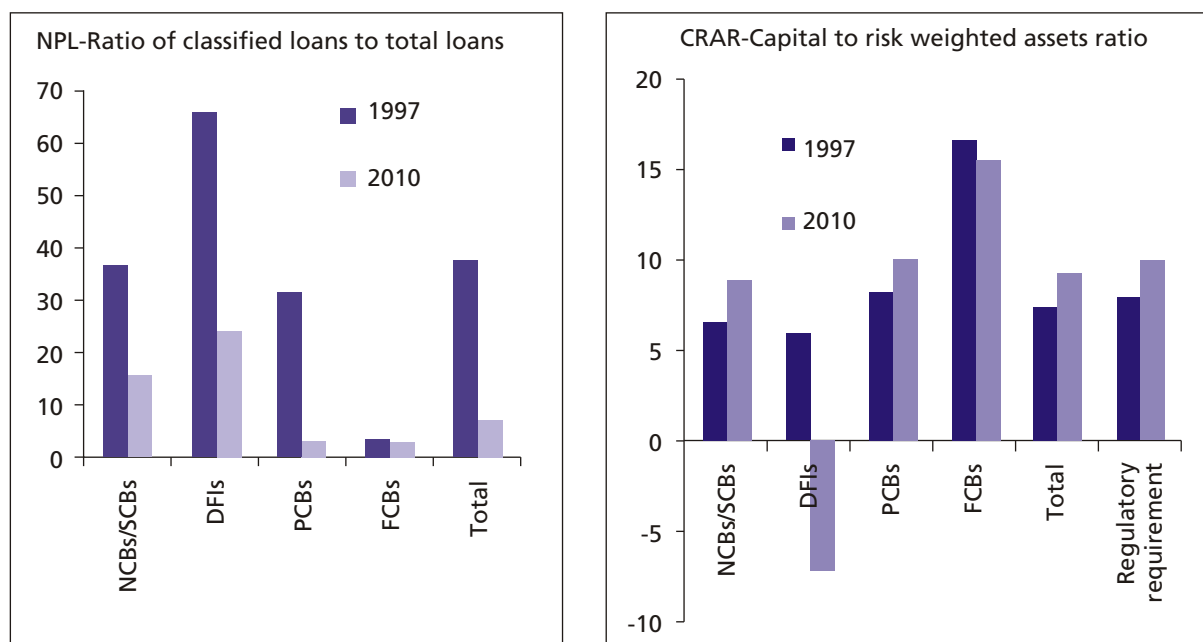
Banking sector reform, notably denationalisation, faced a strong resistance from trade union/organised labours, but political support favoured various reforms in the sector as the entry of private players provided them with considerable incentives, irrespective of military or political governments. This has also led to the growing nexus between private businesses and politicians.

However, in the absence of an effective regulatory mechanism, the banking sector reform had limited impact on its key indicators including competition and loan default until mid-1990s. With

¹⁷ BASEL III is the third installment of the Basel Accords (after Basel I and Basel II) that was developed in response to the deficiencies in financial regulation revealed by the late-2000s financial crisis.

both public and private sector banks failed to improve their financial health, the reform focus shifted to risk-based regulations and supervisions in the late 1990s and early 2000s, thus allowing the sector to perform better (See Figure 16, Figure 17 and Table 12).

Figure 17
Performance of two key indicators- NPL and CRAR- of banking sector during 1997-2010



Source: Bangladesh Bank Annual Report, various years.

A relatively well functioning banking system has helped the Bangladesh economy to maintain its macroeconomic stability in the post-reform era. Micro indicators show that loan classification systems and capital adequacy standard have a favourable impact in improving the banking sector (Figure 17). This is largely due to BB's adoption of the BASEL regime, with 40 out of 47 banks in compliance with Basel-II consistent requirements by the end of June 2011 (IMF 2011).

Nevertheless, problems still persist in SCBs/NCBs where implementation of reform has been difficult, largely owing to political reasons (See Box 2). Moreover, certain areas of the banking sector are still consistent regarding problems. High interest spreads, money market volatility, balance sheet problems of SCBs, central bank's limited autonomy, political interference in allocation of credit and overall governance problems are some of the key drawbacks to the country's banking system.

Box 2

Institution of Banking and Financial Institution Division (BFID): Hijacking the success of banking reforms?

The Banking and Financial Institution Division (BFID) has been created under the Ministry of Finance to ensure financial sector development. This decision of creating a separate division was taken by the Cabinet in 2009 giving BFID the responsibility to deal local banks and other financial institutions, particularly the state-owned ones. The major functions of BFID include,

formulation and updating of laws, rules, and policies relating to banking, insurance and the development of capital markets and future markets.

Experts however fear that the creation of BFID could open an avenue for greater government intervention in the financial sector, especially in the banking sector (Ahmed 2012b). The successive governments have already delegated autonomy to state banks, and more autonomy was given to the BB over the years in line with D&DP influenced reform with several committees formed by the government in the post 1980s favouring greater autonomy of the Central Bank. There is however genuine concern that interference in the banking sector could escalate through BFID. A majority of the interviewees felt that it could impede the banks' independence, including that of the Central Bank- one of the hard-earned successes of the three-decade long banking reforms.

SCBs are generally used as an important channel for automatic monetisation of fiscal deficits. Higher fiscal deficits are partly responsible for incumbent's politically motivated projects. While the government faces opposition from both the D&DPs and the local actors such as the opposition party, civil society, etc to augment fiscal deficits, greater autonomy to the banks has been a bar to automatic financing of deficits. Thanks to the BFID, the government now faces little resistance to borrow from the banking system. For instance, four SCBs have faced severe fund crises as a result of large loans to Bangladesh Petroleum Corporation (BPC), the country's lone fuel importer. The fuel import rise in recent years is to support controversial rental power plants. BPC's accumulated losses have also resulted in higher NPLs for SCBs, forcing the government to issue special recapitalisation bonds to allow write-down of some of these NPLs (IMF 2011). The government borrowed an unprecedented average of Tk 1.24 billion a day from the banking channel during the first 120 days of the 2011-12 year, totaling Tk 225 billion (New Age 2011).

During the current government's tenure, a growing stress on the country's financial system has taken place thereby subverting the BFID stated objectives. The entity did little to arrest the regulatory failure in several segments of the financial sector, including the stock market manipulation in 2010-11, sucking-up millions from small savers by the multi-level marketing companies and the misappropriation of over Tk 3,500 crore through fictitious loans by a little known private business outfit from a SCB. The interviewees of this research believe that in each of these instances the perpetrators have either given the opportunity to misappropriate funds or been kept above the law due to their political affiliations.

As discussed in the preceding sections, while the banking sector started to witness the benefits of reforms, the creation of BFID threatens to undo some of the hard earned gains of the over three decade long reforms in this sector. This has particular implications for the SCBs, which are still not fully compliant with risk based regulations, reflected in shortfalls of CRAR and the higher share of NPLs *vis-à-vis* PCBs and FCBs.

As the public banks are not within the *de facto* purview of the supervision of the BB, their weak compliance with prudential regulations is a serious risk to the stability of the banking system

with experts recommending immediate and drastic correction. In addition to efforts to improve their performance, these banks should be brought under the central bank's regulatory supervision and must be required to comply with all prudential norms in a time-bound manner (Ahmed 2012b). IMF also stressed that there is a need for timely finalisation of the draft amendments to the Bank Companies Act, aiming at strengthening bank governance and oversight, thus allowing BB sole authority of prudential regulations (IMF 2011).

Case conclusion

Like most other sectors, accumulated problems in the banking sector led to a wide range of reforms. However, political will has been the key to proceed with reforms which, in turn, is a function of economic incentives. While the denationalisation process faced significant roadblocks, particularly from organised labours, entry of private sector players in almost all phases of reforms in the sector helped overhaul the sector. However, the first two phases of reforms did not bring any measurable outcomes, highlighting the fact that wholesale liberalisation without instituting an effective regulatory structure is not the answer to the cumulative problems of bank nationalisation.

Nevertheless, the sector turned around in the late 1990s and early 2000s when the D&DPs shifted their focus to risk-based regulations and supervisions. International best practices such as BASEL norms have also played a critical role in bringing order to the sector.

However, the experience of SCBs indicates that the success of reform could be reversed if politicians and their aligned business groups find room to channel the outcome entirely in their favour, overlooking the national interest. The sector remains critical for the incumbent government for automatic monetisation of fiscal deficit financing politically favoured risky lending.

The banking sector is arguably one of the most important avenues to create rent, an essential element of political settlements, politicians therefore unlikely to loosen their grip over it. Going forward, the challenge for the D&DPs along with steady focus on risk-based regulations and supervisions is to find a way to dismantle the state machineries directly controlling the finance.

The reform experience in the banking sector also offers a broad lesson for other segments of the financial system that without instituting an effective regulatory architecture, market based reforms could do more harm than good, the lesson thousands of investors learnt, albeit painfully, during the two episodes of stock market crashes (during 1996 and 2011).

4.4.2 Case study: Energy price adjustment in Bangladesh

The adjustment of energy prices is a contentious issue owing substantially to political economy considerations. The service provision of electricity and other utilities is institutionally embedded within the state, particularly in developing countries. This has led to extensive politicisation of such service provisions, also known as clientelism¹⁸, leading to artificially depressed prices, over-employment, political manipulation of investment priorities, as well as a lack of managerial autonomy and technical competence (Foster et al 2006).

¹⁸ Narrowly defined, clientelism is a social order which depends on relations of patronage. Political clientelism describes the distribution of selective benefits to individuals or clearly defined groups in exchange for political support (Hopkin 2006).

Bangladesh's power sector has proven no exception. In fact, despite having experienced significant reforms since the mid-1990s, the sector is still marred with a plethora of economic and governance problems (Khan, F. 2010). More importantly, successive governments' have hesitated to undertake any major reforms in energy pricing, in fear of becoming unpopular with their electorate and losing their vote bank (Mahmud et al 2008).

However, faced with severe fiscal and macroeconomic constraints as well as pressure from D&DPs, the current government started to adjust oil and electricity prices since assuming power in 2009, with electricity tariffs being adjusted upward five times in the past three years.

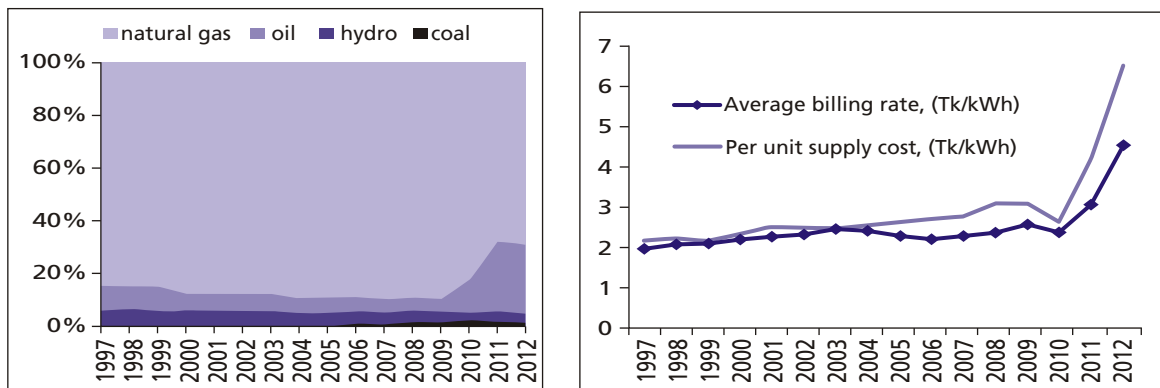
In fact, the government pledged to the D&DPs to introduce an automatic pricing formula, eventually a full pass-through of fuel prices in line with international markets and reduce fuel and electricity subsidies. These commitments were made to comply with the conditions tagged with the recent IMF's credit (IMF 2012). Moreover, the ADB's loan on infrastructure for power transmission was linked to the power tariff adjustment (Rahman 2012).

Figure 18 shows that the supply cost of electricity has increased sharply in recent years owing, primarily, to changes in fuel mix in electricity production. This has a direct link to the current government's ambitious plan to augment the supply of electricity¹⁹ to bridge the marked gap between the sector's supply and demand. While the government's energy road map targets electricity production from various fuel sources, in recent years the sector's dependence on fuel oil increased sharply from 5% in 2008-09 to over 20% in 2011-12.

Increasing reliance on fuel oil has inflated the supply cost of electricity thereby forcing an upward adjustment of power tariffs. The average cost of electricity generation shot up to Tk. 6.42 per unit from Tk 2.63, after fuel oil-run plants began electricity generation from the end of 2010²⁰. As a result, the oil import bill is expected to be around 5% of GDP in FY12- roughly doubling as a share of GDP over the past two years (IMF 2011).

Figure 18

Fuel mix of electricity production (left panel) and supply cost and tariff of electricity (right panel)



Source: Based on BPDB

19 Under the yearly power generation plan, the GoB has taken initiatives to produce 9426 MW of electricity between 2010-15 (MOF 2010).

20 While gas supply shortfall has forced some power plants to operate at a suboptimal capacity (only 68 percent of its capacity can be used), this primary fuel still constitutes nearly 70 percent of fuel source of electricity. Electricity tariff in Bangladesh would have been much higher than the current level had gas prices been not heavily subsidised- weighted average gas prices are set at less than half their economic value. The other sources, hydroelectric and coal power, comprise approximately 5% of total power generation.

This ad hoc price adjustment has caused severe distortions in the electricity market. While the government and the D&DPs are in favour of fuel price rationalisation, the other actors notably the consumer right groups, strongly oppose this ad hoc price adjustment.

Given the fiscally un-sustainable fuel mix at present, loom as to whether the government will be able to diversify its fuel sources of electricity by attracting large investment in gas production and developing indigenous coal resources or importing coal resources from overseas.

Against this backdrop, this section studies energy price adjustment by focusing on the trajectory of reform in the sector and understanding the interplay among various actors. Despite higher generation capacity, there remains considerable uncertainty as to whether the D&DP-influenced reforms would be able to supply cost-effective electricity. This is largely due to the inherent problems of the country's political and governance structures, which some scholars analysed in the framework of 'political settlements' (Khan 2010; Khan 2012) that ultimately bar implementation of long term investment projects.

Rationale of energy price adjustment

Energy pricing reform is imperative for various reasons. First, the sector traditionally absorbs large subsidies that do not directly benefit the poorest segments of the country. With extreme poor households' share in total electricity consumption at less than 0.1%, energy subsidy is highly regressive in Bangladesh (International Institute for Sustainable Development [IISD] 2012).

Secondly, long term investment including FDI in the sector largely depends on rationalisation of pricing, as allocation of capital requires a balanced return and risk. The present price of gas for instance does not provide sufficient cash flow to support further gas exploration.

Thirdly, the energy price adjustment process should also be analysed from an efficiency perspectives with low or subsidised electricity pricing and other utility services discouraging consumers' to use them efficiently.

Finally, power sector is one of the areas where the external influence has not solved the fundamental problem of the sector- rational pricing of electricity due to the nature of political settlement in Bangladesh. So it is imperative to study the sector by examining the interplay of various actors involved in energy sector reform.

Energy sector: reforms and outcome

At the heart of many energy sector shortcomings is the pricing of primary energy (gas, oil, coal) and final energy products (electricity) which, in turn, functions of a number of economic and governance variables. Hence, it is important to understand those issues comprehensively. Reform in the sector is one of the ways to assess what policies have and have not worked in the past, towards understanding the sustainability of current policies on energy pricing. This could also help in understanding the roles of various actors including the government, D&DPs, organised labour, private sector and consumer groups and their interplay in the process.

Energy sector reform generally follows a three pronged approach- public sector overhauling, gradual liberalisation with an expanded private sector role and regulatory reform. Before initiating reform, the vertically integrated government power utility Bangladesh Power Development Board (BPDB) was solely responsible for electricity generation, transmission and distribution throughout the country.

It was only in the mid 1990s that the sector witnessed a major policy shift, when the government in consultation with a large number of D&DPs including ADB, WB, DFID, JICA, Kreditanstalt für Wiederaufbau of Germany, and USAID, launched a reform project on Power Sector Reforms in Bangladesh (PSRB) (ADB 2005).

The PSRB contained four key objectives: (i) the separation of sector regulation and operation; (ii) the autonomy and commercial orientation of the sector entities; (iii) unbundling generation, transmission, and distribution; and (iv) increased private sector participation.

Reform in the power sector has increased private participation particularly in power generation. The sector's commercial performance improved significantly in reducing power distribution losses and in the operational performance of transmission system. The regulatory body Bangladesh Energy Regulatory Commission has also been formed whereby private and public sectors now have equal share in power generation.

The ruling party has shown interest in reforming electricity generation and transmission which gives them opportunities to align their political and economic interests. During the past BNP government's tenure (2001-06), considerable focus was placed on increasing transmission capacity and it was widely reported that served their interests given their business allies' involvement in the sector. However, their priority to increase electricity transmission above generation capacity proved to be a wrong move in light of the chronic load shedding that prevailed.

Increasing electricity generation capacity has been a major focus for the current government. When the AL government assumed power in January 2009, the effective capacity of power generation stood at approximately 3500 MW. The government has added approximately 4000 MW new capacity in various forms, including liquid fuel based, gas based or dual fuel plants.

BPDB's generation report shows that as of June 2012, the total generation capacity was 7500 MW while actual generation was between 4400-5000 MW²¹. A small number of business players with close relationships to the government have been awarded most of the power generation projects²² (Khan 2012d).

Despite this apparent success, the key informant interview and leading power sector experts feel that the main objective of the power sector reforms agenda remains unfulfilled (Khan, F. 2010). Even if some of the power generation constraints and transmission are addressed, expensive power seems to be the only solution (Tamim 2012). To find an answer to the unfulfilled objectives of such reforms, it is essential to examine the political economy of power mix.

21 Bangladesh Power Development Board Website provides real time as well as time series data about power generation. Available at http://www.bpdb.gov.bd/bpdb/index.php?option=com_content&view=article&id=151&Itemid=118

22 Also see Power Generation Project up to 2015, available at http://www.bpdb.gov.bd/download/New_Generation_Planning.pdf, accessed on 20 July 2012.

Political economy of fuel mix: actors and interplay

As discussed in the preceding section, the major objective of power sector reform remain unfulfilled due to the lack of rationalisation of energy prices which, in turn, is a function of appropriate fuel mix. Experts argued that power sector reform programmes in Bangladesh and the region missed the point that electricity is a secondary energy, with countries ignoring the need to ensure the supply of primary fuel in electricity generation (Khan 2012). Generation of electricity is generally adopted based on the principle of the least-cost expansion plan, which involves choice related to appropriate fuel mix and technology.

However, it is not only the government who determines fuel mix. The D&DPs, politicians, consumer groups and civil society organisations are some of the key actors in deciding the fuel mix for electricity generation.

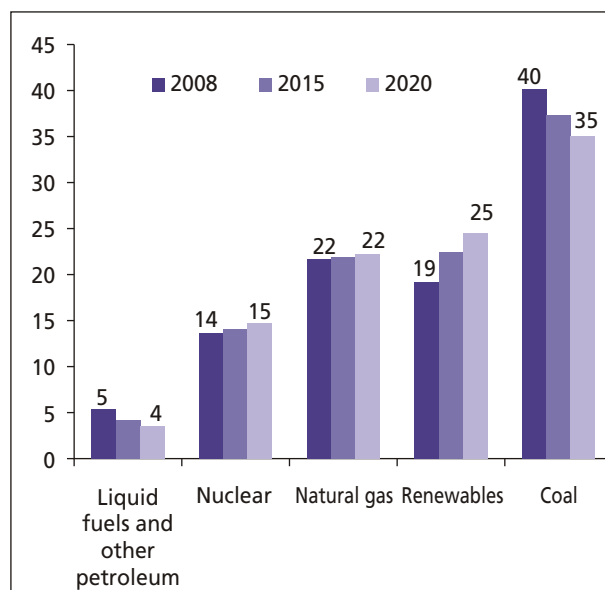
According to the Power System Master Plan (BPDB 2010), the forecasted demand for electricity is 19,000 MW in 2021 and 34,000 MW in 2030. The plan suggested a fuel mix comprising 30% domestic coal, 20% imported coal, 25% natural gas including LNG, 5% liquid fuel and 20% nuclear, renewable energy and power import (also see Table 14). It is not unusual that preference is heavily skewed towards coal at 50% since coal globally produces approximately 40% of electricity, followed by natural gas (22%), renewables (19%), nuclear (14%) and liquid fuels and other petroleum (5%) (See figure 19). Coal is the main source of primary energy in both China and India. Even one-third of the United States' electricity is generated by coal.

Table 14
Phase-wise generation expansion plan

- Immediate: 6 -12 Months
 - Rental and Quick Rental Plants (liquid fuel)
- Short term: 18 - 24 Months
 - Peaking Plants (liquid fuel)
- Medium term: 3 - 5 years
 - Combined Cycle Plants (Gas or dual fuel)
 - Peaking Plant (Gas or dual fuel)
 - Coal fired steam plants
- Long term: beyond 5 years
 - Liquefied Natural Gas based Combined Cycle Plants
 - Domestic/Imported Coal Power Plant
 - Gas/Oil based Peaking Plant
 - Nuclear Power Plant
 - Renewable Energy

Source: Power System Master Plan, Bangladesh Power Development Board

Figure 19
Global power mix (in %)



Source: Based on World Energy Mix Interactive, National Geographic Website

23 See International Energy Agency (IEA) website, available at <http://www.iea.org/stats/index.asp>

The stock of primary energy indicates that Bangladesh has comparative advantage in producing electricity from coal and gas. The country has an estimated 16.6 trillion cubic feet (Tcf) of recoverable gas reserves left in its 23 gas fields as of January 2012²⁴.

However, apart from electricity generation, gas is being used in households and in producing fertiliser and other industrial outputs. The total coal reserves in the five coal fields of Bangladesh are estimated to be 2.9 billion metric tons and with a conservative recovery rate of 30 percent, the available reserve could translate to about the energy equivalent of 20 tcf of natural gas²⁵.

While natural gas remains the dominant source of primary energy, the price of this form of hydrocarbon is being kept under-priced by successive governments, primarily, not to upset the middle class vote banks (IGS 2009). In the absence of price signal in the market the sector faces considerable constraints to meet the growing demand not only in electricity generation, households and industrial activities are also constraints by the unreliable supply of gas.

Currently about 600 MW power cannot be generated due to gas supply shortage (Tamim 2011). While BAPEX has shown significant success in exploring natural gas, the lack of finance, technology and political will bar the entity from expanding its capacity. While D&DPs and the government favour greater involvement of international oil companies in natural gas exploration, such actions often face strong opposition from civil society organisations.

Bangladesh's transition to a diversified fuel mix, particularly coal-based electricity production, faces considerable hurdles from all the actors bar consumer groups. A large number of interviewees felt that due to environmental concerns the D&DPs, left-wing political parties and civil society organisations are not in favour of producing electricity from coal with existing technology²⁶.

However like the gas sector, the elected governments do not have much incentives or capacity under the competitive clientelist political settlement to develop long-term infrastructure projects (Khan 2012). This lack of political and social consensus, governance issues and D&DPs reluctance bar the country's electricity generation with the least cost fuel input of coal.

As a result, the sector has had little success in developing coal and gas-based base load power plants over the past three and a half years. The government cancelled submitted bids for five coal-fired power plants in July 2012, which were estimated to generate approximately 2,500 MW of electricity, a major setback to offering low-cost electricity from base-load power plants. The politicians, the government agencies and private sector players have given more focus to rental power plants which rely on oil as a primary fuel and can be materialised within 6 months to a year.

Consequently, the government licensed nearly three dozen high-cost oil-fired power plants to enhance electricity generation in the last three years. However, given the higher fuel costs in the international markets, these power plants run at 47% capacity on an average (New Age 2012).

24 A report indicates that Bangladesh has 16.59 Tcf of gas left in 23 fields. According to the Hydrocarbon Unit the country's estimated gas reserve was 28.20 Tcf in November 2011 (Financial Express 2012b).

25 Unpublished Document of Dhaka Electric Supply Company Ltd. (DESCO), available at www.fkk.weebly.com/uploads/11/2/5/7/1257637/desco.docx

26 Our interview with D&DPs also confirms that they don't support coal fired electricity plants for environmental concerns.

Given the government's inability to diversify fuel mix in line with its Power System Master Plan, consumers are experiencing relatively better electricity services yet with much higher tariffs (The Daily Star 2012c). On the contrary, the least-cost generation expansion plan with appropriate choice of fuel mix could have given the consumers' affordable electricity (Table 15).

According to Tamim (2012b), along with efficiency improvement, using mainly indigenous primary fuel (50% coal, 30% gas, 8% renewable including hydro) and imported liquid fuel (12%), the average electricity production cost can be maintained at Tk.4/kWh. However, the provision of least-cost electricity in the context of Bangladesh is not only a function of economics, but also of the sector's governance structure (see Box 3).

Table 15
Comparison of tariff for different types of coal and gas

Primary Fuel	Price (USD/ MT or USD/ MCF)	Tariff (USD/ kWh)	Tariff (BDT/ kWh)	Tariff (USD/ kWh)
Domestic Coal	116	0.05	4.12	0.05
Indian Coal	70	0.04	3.09	0.04
Indonesian Coal	170	0.07	6.04	0.07
Domestic Coal (> 600 MW)	116	0.04	3.14	0.04
Indian Coal (> 600 MW)	70	0.03	2.35	0.03
Indonesian Coal (> 600 MW)	170	0.06	4.60	0.06
Natural Gas (Local Price)	1	0.01	0.93	0.01
Natural Gas (International Price)	7	0.08	6.70	0.08
Natural Gas (Local Price) (CC)	1	0.01	0.53	0.01
Natural Gas (International Price) (CC)	7	0.05	3.83	0.05

Source: fkk.weebly.com/uploads/1/2/5/7/1257637/desco.docx

Box 3

Expensive solution to electricity problem and governance structure of the power sector

Our analysis shows that while it is possible to provide cost-effective electricity, the power sector's governance structure is a major barrier.

The interviewees of this research projects highlighted a plethora of governance issues concerning the sector: longer maturity time of projects (often taking longer than scheduled time); large public sector procurement; lengthy procurement processes; weak contract enforcement; higher technical system loss; weak network system; collusion and corruption; extremely poor internal governance; higher levels of investment risk; policy uncertainty with change in government; bureaucrats' risk-averse approach fearing future charges of corruption. In addition, the quick rental power plants are not only economically inefficient, but also breeds problems like corruption.

The market based reforms have been less than effective in addressing such governance issues. Yet more importantly, there is perhaps an inherent limitation of market based reforms in addressing them. This is not to say that reforms are unnecessary, but that they are probably incompatible in the context of Bangladesh (and other developing countries for that matter). The reasons are extensively analysed in Khan (2010, 2012).

The base load power plants/ IPP investments, for instance, are key to supplying cost-effective electricity. However, they are difficult to materialise owing to governance problems. The D&DPs with capacity to finance infrastructure and power projects, insist on transparent procurement guidelines and bidding procedures in the power sector. However, the sector is controlled by a small number of bidders based on personal relationships with political insiders (Khan 2012). Thus, while leveraging political connections some companies could secure power projects, they face difficulties in financing them (Bibiyana 1, Bibiyana 2 and Meghnaghat 2, for instance) as with an underdeveloped capital market, the financing for large infrastructure and power projects generally come from the international agencies.

Our discussion with a number of D&DPs also confirms the view that owing to governance problems, they are unable to utilise available funds for power projects. Moreover, in the competitive clientelism, those projects do not get commitments from politicians as their regimes are too short to materialise those projects (Khan 2012).

It is therefore not surprising that even after three and half years of the current government, the power sector has been unable to make any significant headway in materialising IPPs/base load power plants, resulting in high-cost electricity with rapid growth in rental power plants. The government's guarantee to protect the BPDB's solvency (single buyer of electricity and supplier of fuel) prompted short-term projects with greater private participation. However, in the case of IPPs investors are not convinced that either the government or its agencies (bureaucracy) are capable of protecting their long-term investment leading to higher risk-premium for long-term infrastructure projects.

Case conclusion

There is a consensus between the D&DPs and the government to rationalise energy price, adjusting electricity tariffs upward. However, the current approach does not offer a cost-effective solution as far as electricity services are concerned. Reform in various aspects of the power sector, notably transmission and generation of electricity, has fulfilled some reform objectives, yet this has been achieved by accommodating political interests. The sector faces significant governance challenges which are the key barriers to generating electricity with an appropriate fuel mix, an important determinant of affordable electricity.

To offer electricity at a competitive price in the medium to long term, there is a need for large-scale investment both in gas and coal sectors, two critical primary fuels where Bangladesh's sizable reserves enable comparative advantage. However, the current governance structure which is a function of the country's political settings, has proven a challenge to attracting the requisite investments and therefore establishing base load power plants.

Market based reforms have been of little help in this regard, as Khan (2012b) observed “that the problem in the power sector is that long-term contracts and calculations are difficult when the political settlement has features of competitive clientelism with short time horizons of the ruling coalition and with low and declining governance capabilities of the bureaucratic organisations who regulates the investment in these sectors.”

Thus, while in the last three and a half years, the government, its agency bureaucracy and their close business allies have increased electricity generation capacity markedly, this increased capacity could not be exploited fully due to lack of coal and natural gas supply. Although the oil based rental power plants should have been phased out by this time to allow other primary fuels notably coal to augment its share, these plants are likely to maintain their share in the next few years, increasing supply cost of electricity and undermining the fundamental objective of the power sector reform.

4.5 Conclusion and the way forward

The analysis indicates that key reforms in the Bangladesh economy were introduced in periods of severe economic constraints. Cross-country experience also suggests that significant changes generally emerge from crisis, yet, there must also be a political response to crisis (Cabral *et al* 2006). This research indicates a similar pattern that any reform that presents the potentiality of political gains, either through rent or increasing vote banks - will find support from the politicians. However, political incentive alone has proven inadequate unless there is a firm commitment from politicians and the commensurate capacity of bureaucrats.

The influential actors involved in the process of economic reform are namely: D&DPs, politicians, private sector, bureaucrats and organised labour. D&DPs have been the key players in promoting as well as influencing the reform agenda in Bangladesh. Politicians' support for reforms on the other hand has varied widely, wherein some cases they facilitated reforms and in others, they did not make firm commitments. The business interest groups comprised largely of the private sector and businessmen-turned politicians, often influenced reform to secure their vested interests.

Whenever decentralisation becomes the proposition of any reform, bureaucrats had a tendency to resist it, as this might have affected their activities and in turn result in relinquishing control over the sector. Organised labour opposed reforms, often liaising with political parties. However, over the years their influence has declined to a large extent because the politicians who control them, have been given substantial incentives to facilitate reform.

Politicians showed commitments towards key reforms of private participation, privatisation, economic openness, macroeconomic stability, agriculture reform and public resource mobilisation, inter alia. The state played a significant role in mobilising internal resources, by cutting subsidies and mobilizing tax and other revenue, however tax evasion and public spending leakages remain rampant.

The government hesitated to reform in certain areas which are politically costly such as energy price adjustment. Their lack of commitments towards reform measures such as modifying the fuel mix in favour of coal and developing other large infrastructure has emerged as a key challenge for

sustaining growth. This is largely due to the short time horizon of any ruling political party, declining governance capabilities of the bureaucratic organisations and the market-based reform's limitations in improving governance capabilities. The case study on the energy price adjustment significantly highlights these facts.

With regard to D&DPs' policy advocacy, denationalisation and privatisation policies have worked in some sectors but simultaneously have not produced measurable change in others. The banking sector case study indicates that privatisation including private participation, may not be a solution to the problems accumulated through nationalisation, unless emphasis is placed on regulation and supervision. The adoption of international best practices played an important role in improving regulatory quality in the banking sector.

The study also suggests that the reform's continuation of success is uncertain if the nexus between politicians and businessmen find ways to channel reform gains to serve their vested interests. As observed by Mahmud (2001), if there is a demand in the political system for illegal incomes and rent-seeking, economic reforms alone will not be the remedy.

As far as reforms' impact on good governance is concerned, the study identifies a number of facts. First, in line with the burgeoning body of research (World Bank 2010, Khan 2010, World Bank 2007b), it suggests that the D&DP guided reforms have had little impact in improving overall governance structure of the economy. Nevertheless, their sectoral impacts are mixed. The case study on the banking sector reform clearly suggests that liberalisation does not automatically improve governance quality. However, governance quality in private banks has improved, particularly in the post-2000, thanks to the adaptation of the global best practices as well as granting more autonomy to the Bangladesh Bank to regulate the sector.

Second, the case study on energy price adjustment is a revelation of more complex issues concerning growth and governance. Some of the reform objectives concerning governance have fulfilled- system loss in the power sector has declined and a regulatory body has instituted. Nevertheless, market-based reform in energy and utility sectors have been unsuccessful in improving overall governance quality, thereby precluding the long-term investment in the sector critical for cost-effective electricity production.

The reason being, as also identified by Khan (2012) that the D&DP guided market-based reforms and their governance expectations do not serve the vested interests of political elites. This has generated tensions between politicians and the D&DPs, depriving the power sector of urgently needed financing and other large infrastructure projects, the Padma Bridge most notably, which could be another interesting case study in this discourse. The absence of a mature financial system as well as the country's saving-investment gap, compels Bangladesh to depend on D&DPs for a vast array of infrastructure and power projects that otherwise might not be possible.

That said, there are limitations to economic reforms. Rodrik *et al* (2002), Alcala & Ciccone (2004) and Kaufmann *et al* (2007) indicate the importance of institutional features such as corruption, rule of law and general governance issues such as political accountability, quality of bureaucracy etc. in determining whether the outcomes of reform would be beneficial. In retrospect, the reform

advocacy of the 1990s which urged developing countries with weak institutions to undertake economic reforms with the implicit assurance that political progress and good governance would follow as a consequence, has proven to erroneous (Nachane and Islam 2009).

Going forward, economic reform is a lengthy and continuous process and while Bangladesh has made significant strides, more still needs to be done. The country's future challenge to growth could arise from its governance challenges, as it is already being witnessed in power and infrastructure sectors.

At low level of development, governance has apparently not been a major constraint to growth, as comprehensively argued by a number of scholars. Moreover, sectors such as agriculture and informal sector activities were not affected by governance constraints (Mahmud *et al* 2008). However, for the next phase of growth, reforms in the financial sector notably equity and debt, and capital market liberalisation, energy sector particularly coal and gas based base load plants, the infrastructure sector and other modern urban sectors will be critical.

D&DPs role could be even more important as they remain the preferred source of financing for large projects. However, the WB, ADB and other development partners' greater emphasis on governance performance as the major determinant of fund allocation poses an enormous challenge in this regard.

What are the solutions to the growing mismatch between D&DPs reform agenda and their governance expectations? Our interview with experts suggest that there is a need for compromise by both government and D&DP stakeholders to find a workable solution. Since D&DPs have acknowledged that their governance reform expectations were overambitious, they should revisit their rigid criteria in fund allocation by placing higher weight on sectoral performance than governance criteria. Given the market-based reforms limitations in addressing governance problems in sectors such as energy, utility and infrastructure, owing to political constraints, D&DPs should study the 'political settlement' within Bangladesh arising from competitive clientelism of the post-1990s, when they recommend governance reforms in these sectors.

Moreover, given the limitation of market enhancing governance capabilities (to make markets more efficient by reducing market transaction costs) in Bangladesh, this is also the right moment to contemplate the need for alternative thinking on governance, such as growth-enhancing governance capabilities (Khan 2008, Khan 2009)²⁷. However, further research is needed in this regard.

27 According to Khan (2009), growth-enhancing governance capabilities are capabilities that allow developing countries to cope with the property right instability of early development, manage technological catching up, and maintain political stability in a context of endemic and structural reliance on patron-client politics. Khan (2012) has gone as far to question the applicability of the market-enhancing governance agenda where developing countries such as Bangladesh are concerned.

CHAPTER

5

NGOs as Drivers of Policy Change:
Between Policy Autonomy and
External Influence**5.1 Overview**

Bangladesh has made impressive gains in social and economic development over the last four decades despite various slippages¹. One interesting feature of the country's development story is the important role of civil society, especially NGOs, as development partners of government and donors. Since independence, Bangladesh's government faced the dilemma of addressing numerous development challenges with limited resources and capacities.

Donors thereby became sources of financial resources and technical assistance and NGOs, in addition to implementing their own development programmes, became civil society partners in donor funded government development projects. Furthermore, with the basic orientation of donors' development assistance shifting from the Needs Based Approach (NBA) to the Rights Based Approach (RBA) over the last two decades, the NGO role has accordingly changed to attain broader scope.

During the NBA era, donors and governments engaged NGOs mostly in service delivery for health, education, social safety net and microfinance. With the RBA, NGOs started emerging as governance actors in collaboration with donors and government. In effect, they began playing broader roles in policy change through policy advocacy, policy research, campaigning, lobbying, reviewing law, drafting law, media mobilisation and social mobilisation.

5.1.1 Research objectives

It is therefore important to investigate whether and to what extent NGOs, as civil society actors, influence policy change. It is also imperative to explore if (and to what extent) the NGO policy advocacy agenda with the government is guided by donor priorities based on NGO dependence on donor funding.

¹ Since 1990, the country's economy is growing more than 5 percent on average every year. At the same time, annual poverty reduction rate is about 1 percent. The Millennium Development Goal (MDG) of gender parity in primary and secondary school enrolment is met well before deadline. The child mortality rate has reduced by half and life expectancy has increased by more than 15 years (World Bank 2005). Despite the ongoing global economic crisis, Bangladesh's growth rate was recorded 6.6 percent in 2011.

The resulting research objectives are as follows:

- The capacity of NGOs as policy actors in relation to government and donors
- The processes constituting NGOs' role in policy change *vis-à-vis* government and donors
- Forms and degrees of external influence on NGOs' policy change agenda

5.1.2 *Rationale of the research*

NGOs' scope of activities as civil society actors grew further since the 1990s with the return of multi-party democracy. NGOs became government partners in implementing national development frameworks such as the Fourth Five Year Plan (FYP) for Financial Years (FYs) 1990-95, the Fifth FYP for FYs 1995-2000 (Haque 2002, p. 418) and even the ongoing Sixth FYP for FYs 2011-15.

From the 1990s onward, NGOs also started advocacy on democratic governance issues of decentralisation, rule of law, access to justice, corruption and transparency, human rights, and good governance. Two broad trends of 'service delivery' and 'issue-based activism' (Lewis 2010, p. 162-163) in the country's NGO activities are not necessarily mutually exclusive, as NGOs involved in service delivery were sometimes also involved in activism and vice versa.

The Poverty Reduction Strategy Paper (PRSP) that replaced the FYPs as the national development strategy from 2002 provided greater policy space for NGOs. As stipulated by the World Bank and International Monetary Fund (IMF), PRSPs had to be country-driven, result-oriented, comprehensive, prioritised, partnership-centric and based on a long-term perspective.

This bottom-up approach in policy planning necessarily made NGOs integral from policy formulation to implementation. NGOs and other civil society actors became key participants in the national consultation under PRSP process, which later formed the foundations of general and sectoral PRSPs². The PRSPs featured four sets of supporting development strategies in which NGOs played a critical implementation role: ensuring participation, social inclusion and empowerment; promoting good governance; providing service delivery; and, caring for the environment and sustainable development.

Although civil society actors, particularly NGOs, backed by donor support, were already involved in policy advocacy, the PRSP process was unique in providing them direct and formal participation in policy making for the first time.

The current government however has departed from the PRSP format that was in practice between FYs 2002-2010 and reverted back to the FYP format, currently implementing the country's Sixth FYP. Unlike the PRSPs, the wider population and civil society actors have therefore not been consulted in the ongoing Sixth FYP formulation. The Sixth FYP is rather based on Vision 2021 that is the election manifesto of the current government party. No widespread efforts were visible on the government's part to incorporate various stakeholders' suggestions in the current FYP.

2 The section 3.19 of PRSP 2005 states "The output of consultations worked as general guidelines for preparing the thematic group reports as well as the PRSP."

The greater involvement of NGOs that happened in PRSP format of national development framework has apparently been reversed. However, the government continues to recognise NGOs as its partners, particularly with respect to socio-economic development³.

5.1.3 Methodology

The research objectives will be examined in two case studies: the Right to Information (RTI) and Human Rights, where greater involvement of NGOs occurred.

The methods used are mainly literature review, document analysis and qualitative interviews, with secondary literature reviewed on civil society, NGOs and development. This research analyses policy advocacy documents of concerned NGOs, national and international policy frameworks, relevant laws, donor strategies and donor correspondence.

A total of twenty key informants were interviewed that included RTI activists, human rights activists, academic experts and government officials. Based on the three main categories of explanatory, descriptive and combined methodology (Morra and Friedlander 1999, p. 3), this research employs the explanatory case study method.

The rationale for selecting the two stated case studies is their significance in terms of country situation, constitutional obligation, national development frameworks, political party agenda and development assistance agenda.

Transparent and accountable governance and human rights are enshrined in the country's constitution with democracy and human rights featured prominently in fundamental principles of state policy in Part II of the Bangladesh Constitution. Part III of the Constitution includes a list of fundamental rights of the citizens of Bangladesh.

Governance and Human Rights are among key concerns in national development frameworks. The Sixth FYP of the Government of Bangladesh identifies improving sectoral governance and protecting human rights as two of the major challenges in achieving Vision 2021. The Outline Perspective Plan, (OPP) 2010-2021, serves as a strategic document to materialise Vision 2021. One of the visions of OPP for Bangladesh is 'a resilient democratic nation' that stresses on right to information and free media. The very first of 'development priorities' identified by OPP is 'effective governance'.

Bangladesh's leading political parties have also expressed their commitments to democratic governance and human rights in party constitutions. The ruling Awami League commits to recognising human dignity and humanistic values, and, to set up a strong government system in order to ensure people's participation and empowerment at all administrative levels down to the

3 The Sixth FYP doesn't contain any set of supporting strategies like the outgoing PRSP format that apparently had greater scope of NGO involvement in governance processes. For example, in the Sixth FYP, NGOs or other civil society actors are not included in strategies for 'improving governance.' They are rather discussed under strategies for 'strengthening Public Private Partnerships (PPPs)' with apparently secondary priority attached to them after businesses. It seems that the government is more interested to see NGOs as service providers than as governance actors. A civil servant also expressed similar opinion in his interview terming NGOs nothing but government contractors. It is also noted in the Sixth FYP that there is no mention of civil society in the strategies although there is some passing reference to civil society in few latter sections mainly with respect to climate change adaptation and third party monitoring of FYP implementation.

grassroots⁴. The main opposition, Bangladesh Nationalist Party (BNP), sets as one of its objectives, the establishment of stable democracy through parliamentary, multi-party democratic government as elected by the people's direct vote and to bring equitable national progress and development⁵.

Transparency and accountability as well as the protection and promotion of human rights, are therefore among the main challenges to Bangladesh's development and governance, and the subject of continuous public debate.

In this context, the recent Right to Information (RTI) has been proposed by the country's civil society to ensure transparency and accountability in governance. Though the country's human rights situation has not satisfactorily improved even after transition to democracy in the early 1990s, the rule of law under democracy has increased human rights protection in some proportion. While there is greater awareness about human rights among the country's population, human rights violations in general have not declined and newer forms of such violations are on the rise.

Transparent and accountable governance as well as promotion and protection of human rights are related to the top priorities in development cooperation between Bangladesh and its donors. Furthermore, good governance and human rights are central themes⁶ in the Country Assistance Strategy (CAS) or similar development cooperation frameworks of both bilateral and multilateral donors.

Hence, assessing NGO advocacy in RTI and human rights offers greater scope in understanding external influence over the NGO advocacy agenda. As RTI and human rights become common interface between NGOs and political parties, assessment of NGO role in these two policy fields will tell more about the policy change space they enjoy in the existing political system.

Limitations of the research

The findings of this research give elaborate account of what roles NGOs play in policy change and how they carry out their roles *vis-à-vis* government and donors, yet they cannot be taken as standard generalisations.

While there are common patterns among NGOs' role in policy change, there will be plenty of variations across cases as well; which is why the NGO role in the cases of RTI and human rights will not be always comparable to cases in other policy fields. Both RTI Act and NHRC were initiated during the Care Taker Government (CTG). NGOs' role in policy change may vary during political governments.

4 The Constitution of the Bangladesh Awami League (www.albd.org) (Accessed: 10 may 2012).

5 Bangladesh Nationalist Party-BNP Constitution (www.bangladeshnationalistparty-bnp.org) (Accessed: 10 may 2012).

6 In World Bank's Country Assistance Strategy (CAS) 2011-14, 'stronger governance' is one of the strategic priorities. Good governance is the first thematic driver of Asian Development Bank's (ADB) Country Partnership Strategy (CPS) of 2011-15. In USAID Country Development Cooperation Strategy (CDCS) 2011-16, Development Objective (DO) one is: increasing citizen confidence in governance institutions. According to Country Strategy Paper (CSP) for 2007-13, good governance and human rights is one of the three focal areas of European Commission's (EC) development commitments to Bangladesh.

Structure of the chapter

The chapter is divided into five sections. The first section is an introductory one. The second section discusses conceptual linkages between governance, civil society and external influence by drawing on relevant literature. Sections three and four are the two case studies respectively. Each case study focuses on actors, roles and processes in the policy change following background discussions. A case specific conclusion is also drawn at the end of each case study. The concluding section draws a general conclusion on the research findings and charts the way forward.

5.2 Governance, civil Society and external influence

Governance relates to making and enforcement of rules for governing collective human activities by involving multiple actors to maximise collective welfare. Governance can be understood as horizontal relations between organisations instead of conventional vertical arrangements (Cleveland 1972); public sector reform through reduction of transaction costs (North 1990); system of rules with transnational implications (Rosenau 1995); the three E's of economy, efficiency and effectiveness (Rhodes 1997); setting of rules that guide rule-making (Hyden 1999); and governing without government (Pierre and Peters 2000).

Civil society can be generally understood as "the private domain which exists in the space between (a) the state and its various apparatuses, and (b) the economy and its various expressions (British Council 1999 in Van Rooy 2004, p. 5)." In other words, civil society is "a realm in the interstices of the state, political society, the market, and the society at large for organisation by non-state, nonmarket groups that take collective action in the pursuit of the public good (Alagappa 2004, p. 32)." NGO also belong to this realm as non-profit private entities.

Civil society is therefore an important actor in governance process. This can be assessed by applying Stoker's (1998) five propositions about governance. Stoker's first and second propositions about governance define it as "a set of institutions and actors that are drawn from but also beyond government" and notice "the blurring of boundaries and responsibilities for tackling social and economic issues."

This is correct when considering that civil society is often the source of actors outside government, who share its service delivery and decision-making responsibilities, thereby blurring boundaries between government and 'non government' in addressing social and economic issues.

Stoker's third and fourth propositions about governance stipulate "the power dependence involved in the relationships between institutions involved in collective action" and "autonomous self-governing networks of actors." We also notice that government depends on civil society in the governance process and that the latter tend to form and constitute self-governing networks. Stoker's last proposition of governance defines it as "the capacity to get things done." Again he is right since civil society actors are tapped into for bridging capacity shortages in government agencies or for capacity building.

The emergence of the governance paradigm, particularly the good governance agenda, is closely linked with the changing orientation of development assistance. Increasing scepticism about

development assistance set in during the 1980s mainly for corruption, bad policies and misuse of development assistance in many of the recipient countries (Bauer 1991, p. 45-49 in Hout 2007, p. 3).

The World Bank then (1989, 1992) presented good governance as the answer to these challenges (Abrahamsen 2000, p. 48). They were followed by Burnside and Dollar (1997, 2004), Collier and Dollar (1999) and World Bank (1998), who made powerful empirical claims that development assistance only works in countries that follow good governance and good policies (Hout 2007, p. 19). Simultaneously, other donors also joined the World Bank's good governance bandwagon (Abrahamsen 2000, p. 48). Since the 1990s, the international donor community pursued the promotion of good governance, which mainly stipulated a new set of aid conditionality for economic, political and administrative reforms (Hyden 2011).

As development assistance is generally underlined by specific development thinking and policies, the prominence of the good governance agenda rendered policies the centrepiece of development cooperation. A country's policies had to be 'good' in order for it to achieve 'good' governance. To be good, policies and governance arrangements had to meet standard criteria that were internationally agreed upon and accepted by both donors and recipients.

If necessary, such policies could be learned and borrowed from other countries. Thus, policy transfer between donors and recipients became more frequent (Dolowitz and Marsh 2000, p. 5). This generally constitutes processes by which knowledge about policies, administrative arrangements, institutions and ideas in one country is replicated in another country.

5.3 Case study: Right to Information

The Government of Bangladesh introduced the Right to Information Act in the very first session of the ninth parliament. In her message at the international conference titled "Right to Information: Law, Institution and Citizen" held in Dhaka on 21-22 June 2009, the Prime Minister said, "In our election manifesto, we ... pledged to ensure free flow of information. That is why we enacted the Right to Information Law on March the 29th this year in the first session of the 9th parliament. As we have enacted the law, we are now committed to implementing it. Our Constitution guarantees every citizen the freedom of thought, conscience and speech irrespective of religion, race, caste and sex." But the story of the arrival of the RTI concept in the country, its gradual popularity and its gaining momentum through enactment of the RTI Act is far more complex. This is an interesting case of government-civil society-donor linkages in policy making.

The case study will enable us to identify NGO actors of policy change in the RTI; analyse the role of NGOs *vis-à-vis* government and donors in introducing the RTI Act, along with the processes through which their role took shape; and to decipher whether the NGOs' RTI advocacy agenda was externally driven or home grown.

5.3.1 RTI and good governance: National and international contexts

The idea of Right to Information (RTI) emerged in 18th century in Scandinavia. In 1766, the joint parliament of Sweden and Finland passed the Access to Public Records Act. In 1946, the United Nations General Assembly adopted the Resolution 59(I) that states, freedom of Information is the

touchstone of all the freedoms to which the United Nations (UN) is consecrated. Then Article 19 of the Universal Declaration of Human Rights (UDHR) recognised the right to information as an essential part of the freedom of expression⁷. This was reiterated in Article 19 (2) of the International Covenant of Civil and Political Rights (ICCPR) in 1966⁸.

Similar legislative developments occurred in other countries with the United States pioneering the Freedom of Information Act (FOIA) in 1967. Between 1990 and 2000, many other countries around the world passed similar laws. India is the regional RTI pioneer in South Asia, where after decades of civil society movement and advocacy at grassroots, state and national levels, its RTI Act was introduced in 2005 (Article 19 *et al.* 2001). As of January 2012, approximately 90 countries worldwide have Right to Information (RTI) or Freedom of Information (FOI) laws (www.right2info.org).

There is evidence that countries tend to perform better in Transparency International's (TI) Corruption Perception Index (CPI) following the adoption of an RTI law, although the correlation is not definitive (Iftekharuzzaman 2009) (See Table 16). It is then possible to assume that the "upsurge of the RTI law worldwide indicates the growing recognition of the importance of the citizens' access to information as a catalyst for strengthening democracy, promoting human rights and good governance, and fighting corruption (Iftekharuzzaman 2010)."

Table 16
Changing CPI scores of some countries that adopted RTI (0-10 Scale)

Country	Year of RTI law adoption	2003	2004	2005	2006	2007	2008
Croatia	2003	3.7	3.5	-	3.4	4.1	4.4
India	2005	2.8	2.8	2.9	3.3	3.5	3.4
Pakistan	2002	2.5	2.1	2.1	2.2	2.4	2.5
Romania	2001	2.8	2.9	3.0	3.1	3.7	3.8
Slovenia	2003	5.9	6.0	6.1	6.4	6.6	6.7
Turkey	2003	3.1	3.2	3.5	3.8	4.1	4.6

Bangladesh is continuously found at the lower end in the 0-10 score of Transparency International's Corruption Perception Index (CPI) since 2001⁹. From 2001 to 2005, Bangladesh was consistently at the bottom of the ranking, with the lowest score among all countries. Only in 2004 and 2005 did Bangladesh share its lowest spot with Haiti and Chad respectively. The country's CPI score

7 UDHR Article 19: "Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers."

8 UDHR Article 19 (2): "Everyone shall have the right to freedom of expression; this right shall include freedom to seek, receive and impart information of all kinds, regardless of frontiers, either orally, in writing or in print, in the form of art or through any media of his choice." Bangladesh became a party to ICCPR in 2000.

9 CPI Score captures perceptions of the degree of corruption among business people and country analysts and ranges between 10 (highly clean) and 0 (highly corrupt). So, higher score means lower perception of corruption and lower score means higher perception of corruption. The ten clusters of score are: 0-0.9, 1.0-1.9, 2.0-2.9, 3.0-3.9, 4.0-4.9, 5.0-5.9, 6.0-6.9, 7.0-7.9, 8.0-8.9, 9.0-10.

marginally improved from 2006 to 2011, when the country's CPI score was limited between 2.0 and 2.9 despite marginal increase year by year. These scores remain among the lowest in the world¹⁰.

It is apparent that Bangladesh's RTI movement emerged amid the country's continuous underperformance in democratisation, good governance and corruption prevention. The fact that the RTI law was introduced to address the above governance challenges is evident from the RTI Act 2009 preamble. It recognises that ensuring the right to information is necessary for the empowerment of people, as well as to increase transparency and accountability, decrease corruption and establish good governance.

The Right to Information Act, 2009, received the President's assent on 5th April, 2009 and was notified in the Bangladesh Gazette on 6th April, 2009. The RTI Act's preamble stipulates core constitutional and legal principles underlying the law and a set of concerned definitions. Article 2(g) of the laws defines "right to information" as the right to obtain information from any authority.

The act also includes information provision authorities, information providing units, preservation-publication-access, designated information officer, an information commission and remedies. Under the RTI Act, the Right to Information Rules 2009 was introduced on 1st November 2009. This included administrative procedures for receiving information requests, providing information, information request fees and information request forms.

5.3.2 RTI Act: actors, roles and processes

The general stakeholders involved in RTI's realisation were the government, civil society and donors, under whom various actors contributed respectively. The main government actors were Prime Minister's Office (PMO), Law Ministry, Information Ministry, *Jatiyo Sangsad* (National Parliament) and Law Commission Bangladesh.

The main civil society actors were NGOs promoting good governance; particularly Manusher Jonno Foundation (MJF) and its partner NGOs, Transparency International Bangladesh (TIB) and Article 19 Bangladesh. Major donor actors were the bilateral agencies namely Department for International Development (DFID), Norwegian Ministry of Foreign Affairs, Swedish International Development Cooperation Agency (SIDA) and Danish International Development Agency (DANIDA); the multilateral development banks namely World Bank and Asian Development Bank (ADB); International Organisations such as the United Nations Development Programme (UNDP) and United Nations Educational, Scientific and Cultural Organisation (UNESCO) and, International NGOs (INGOs) like TI, Article 19, Asia Foundation and Open Society Institute.

NGOs

RTI in Bangladesh is an interesting case of government-civil society-donor interface in policy change. The RTI movement cannot be considered 'bottom-up', rather it can be termed as 'middle-up' and 'middle-down' because the initiative was not from the general population or 'bottom' of society but from the civil society that is situated at the 'middle' of society. They mobilised the 'bottom' in one hand and lobbied with the 'top' or government on the other hand. Under the leadership of some of the country's leading NGO personalities, a coalition of NGOs focused on good

10 CPI scores of Bangladesh (2001-2011): 0.4 (2001), 1.2 (2002), 1.3 (2003), 1.5 (2004), 1.7 (2005), 2.0 (2006), 2.0 (2007), 2.1 (2008), 2.4 (2009), 2.4 (2010), 2.7 (2011).

governance promotion and backed by the donor community,¹¹ acted as 'policy entrepreneurs' in advocating the RTI law agenda to the government and mobilising its public support. Although the government enacted the RTI Act and accordingly formed the Information Commission, it did so only after being lobbied by civil society advocacy.

As part of NGO advocacy for good governance since the 1990s, there was increasing focus on freedom of expression, media freedom, participatory local government, human rights, women rights, child rights, disability rights and gender equity. NGOs increasingly felt that exercise of the above rights and democratic citizenship was often restrained by lack of access to necessary information. In the 2000s, there was increasing public debate about corruption, transparency and accountability.

Those NGOs promoting good governance began emphasising corruption as a major challenge and in their search for remedies, started forming a consensus about RTI's legal recognition. The urgency for an RTI law was greater than ever. As a major thematic campaign, MJF undertook an RTI movement with different stakeholders and initiated an RTI law drafting process¹². Both these initiatives were implemented in collaboration with Partner NGOs (PNGOs) as well as International NGOs (INGOs) like TI Bangladesh (TIB) and Article 19, who were in the movement with various stakeholders. All the NGOs involved in RTI advocacy came together to form the RTI Forum in 2008.

The RTI movement had continuously engaged the government all through yet the then government still refrained from introducing the RTI law. The subsequent caretaker government then accepted the civil society demand placing an RTI Ordinance for public consultation and eventually issuing the RTI Ordinance on October 2008. As the present government came to power, the ordinance was adopted as an act or regular law of the country in October 2009.

The civil society initiatives were also built on international statutes namely UDHR and ICCPR and were inspired by developments in other countries especially India. The Executive Director of MJF stated in a newspaper article that unlike India, the demand for the RTI law in Bangladesh did not start at the grass-roots level. Rather, "the demand was raised by civil society groups, realising that if Bangladesh were to have any chance of improving governance, curbing corruption and establishing accountability and transparency in public institutions, then a law on RTI would be the key tool to do so." MJF sought technical assistance for its RTI advocacy from Commonwealth Human Rights Initiative (CHRI), a New Delhi based INGO that played an important role in expansion of RTI across Indian states (Anam 2009).

Essentially, NGOs' primary roles for RTI are demand generation, knowledge production, policy advocacy, issue based movement, network formation and technical assistance.

11 Initially, the NGO coalition for RTI movement was an informal one that consisted of MJF and its PNGOs, TIB and Article 19. But at the later stage of the advocacy campaign, the coalition was given a formal shape through formation of RTI Forum with largely similar membership. The two leading NGO personalities of the RTI advocacy were Shaheen Anam, Executive Director, MJF and Iftekharuzzaman, Executive Director, TIB.

12 MJF formed a Draft Law Core Group with responsibility for RTI law drafting through necessary research and consultations. The members of this expert committee were Barrister Tanjib-ul-Alam, Advocate, Bangladesh Supreme Court; Asif Nazrul, Professor, Dept. of Law, Dhaka University; Sultana Kamal, Executive Director, Ain O Salish Kendra (ASK); and, Dr. Shamsul Bari, Executive Director, Research Initiatives Bangladesh (RIB). Barrister Tanjib-ul-Alam conducted most of the research while the rest supported him with their comments and guidance.

Donors

Donors are important actors in the RTI movement for a number of reasons. First, as a funding source, since all major NGO actors of the country's RTI movement especially MJF, TIB and Article 19 along with their PNGOs are direct or indirect recipients of development assistance (See Table 17). Secondly, donors are often sources or inspirations of NGO advocacy agenda on RTI.

The role of donors in NGO agenda setting can be voluntary, coercive or mixed. NGOs may voluntarily seek ideas and suggestions from donors due to their own capacity constraints. But the donor role may also result from development assistance conditionality, in which case NGOs have to include certain donor prescribed components or follow certain strategies in their advocacy programmes.

But there may also be a convergence of donor and NGO thinking about goals, objectives and strategies, which was overwhelmingly the case in the RTI movement's donor-NGO collaboration in Bangladesh. There was already a broad consensus among the major donor agencies and NGOs with respect to good governance promotion; thus once the NGOs recognised RTI Act as a useful tool to promote good governance, the donor community supported them without opposition.

Table 17
Donors of the leading NGOs of Bangladesh RTI movement

MJF	TIB	Article 19
DFID	DFID	DFID
Norwegian Ministry for Foreign Affairs	DANIDA	Netherlands Ministry of Foreign Affairs
	Norwegian Ministry of Foreign Affairs	European Commission
	Swedish SIDA	Ford Foundation
	UNDP	Fritt Ord
	SDC	Norwegian Ministry of Foreign Affairs
		Open Society Institute
		Swedish SIDA
		William and Flora Hewlett Foundation

Source: MJF, TIB and Article 19 websites

A brief review of major donors' principles and commitments in providing RTI development assistance aptly begins with DFID, one of the largest bilateral donors in Bangladesh¹³. DFID's largest

¹³ DFID has currently 27 projects in the country with a total budget of GBP 1,119,424,777.14. Between 2008 and 2011, DFID's annual project allocation for Bangladesh more than doubled from GBP 100 million to over GBP 200 million.

individual sector group of funding is Government and Civil Society. DFID's resource commitments to RTI may have played an important role behind the introduction and implementation of the RTI law (See Table 18).

Table 18
DFID development assistance for RTI

Project Title (as available)	Project Allocation	Fund Recipient	Project Status	Project Objectives (as available)
Access to Information for Greater Participation and Government Accountability	GBP 228,977 (USD 363,283)	Government and civil society	Completed	<ul style="list-style-type: none"> • Increase access to information through enactment of a progressive right to information law • Empowerment of individuals and civil society organisations to demand information to advocate their interests • Facilitate change in culture and capacity of public officials to supply information
	GBP 3,315,339 (USD 5,259,951)	TIB	Ongoing	<ul style="list-style-type: none"> • Facilitate citizen demand for transparency in public, private and non profit transactions
	GBP 29,500,000 (USD 46,803,225)	MJF ¹⁵	Ongoing (2008-2013)	

Source: DFID website¹⁴.

A review of DFID strategy for Bangladesh during the period 2000-2005 finds that addressing governance and corruption is one of the two deepening areas of emphasis. But in realising this goal, DFID favoured a subtler and less confrontational approach with multiple entry points under its country assistance plan of 2006 onwards (Batkin *et al* 2006, p. 9). RTI law appears to be one such entry point that presented scope for reducing corruption and enhancing good governance in a less confrontational manner.

¹⁴ <http://projects.dfid.gov.uk/Default.aspx?countrySelect=BD-Bangladesh> (Accessed: 10 May 2012)

¹⁵ http://www.manusherjonno.org/index.php?option=com_content&view=article&id=6&Itemid=7 (Accessed: 10 May 2012)

However, no explicit interest or specific commitment for RTI was found on DFID's part from some of DFID's key development assistance policy documents regarding Bangladesh (Batkin *et al.* 2006, Barr and Barnett 2006). This is also indicative of Bangladesh civil society's ownership over RTI advocacy agenda-setting, despite subsequent RTI resource commitments from DFID and other donors.

The findings are also quite similar regarding the second major donor, the Norwegian Ministry for Foreign Affairs. Bangladesh is one of the largest recipients of Norwegian bilateral development assistance, having accumulated more than USD 1 billion over the years. Although strengthening governance and combating corruption are two key priorities for Norwegian development assistance to Bangladesh, these contributions were not specifically for governance. Under these priorities, MJF received NOK 60 million (USD 10.34 million) worth of grant support from Norway¹⁶ for the period 2010-2012. This is exactly double its earlier contribution of NOK 30 million for the period 2007-2009¹⁷.

Whether the doubling of this Norwegian grant to MJF resulted from the latter's successful advocacy for the RTI law in Bangladesh or mere coincidence cannot be definitively clarified. Nonetheless the convergence of governance perspective thinking among Norwegian government and MJF is definitely visible.

This is evident from the Norwegian government's development assistance priorities in 2008. These identified vibrant civil society with free media and active pressure groups as one of the three national factors that affect development and poverty-levels of countries and hence were influenced by development assistance¹⁸. Norway's support for MJF thus aligns with its approach to development assistance. MJF, its PNGOs and other NGO actors of the civil society advocacy for RTI showed all signs of vibrant civil society, while they acted as a pressure group on the government for RTI law reform.

We can conclude that donors are not just sources of funds to promote RTI, but they are also sources of technical assistance, policy ideas and policy agenda.

Government

Civil society advocacy and commensurate donor support would have never realised the RTI Act 2009 without Bangladesh government's enactment of the law. The RTI law was first introduced by the CTG as an ordinance that was later adopted by the current political government as a full-fledged law. But even the previous political government was engaged in the RTI law advocacy process of civil society.

For instance, MJF organised the 'Seminar on Right to Information' on 5 September 2005 in Dhaka, where the then Minister for Law, Justice and Parliamentary Affairs attended as chief guest, with the Chairman of the Parliamentary Standing Committee on the Ministry of Information and the

16 Bangladesh & Norway: platform for partnerships, The Royal Norwegian Embassy in Dhaka, 2012.

17 http://www.norway.org.bd/News_and_events/ (Accessed on: 12 May 2012) "Contract between the Norwegian Ministry of Foreign Affairs (MFA) and Manusher Jonno Foundation (MJF) regarding support for a Human Rights Funding Mechanism."

18 http://www.regjeringen.no/en/dep/ud/selected-topics/development_cooperation/norwegian-development-assistance-in-2008.html?id=493308 (Accessed : 12 May 2012)

Information Secretary as special guest. All the three high-level government representatives accepted RTI in principle, but remained non-committal about relevant legal reform (MJF 2005, pp. 6-7). Nevertheless, a civil society initiative led by MJF for a draft RTI law went forward.

Despite the government's passiveness in moving forward with the introduction of an RTI law, the government-civil society dialogue over the legal reform continued. Throughout 2006, MJF organised a series of divisional consultations on the draft RTI law, where government officials participated with other stakeholders and about 70 recommendations were put forth (MJF 2006, p. 9). As the draft RTI law was submitted to the Information Ministry in 2007, CTG came to power thus opening a window of opportunity for the RTI cause.

MJF, with the RTI Forum, approached the CTG to materialise the RTI law, all the while continuing its advocacy as with the previous government. The civil society advocacy until then also produced some champions amongst committed government officials, who played a vital role from inside to influence the government to accept the demand for RTI law.

The CTG's Ministry of Information formed a drafting committee where the MJF point person for RTI was included as a member. Thus the otherwise all-government member drafting committee had at least one member from civil society. The committee actively considered the civil society draft law submitted by MJF and also an earlier Law Commission report, to devise a government draft of the proposed RTI law. The government draft was then made public for comments and public consultations were organised.

The MJF representative in the drafting committee noted that there were lively discussions and debates in their meetings and despite being the lone non-government member, she had never felt marginalised. Rather, she had been entitled to equal opportunities to make contributions as her fellow government members; and even identified the Information Ministry Secretary chairing the committee and the Law Ministry's committee representative as two enthusiastic champions of RTI.

There were, in fact, considerable similarities between the civil society draft law (the CS draft) and the RTI Ordinance introduced in October 2008, (the Ordinance) which later became RTI Act 2009 (the Act). The following CS draft provisions were adapted in entirety in the ordinance: the overriding power of the law; specific inclusion of NGOs as information providing authorities; inclusion of women as Information Commission (the Commission) members; mechanisms sensitive to peoples with disability; free-of-cost information provisions for poor people in consultation with the Information Commission; wider responsibilities for the Commission; and similar legal authority vested in the Commission as in civil courts with regard to complaints.

Despite the fact that the government adopted the RTI law following civil society advocacy, the former exercised considerable ownership over the outcome. That is why there are also some variations between the two documents (See Table 19).

Table 19
Differences between provisions of the CS draft, the Ordinance and the Act

Draft RTI Law (CS Draft)	RTI Ordinance 2008 and RTI Act 2009 (the Ordinance and the Act)
<ul style="list-style-type: none"> • Included note sheets or their copies in the information list • Explicitly mentioned political party as information providing authority • Information providing authority extended up to Union level • Broader scope of publication of information by public authorities • Strong protection of whistleblower • Higher rank accorded to CIC • Made IC sole authority to appoint employees • Presentation and discussion of IC's annual report in parliamentary standing committee • Lesser numbers of exemptions from providing information 	<ul style="list-style-type: none"> • Excluded note sheets or their copies from the information list • Political party not mentioned as information providing authority • Information providing authority is extended up to <i>Upazila</i> level • Reduced scope of publication of information by public authorities • Indirect mention to whistleblower protection • Did not specify rank and allowances of CIC and other Information Commissioners • Government to appoint employees of IC • Submission of IC's annual report to the President who may or may not send it to parliament • Bigger numbers of exemptions from providing information

Source: Comparative Assessment compiled by Farzana Naim, Director (Governance) and Ruma Sultana, Programme Manager, MJF.

However the government exercise of ownership over the RTI law outcome didn't always reduce the law's scope, with several of the government's own provisions strengthening the law. A strong point of the Act is obligating information, providing authorities to publish annual reports of their activities, which raised urgencies for transparency and accountability, in contrast to the CS draft and the Ordinance's provision bi-annual reports. Furthermore, the Commission quorum was reduced from three members in the Ordinance to two members in the Act, which facilitated the Commission's meetings to be more regular.

5.3.5 Case conclusion

Based on the above discussion it can be concluded that NGOs were the proactive civil society actors for policy change regarding RTI in Bangladesh. Lack of access to information in the country was constraining scope for good governance in general and transparency and accountability in particular. When the government was not forthright in ameliorating the situation through necessary policy reforms, it was several leading NGOs working for the promotion of good governance that came forward with appropriate policy propositions in the form of the RTI Act.

These NGOs successfully adapted the idea from other countries with technical assistance of INGOs and consequently advocated for the introduction of an RTI law, prepared a draft law, generated public opinion in support of the law and engaged with government accordingly. While donor funds

provided necessary resources for RTI movement advocacy, the agenda-setting was driven by the NGOs. The donors also didn't have any explicit influence whatsoever beyond their fund contributions.

However, civil society's prioritisation of RTI reflects internationally recognised values of good governance, freedom of expression, transparency, accountability and corruption prevention, which are enshrined in international regimes and often promoted by donors. Facing NGO policy advocacy, the government eventually accepted the demand for the RTI law, introduced the RTI Act and implemented it with NGOs' technical assistance.

5.4 Case study: Human rights movement and National Human Rights Commission

The origin of the human rights movement in Bangladesh can be traced back to the popular upsurge against the undemocratic regime and deteriorating human rights scenarios of the mid-1980s, ultimately resulting spawning prominent human rights NGOs in Bangladesh¹⁹. Over the past decade, civil society has tried to play their part in compensating for the state's deficiency or sometimes even indifference, in promotion and protection of human rights of the citizens regardless of their political affiliation, ethno-religious identities and socio-economic status.

However, to what extent NGOs' human rights activism resulted from locally-felt demand or policies prescribed by external actors i.e. donor agencies, international organisations or foreign governments remains an uncharted area due to the lack of noteworthy empirical research.

This case study explores if NGOs, as civil society actors, demonstrate a tangible role leading up to policy change, regarding protection and promotion of human rights in general and the formation of a national human rights commission in particular. Secondly, the history of human rights activism by NGOs is studied to analyse their roles and constitutive processes in the human rights field, *vis-à-vis* the government and donors. Finally, their activities are further examined to identify if they were guided by external influence.

5.4.1 Human rights scenario of Bangladesh

Even before the concept of civil society gained currency in Bangladesh (David Lewis 2004, pp. 113-120), NGOs were already involved in the promotion and protection of human rights (Dina Siddiqi 2006, p. 11)²⁰. Therefore, a human rights oversight body was on the NGO advocacy agenda for quite some time. Despite the NGOs' demand for such a body, successive governments hardly paid adequate attention to the matter. Traditionally, the NGO-government relationship was sometimes marked by mutual suspicion, as hinted by David Lewis (2010, pp. 159-180), unless NGO activities were purely development-oriented or unrelated to human rights and rule of law²¹.

Bangladesh's past record of human rights does not bode well. There is history of human rights abuses using state apparatus, especially law enforcing agencies, the more recent example being the

19 For example, ASK, BLAST and Odhikar were established in 1986, 1993 and 1994 respectively.

20 David Lewis argued that 'civil society' as a concept gained popularity in Bangladesh in the 1990s. However, ASK was established in 1986. Other similar organisations that were functional even before included Coordinating Council for Human Rights in Bangladesh (CCHRB), Bangladesh Society for the Enforcement of Human Rights (BSEHR) and Bangladesh Human Rights Council (BHRC).

21 Opinion expressed by a legal expert in interview.

formation of the special law-enforcement agency, Rapid Action Battalion (RAB), aimed at bringing serious offenders who evaded capture to justice.

While RAB was purportedly established as a desperate response to chronic law and order failure, it liquidated some outlawed criminals and seemingly gained popularity among the masses because of its apparent quick delivery of justice (Wikileaks Cable 2005). Despite fervent condemnation by human rights NGOs and other civil society actors, these extra judicial killing went unabated as evident in the report by Human Rights Watch. Since RAB's inception, at least 1,600 people have been victims of extrajudicial killings at its hands (Human Rights Watch 2012, p. 296).

In more recent times, the extra judicial killings in 'crossfire' have been replaced by even more serious human rights violations of 'forced disappearance' that too at alarming rate. One interviewee commented that the dead bodies found later showed signs of torture techniques used by law enforcement agencies. The Human Rights Watch quoted Odhikar as saying that "more than 50 people have disappeared since 2010" (Human Rights Watch 2012).

Given Bangladesh's 'poor' track record of human rights, donor countries prioritised this issue in their development cooperation agenda (European Union 2006, p. 17). As Bangladesh's access to their market expanded and they continued providing aid for good governance promotion with their tax payers' money, the reason for the latter's interest in human rights becomes self-evident.

5.4.2 Actors, roles and processes

There was demand for a human rights 'court' or an oversight body to safeguard against human rights violations by the civil society organisations quite early on (ASK, BLAST, Odhikar 1997). Moreover, the Constitution of Bangladesh delineates the provision for an Office of the Ombudsman, a constitutional body, to provide checks and balances to the Executive branch.

However, the formation of the National Human Rights Commission (NHRC) was not a result of the previous home-grown demand. It was instead a result of the complex interplay between and among the actors involved, with their converging and often diverging set of interests. The following discussions review the roles of different actors and the process through which the NHRC came into being.

NGOs

Civil society actors like NGOs take their cue from the international treaty obligations, their activities generally in line with the principles enshrined in them. Their intervention approach also suggests that their activities are mostly aimed at filling up the vacuum left by state deficiencies i.e. poor governance. Let us first discuss activities of major human rights NGOs.

Ain o Salish Kendra (ASK), established in 1986, is recognised as one leading human rights NGO of Bangladesh. Alongside legal advocacy and legal aid, ASK monitors civil and political rights; economic, social and cultural rights; women's rights and labour rights situations in Bangladesh.

With regard to its specific contributions to the NHRC establishment, ASK provided its opinion on the draft ordinance (ASK 2008, p. 19) with recommendations on how to make the commission

independent and effective. However, ASK expressed concern regarding the inadequate "independence, transparency, accountability and effectiveness of the institution (ASK 2009, p. 23)." Despite the fact that many of ASK's recommendations were not reflected in the final Act, it continued to be vocal in demanding "viability and effectiveness" of the Commission (ASK 2010, p 18).

Another prominent human rights NGO, Odhikar, that asserts blunt stance on human rights violation, has been working on political and civil rights with more recent focus on 'forced disappearance'. Odhikar considers itself a 'human rights movement', rather than human rights NGO. The organisation has proved to be outspoken on rights issues and a harsh critic of successive governments. Within a week after the CTG assumed power, Odhikar issued a press release condemning arrest of three student political activists and asserting that the emergency rule was a violation of human rights²². Odhikar's human rights defenders program mobilises young volunteers to fight for human rights.

Bangladesh Legal Aid and Services Trust (BLAST), established in 1993, primarily focuses on litigation, and legal aid. In addition to advocating for legal reform, BLAST sought to uphold the rights of the poor by facilitating their access to justice (BLAST 1997, p. 15). The initial stage of the organisation marked campaigns and advocacy at the grass root level. The so-called 'law-clinics' were set up to provide legal aid to those who could not otherwise afford lawyers.

BLAST's human rights activities were voluntary in nature; and occurred at a time when legal aid was "not often among the priority activities" for both the donors and other NGOs. It also organised workshops on the need for a human rights commission. BLAST took up Public Interest Litigation (PIL) for the first time in Bangladesh with funding from The Asia Foundation and its activities were more directed at human rights movements as claimed by its report (BLAST 1997, p. 48).

Table 20
Activities of human rights NGOs

ASK	BLAST	Odhikar
<ul style="list-style-type: none"> • Advocacy • Human rights awareness • Human rights monitoring • Legal aid • Training 	<ul style="list-style-type: none"> • Advocacy • Public interest litigation • Capacity building • Legal aid • Investigation • Networking 	<ul style="list-style-type: none"> • Human rights monitoring through documentation and fact finding • Community human rights watch through human rights defenders • Police station monitoring • Networking (national and international) • Advocacy • Public interest litigation

Source: Compiled from the official website of the NGOs

²² Interview of Odhikar official.

These human rights NGOs did not work in isolation, but instead maintained strong linkages with other like-minded organisations. ASK, BLAST and Odhikar forged strong networks with other human rights NGOs including Madaripur Legal Aid Association (MLAA), Bangladesh Human Rights Enforcement Committee (BHREC), Bangladesh Human Rights Commission (BHRC) and Coordinating Council of Human Rights of Bangladesh (CCHRB). BLAST and ASK jointly undertook 'Legal Advocacy and Participation of the Civil Society Project' to fill up the deficiency of coordination among human rights based NGOs. In the late 1990s, ASK, BLAST and Odhikar jointly started publishing annual status reports about human rights in Bangladesh.

The question of good governance within NGOs also surfaced as data was being collected for this case study. A remarkable reason for NGOs' enthusiasm for human rights issues, as pointed out by a veteran human rights activist interviewed, stems from funding and enthusiasm of donors. With the increase in donor funding for NGOs working on rights issues, more and more NGOs are following suit. Another interviewee pointed out that the NGOs previously involved in micro-credit lending activities have, nowadays, turned to 'human rights promotion,' understandably because of the increasing inflow of donors' funds. It is also alleged that relatively more money is spent on employees' salaries and remunerations than for the actual promotion of rights by the human rights NGOs. As one veteran human rights activist pointed out, "those who work in human rights organisations are no longer 'human rights activists', rather they are 'human rights employees.'"

Human rights activists were often reluctant to discuss about NHRC. Some of them were critical of its activities and believed that the commission balances its activities to preclude any conflict with government interests and that it serves outright the purpose of the government to belly criticism over its human rights performance.

One interviewee claimed that the NHRC is not fully independent and that commissioners nominated by the government hold ruling party leanings, an allegation also voiced by members of civil society (The Daily Star 2012). After six alleged 'muggers' were shot dead by RAB in Narsingdi district, the NHRC condemned the killings with the reservation that RAB also has the right to self-defence (BBC Radio 2012).

Donors

The donor countries and agencies engaged in human rights promotion do so through the government, civil society or, oftentimes, a combination of both. Of all the donor organisations, the Netherlands, DANIDA and Swedish SIDA placed special priority on Human rights, Democratisation and Good Governance, often referred to as 'HRDGG' in their policy papers.

Moreover, previous studies revealed that Nordic countries are more inclined to fund human rights issues (Neumayer 2003); and according to ASK's official website, three of its top six donors are Scandinavian countries. These issues also appeared in the media when the Dutch and Danish envoys raised human rights issue as they called on the Prime Minister (The Daily Star 2009).

Even before the NHRC came into being, DANIDA had been working closely with the Bangladesh Government and civil society to train up the government officials on human rights and good

governance²³. DANIDA's involvement in Bangladesh was aligned with its objective to "[s]trengthen the implementation of human rights and access to justice" and its view that there was "non-existence or a dysfunctional state of oversight and guardian institutions" on human rights in Bangladesh.

The DANIDA strategy plan taken in 2005, explicitly expressed its intent to increase support for civil society organisations. From 2005 onwards, DANIDA gave 'more emphasis on human rights and good governance as well as support to other areas, primarily civil society organisations,' (DANIDA 2005, pp. 28-29), scaling up its assistance to human rights promotion particularly through cooperation with civil society; assisting civil society organisations to "monitor the human rights situation; and carrying out information and advocacy activities" (Ministry of Foreign Affairs of Denmark 2011). From 2006-2010, DANIDA funded about US\$ 8.2 million for such activities and while its assistance to the transport sector declined, the assistance in human rights rose from 18 percent to 25 percent of its total assistance.

Among its 2009 targets as stated in its strategy paper, DANIDA would extend support to the Human Rights Commission when established. Bangladesh and Denmark "agreed on a set of partnership obligations" where Bangladesh committed to "ensure the functioning of an independent, operational National Human Rights Commission," which was not in existence at the time the strategy paper was formulated. DANIDA also agreed to "gradually enhance channelling of funds through government systems as financial management capacity improves" and "increasingly implement programmes through government structures and dismantle parallel structures (DANIDA 2005)."

The role of UNDP in the National Human Rights Commission formation is worth considering, owing to its direct, widely visible role in putting forward the NHRC concept, drafting the legislation and, finally, ensuring its daily functions. The process for establishing the NHRC was also initiated with the assistance of UNDP from as early as 1994 under the project titled Institutional Development of Human Rights in Bangladesh. It is interesting to observe that this proposal coincided with the Human Rights Protection Act of India passed only a year earlier. Launched in 1995, the project aimed at supporting the process of framing the necessary legislation (UNDP 2005, p. 14).

The UNDP was less involved with the human rights NGOs apart from the domain of legal aid (UNDP 2004, p. 20), despite acknowledging their effectiveness in implementing rights related programmes. UNDP teamed up with the Legislative and Parliamentary Affairs Division under the Ministry of Law, Justice and Parliamentary Affairs in its ongoing Access to Justice (A2J) project during the period July 2007-June 2012, for which it pledged US\$ 3 million²⁴. In this timeline, UNDP substantially assisted in the drafting, development and enactment of the National Human Rights Commission Act 2009, in addition to helping reform other related legislations.

23 The country strategy of Denmark adopted in 2005 clearly talks about establishing a Human Rights Commission. Its second five-year phase of the Human Rights and Good Governance Programme commenced in 2006. In agreement with the GoB, a total of DKK 220 million was allocated for human rights programme, of which approximately 168,330 U.S. dollars was supposed to be spent on fellowship and training purposes.

24 However, UNDP's fund is gathered from other donor countries. The fund for ongoing project on NHRC capacity development running during 2010-2015 is almost equally shared by DANIDA, SIDA, SDC and Korea, other than regular amount covered by UNDP itself.

In light of this donor 'activism,' the question of whose agenda was promoted by the external actors, deserves to be addressed. As far as human rights issues are concerned, they are not exclusively the donors' agenda. These obligations are not directly imposed by the supranational organisations like the UN; nor are they solely prescribed by donors. Rather, every country that signed and subsequently ratified the international human rights regimes like UDHR and ICCPR equally belongs to such international obligations. Therefore, a country's obligations under the Universal Declaration of Human Rights (UDHR) are not 'external' because the signatory country itself is party to it. This particular way of policy transfer is what can be called 'lesson drawing' where literally democratic western values are replicated in the countries of the Global South (Richard Rose 1993).

It is also worth noting that when it came to human rights issues, there were fluctuations within some of the external actors' fixed policies. For example, DFID funded a wide array of development projects in Bangladesh in collaboration with both the civil society and the government. In DFID's 1998 country strategy paper, good governance and improved human rights were ranked second only to basic services for the poor and pro-poor growth (DFID 1998, p. 9).

Conversely, revelations by some reports suggest that the British government faced legal challenges for providing training and assistance of other forms, in breach of its declared policy, to RAB (The Guardian 2012). The United States also assisted with training and assistance to RAB because it was considered an important counter-terrorism ally (Human Rights Watch 2012, p. 299, The Daily Star 2010).

Government

As mentioned earlier, many of the human rights violations in Bangladesh over the past decade have been perpetrated by state agencies e.g. the law enforcement agencies. Against this backdrop, the National Human Rights Commission Act 2009 was passed in the Parliament on 14 July 2009, following its promulgation of National Human Rights Commission Ordinance 2007 by the CTG on 23 December 2007.

Before introducing such laws, the government consults and takes into account feedbacks, in principle, from NGOs and civil societies and academia, often as part of its conditionality for donor funds. How much of these feedbacks are reflected in the final outcome remains to be explored, given the mutual suspicion between NGOs and the government (Aminuzzaman 1998). NGOs complain that their human rights demands are not ultimately met even though the law was passed. As far as the NHRC is concerned, the civil society actors expressed their view on the proposed human rights law, after the government had invited comments from civil society organisations. Nevertheless, the government is increasingly engaging with the NGOs²⁵.

When the last CTG came to power, it undertook a number of initiatives arguably to garner donor support to legitimise its take over. The introduction of the NHRC was often seen as its search for legitimacy and support from the international community, as well as a means to placate civil society, whose members were also present in the CTG. As a result, human rights continued to be

25 Observations made by a human rights activist and a legal expert during our interviews with them. In addition, many of the project documents and agreements between donors and government on NHRC that we reviewed contain explicit provisions for civil society consultation.

violated despite the NHRC formation taking place. During the CTG, “arrests, illegal detention and other forms of intimidation” were orchestrated²⁶.

The current party in government's election manifesto was explicit in outlining that it would ensure, in addition to universal human rights, the independence and effectiveness of a human rights commission, in line with both Article 11 of Bangladesh's Constitution and a shared vision of the party: “a democracy in which fundamental human rights and freedoms and respect for the dignity and worth of the human person shall be guaranteed (Bangladesh Awami League 2009).”

During the previous government of 2001-2006, there were incidents of human rights violations e.g. attacks on religious and ethnic minorities, alleged extra judicial killings popularly known as 'crossfire' and Islamic extremism. The present government also stresses its progressive secular credentials, which could be an important reason why the current political government accepted the NHRC. This did not necessarily translate into an effective NHRC, due to a lack of commitment to higher levels of accountability to a powerful and independent human rights commission. The current government has not facilitated the NHRC to be fully functional.

There are justifiable reasons to question the Commission's independence as it is kept heavily dependent on government funding, which is also inadequate in amount. It suffers from a shortage of skilled human resource; and due to the lack of such trained personnel cannot operate its own investigation. The UNDP in fact seconded employees to the NHRC, to run its day-to-day basic administrative functions, with even some of its staff paid by the UNDP.

However, the Commission is not at liberty to dispatch official letters to any organisation without vetting by the Law Ministry (New Age 2011). The commission has no permanent office premises as of yet and is housed in a rented apartment. All these signs are clear evidence of the fact that the government does not fully own the idea of the human rights commission.

Out of its own volition Bangladesh ratified several international treaties related to human rights. Nevertheless, as a result of such action, it was obligated to pass local legislations to foster human rights. Even though the NHRC was formed, the government does not necessarily abide by or comply with all of the core human rights regimes. Bangladesh signed some of the human rights related conventions with reservations, meaning that the treaties are not endorsed in their entirety (Odhikar 2009, p. 4).

For example, the Convention on Civil and Political Rights was signed with reservations but the subsequent and often considered more significant and complementary Optional Protocols to the same treaty were not ratified. Neither have successive governments ratified the Convention for the Protection of All Persons from Enforced Disappearance including Optional Protocol to the Convention against Torture (OPCAT), which is arguably more pertinent to the human rights violations perpetrated by the state in Bangladesh's context.

26 One Odhikar official alleged that he was taken into custody in 2007, after publishing a report of a custodial death. He was released only after a phone call was made from the Dhaka embassy of one of Bangladesh's most important donor countries, to the government high-ups.

5.4.3 Case conclusion

Based on this case study, it is concluded that NGOs are one of the key actors in human rights protection and promotion in Bangladesh. They played a commendable role by various activities including advocacy, legal aid, training, research, social mobilisation and movement. The NHRC was mainly an external actors' agenda that civil society welcomed from the very beginning, due to these two actors' convergence of interests. However, NHRC's institutional design did not reflect civil society's expectations in terms of independence and effectiveness. However, civil society has remarkably maintained autonomy in its agenda-setting, despite the involvement of external actors, by prioritising the issues within the human rights agenda which are more germane to the need and context of Bangladesh. Even though the NHRC has been formed, civil society did not relent its human rights activities and movement.

5.5. Concluding observations

To draw the conclusion, it is now time to return to three research objectives to review what answers were found.

First: the capacity of NGOs as policy actors to bring policy change

NGOs in Bangladesh can sometimes bring policy change as policy actors while other times they cannot. The analyses of NGOs' roles in the introduction of RTI and in protection and promotion of human rights and establishment of NHRC respectively necessitate this mixed answer.

Policy change in RTI

Some leading NGOs working on good governance promotion in Bangladesh realised RTI's usefulness in enhancing transparent and accountable governance in the country. They started lobbying with Government for necessary policy change through RTI law, which eventually led to the RTI Act. In this instance, NGOs as policy actors are found to be useful for policy change.

Policy change in Human Rights and NHRC

The human rights NGOs have been leading voices for human rights promotion and protection in the country, in contrast to successive governments' lack of interest in this regard. Human rights NGOs sometimes discussed a national human rights body as NHRC, but it was not a priority agenda in their policy advocacy. NHRC was formed as result of donor technical assistance during the CTG, therefore human rights NGOs had limited success as policy actors in human rights promotion and protection. Furthermore, their role was very limited in NHRC formation.

Second: roles of the NGOs as policy actors and associated processes

The roles of Bangladeshi NGOs as policy actors can be manifold. They may have roles in various stages of policy process including policy concept generation, policy formulation and policy implementation. Their policy change roles take effect through their interactions with the other two policy actors, government and donors.

The success of NGOs in policy change is however conditioned by levels of government response to NGO advocacy and development cooperation with donors. Again, government response to NGO advocacy varies according to policy field, whether it is RTI or Human Rights and regime type, CTG or a political government.

RTI: actors, roles and processes

NGOs were the main policy actors for RTI ahead of government and donors. As part of introducing RTI, NGOs adapted the idea from neighbouring countries, undertook necessary research, prepared draft law, consulted with various stakeholders and advocated with the government. Although the initial government response was not satisfactory, a window of opportunity opened when the CTG took over amid a stage set for the policy reform.

Corruption was recognised as a major roadblock to good governance in Bangladesh by different stakeholders; and the limited scope of transparency and accountability was identified as a key factor behind corruption. For the CTG who had limited time to deal with multitude of governance issues prior to holding of general election, civil society actors' RTI law proposals appeared as a ready instrument to start reversing corruption. There was even a draft law prepared by civil society for the government to act upon.

The process of legal reform was further expedited by the presence of some RTI champions within the rank and file of public administration and the CTG cabinet. Furthermore, several influential cabinet members were leading civil society figures who shared the thinking of civil society advocates for RTI. The RTI Ordinance was introduced by CTG and the following elected government adapted it as RTI Act.

This is indicative that RTI agenda forwarded by NGOs was not only recognised by the technocratic CTG but also the ensuing political government. Although not all the ordinances of the CTG era were enacted into law by the present government, the RTI Ordinance was accepted wholeheartedly albeit with some changes.

So although NGOs were the main policy change actors, their ultimate success depended on the response of government to its initiatives. While a political government was not introducing RTI law, the CTG introduced the law as ordinance and the following political government incorporated it as an Act.

As the CTG made fighting corruption high on their policy agenda and were convinced by NGO advocacy that RTI would be an appropriate anti-corruption tool, they initiated the RTI law. The following political government that made big commitments to fight corruption also retained the RTI law.

Human rights and NHRC: actors, roles and processes

Human rights protection was never short of challenges in the country and considerable efforts to address them were always wanting from successive governments. Human rights NGOs were pursuing successive governments with policy reform proposals which would improve human rights protection.

The government responses were generally not satisfactory. As the governments tend to consider human rights as a sensitive issue, policy advocacy of human rights NGOs were often subject to government suspicion. However, the country's governments were always supportive of service deliveries by human rights NGOs, i.e. legal aid for the poor.

The window of opportunity for human rights was not as wide as RTI under the CTG. There was a new set of challenges for human rights during the military backed CTG with its crackdown on allegedly corrupt politicians, through random uses of emergency powers. The outgoing political government has not been responsive enough to human rights violations as especially evident from unabated extra-judicial killings by law enforcing agencies.

But general system of law enforcement and judiciary were simultaneously operational. That was not the case under emergency rule as scope of impunity for law enforcement agencies increased considerably with special powers, while the scope for a fair hearing from the lower judiciary decreased. One accumulated outcome was exacerbated risks of human rights violation.

Human rights NGOs found human rights more challenged and human rights activism more difficult under CTG than under political government on many accounts. The NGOs had other priorities at hand than pursuing a human rights commission. Therefore, the NHRC formation was not an outcome of civil society's advocacy that was rather averse to such an initiative by an interim (unelected) government.

However, human rights NGOs and organisations offered recommendations to the CTG, aimed at NHRC's independence and effectiveness. But many of these recommendations were not incorporated into the NHRC Ordinance, upholding loopholes through which the executive's dominance over the human rights commission could creep in. These loopholes made it possible for the following political government to reconstitute NHRC to its liking and there are increasingly more reasons to question NHRC's independence and effectiveness.

Human rights violations occurred during both the CTG and preceding political governments. Yet the CTG acted differently than its political predecessor by forming the NHRC. Nonetheless, the CTG was not very receptive in accepting NGO demands regarding the NHRC, a response typical of political governments. The resulting loopholes in NHRC were not corrected by the subsequent political government; rather, it capitalised on the loopholes to increase the executive's influence over NHRC. It therefore appears that compared to RTI, Human Rights was politically riskier to give too much room to NGO demands.

Third: the determinant of the policy change agenda of NGOs- external influence or policy autonomy

The RTI movement was funded by donors, but the advocacy agenda forwarded by its proponents were not borrowed upon as much. For example, it was the independent decision of MJF to launch a thematic advocacy campaign. RTI was a focus within general advocacy for good governance by MJF that was chosen by itself, yet not opposed by its donors.

The NGO ownership of RTI advocacy agenda is further evident from the fact that MJF even did not have any separate funding head for RTI. It was not a thematic area of MJF programme but a cross-

cutting issue that is being mainstreamed across themes. However, the idea of RTI Act was inspired by its success in other countries specially neighbouring India and technical support for RTI advocacy was in fact received from a New Delhi based INGO.

NHRC was an outcome of government-donor negotiations where NGOs were more of observers than actors. As a technocratic government, CTG was more inclined to institutional reforms that donors long proposed but political governments usually refrained from implementation. But the ensuing institutional design of NHRC was to the government's own liking and NGO recommendations were not incorporated. So, NHRC was a mixed policy transfer since it was partially voluntary and to a minor extent, coercive.

It was also partially voluntary as the CTG decided on its own about NHRC but had to depend on donor funds and technical assistance for its realisation. The minor extent of coerciveness is due to the structural disadvantage of CTG as an interim government, which lacked the same legitimacy as a political government and hence could be benefited from legitimacy accrued through introduction of NHRC.

The way forward

It is still not certain whether there is sufficient scope for NGOs to influence policy change. The country has returned to FYP as national development framework, which doesn't explicitly recognise the NGO role in policy formulation and implementation²⁷.

The RTI and NHRC governance impact on respective fields is still to indicate clear success. Even after three years of the RTI Act's introduction, it is still not widely used by broad sections of people²⁸. Moreover, the country's position in CPI is still among the lowest in the world. Human rights violations are still frequent while NHRC have not yet proven effective to address them. Government ownership of NHRC is still in question while its secretariat is still funded by donors.

For RTI and NHRC to achieve their full potential, NGOs, as representatives of civil society will have to continue their engagement with government and gradually scale up their involvement in the governance process. Simultaneously, the government also has to be more mature in its response to NGO initiatives. It has to further institutionalise NGO participation in governance through the setting up of mechanisms of formal consultation. There should be greater support for the effective implementation of the RTI Act and for the full functioning of NHRC, overcoming narrow political interests.

27 Current government is preparing a draft law for NGO regulation. A concerned minister of government recently claimed that the proposed law will increase transparency and accountability in NGOs. But some observers expressed doubt that the real motive of the law is to tighten government control over NGOs in order to limit their scope of good governance promotion.

28 According to the Annual Report 2011 of Information Commission, 7,808 information requests were submitted last year. The number is very small compared to huge population of the country.

CHAPTER

6

Democratic Transition, Consolidation and
External Influence in Politics: Bangladesh
Perspectives**6.1 Introduction**

This year's *The State of Governance Report* aims to assess inter alia how external stakeholders influence the domestic social and economic policies and how such interventions shape Bangladesh's political governance structure as a whole¹. In this assessment, the country's political system, more precisely democratic governance (or lack thereof) plays an important determining role. The political dimensions of external influence act as an essential intervening variable in our analysis of external intervention in Bangladesh.

The study works with a hypothesis that external influence in Bangladesh is largely catered by domestic political weaknesses. More precisely, it postulates that ineffective democratic institutions generate the space for external influence in the country. The political institutions thus have not been able to serve the national interest of leveraging the country's geo-political and economic advantages as created by the globalisation process.

To analyse the role of external influence in Bangladesh's political discourse, the study conceptualises the phenomenon through supply-side and demand-side perspectives. The demand-side examines how the political distortions of Bangladesh generate demand for external penetration. The supply side, on the other hand, focuses on opportunities that Bangladesh retains through the geopolitical and geoeconomic conditions *vis-à-vis* the external actors and examines the extent to which the country has been able to exploit those to its advantages.

To test the hypothesis that the domestic political weaknesses channel the room for external role-playing, the study views political weakness through the democratic framework lens, which, nevertheless, elicits other cross-cutting political issues. Our study and analysis are thus organised in terms of a democratic transition and consolidation framework, which investigates the roots of political malfunctioning giving rise to external influence.

In terms of methodology, the authors relied on both primary and secondary sources while conducting the study. Relevant and contemporary literatures including newspaper postings,

¹ For details, see introduction (Chapter-1).

reports, journal articles and books have been extensively reviewed combined with several key informant interviews.

This chapter is organised into four sections: Democratic Transition, Democratic Consolidation, External Influence and Conclusions. The section on democratic transition analyses several key components of the transition process of democracy in Bangladesh. The democratic consolidation section examines the status of Bangladesh's consolidation effort in the light of some indicators set by democratic theorists. The external influence section, as the chapter's major focus, concentrates on the demand and supply sides of external influence in Bangladesh and rigorously analyses how the malfunctioning of democratic and political institutions create room for external influence.

Referring to the preceding sections and focusing on regional geopolitical discourse, geo-economic reality, militancy and extremism issues, the study highlights the advantages that Bangladesh could exploit from constructive engagements with the international community. The section also discusses whether the country's weak democratic system is producing a sub-optimal outcome for the nation.

Finally, the concluding part summarises the study findings proposing a set of recommendations for policy makers to address the issues of democratic deficit spotted in the study, and to limit the undesirable elements of external influence in the country's socio-economical order.

6.2 Democratic transition

The past decades have witnessed the most remarkable development toward global democracy, which is often referred to as the 'Third Wave'. In the beginning of this 'Third Wave' of democratisation in 1974, the number of electoral democracies in the world was merely 39 (Megan 2009), and all of those were categorised as Free States² by the Freedom House Index. By 2011, the number of electoral democracies rose to 117. Nevertheless, only 87 of those states qualified as Free (Freedom House 2012). In the later period of the Third Wave in the 1990s, the world witnessed the explosion of so called 'Hybrid Regimes' that refers to the states that only fulfil the minimal conditions of electoral democracy. In such regimes, there is a serious deficiency in the essential attributes of liberal democracy.

The vast majority of states in Asia and Africa that emerged from the detritus of the European colonial empires have failed to make viable transition to democratic rule, Bangladesh being no exception. The democratic transition in Bangladesh has shown a number of paradoxes. It experienced many abrupt political transformations throughout its entire political history. The country's initial representative government following independence quickly and abruptly progressed to military and pseudo-military regimes that prolonged one-and-a-half decade before finally returning to multi-party parliamentary democracy in 1991. The current scenario, in the midst of 2012, poses a serious question as to its democratic progress that is, whether the country will be able to elevate itself to a consolidated democracy or be experienced an authoritarian reversal.

2 Free states are ones that score 2.5 or better on the Freedom House scale.

A democratic transition, as Stradiotto and Guo (2010) observed, is the interval between an authoritarian polity and a democratic regime. The methods of the transfer of power are considered the key element for democratic transition. The authors also argued that the democratic transition is a political process aimed at establishing a democratic political system, initiated either from above or below or a combination of both.

It is achieved through promoting democratic values and goals, accommodating opposition, allowing bargaining and compromise between different political forces for the resolution of social conflicts and institutionalising pluralist structures and procedures. Moreover, the authors identified four modes of democratic transition: conversion transition, cooperative transition, collapse transition and foreign-imposed transition. The conversion mode refers to elitism reflecting non-linear relations between the government and opposition; the cooperative democratisation is more consensus-based; the collapse mode renders the destructive opposition that resort to any means to let the government down; while the foreign intervention mode implicates foreign military interference to overthrow the respective regime.

6.2.1 Background of democratisation in Bangladesh

The democratisation drives in Bangladesh could be categorised into three inter-linked processes that came through different phases of democratisation initiated by the elite class, liberalisation by military governments and transition based on either patron-client coalition or opportunistic democratisation after the 1990s.

Bangladesh's journey towards democracy

Historically, politics in the Indian subcontinent was dominated by the elites' protection of their own interests, which was the main objective of their political agenda. The elites were clustered into different interests groups, e.g. landlord elite, professional elite, Hindu and Muslim elite, trading elite, etc. (Khan 1980). During the colonial period, several democratic institutions, *i.e.* representative legislature, political parties, and the electoral process, gradually evolved and paved the way for a democratic choice. Following the colonial regime's departure in 1947, emerging Bangladeshi (the then East Pakistan) political elites were comprised mostly of the educated professional class.

After independence in 1971, Bangladesh opted for parliamentary democracy and the Awami League (AL) which provided leadership during the independence struggle emerged as the main political party. Political parties such as National Awami party (Bhashani) and some other small parties started to take the role of opposition (Jahan 2005, Ahmed 2004). Through a series of coups and counter coups following the 1975 gruesome assassination of Sheikh Mujibur Rahman, the Founding Father of the Nation, the military ascended to power. The military, backed by the bureaucracy, emerged as the new political elite in Bangladesh and played a dominant role until 1991 when after a successful mass upsurge toppled the last surviving military regime of General H. M. Ershad. Bangladesh entered a new era of democratisation.

Transition in 1990: towards an opportunistic democratisation?

Following the ouster of the military establishment in 1990, democratisation in Bangladesh witnessed a new shape that could be defined as 'opportunistic democratisation' (Welzel 2009, Gros

1998). In it the politicians perceive democracy as a challenge to an autocratic rule, not as an opportunity to establish an entirely new governance system or regime. They are more likely to agree to implement the first phase of democratisation, which is political liberalisation, and then adopt the second phase of deepening democratisation. Opportunistic democratisers are not necessarily incumbents since they can also be found within the rank of political opposition (Gros 1998).

Since 1991, most ruling and opposition political leaders situated themselves as opportunistic democratisers. Both major parties feature a strong patron-client network based on the distribution of benefits once they ascend to power through elections.

6.2.2 Democratic transition process in Bangladesh

Transition to democracy thus becomes complex, having a variety of possible courses and end results, depending on the socio-economic context of an individual country and regional conditions. Bacon (n.d.) stated that democratic transition requires three components: the end of an authoritarian regime, the installation of a new democratic regime and democratic consolidation.

United Nations Development Programme's (UNDP's) international forum also considers consensus and compromise important elements of democracy (UNDP 2011). Some key aspects of the democratic transition process have been analysed to provide the reader with a general overview of transition alliances in Bangladesh. This will gauge whether the country's politics remain mired in the transition crisis, which leads to external interventions of various types.

Military intervention and democratic transition

Democratic transition means the transfer of power from an authoritarian regime to a democratic regime, (Murtin and Wacziarg 2011) or from a democratic government to others through peaceful elections. To ensure democratic transition, the military must be subordinated to the authority of the elected civilian officials (Diamond 1997). However, for more than fifteen years in its history, Bangladesh has been either governed directly by martial law or by military rule behind a civilian facade.

The nation has experienced at least four successful and seventeen abortive coups *d'état* in the post-independence period (Riaz 1998). Even in the post 1991 era, allegedly several military plots to topple the democratically elected governments took place. Although the military government's departure in 1990 allowed the country's adoption of parliamentary democracy, the question remains whether Bangladesh has overcome the challenges of military intervention in its politics.

The political parties, due to a lack of mutual trust in one another, frequently demand military deployment during national elections, granting the military a supervisory role at this key transition point. A slight deviation from the military's perceived neutral role can decisively sway the balance between the competing parties or alliances.

Constitution as an instrument of transition

The transition to democracy requires a social contract with a country's constitution providing that contract in the form of fundamental rules. While a national consensus-based constitution can be

the symbol of a break from the past, whether Bangladesh's constitution provides such a consensus among competing political interests and groups remains contested, especially when there are several unresolved and contentious issues *i.e.*, nationalism (Bengali/Bangladeshi), status of religion and indigenous people, foreign policy, among others. Successive regimes, however, amended the constitution numerous times to serve their narrow political interests, undermining national consensus. In most cases, no specific and/or written proposal was presented to the public as referendum before such amendments were made.

Election as transition process

During a democratic transition period, a number of issues pertaining to electoral process have to be addressed that includes the need to establish clear rules and procedures for elections and an independent body of people as the authority supervising and managing the electoral process. The rules and procedures further include the availability of good electoral records and voter lists, and the obligation of loyalty towards democracy by the parties (UNDP 2011).

Bangladeshi political parties still struggle to find a smooth means of transferring power from one regime to another. Due to mistrust and suspicion, opposition parties frequently show reluctance to participate in elections under the incumbent. Hence, the non-party caretaker government, a unique system in the world, was introduced in the constitution to conduct the national election.

However, with a few attempts, the system has now been considered redundant through the 15th amendment of the constitution. In the middle of 2012, with just one year until next general elections, the same debate for a credible election mechanism dominates the political discourse of Bangladesh.

Political consensus for democracy and willingness to compromise

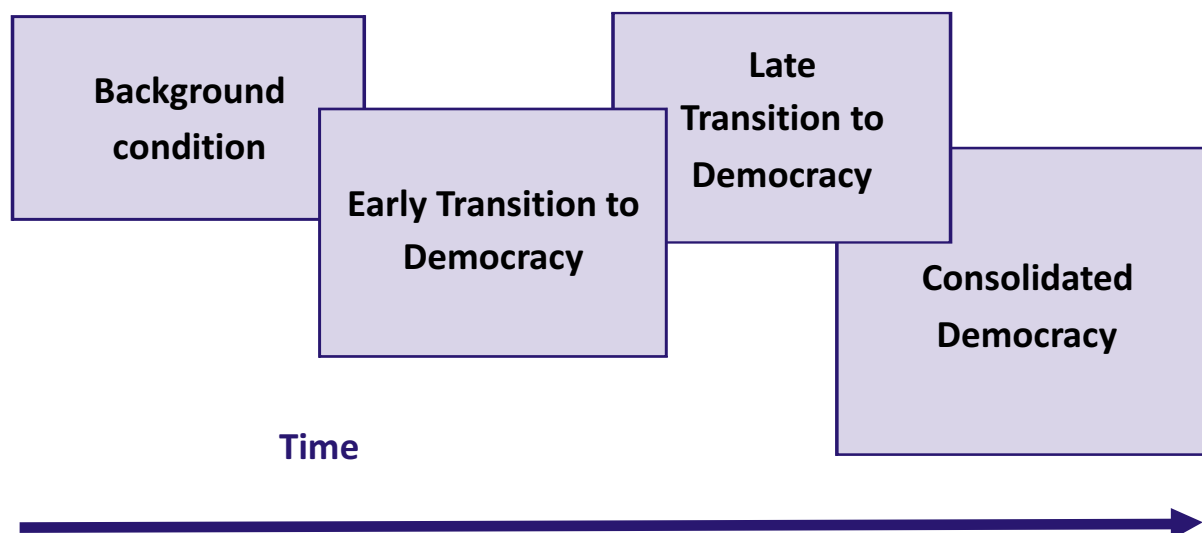
Historically, Bangladeshi politics unfolded as a process of the unmitigated conflict of power. Political negotiation and compromise among the key political actors mainly Bangladesh Awami League (AL) and the Bangladesh Nationalist Party (BNP) is virtually non-operative in Bangladesh's democratic culture.

While national consensus is necessary for any democratic transition that leads a nation to consolidate its democracy, such consensus proves rare in Bangladesh since the historic agreement on the parliamentary form of governance reached between the two major parties in 1991. Bangladesh is therefore yet to overcome the transition crisis as some of its key elements are still missing in democratic practice.

6.3. Democratic consolidation

Democratic consolidation, as termed by Sorenson (1993), is the last and final phase of democracy. In an ideal or strict form, and at this stage of democracy, democratic institutions are functional and capable of transferring power to an opposition party.

Figure 20
Democratic transitional phases towards consolidating democracy



Source: Based on George Sorensen's (1993, p. 42) model on transitions toward democracy

Linz and Stephan (2001) illustrated three minimal conditions that must be satisfied before democratic consolidation. First, state integrity has to exist to ensure a free and authoritative election. Second, democratic transition has to be accomplished. A necessary, but by no means sufficient condition for ending a transition process is the holding of free and contested elections. Third, rulers need to govern democratically without infringing upon the constitution, violating individuals' and minorities' rights, or impeding the legislature's functions, and by ruling within the bounds of the state.

There are other indicators that define the democratic consolidation process, some of which are also discussed in individual sections. Whether Bangladesh's democracy is consolidated or is in the process of consolidation has to be measured in the light of the criteria and indicators discussed herein.

6.3.1 Democracy in Bangladesh: whither consolidation?

Since the restoration of democracy in 1990-91, Bangladesh has practiced a parliamentary form of government for nearly two decades. This however, leaves in question, whether democracy has been consolidated. This section attempts to comprehend how various institutions of Bangladesh are performing with regard to democratic consolidation.

A) Political society

Linz and Stephan (2001) argued that democratic consolidation requires that citizens develop an appreciation for the core institutions of a democratic political society, political parties, legislatures, elections, electoral rules, political leadership, and interparty alliances. They further elaborated that a state of law (rule of law) is vital to the consolidation of any democracy. Despite the growing prominence of civil society, political parties also remain very crucial for any democracy.

i) Parliament

The legislature can prepare a better ground for democratic consolidation by agreeing to develop rules to transform the legislature into a vital platform for resolving mutual conflicts amongst the political actors. The chances for democratic groundwork become more tangible when these actors recognise the legislature as the prime mechanism of conflict resolution (Hussain 2007).

The 15th amendment (2011) of the Constitution, which sought to resolve many outstanding and divisive issues at one-go, created a public outcry amongst the opposition groups. Like many others in the past (*i.e.*, fourth, fifth, seventh and eighth amendments of the Constitution), this amendment once again reveals how Bangladesh parliament overlooks the consensus issues and opts for widening rather than narrowing the divisions.

So far in its democratic history, Bangladesh Parliament has largely failed to facilitate social consensus and political conflict resolution. Rather, its political actors have encouraged extra-parliamentary settlement of major political disputes. The post-1975 military regimes tried to settle many divisive political issues through military promulgations (though they later managed to get them endorsed through rubber stamp parliaments).

Since 1991, two major democratic transitional crises have been resolved outside the Parliament the settlement of Caretaker Government (CTG) issues in 1996³ and the CTG crisis in 2006⁴. Other than conflict resolution, the parliaments have also been largely dysfunctional for the last two decades, plagued by opposition boycotts (Table 21).

Table 21
Parliament boycotts by opposition

Parliaments	Fifth (1991-96)	Seventh (1996-2001)	Eighth (2001-2006)	Ninth (2009-)
Total Boycotts	118 days (43% of total working days)	156 days (41%)	223 days (60%)	208 (out of 254 days as the 13 th session ended on 8 th July 2012). (82%)

Source: Azim 2011; Liton 2012; The Daily Sangbad 2012

Individual oversight techniques at the Parliament have also been largely ineffective since 1991. In the fifth parliament, for example, 94% of the notices served for discussion have been rejected while the share was 96.6% in the seventh parliament (Hussain 2007, p. 119).

3 Although the Caretaker bill has been passed by the parliament, it was only materialised when the opposition had been able to corner the position on the street not in the Parliament's plenary debate.

4 Parties' failure to resolve the debate over Caretaker Government formation in dialogue ended up in street battles and subsequent military intervention and declaration of emergency on 11 January 2007.

Article 70 of the Constitution prohibits floor-crossing of members of parliament (MPs) *i.e.*, voting against the party line, which discourages members from speaking freely within the floor. The spill over effect of this arrangement is that the parliamentarians often remain reluctant to criticise party decisions to any extent for fear of being singled out within the party.

ii) Political parties

Although institutionalisation of the party system usually increases democratic governability (Linz and Stephan 2001, p. 368), however, major political parties of Bangladesh, particularly AL and BNP, have been criticised for their undemocratic party system and culture. These parties are dominated by their party chiefs, who often take the important party decisions opaquely.

The internal organisational structure of these parties is also less than democratic. The party activities such as policy-making, decision-making, and committee structuring are centred around the cult of the leader. The annual and bi-annual councils barely take place on time and when they do, prove a mere formality bestowing all powers into the hands of the party chiefs to select the remaining post holders of the parties (The Daily Star 2009e, 2009f).

Political parties are also increasingly dominated by business people, which contributed to the exponential rise of interest politics in Bangladesh. For instance, only 27% of MPs elected in the 1970s' legislative assembly enrolled their profession as business persons or industrialists. This increased to more than 50% in the fifth, eighth and ninth parliaments (Jahan and Amundsen 2012, p. 31). According to some accounts, this development has adversely impacted the country's democratic governance.

One of the root causes of the poor governance in the country lies in the political parties functioning process itself. Political parties are rarely transparent both in terms of their source of income and their source of funds (see Box 4).

Much has been said about the political party reforms in Bangladesh, but very little progress has been made other than the party registration and a few other sporadic instances of progress here and there. During the 2007-2008 emergency regime, there was an effort though,⁵ in both major parties, to address the leadership succession issue, which later miserably failed, leaving the reformists on the verge of political extinction (The Daily Star 2007a).

Box 4 Political party funding in Bangladesh

Political parties require money to carry out their day to day activities. In Bangladesh, the sources of political parties' funding are not transparent. It should be, however, transparent and accessible to the citizens for the sake of democracy and good governance. Political parties in Bangladesh, irrespective of size and ideology, hardly keep any account of their funding sources and expenditures. There are allegations that most of the political parties in Bangladesh receive funds from abroad. According to an academician, "although it is difficult to prove, the reality

⁵ In an interview with a Dhaka University Professor.

is... political parties in Bangladesh receive foreign funds.”⁵ Media reports at times allege such clandestine financial dealings of Bangladeshi political parties with their foreign backers. Although parties refuted the reports.

Bangladeshi society is still very divided over the question of identity. The major political parties in Bangladesh have either pro-Islamist or pro-secular agendas with sympathetic foreign backers. Political analysts believe that parochial versions of Islam have powerful backers in the Gulf States (Fair 2005). There are allegations that some Middle Eastern countries heavily fund both public and private Islamist initiatives in the country, effectively exporting their brand of *Salafist* Islam to Bangladesh. The money channelled from Gulf States has enabled many Bangladeshi islamists to run financial institutions, schools, hospitals, industries etc. and dictate terms in the political process because of their strong economic background (Hossain 2005).

Political parties in Bangladesh usually utilise their leverage when they remain in power to channel the public resources into the hands of the party leaders or supporters (IDEA⁶ 2004). According to Transparency International Bangladesh (TIB), political finance in the prevailing political culture is a covert matter for the party organizations, with party funds usually collected directly from businessmen and industrialists. Such funds are often donated voluntarily out of vested interests, and in many cases through extortion.

As per a new legislation, the political parties have to be registered with the Election Commission and have to submit their audit reports annually. Such law regarding audits of party funding remained only on paper and are yet to be operationalised (TIB 2009). After the 1996 elections, nearly 95% of the MPs did not submit the individual expenditure report, and after the 2001 elections none of the parties submitted reports of electoral expenses. Interestingly, after the 2008 elections most candidates and parties submitted their electoral accounting reports before the EC (TIB 2009). While this is a welcome development, there is also a need for transparent accounts of financial and non-financial wealth of parliament members and ministers. It is believed that they capitalise their offices to make money of questionable sources to influence the election next time.

iii) Rule of law

Rule of law is closely connected with the liberal political system, which is synthetically characterised by a system of checks and balances and entrenched individual rights protected by an independent judiciary (Marvall and Przeworski 2003, p. 147). As to the correlation between the rule of law and democratic consolidation, theoretically if a freely elected Executive infringes the Constitution, violates the rights of individuals and minorities or impinges upon the legitimate functions of the legislature thus failing to rule within the bounds of a state of law, their regimes are not considered democracies (Linz and Stephan 2001, pp. 93-94). Others argue that the democratic transition from authoritarian rule can be brought to completion through achieving both democracy and rule of law simultaneously (Marvall and Przeworski 2003, p. 147).

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Of the three apparent indicators (mentioned in previous paragraph), there has been no serious allegation of infringement of constitution against the democratic governments in Bangladesh. As for overtly impinging upon the legislature's legitimate function, only sporadic hiccups between the executive and the judiciary, sometimes between the legislature and the judiciary, can be cited.⁷

However, the successive regimes scored poorly when it came to human rights and equality before the law. Though Article 26-47, the Constitution provide citizens with a guarantee of their lives and liberties, the violation of human rights and law enforcement abuses in Bangladesh are rather rife, facilitated by other sets of legislations such as the 1974 Special Powers Act, which permits arbitrary detention without charge; and Section 54 of the Criminal Procedure Code, which allows detention without a warrant. The Anti-Terrorism Act, 2009 also provides an overly broad definition of terrorism and generally fails to meet international standards, which allows room for repression on dissents. The law enforcing agencies are widely accused of violating human rights. From 2004 to March 2011, the human rights watchdog Odhikar (2010) reported that at least 732 people were killed in the name of crossfire by the elite force, Rapid Action Battalion (RAB).

As to the equality before the law scenario, arbitrary withdrawal of so-called politically motivated cases by Executive Orders is a direct assault on the very principle of the Rule of Law that every citizen is equal before the law. During 2001-2006, the four-party alliance government withdrew 5888 cases including murder and rape cases by executive orders against its party men (Dewan 2009), while the present government in its three years' tenure, as of 21 December 2011, has withdrawn at least 7100 cases (The Daily Prothom Alo 2011a).

iv) Negative politics and indicator of non-consolidation

A democratic system weakens when there is explicit rejection of the legitimacy of a democratically elected regime by (significant) parties, movements, or organisations (Diamond *et. al* 1997, p. 19). Key political parties in Bangladesh, when in opposition, have frequently and explicitly questioned the legitimacy of the elected regime (The Daily Star 2004; 2011c).

Diamond (1997) illustrates how democratic consolidation effort faces serious setbacks when one or more political actors resort to "knocking at the barracks door" for military support in their political struggle. Although there is no credible evidence that any of the major parties did so, both the leading parties point their fingers towards each other for their alleged roles in coups and counter-coups that took place in Bangladesh (The Daily Star 2012f).

Another negative indicator of democratic non-consolidation may be the categorisation of democratically loyal opponents as disloyal instruments of outside actors (Diamond *et. al* 1997, 19). The examples of such manifestation are plenty in Bangladeshi politics. Here one party blames the other for either turning Bangladesh into India's vassal state (The Daily Star 2012g) or into an ISI-agent (Inter-Service Intelligence Agency of Pakistan) (The Daily Star 2012h).

⁷ As in the recent case when a High Court judge made some derogatory remarks over parliamentary proceedings and the Speaker, which allegedly breached Article 78(1) of the Constitution. [The Daily Star 2012i]

B) Civil society

Civil society can contribute to democratic consolidation only if other institutions are also favourable, and if actors in civil society behave in a "civil" way, respecting the law and other social and political actors, while accepting and not seeking to usurp or conquer democratic political authority. In transitional democracies, there are, however, financial and political weaknesses within civil society, which hinder its development. Direct international assistance to nongovernmental organisations (NGOs) and the cooperative linkages loom large in the quest for democratic consolidation (O'Donnell and Schmitter 1986, pp. 48-56).

With changes in donor policy to assist non-government organisations (NGOs), the number of civil society organisations in Bangladesh soared since the 1990s. Although civil society organisations have supported the inference of high civil society involvement in social service and welfare, they have a low rate of participation in policy advocacy, lobbying etc.

Rather, penetration, co-option and politicisation of civil society have reduced their ability to generate democratic norms, articulate interest or monitor state actions. Therefore, the civil society is yet to emerge as a vigilant force to uphold good governance and consolidate democracy in Bangladesh (Tasnim 2007, p. 103).

In recent times, there is simmering tension between the government and civil society. The government often accuses civil society of seeking to usurp or capture political authority citing the latter's role during the period of military-backed Caretaker regime in 2007-08. In this connection, the draft Foreign Donation (Voluntary Activities) Regulation Act 2012 gave rise to contentions that the government is cracking down on civil society groups to put them under political control (The Economist 2012).

C) Socio-economic development

Although ideally democratic consolidation is largely a matter of political crafting, Przeworski (1991) shows that there is an impact of economic development and performance on the democratic consolidation process. The study illustrates that there is a 12% chance of breakdown of democracy in any given year among the lowest-income countries. Similarly, the expected life of democracy increases with percapita income, up to the income level of over \$6,000 (in 1985 purchasing-power-parity, [PPP]). Przeworski further suggested that democracies are significantly more likely to persist when they experience real economic growth, in excess of 5% annually.

As to these theoretical propositions, Bangladesh lies in the mixed zone. While it is still a low-income country with Gross Domestic Product (GDP) per capita \$1659 in PPP terms, its economy has been growing faster for the last two decades at an average of around 5% annually (World Bank 2010). Nevertheless, one-third (31.5 %) of its population still lives below the poverty line (Bangladesh Bureau of Statistics [BBS] 2010) thus demonstrating that the benefits of growth are not equally distributed.

Regarding inequality, the Gini co-efficient⁸ of income shows that the national level income inequality of Bangladesh has increased in the last one and a half decades from 0.432 in 1995/96 to

⁸ Gini co-efficient is a popular composite indicator of measuring inequality. It can vary between 0 and 1 with 1 being the most unequal state and 0 the most equal state.

0.458 in 2010 (Dev *et. al* 2008, Titumir and Rahman 2011). Although there is no clear-cut consensus among experts as to the correlation between inequality and democracy⁹, it generally poses threats to the society's stability, which is, in the long run, detrimental to a sustainable democratic polity.

Nevertheless, although traditional theorists (Saymour Martin and others) argue that democracy is the direct result of economic growth and that it can only stand where the foundations have been laid by a highly educated population and a culture of democracy, Acemoglu and Robison (2006, 2007) oppose the idea, claiming that democracy can flourish in any kind of society, as long as the distribution of benefits implied by the democratic process are consistent with the underlying distribution of power. They further assert that a democracy is likely to collapse if such economic and political conditions are not met.

Bangladesh's political society dominated by a winner-takes-all culture, with the ruling party's all out effort to corner the oppositions, benefits, resources or power, which are not properly shared with political elites beyond party line. Instead they are heavily concentrated in the hands of the ruling class.

6.3.2 Whither consolidation?

With regards to democratic consolidation, Bangladesh has made little progress since the restoration of democracy in 1991. Despite the economy growing faster and civil society showing significant strength and resilience, political institutions appear fragile, thus leaving the status of Bangladesh's democracy far from being consolidated.

6.4 Democratic malfunctioning and external influence in politics

The phenomenon of external influence in third-world and developing countries is a stark reality. A country's domestic political weakness, coupled with its strategic significance, often caters to this kind of influence. External influence in Bangladesh fares with both dimensions. The following section analyses various dimensions of demand and supply sides of external influence in Bangladesh's political spheres.

6.4.1 Demand side of external influence

The demand side of external influence in Bangladesh is facilitated by democratic weaknesses originating from incomplete transition and democratic non-consolidation. Transitional crisis (disruptive transfer of power, lack of consensus, and unwillingness to compromise) that leaves the political opposition vulnerable is the root cause of creating domestic demands for external influence.

Since the 1990s, as the economy started performing well and subsequently creating enormous financial rents, coming into power and relinquishing it began involving high stakes. The non-

⁹ Robert Dahl (1971), Huntington (1991) etc. suggest that democracy is not possible in highly unequal societies, whereas Bollen and Jackman (1985), Przeworski (2000) found no relationship between measures of inequality and democracy. [Acemoglu and Robinson 2006]

consolidated democracy remains a major threat to the country's democratic transition through smooth transition to the power.

During a transitional crisis (crisis surrounding the transfer of power), the role of outside actors can immensely sway the balance. The events of 11 January, 2007 (known as 1/11) explicitly shows how domestic political vulnerability can welcome intervention from outside actors and how such interventions can dramatically shift the balance between political rivals (see Box 5).¹⁰

In this bitter political reality and in the absence of institutional mechanisms for grievance handling, the strangled political opposition resorts to any means to return to power and often opts for outside alliance. The ruling party, at the same time, seeks to realign with their external friends to prolong their tenure. This zero-sum game often involves subversive activities to undermine each other at the cost of national interests.¹¹

The AL and BNP, the parties dominating Bangladesh's political landscape over the last two decades, maintain their own trustworthy foreign allies. It is also alleged that they often give priority to their allies' interests above the national interests (The Daily Prothom Alo 2012a). While one is accused of maintaining friendly relations and leaning too much towards India, the other is accused for its alleged relations with Saudi Arabia and Pakistan. However, both are keen to maintain the same warm relations with the United States, which leads the post-Cold War global geo-political order.

A) 1/11, External influence and democratic weakness

External influence does not take place in abstraction unless the grounds are prepared by the internal actors. The 'winner-takes-all' political culture and the failure of democratic institutions to mitigate political crises have led to the incident of 1/11. Before the ninth National Parliament election, political stalemate reached its peak, as the government and the opposition had unbridgeable differences over a number of key issues concerning the election process. This crisis of peaceful democratic transition allowed foreign interference into the nation's domestic affairs (see Box 5).

Box 5

1/11 (11 January 2007): How political weaknesses invite external interference

Although the Caretaker Government (CTG) embodied in the Constitution on the basis of consensus, the third CTG of 2006-2007 found it extremely difficult to hold a free, fair and impartial election in the face of irreconcilable demands from the contending parties. On 11 January 2007, responding to growing political confrontation, the President relinquished his position as the CTG Head, cancelled the 22 January election and declared a state of emergency under article 141A of Bangladesh constitution. A new interim government backed by the

¹⁰ Before 1/11 crisis, the then ruling party exercised overwhelming controls over all state mechanisms and the opposition looked very much hopeless and undone. But then, the international players came into scene and allegedly manoeuvred the event.

¹¹ Allowing some foreign elements to operate [10 truck arms haul case as discussed above] within Bangladesh to arm and train Indian insurgents which pose a greater danger to Bangladesh's own national security.

Bangladesh military was installed. The International Crisis Group (ICG) reported that, “Bangladesh is under military rule again for the third time in as many decades” (ICG 2008).

While political observers share the view that although external actors played a critical role in the 1/11 outcome, it was in fact a democratic failure engendered by contending parties that brought the external forces onto the scene. They are also of the opinion that the event was a necessary circuit breaker to restore political equilibrium. The intervention was welcomed by people in general, thus, the run-up to 1/11 was directly linked with the democratic transition and consolidation difficulties faced by Bangladesh.¹²

The transition crises include the disagreement over the election mechanism¹³ and constitutional loopholes¹⁴ while the consolidation crises cover failure of institutions to mitigate and resolve the political crisis. The Election Commission was blamed for producing a voter roll with over 12 million fake voters to favour the incumbent regime to engineer the election [The Daily Star 2007b]. Amid absence of such institutional remedies, the opposition took to the streets in Dhaka and elsewhere around the country. They then allegedly also resorted to extra-constitutional means [creating environment for foreign mediation (The Daily Star 2007c)] and called on the military to intervene and stop the election (The Daily Star 2007d, 2007e).

This is a classic example of the demand side of external interference, when domestic elements eagerly waited for external actors to act. Another institutional failure was the partisan role of the Executive head, the then President, when he failed to maintain his political impartiality thus eroding trust and confidence in the institution that could deliver [The Daily Star 2006b, 2007f].

Role of International Community: Amidst much political chaos, the international communities stepped in to break the stalemate, negotiated between the alliances, and when everything failed, took concrete measures to avert the one-sided election (ICG 2008). The measures included the suspension of Election Observation Mission by the European Commission and suspension of all technical support for the election by the United States (UN).

The UN also issued a threat that the military would jeopardise its lucrative role in UN peace keeping operations if it facilitated an election boycotted by the opposition. In an interview, a Western ambassador in Dhaka admitted “we (the international community) were instrumental in the events in January” (ICG 2008). Besides, Loyd (2007) mentioned that, the international community did not discourage the military takeover and were probably more active than they publicly acknowledged.

A UN official mentioned that, there was low key support from UN Headquarters for the coup (ICG 2008). One very significant issue with regard to the role of international community on

12 Interview with a couple of Dhaka-based political scientists and noted academicians.

13 Debates circumventing the Chief of the Caretaker Government major political parties failed to reach a consensus as to who should be the Chief of the Caretaker Government.

14 Disagreement over the explanation of some articles of Constitution.

and after 1/11 event was that although they supported and/or played a role in the declaration of emergency and installation of CTG in January 2007, they consistently sided with the election roadmap by December 2008 and persistently pressured the military and the CTG to abide by the roadmap, the reform plan, timely elections and a return to democracy.¹⁵

Although the 1/11 event and subsequent emergency regime had a lot to do with implicit or explicit support from external actors, it is important to acknowledge that the emergency government initiated some long-awaited political and institutional reform processes. Therefore, the international community's engagement in this particular instance was more constructive.

B) Trade and aid largesse: influencing through the other way around

Economic interest is increasingly becoming a determinant factor for shaping inter-state relations and providing more balanced relations between nations. This is even true for the United States (US) and China, two arch rivals in Asian geo-politics. However, when it comes to relations between the least developed countries (LDCs) and the developed countries (DCs), the relationship often turns non-linear.

This is largely due to different trade facilities that the DCs offer to LDCs. For example, The European Union offers Bangladesh (being the LDC member) duty-free and quota free (DFQF) access to Ready Made Garments (RMG) products to its Market with GSP¹⁶ facilities. The United States also provides GSP facilities for Bangladeshi goods. The impact of such benefits on Bangladesh trade is also staggering. In 2011, for example, 58.1% of total Bangladeshi exported goods were destined for the EU market while another 18.25% was exported to the American market.¹⁷ These facilities (quota free access and GSP) give Bangladesh an advantage over other RMG competitors including China and India.

Through this trade largesse, DCs often enjoy the leverage to speak up on internal affairs. Sometimes it comes in the form of both political and non-political conditionalities. Political conditionality often involves addressing human rights violations, good governance and promoting the democratisation agenda, inter alia (Smith 1997, Bureau of South and Central Asian Affairs 2012).¹⁸

Multilateral lending agencies led by the World Bank and IMF also enjoy much leverage in exerting influence in domestic policy affairs through their lending conditionality. With loans, they often

¹⁵ Interview with an Advisor who served the key position with the Caretaker Government during the 2007-08. [also, see The Daily Star 2007g]

¹⁶ GSP is a formal system of exemption from the more general rules of the World Trade Organization (WTO), especially its a system of exemption from the Most Favoured Nation (MFN) principle of WTO.

¹⁷ Bangladesh Bank's economic data. Authors compilation. Available from: http://www.bangladesh-bank.org/econdata/export/exp_rcpt_blockwise.php. Accessed on May 12, 2012.

¹⁸ In the recent stand off between Bangladesh government and Grameen Bank and Dr Muhammad Yunus, the USA officials clearly sided with the latter and exerted pressure on government through various channels. It has also issued implied threats if their concerns are not taken into consideration. [The Daily Star 2012j]

impose political conditionality on recipient countries in relation to economic policies, public administration, transparency and accountability of government and rule of law.¹⁹

As Cheryl Payer (Payer 1982), a renowned critic of the Bank, once noted that “the World Bank [is] perhaps the most important instrument of the developed capitalist countries for prying state control of its Third World member countries out of the hands of nationalists...” In the guise of aid and development assistance largesse, the allegations of influencing domestic policies against these lending agencies are plenty. Many allege that the recent cancellation of the \$1.2 billion Padma Bridge credit on corruption allegations is related to the Bank's political agenda (The Daily Star 2012k).

6.4.2 Supply side of external influence

The supply side of external influence involves the positive opportunities that Bangladesh's geographical advantage, particularly strategic location, and its sizeable market create for external stakeholders. Countries that seek to benefit themselves from these vantages are the primary actors of this equation. The following sections illustrate various dimensions of supply-side phenomenon of external influence in Bangladesh.

A) Geopolitics

i) The changing reality: from geo-politics to geo-economic complexity?

After nearly four decades since 1971, the roles and responsibilities of powerful actors have either changed or been altered. With the disintegration of the Soviet Union in 1990, the USA has forged a strategic alliance with India to rebalance the power-game in Asia (Indian Express 2011). China, on the other hand, has found new interest in the former The Union of Soviet Socialist Republics (USSR) (China Daily 2010) while Pakistan's Indo-centric focus remains unchanged.

In this changing scenario, Bangladesh, being located in a strategically important position almost bisecting the north-eastern part of India from its mainland as well as offering a route to Southeast Asia including China- has been under the radar of all regional and many global geo-political actors.

With the growing significance of the Indian Ocean²⁰ and following the recent settlement of Bangladesh's maritime dispute with Myanmar at ITLOS²¹ (which opens up an immense strategic and economic potential for Bangladesh at deep sea), the Bay of Bengal is attracting wider strategic attention from countries including USA, China and India.

In the wake of these developments, the forms and faces of external influence in Bangladesh with regard to geopolitics is changing rapidly. While China and Pakistan allegedly have an interest in

19 Weder explains, 'political conditionality refers to the linking of aid to administrative and political reform in recipient countries, in the pursuit of what it termed “good governance”. There are four components to this: sound economic policies, competent public administration, open and accountable government; and respect to the rule of law. [Dewald and Weder 1996 cited in Marquette 2003]

20 In a recent article at Foreign Policy Magazine, the US Secretary of State Hillary Clinton wrote that, “The Asia-Pacific has become a key driver of global politics. Stretching from the Indian subcontinent to the western shores of the Americas, the region spans two oceans -- the Pacific and the Indian -- that are increasingly linked by shipping and strategy.” [Clinton 2011, Dyer 2012]

21 International Tribunal for the Law of the Sea: Bangladesh v Myanmar, Case No. 16. Retrieved from <http://www.itlos.org/index.php?id=108> [Accessed 09 May 2012].

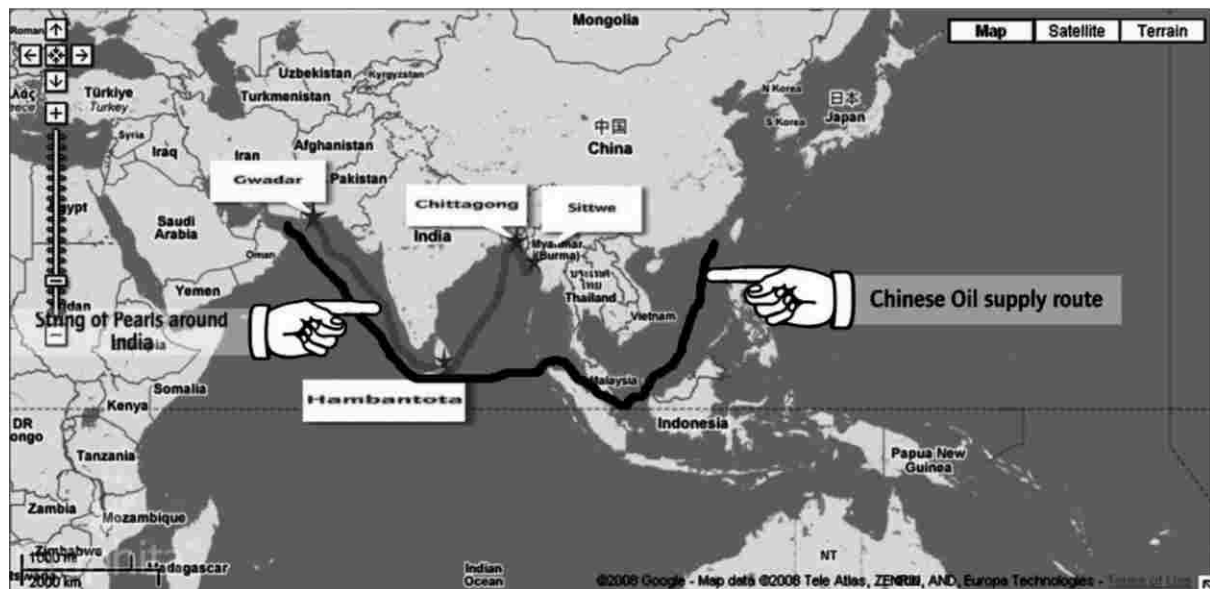
destabilising North-eastern India, and Chinese special interests to counter US containment strategy in the Pacific persist, Bangladesh becomes a strategic nation.

The US willingness to extend strategic interests to Bangladesh is evidenced by the signing of the Status of Forces Agreement with Bangladesh in 1998²² and the recently signed US-Bangladesh Partnership Agreement in 2012 (The Daily Star 2012l).

Bangladesh's proposed deep-sea port also offers huge strategic interests for many countries. China has showed enthusiasm in financing and building the port (The Daily Star 2012m) to allegedly expand its String of Pearls Strategy allegedly aiming to encircle India as well as to reduce its dependence on the Malacca Straits for oil shipment (DeSilva-Ranasinghe 2011).

However, as many experts have suggested, the construction of the deep-sea port has not made any significant progress due to this convergence and divergence of interests among countries. New Delhi and Washington remain sceptical about Beijing's intention of financing and building the port as one of the US Congressional research reports illustrates: the growing importance of Bangladesh "...could potentially be a state of increasing interest in the evolving strategic dynamics between India and China" (Vaughn 2010).

Figure 21
Chinese String of Pearl Strategy



Source: www.marinebuzz.com

Nevertheless India is worried about China's growing interest in Bangladesh. This has been reflected in the statement of Kanwal Sibal, a former Indian foreign secretary and now a member of the

²² Although there is a hue and cry in Bangladesh on the SOFA issue, neither party accepts or denies the existence of such arrangement. However, US Congressional Research Paper [RL34531] shows there is an agreement regarding the status of forces between the two nations and USA is calling it an 'Exchange Notes' [Mason 2012]

government's National Security Advisory Board, "this kind of effort (Chinese efforts in building sea ports) is aimed at counterbalancing and undermining India's natural influence in these areas" (The New York Times 2010).

ii) Trade, market, and connectivity: new geo-economic reality

Bangladesh's advantageous geographical position offers it considerable leverage in South Asian politics and especially with India. The Northeastern States (NES) of India are land-locked and virtually isolated from the mainland that costs the country extra time and money for transportation of its inbound and outbound goods and services. In fact, India spent an additional US\$7 billion to transport goods and services to and from the Northeast and the mainland (Sobhan 2000) providing 25% transport subsidy for facilitating the trade (Verghese 1998). The cost, however, has been estimated in 1990 and has increased in tandem with the exponential economic growth of India.

Transit through Bangladesh would cut the distance between Kolkata and Agartala from 1600 km to only 400 km²³. For quite a long time, the Indian government has been seeking transit/transshipment facilities to reduce this obstacle to the economic prosperity of its north-eastern part. However, in spite of India's frequent attempts to pursue Bangladesh, it has been continuously rejected on the grounds of Bangladesh's national security.

To reciprocate this indifference from Bangladesh, India deployed various means of pressure mainly through unilateral withdrawal of waters from Trans-boundary rivers, imposing periodic export/import bans on goods and services to and from Bangladesh (The Daily Star 2012n, WTO 2004), imposing non-tariff barriers in bilateral trade (Islam 2011).

However, there have been some break throughs since the current AL government assumed power in 2009, with New Delhi being granted some transit and transshipment facilities and both countries' positive gestures to address long-standing issues *i.e.*, 6.5 kilometre land boundary demarcation, enclaves exchanging, trade facilitation, and wider transit facilities connecting Nepal and Bhutan. According to most analysts, when it comes to bargain, Bangladesh's interests are often compromised, largely owing to its weak negotiating power (see Box 6 below).

Apart from connectivity, the thriving Bangladesh economy, younger work force and potential mineral resource base also offer many prospects for outsiders. Bangladesh could well be explored as an investment opportunity, for both of its sizable consumer base and the availability of low-cost human capital.

The size of Bangladesh's economy exceeded \$100 billion in 2011 (and almost \$282 billion in PPP terms) and is ranked 44th globally in terms of GDP size. Its imports stood at approximately \$32 billion in 2011, making it 69th highest importing economy in the world. This has created a market opportunity for many especially China and India, who constitute 31% of Bangladesh's total imports [Central Intelligence Agency (CIA) 2012].

23 "Need to Broaden the Scope of India-Bangladesh Engagement: Perspectives from Gangtok and Dhaka", IDSA Comment, available at: http://www.idsa.in/idsacomment/NeedtoBroadentheScopeofIndiaBangladeshEngagement_ShristiPukhrem_241011 [Accessed April 30, 2012].

This bilateral trade and economic expansion have complemented China and India's respective geopolitical interests in Bangladesh. The perfect nomenclature of this shifting of geopolitical reality could be the new geo-economic complexity. This new reality effectively spreads across the regional or sub-regional level.

B) Militancy/Extremism: Convergence of national and international interests

The 9/11 attack on the World Trade Center and the Pentagon in the United States, brought the terrorism issue into the spotlight and attracted wider global attention. For many third-world countries, terrorism opened up a twin-channel of external influence: on one hand for the international terrorist groups to extend their networks through home-grown disgruntled religious extremists and, on the other hand, for facing increasing international pressure to clamp down on these facilities.

Typically Bangladesh has not been known for terrorism, rather been generally lauded as a moderate Muslim country. The country has however experienced a rise in religious extremism, albeit to a lesser extent in the late 1990s, with attacks by Islamist militants targeting secular opposition politicians, their rallies and meetings, secular scholars, journalists, members of the judiciary and religious minorities (Grisworld 2005). These attacks were allegedly mainly carried out by the banned religious outfit, Jamaat-ul-Mujahideen (JUM), a pro-Taliban, Wahabi-oriented organisation having external links with other terror groups based in the Middle East and Pakistan (Ganguly 2006).

The international community, including United States and India, were extremely concerned about the rise of Islamist militancy in Bangladesh. Selig Harrison, a prominent South Asian analyst, put it straightforwardly - "a growing Islamic fundamentalist movement linked to Al-Qaeda and Pakistani intelligence agencies is steadily converting the strategically located nation of Bangladesh into a new regional hub for terrorist operations that reach into India and Southeast Asia" (Harrison 2006).

At the regional level, India constantly alleged that Bangladesh was becoming a safe haven for Islamist militants operating against New Delhi's interests (Financial Times 2006). In the wake of these developments, Washington and New Delhi took a common stance to exert pressure on Dhaka (Ganguly 2006, The Washington Times 2011). Multilateral pressures were also exerted at donor consortia in Washington, in a bid to threaten punitive measures against Bangladesh if actions were not taken to curb militancy (Ganguly 2006, Fair 2007).

The international pressure has been translated into a number of initiatives. Bangladesh has steadily turned out to be a partner in the United States' 'War on Terror' and has introduced necessary legislations in countering terrorism. The United States' Department of Justice (DoJ) also assisted Bangladesh in signing all the 13 international Conventions on terrorism²⁴. Bangladesh is also a party to the South Asian Association for Regional Co-operation (SAARC) Regional Convention on Terrorism including its Protocol.

Necessary domestic legislations like the Anti-Terrorism Act 2009 and the Anti-Money laundering Act (Bangladesh Bank 2011) have been promulgated to adhere to the provisions of the said international instruments. Recently, the Bangladesh parliament also passed the Mutual Assistance

²⁴ US Department of Justice, available at: <http://www.justice.gov/criminal/opdat/worldact-programs/ctu.html> [Accessed April 25, 2012].

on Criminal Matters Act, 2012, to join a global initiative to combat terrorism and hold trials of criminal activities (Bdnews24 2012).

External actors also played a strong role in strengthening security forces and mechanisms with the introduction of sophisticated technology to hunt down and dismantle the terrorists' networks. Foreign countries, especially the USA and the UK, have largely facilitated the formations of Rapid Action Battalion (RAB) and Special Weapons and Tactics Team (SWAT), including providing them with training and equipment facilities (The Daily Star 2011, 2012i).

The rise of terrorism and the following joint initiatives are an example of convergence between local and global interests. Hence, external influence under those circumstances may be seen favourably where a country like Bangladesh is not in a position to deal with problems of terrorism alone, which possess cross-border linkages.

6.4.3 Lose-win game: Political bankruptcy and weak bargaining power

As the supply side of external influence, more precisely mutual engagement, offers opportunities for both Bangladesh and external actors, the country has so far been unable to fully realise its potentials and benefit from such engagements. It is largely due to the weak bargaining capacity resulting sometimes from the demand side constraint, the lack of consensus on national issues within the country and sometimes from bureaucratic incapacity and the political and moral bankruptcy of its leaders. Hence, instead of optimising the supply-side opportunities and making the engagement win-win, the lose-win demand-side phenomenon again pulls back the nation and harms the country's interests.

Box 6

Weak bargaining power and missed opportunity

There are plenty of opportunities to leverage Bangladesh's geographical and geostrategic location *vis-à-vis* the external actors such as US, China and India. However, Bangladesh has largely been unable to reap optimum benefits from these supply side benefits due to its weak bargaining power and lack of national consensus.

As far as India is concerned, it has enormous stakes in Bangladesh. The North Eastern states of India are effectively landlocked by Bangladesh except a 13-mile narrow strip known as Shiliguri Corridor or the chicken's neck. The northeastern region was connected to the mainland through broad roads, rails and inland waterways until the 1965 war with Pakistan (Dutt 2010).

With the emergence of Bangladesh, things hardly changed except for the fact that India was allowed to use river and air transit. The loss of centuries old transit routes through Bangladesh caused the northeastern states of India to suffer from continuing isolation and economic backwardness as the distance between Kolkata and Agartala were extended to 1600 Kilometre from the earlier distance of 400 Kilometre²⁵.

²⁵ "Need to Broaden the Scope of India-Bangladesh Engagement: Perspectives from Gangtok and Dhaka", IDSA Comment, available at: http://www.idsa.in/idsacomment/NeedtoBroadentheScopeofIndiaBangladeshEngagement_ShristiPukhrem_241011, [accessed on April 30, 2012].

India has long tried to pursue successive Bangladesh governments to allow transit for its economic activities, but Bangladesh has turned down India's plea citing grounds of national security. A faction of politicians and some political parties vehemently oppose any such deal with India. However, the present ruling party believes, shared by many experts including notable economists²⁶, that the connectivity will have a wider impact on the country's economy.

These political divisions bar the country from objectively assessing the cost-benefits of the transit and connectivity issue and harnessing their benefits. Apparently India has convinced Bangladesh to agree in principle to provide transit through road and rail links²⁷, but Bangladesh has failed to successfully seal the Teesta river water sharing accord and resolving a few other outstanding issues showing Bangladesh's poor performances in international bargaining.

The deep-sea port at Sonadia, Chittagong is another such missed opportunity, due to the inept handling of cross-cutting issues. Although China and Bangladesh have agreed to further develop and use the Chittagong port, develop a deep sea port at Sonadia Island, and construct road and rail links from Chittagong through Burma to Yunnan province in China²⁸, India seems to be concerned at China's growing interest in Bangladesh²⁹. Although the erection of a deep-sea port would be a win-win situation for both Bangladesh and China, this has been delayed due to the misalignment between key political interests determined by regional geo-politics.

Experts allege that the delay in inking a deal with China on developing the deep sea port is apparently because the government does not want to disregard India's concern. Lack of political consensus on how to deal with this kind of pressure and the lack of decisive action on the part of the government is certainly hampering the country's interest. Thus, the gain for the country would have been much higher had the key political parties reached consensus on national interests.

6.4.4 *Epilogue of external influence*

The above discussion indicates that external influence in Bangladesh politics is largely catered by domestic political weakness. While on the demand side phenomenon, the domestic political actors themselves create vulnerable situations and invite external intervention; the same political weakness restricts the country from harnessing supply-side benefits in the nation's best interest.

However, the intervention of external actors does not always mean a disservice to the nation, as these interventions sometimes could offer a 'win-win' solution in terms of the nation's broader interest. Such constructive engagement with external actors could pave the way for a better and warmer relationship.

26 Inter alia Professor Mohammad Yunus, Professor Rehman Sobhan etc. [Rahman 2007, Sobhan 2011, The Daily Star 2011e]

27 Joint Communiqué issued on the occasion of the visit to India of Her Excellency Sheikh Hasina, Prime Minister of Bangladesh, January 12, 2010, Ministry of External Affairs, Government of India, available at: <http://www.mea.gov.in/mystart.php?id=100515482>, [accessed on April 10, 2012].

28 Anand Kumar, "Chinese Puzzle in India-Bangladesh Relations", IDSA Comment, April 19, 2010. Available at: http://www.idsa.in/idsacomments/ChinesePuzzleinIndia-BangladeshRelations_akumar_190410, accessed on April 15, 2012.

29 An Indian defense analyst, Anand Kumar put it this way, "a Chinese role in the development of Chittagong port is particularly worrisome to India... Through these ports, China is trying to fulfil two objectives encircle India as part of its 'string of pearls', and gain other openings to sea. [DeSilva-Ranasinghe 2011]

However, maintaining the equilibrium in relations generally depends on the strength of negotiation and bargaining power that could only emanate from domestic solidarity and broad-based national consensus, a function of democratic strength of the country and its institutional resilience.

6.5 Conclusion

This research sets out to understand the exact combination of factors that have undermined the process guiding democratic transition and consolidation in Bangladesh since 1991. It has also briefly attempted to evaluate the forces determining the equilibrium level of external influence what we witness in our polity. The chapter noted that even after two decades of democratic rule, the transition process is destabilised by the prevalence of a couple of key factors.

First, the Constitution has suffered from *ad hoc* changes, and national or across-party consensus was not derived while such amendments were conceptualised and implemented. The most recent 15th amendment of the Constitution with regard to the election process is one such example, which ignored any political consensus between major parties and faced intense opposition from many quarters. This has jeopardised the Constitution's capacity to provide the 'rules of the game' within the political arena that will be acceptable to all. Second, while the caretaker government monitored the election process in 1996, 2001 and 2008 to enable political governments to transfer power, the primary defeated political side has always rejected the election results by raising accusations of fraud and rigging. Such political practices have hindered the overall democratic transition in Bangladesh.

Democratic transition fundamentally affects the issues that influence the patterns, contents, and degrees of democratic consolidation in distinct ways (Lee 2007). Efforts in Bangladesh democratic consolidation process are undermined by this incomplete democratic transition.

The country's confrontational and highly divisive political culture is responsible for recurrent transitional crises and limping consolidation efforts, leaving most political institutions fragile. Parliament remains ineffective in facilitating broad-based national consensus and resolving conflicts amongst political actors peacefully. As noted earlier, some specific constitutional arrangements are also not in line with idea of deliberative or participatory democracy.

Political parties so far largely failed to be properly institutionalised, thereby they do not adhere to norms of internal democratic practices including leadership succession. Their power-centric mind-set and rent seeking motivation encourages short-sighted and ruthless postures. Parties lack dynamism and remain fiercely resistible to sustainable reforms and change.

The rule of law scenario is producing mixed results while the governments have failed to keep the human rights and rule of law record on track, the democratic regimes over the past two decades remain largely unscathed from allegations of constitutional infringements (*i.e.*, declaration of emergency etc.) and of impinging upon the legitimate functions of the legislature.

Over this same period though, civil society has emerged as a key actor within the socio-political landscape of Bangladesh. On the whole their role has had a positive effect in bringing attention to key governance issues, even though they are still not as vigilant in the policy making domain. In

addition, NGOs' role in social services has enhanced the living standards of the marginalised community, which may bear positive outcomes for Bangladesh's democratic process. Nevertheless in recent times, growing tensions between state and civil society actors can disrupt the progress witnessed thus far.

Moreover, as O'Donnell and Schmitter's (1986) noted that, the constructive behaviour of civil society actors who respect law, other socio-political actors and who do not seek to usurp or conquer democratic political authority, can effectively contribute to democratic consolidation. Nevertheless, some civil society groups have expressed reservations regarding the idea of 'respecting other social and political actors' and allegedly tried to pursue democratic political authority during the 2007-08 military backed emergency regime. Here the media has played a more pronounced and catalytic role in Bangladesh democratisation process, although there are tensions and less than mature relations between media and political actors.

Lastly, the democratic deficit emanating from these transition and consolidation processes, enable external actors to assume a role of any kind. While external influence is not necessarily detrimental, the domestic political fragility and distorted power-games contribute to transmuting the prospective beneficial engagement into a win-lose situation, which is of ultimate disservice to the nation.

Overcoming the transition crisis and consolidating the democracy will be the key challenge in the future to avoid undesirable external interventions in our socio-political and/or economic process. The political will to practice democracy within and beyond party lines as well as to ensure adherence to democratic values and processes, will continue to test the endurance of political leadership in Bangladesh.

The way forward

Thus domestic political weaknesses arising from incomplete democratic transition and weak consolidation efforts provide the channel for unsolicited external influences; while weak negotiation skills squander the advantages of positive engagements with such external actors. Given the magnitude and uncertainty surrounding the country's political crises, it is not straightforward to suggest any concrete measures to rein in external interferences in Bangladesh politics.

However, there are some issues that policy makers and politicians can consider. To address the incomplete transition, the country has to renegotiate and settle a number of political issues. Firstly, political actors have to build national consensus at least on some key issues pertaining to democratisation and good governance: to essentially abide by the rules of the political game *vis-à-vis* election mechanisms, distribution of power and resources, militancy issues, etc. Without consensus, these issues will continue to foment perpetual mistrust between the political actors.

Secondly, political actors have to demonstrate compromising and accommodating attitudes to resolve political problems through dialogue and to preclude any unsolicited mediating interference from external actors.

Thirdly, the venal winner-takes-all political culture, which offers too much stakes in power politics, has to be transformed to a more positive-sum game and win-win situation, to serve the people of this nation.

Consolidating democracy can also provide a better safeguard against undesirable external penetration. In a democracy, the first prerequisite to redress political contentions is to ensure a functioning parliament, the absence of which hinders political dialogues and induces conspiracy politics, which is the most desirable circumstances for the outside elements.

To diminish such possibilities, Parliament has to emerge as an avenue for building national consensus through deliberation of all issues pertaining to national interests. In this regard, revision of Article 145A of the Constitution, which guides the status of treaties signed with foreign countries, could provide a better safeguard to the government to avoid undue pressure from external forces³⁰. The revision requires the government to place any prospective treaty, agreement and memorandum of understanding with foreign countries, to be vetted by the parliament and debated in there.

The exception to this has to be kept very limited, and issues such as national security have to be clearly defined as past regimes exploited this loophole to evade controversial treaties and agreements with foreign countries. Parliament members should also be given more room in the Parliament to speak up freely or take separate stance [other than their respective party] on such issues, for which revising Article 70 of the Constitution is critical.

Leadership succession is the other debated issue in Bangladesh politics, which has adversely affected political party reforms and institutionalisation efforts. Non-democratic leadership in political parties not only disregard party norms, centralises powers, monopolises party decision making, but also create space for compromising broad national interests.

Therefore, to break the monopoly, dismantle personalised politics, and facilitate infusion of new blood, there could be a term limit for the executive posts of the government. As to the other elements of political party institutionalisation and their internal democratic practices, a clear-cut rule has to be set out in the respective party constitutions to elect the office bearers of the party.

The Election Commission (EC) could step in to monitor the councils and elections of registered parties, to verify whether they adhere to the democratic norms while electing the office bearers. The EC can also provide a common mandatory guideline to parties for their leadership selections in the form of a template to be completed by the parties.

Without reforms and institutionalisation, the counter productive practices of parties and leaders will continue polluting the political landscape, thereby always facilitating a room for external penetration and unsolicited interference. Political actors must realise the importance of negotiation and compromise, and should initiate necessary reforms in the party in order to serve the national interest and to benefit themselves.

If however, the political actors fail to either accomplish democratic transition successfully or consolidate it through bringing qualitative reforms and changes to the political arena, the country will likely face the risk of turning into a fragile and isolated state vulnerable to more varied forms of external interventions. The sooner the political actors/ leadership realise such an eventuality the better, so that they can redress and check the drift of the nation.

30 Example of Turkish parliament's denial to allow US access to its base and its territory in the 2003 Iraq war can be worth noting. While Turkey remains a key US and NATO ally and the Turkish Government made a positive gesture to its allies and send a note to the Parliament to approve troops sending request, Parliament's subsequent refusal saved the Government from both external and internal criticism. [Otterman 2003]

CHAPTER

7

Conclusions and the Way Forward

Economic constraints, fragile politics and limited domestic resources created space for external stakeholders, particularly Donors and Development Partners (D&DPs), to penetrate Bangladesh's internal affairs in terms of policy influence, political interference and social sector intervention, immediately after independence in 1971. This external influence remains to be visible, albeit in varying degrees, in Bangladesh's policy and polity spheres even while the country's aid dependency has considerably declined, particularly in the post-1990s.

Against this backdrop, *The State of Governance 2010-11* Report offers broad perspectives on socio-economic, political and governance development within post-independence Bangladesh in the context of external influence. In doing so, it has focused on such key sectors and issues critical to socio-economic and political developments as well as subject to significant external influence as Democracy and Good Governance (D&GG) Agenda, Public Sector Service Delivery, Economic Governance, Right-based Non-Governmental Organisations (NGOs), and Political Governance.

The analysis suggests that while external stakeholders' influence has been prominent in Bangladesh's socio-economic and political domains, its impact on the country's development discourse is, at best, mixed. Bangladesh has shown impressive performance in many socio-economic indicators and some of the local ideas and innovations involving social sector travelled well beyond its boundaries. However, in other critical issues of policy formulation, ownership of policies, internal capacity development and governance quality, its success has been less pronounced.

One of the limitations of this research is that it has been empirically difficult to isolate the causal effects and channels of external stakeholder-induced reforms on aggregate economy and polity from the home-grown ideas and policies. Nonetheless, the report does provide a detailed analysis of role of external influence in shaping Bangladesh's reform agenda as well its governance implications.

The Report, in particular, uncovers the reasons for the less than expected outcomes behind D&DPs-influenced reforms. They are: flawed policy design and the state's limited implementation capabilities.

The D&GG Agenda revealed that the absence of the Government of Bangladesh's (GoB) own effective vision of democracy and good governance (D&GG) allowed for donors to push with various governance reforms. Progress on D&GG reforms was obstructed primarily due to two reasons: a few ministries pursued reforms led by technocrats but failed to mobilise the requisite political consensus around those reforms, causing slow progress; and reforms aimed at preventing rent-seeking were heavily opposed due to the bureaucracy's increased politicisation.

With regard to the state's public service provisions, particularly in the health sector, major governance lapses undermined GoB's ownership of policies, leading to a situation of external dependency. Despite both the education and health sectors having been heavily influenced by donors, success in the education sector was more pronounced. In the latter's case, policy reversals occurred with changes in government, whereas in the former successive governments complied with broader objectives of reforms as they have not created a lot of losers.

The analysis on economic governance indicates that any reform that presented the potentiality of political gain, either through soliciting rent or increasing vote banks, received support from the politicians. Nonetheless, political incentive alone has proven inadequate unless there is a firm commitment from politicians and a commensurate capacity of bureaucrats.

With respect to NGO and Civil society sector, the involvement of the so-called third sector with rights-based governance advocacy proved often not to be a result of home-grown demand. The chapter observed that the formation of National Human Rights Commission (NHRC) became a result of the complex interplay between and among the actors involved, with their converging and often diverging set of interests.

These constraints have been identified in a number of case studies involving various aspects of reform and governance, notably in the areas and issues of Health, Energy/Utility, Public Procurement, Parliamentary oversight, Local Government Support Programme, Right to Information (RTI) Act and NHRC.

There has been success in overhauling several sectors as found in Banking, Agriculture, Education and External sectors, promotion of Private sector, Electoral reform, National Integrity Strategy, among others; promulgation of a number of laws and acts including the Right to Information Act, Decentralisation acts, Public Procurement Act, inter alia; and establishment of few institutions, namely Anti Corruption Commission and NHRC.

However, sustainability of such progressive reforms in many instances has been thwarted by the GoB's lack of ownership and political will. The study indicates that in numerous cases, GoB formulated reforms, enacted laws, established institutions or accepted international standards in order to comply with D&DPs' conditionalities. However, in reality it thwarted or deferred their implementation and consolidation.

The report suggests that the absence of GoB's own national vision on policy reform and governance has created a vacuum in which the D&DPs penetrate its priorities. The chapter on D&GG shows that the GoB, which is at the receiving end of the donors' agenda, particularly on good governance, is now struggling to comply with the latter's reform agenda.

The state's capacity constraints, often owing to political imperatives, also convinced the D&DPs to forego their ambitious reform and governance agenda, and instead focus on selectively achievable reforms. As a result, the World Bank (WB) and Department for International Development (DFID) have been designing their reforms around promoting 'good enough governance', which implements targeted but largely depoliticised reforms. The United Nations Development Programme (UNDP) on the other hand, retained its focus on an all-encompassing agenda continuing to cautiously engage with political actors, albeit with a less than inspiring track record.

There is also a rising trend in funding civil society movements to promote social sector as well as governance reform. The education sector case study suggests that NGO provisioning of primary education, demonstrated a superior performance with respect to efficiency and higher quality. The chapter on rights-based NGOs indicates that they also played certain roles in the formation of RTI.

The institution of the NHRC which is politically sensitive was far less successful. NGOs' increasing involvement with rights-based issues (governance reform) has in fact created tensions with the state. Available reports reveal that the government is preparing a draft law for NGO regulation, to apparently tighten government control over NGOs in order to limit their scope for good governance promotion.

Reforms' less than expected outcomes in terms of good governance that has become one of the key determinants of D&DPs' fund allocation in developing countries has put Bangladesh in a disadvantageous position creating much tension between GoB and D&DPs. Though the report indicates that market-based reforms have had their own constraints to improve governance indicators in Bangladesh, the case study on Energy Price Adjustment suggests that market-based reforms in energy and utility (including infrastructure) sectors have not been effective in improving overall governance quality, thereby precluding the long-term investment in the sector. D&DPs involved with the power sector also confirmed that governance problems precluded the utilisation of available funds. The tension between the WB and the GoB over financing of the Padma Bridge is yet another example of how severely governance issues impede the country's infrastructure development.

Bangladesh's poor governance has also restricted its access to funding initiatives such as the Millennium Challenge Account (MCA), which is disbursed in countries with a pre-defined level of good governance. There have been several instances where funding of projects has been cancelled due to the GoB's lack of commitment towards transparent project implementation. Hence, the opportunity cost of poor governance becomes greater.

The report also reveals that in order for broader parameters of reforms to be successful, there is a need for proper implementation of economic and political reforms concurrently. In retrospect, the reform advocacy of the 1990s which urged developing countries with weak institutions to undertake economic reforms with the implicit assurance that political progress and good governance would follow as a consequence, has proven to be flawed (Nachane and Islam 2009).

The analysis also indicates that the impact of D&DP-influenced reforms would have been considerably better than the current stage had there been concomitant changes in the political

governance parameters. Thus, reforms have been less than successful in rallying political support in a large number of sectors and areas. Furthermore, it overlooked the state's capacity to implement those reforms. Hence, the report attempted to understand the dynamics looking at two aspects with regard to politics: first, how the 'political settlement' phenomena that emerged in post-1990s often collided with market-based reforms' objectives; and second, how political weakness itself invites external influence.

A number of case studies postulate that the D&DPs reform agenda, particularly concerning core aspects of governance, is often incompatible with political priorities. Moreover, in some instances, despite implementing market-based reforms, certain sectors' fundamental issues remained unresolved. The case study on Energy Price Adjustment is an example of market-based reforms' limitations to understand the complex issues of the country's political settlement where reforms in the sector fulfilled many objectives, yet failed to provide cost-effective services to the consumers.

This is in line with Khan's (2012) observation that "the problem in the power sector is that long-term contracts and calculations are difficult when the political settlement exhibits features of competitive clientelism with short time horizons of the ruling coalition and with low and declining governance capabilities of the bureaucratic organisations which regulates investment in these sectors."

The political scenario in Bangladesh that changed after 1990 replacing 'clientelistic authoritarianism' with a vulnerable democracy based on 'competitive clientelism', provides comparative stability when the underlying factional structure is very fragmented. However, by its structure, the ruling coalition here has a short time horizon and weak implementation and enforcement capabilities, creating high transaction costs, undermining institutional development, and ultimately resulting in poor governance. It is in this context that Khan (2010) even questioned the applicability of a market-enhancing governance agenda as far as developing countries are concerned.

The report also suggests that the vulnerable competitive clientelism of the political system emerging in the post-1990s itself necessitates external influence. To understand the political dynamics of external influence, the study conceptualised the phenomenon through supply and demand. The demand-side examined how the political distortions of Bangladesh generated demand for external influence. The supply side focuses on opportunities that Bangladesh retains through geopolitical and geo-economic conditions *vis-à-vis* the external actors, and examines the extent to which the country has been able to exploit them to its advantage.

The analysis of political dynamics is organised in terms of a democratic transition and consolidation framework. Transitional crisis (disruptive transfer of power, lack of consensus, and unwillingness to compromise) which leaves the political opposition vulnerable, is the root cause of domestic demand for external influence. The recent 15th Amendment of the constitution regarding the election process, for instance, ignored political consensus between major parties and faced intense opposition from many quarters. This has jeopardised the Constitution's capacity to provide the 'rules of the game' acceptable to all within the political arena.

The report therefore suggests a number of recommendations that may be useful for concerned stakeholders:

- External influence is not necessarily good or bad. Involvement and influence of D&DPs have resulted in many favourable socio-economic and political changes. If domestic actors do not acquire new ideas from outside, innovation and cross-fertilisation may not be possible. The import-substitution industrialisation in the early phase of Bangladesh's inception and the reign of 'license *raj*' completely ignored the virtues of globalisation restricting space for innovation (what is also known as creative destruction/learning-by-doing process). Moreover, modern understanding of nation building in development literature has converged to a very simple fact: creation and diffusion of ideas and appropriate institutions is central to the socio-economic prosperity of countries. Nevertheless, there is a clear limit to the extent by which the external actors and influences can be effective in political reforms (to some extent economic and social sector reforms), given the very particular nature of political settlement.
- While the focus on economic and social sector reforms, including public service provisions which are generally less challenging politically should continue, D&DPs should cautiously engage with the GoB where reforms are economically feasible and politically acceptable (by providing right political incentives). Reforms that are politically challenging owing to political imperatives as well as state's implementation capacity, should be prompted gradually, with a special attention to alternative channels through which the reform objective can be advocated. In this respect, D&DPs should conduct thorough research/assessment if a particular reform has a local demand, instead of imposing them from above.
- This also applies to civil society organisations and NGOs, which will have to continue their engagement with the government and gradually scale up their involvement in the governance process. The evolution from a 'needs-based-approach' to a 'rights-based-approach' is a daunting task, often creating conflicts with the GoB. Thus, the third sector's engagement with governance reform should be selective and those needs should be home-grown as opposed to imported ones. Simultaneously, the government has to be more mature in its response to NGO initiatives and further institutionalise NGO participation in governance through the setting up of mechanisms for formal consultations.
- In public service delivery, drawing the lessons from health and education policy reforms, D&DPs agenda must ensure that reforms do not create too many losers, engages local actors (communities and NGOs in the case of education and health) and encourages decentralisation (where applicable).
- Accommodation of political interest is equally important in economic reform, but drawing lessons from the banking sector reform, the D&DPs approach should promote 'liberalisation with regulations' so that politicians, bureaucrats and private sector are restrained from establishing absolute control over the concerned sectors. The global experience following the recent economic crisis also suggests that economic entities do not need to be overregulated nor should they be left to 'invisible hands'. As noted economists Rajan and

Zingales (2003) observed that a truly free and competitive market occupies a very delicate middle ground between the absence of the rules and the presence of suffocating rules."

- In the political domain, while external influence is not necessarily detrimental, the domestic political fragility and distorted power-games contribute to transmuting the prospective beneficial engagement into a win-lose situation, which is of ultimate disservice to the nation. However, there is no easy way out. Consolidating democracy can provide a better safeguard against unwanted outside intervention. The political actors have to build national consensus on at least some key issues pertaining to democratisation and good governance: to abide by the rules of the political game (including election mechanisms, distribution of power, militancy issue etc). They will also have to develop compromising and accommodating attitudes, and resolve political problems through dialogue to avoid any unwanted mediating interference from external actors.
- To diminish such possibilities, Parliament has to emerge as an avenue for building national consensus through deliberation of all issues pertaining to national interests. In this regard, revision of Article 145A of the Constitution, which guides the status of treaties signed with foreign countries, could provide a better safeguard to the government, to avoid undue pressure from external forces.
- Non-democratic leadership in political parties not only disregards party norms and monopolises party decision making, but it also compromises broad national interests. An effective functioning of the Parliament is required in this regard so that the Parliamentarians can speak up freely, for which revising Article 70 of the Constitution is critical.
- The research extensively used the theories and ideas developed by Khan (2009, 2012) to show that there is a limit to market-based reforms in Bangladesh. The reason being that those reforms and ideologies often conflict with the nature of political settlements. Thus, this is also the right moment to contemplate the need for alternative thinking on governance. Instead of only promoting extensive market-enhancing governance reforms which are often expensive to adopt (protecting property right, for instance), a more balanced approach is desired - with a new focus on growth enhancing governance capabilities that emphasise maintaining political stability in a context of patron-client politics and managing technological catch-up (as the readymade garment industry exemplifies, [Khan 2012]). However, further research is needed in this regard.

The report acknowledges its limitations in answering many questions and concerns forthrightly. Nevertheless, this new approach of scrutinising governance evolution from the lens of external influence hopes to generate some important and informative debates and research on the roles and limitations of external influence in promoting reforms and addressing governance concerns in Bangladesh.

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The Institute of Governance Studies, established in 2005, is an institute of BRAC University, a private institution of higher education in Dhaka, Bangladesh. The University, established in 2001, has a goal to provide a high quality, broad-based education with a focus on professional development to equip students with the knowledge and skills necessary for leading the country in its quest for development.

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Over its four decades of independence, Bangladesh has been dependent for a very large proportion of its development budget on foreign donors – multilateral and bilateral agencies, as well as international NGOs. Needless to say, these donors have often accompanied their assistance with various conditionalities and demands for policy change. Initially, these pressures centered more on economic policy but in the last couple of decades they have come to encompass a democracy and good governance agenda as well.

It is thus timely that the Institute of Governance Studies at BRAC University has devoted its fifth *The State of Governance in Bangladesh* Report to the role of external donors to public policy making and its impact. Coming at a point when the dysfunctionality of macro level governance in the country has become ever more manifest, this fifth annual study makes a valuable contribution to assessing what influence donors have brought to bear for good and ill in their efforts to improve the state of governance in Bangladesh.

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On the morrow of her birth, Bangladesh was branded as a “basket case” that was foredoomed to perpetual dependence on handouts from abroad. Defying the prophets of gloom and doom, she has emerged like the mythical phoenix out of the ashes of man made devastations and natural disasters. This is a triumph not only of her creative people but also of her well-wishers and development partners from abroad. *The State of Governance in Bangladesh 2010-11* unravels the complex Bangladesh conundrum that was characterised by simultaneous advances in economy and slides in governance and an intense love-hate relationship between Bangladesh and her donors. Written in a lucid style, this report is highly analytical and well-researched. It provides useful insights for theoreticians as well as practitioners of development, public servants and for those who are active in the third sector.

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