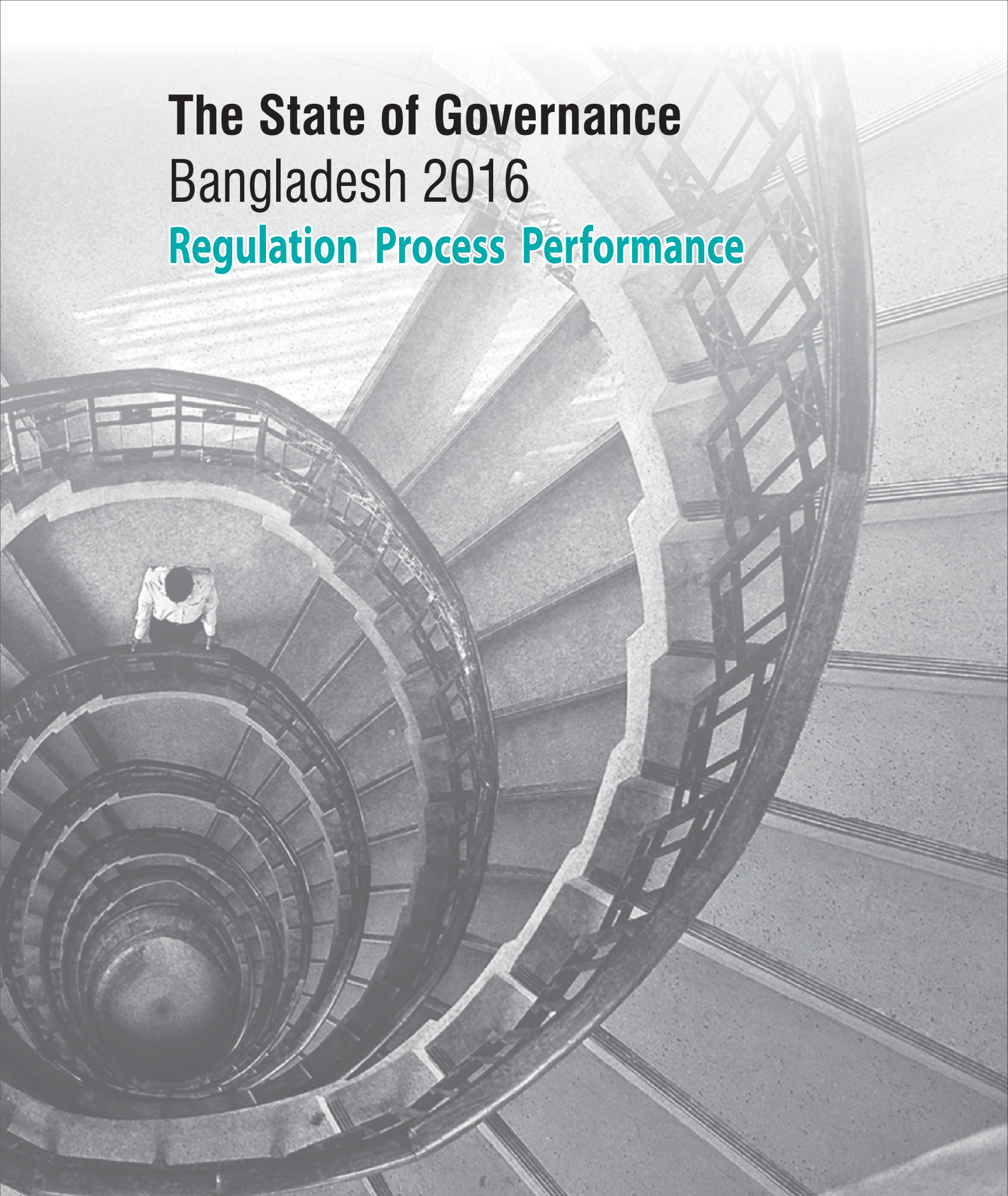




The State of Governance **Bangladesh 2016** **Regulation Process Performance**



BRAC Institute of Governance and Development
BRAC University

The State of Governance Bangladesh 2016

Regulation Process Performance

BRAC Institute of Governance and Development (BIGD)

BRAC University
Dhaka, Bangladesh

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List of Acronyms

A2i	Access to Information
ACC	Anti-Corruption Commission
ADP	Annual Development Programme
ADR	Advance to Deposit Ratio
ADR	Alternate Dispute Resolution
AL	Bangladesh Awami League
BAC	Bureau of Anti-Corruption
BC	Bituminous Carpeting
BCP	Basel Core Principles
BEC	Bangladesh Election Commission
BEPZA	Bangladesh Export Processing Zone Authority
BIAC	Bangladesh International Arbitration Centre
BIGD	BRAC Institute of Governance and Development
BIWTA	Bangladesh Inland Water Transport Authority
BLA	Bangladesh Labour Act
BMET	Bureau of Manpower, Employment and Training
BNP	Bangladesh Nationalist Party
BPRD	Banking Regulation and Policy Department
BPSC	Bangladesh Public Service Commission
BSCCL	Bangladesh Submarine Cable Company Limited
CC	Cement Concrete
CCC	Chittagong City Corporation
CET	Common Equity Tier
CPI	Corruption Perceptions Index
CRAR	Capital to Risk-Weighted Assets Ratio
CRR	Cash Reserve Ratio
DC	District Commissioner
DFI	Development Finance Institution
DIFE	Department of Inspection for Factories and Establishments
DNCC	Dhaka North City Corporation
DOL	Department of Labour
DPP	Development Project Proposal
DSCC	Dhaka South City Corporation
EC	Election Commission
EMC	Electronic Mobile Court
EPZ	Export Processing Zones
EWG	Election Working Group
EWWAIRA	EPZ Workers' Welfare Associations and Industrial Relations Act

FCB	Foreign Commercial Bank
FI	Financial Institutions
FRT	Final Report True
FSAC	Financial Sector Adjustment Credit
FSRP	Financial Sector Reform Program
FY	Fiscal Year
GDP	Gross Domestic Product
Gob	Government of Bangladesh
HBB	Herring Bone-Bond
HRW	Human Rights Watch
ICAC	Independent Commission Against Corruption
IFC	International Financial Corporation
IFES	International Foundation for Electoral Systems
IGC	International Growth Centre
ILO	International Labour Organization
IMED	Implementation Monitoring and Evaluation Division
IMF	Internationally Monetary Fund
IRD	Internal Resource Division
IRI	International Republican Institute
ITUC	International Trade Union Confederation
JI	Jamaat-E-Islami
JP	Jatiya Party
LGD	Local Government Division
LOWESS	Locally Weighted Scatter Plot Smoothing
MC	Mobile Court
MCMS	Mobile Court Management System
MDG	Millennium Development Goals
MFI	Microfinance Institutions
MoF	Ministry of Finance
Mole	Ministry of Labour and Employment
MWB	Minimum Wages Board;
NBR	National Board of Revenue Bangladesh
NCB	Nationalised Commercial Bank
NGOs	Non-Government Organisations
NPL	Non Performing Loan
OECD	Organization for Economic Cooperation and Development
OPD	Outpatient Department
PCB	Private Commercial Bank
PPRC	Power and Participation Research Centre
RADP	Revised Annual Development Programme

RCC	Roller Compacted Concrete
RFI	Request for Information
RG	Response Given
RMG	Ready Made Garments
RPO	Representation of the People Order
RTI	Right to Information
RWA	Risk Weighted Asset
SCB	Stated Owned Bank
SDG	Sustainable Development Goals
SHUJAN	Sushashoner Jonno Nagorik
SKOP	Sramik Karmachari Oikya Parishad
SLR	Statutory Liquidity Ratio
SOG	State of Governance
SRB	Society of Renaissance Bangladesh
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TCC	Technical Assistance Project Proposal
TI	Transparency International
TIB	Transparency International Bangladesh
UHCS	Upazila Health Complexes
UNCAC	United Nations Convention against Corruption
UNDP	United Nations Development Programme
UP	Union Parishad
USCS	Union Sub-Centres
VARD	Voluntary Association for Rural Development
WBM	Water Bound Macadam
WPC	Workers Participation Committee

Preface

The BRAC Institute of Governance and Development (BIGD) publishes the State of Governance Bangladesh (SOG) annually to assess the status of governance in Bangladesh. This year's report is the ninth publication of the series. BIGD specialises in research on a wide range of governance and development issues to inform public policy and contribute to the public discourse on contemporary concerns through rigorous research. As a specialised institute of BRAC University, BIGD also conducts 4 Master's degree programs and offers several training programs.

This year's SOG (SOG 2016) is a sequel to the previous year's report, and builds on the same themes: political governance, economic governance and social governance in particular health. While this year's Report has continued its predecessors' thematic and quantitative "indicator based" approach, with a mix of qualitative analysis, it has also broadened its thematic focus by including the subject area of public sector governance. The report has also addressed new issues such as labour, tax, municipal financing and technological innovations in the public sector, namely the newly implemented mobile court system. Given SOG 2016, in terms of indicators, two types are commonly used: processes and performance. Process indicators comprises inputs, activities or processes in achieving outputs, or the systems, methods, decision making processes involved in achieving specific results (outputs/ outcome). The performance indicators, on the other hand, are the output or the outcome of the processes which resulted from the input or processes the government used.

The strength of this Report lies in the preparing an analytical report based on publicly available data and administrative record, i.e. it is a more cost effective methodology compared with primary survey data. Along with published popular sources, the researchers used less explored sources of information such as local election violence, labour conflicts and its management, taxation etc. which helped to increase the 'breadth' of the report. At the same time, as the study relies on quantitative findings, that may not shed light on underlying concerns.

As always, the Report is the outcome of the hard work of a team of researchers at BIGD who deserve recognition for their single minded determination to 'get the job done'. We would like to thank Wahid Abdallah for his leadership and management of the SOG 2016 report preparation process. We would also like to express our appreciation to Dr Mirza M Hassan for his advisory support to the SOG 2016 team.

Thanks are also due Parsa Sanjana Sajid and Hossain Ishrath Adib for their solid editorial assistance and for delivering their services on time. We would also like to express our sincere appreciation to the ThinkTank Initiative for the grant which permitted the research and publication of the SOG 2016.



Dr Sultan Hafeez Rahman
Executive Director

Executive Summary

BRAC Institute of Governance and Development (BIGD) has been publishing the State of Governance (SOG) Report since 2006. This year, the SOG has focused on four kinds of governance: Democratic Governance, Public Sector Governance, Economic Governance and Social (Health) Governance. An indicator-based approach, as was used in SOG 2015-16, is also adopted for this SOG. This approach allows for simplicity, tractability and comparability over large number of specific units of observations, for example, time, agency or district. Using this approach, the researchers identify factors that influence performance, thus providing valuable insights to policy makers on policy designs. A mix of both quantitative and qualitative analysis is applied with a varying degree depending on the availability of disaggregated data. SOG 2016 looks into three types of governance problems: i) Issues that are internal to the government (i.e. bureaucratic), ii) Issues that occur in the space where the government interacts with other non-government actors in the society and iii) Issues where the government plays the role of maintaining a healthy environment for private sector interaction. Given these outstanding issues, two types of indicators have been identified: the processes and the performances. The process indicators capture the government inputs and activities, whereas the performance indicators focus on the output of the internal to the government or external (between government and a private entity or between two private entities) interactions. With these two types of indicators in mind, the SOG 2016 examines a set of process and performance indicators, across space and time.

Democratic Governance

Focusing mostly on the local government elections in Bangladesh, this chapter follows a framework based on four globally accepted foundations - integrity, participation, representation and competition. Within this framework, the chapter looks into the role of competition in election, voter turnout, voter list, electoral expenditure and electoral violence. This chapter finds that voter turnout has been low in recent city corporation elections of Dhaka North, Dhaka South and Chittagong in comparison to other city corporation elections held in earlier years of the decade. The electoral competition in some elections, for example, the national election and city corporation elections in Dhaka and Chittagong, have been affected by boycotts by the main opposition party, which may have also resulted into lower voter turnout in those elections. In addition, there appears to be a striking positive pattern between the percentage of voter turnout and the winner's share of vote casts, which requires further attention from the authorities. Data also shows that election time violence has increased in Bangladesh in recent years. A further issue of concern is the increasing gender gap in some regions observed in the final voter list prepared in 2014 before the 10th National Elections.

Public Sector Governance

This chapter discusses the efficacy of the public sector based on two activities, the allocation and utilisation of the Annual Development Program (ADP) expenditures and the execution of Mobile Courts. The discussion looks into the institutions that play important roles in public sector governance, the Right to Information and Information Commission and, Anti-Corruption Commission. Finally, the chapter examines the issues related to the municipalities and their implications for service delivery.

The analysis suggests that approximately three-fourth of the annual ADP fund between 2011-12 and 2015-16 has been allocated to ten ministries or divisions, many of which regularly engage with heavy infrastructure projects and large social programs. Analysis of the legal framework and procedural apparatus of the Mobile Court operations shows that despite having less administrative units, majority of the divisions excel in having more Mobile Court operations than the set target. The section on Right to Information and Information Commission describes the institutional framework and highlights significant variations in Request For Information (RFI) across districts and ministries. The overall picture of implementation of RTI is marked by the diminishing trend of RFI in recent years. The section on Anti-Corruption analyses the activities of the Anti-Corruption Commission across the country. Among the corruption complaints, more than half are discontinued and filed for record. Additionally, it is found that, across the divisions, the pending rate of the inquiries is very high (more than half of all inquiries in most cases). There is a considerable variation across districts in the number of complaints submitted; something the agency should delve more into to find the cause of this variation. The chapter concludes with a case study on the current state of resources and service quality in all the municipalities in Bangladesh. The report highlights considerable number of unfilled positions in most departments across classes and divisions as well as in road networks, drainage system and bridges and culverts as well as water supply, street light and solid waste disposal in varied degrees.

Economic Governance

Economic governance focuses on three topics: labour, tax and the financial sector governance. The section on labour governance analyses the role of ministerial and administrative bodies and discusses issues related to labour rights and collective bargaining, labour conflicts, and workers' safety. Historically, Bangladesh came a long way to enact a consolidated labour act. Nevertheless, the law is yet to recognise the issue of workers right to association and negotiation. Even though it is a key institution, the Ministry of Labour and Employment (MoLE) receives less priority in terms of budget allocation. With the rising numbers of industries and industrial disputes, insufficient number of courts cause serious case backlogs. The workers participation in trade union is dismal compared to the size of the workforce, although the registration shows some improvement after the Rana Plaza disaster. Implementation of minimum wage in RMG sector remains a major challenge for smaller factories and factories located at other cities. Industrial safety remains a major concern in the sector and the progress of the reform initiatives taken after the Rana Plaza disaster are yet to achieve the desired success.

Analysis on tax governance looks at the governance of tax administration and collection in Bangladesh with a special emphasis on the indirect tax, particularly on VAT. The section reveals that the tax-GDP ratio for Bangladesh to be low in comparison to the target as set in the seventh Five-Year Plan as well as in comparison to other Asian countries. The government accordingly has made a number of tax related reforms and undertaken a few initiatives to improve tax collections. There has been an increasing trend in indirect tax revenue collection, particularly of VAT, since 2009. Despite this encouraging observation, an analysis of the projected and collected revenue reveals a considerable gap between the two and the NBR can put in greater effort towards revenue collection. There is also evidence of high unpaid income tax revenue and a considerable backlog of tax-related cases. Alternate Dispute Resolution, which is yet to be mainstreamed in Bangladesh, could be one way to address the issue of case backlogs in the country.

Analysis of the financial sector governance looks into the financial reform measures and Basel related steps that have been undertaken over the years to enrich the financial system in terms of size and depth. The performance Indicators of the banking sector seems satisfactory. Following the global financial crisis of 2007, Bangladesh has formulated and implemented the Basel III recently for the banking sector. The financial sector has been doing well in terms of indicators like capital adequacy, leverage ratio and liquidity ratio. The banking sector in terms of absorbing shocks is reportedly in a moderate condition. Large non -performing loans have been a big concern for the last few years and no sign of significant improvement is observed.

Health Governance

Analysis of social (health) governance looks into an important component of the public health care system, the Upazila Health Complexes (UHCs). Using the MIS reports of Director General Health Services, the chapter sheds lights on a set of indicators measuring performance of the UHCs and the resources available at the UHCs as well as makes an attempt to find any connection between the resources and the performances. The performance indicators are OPD visits, emergency visits, hospital admission rate and total patient days whereas the four resources considered are the availability of the doctors, availability of the nurses, availability of functional equipment and the quality of the referral system from lower health care facilities measured by number of doctors available in Union Sub-Centres (USCs). Analysis of the contribution of resources in determining performance reveal that some of the resources are indeed closely associated with performance of UHCs. More specifically, the referral system seems to be an important factor for the OPD visits, whereas for emergency visits, it is the availability of the doctors and functional equipments that are closely related. For admission rate, all the four resource factors are important whereas all factors except nurses' availability are closely associated with the number of days patient stayed in the hospital.

In conclusion, the findings of the report can be summarised by a few general observations. First, the regulatory provisions are often well founded and designed even though exception exists, as in the case of labour. There is still general room for improvements and current reform initiatives are bringing the gap closer. Second, the resource constraints, for example human resource, are quite stark despite provisions, especially in some areas and agencies and the government should try to reduce, if not eliminate, these gaps soon. This is particularly important since these resources eventually have significant implications for performance as in the case of UHCs. Third, extreme measures like boycotts, strikes and violence in a few occasions are observed (elections, labour right movements etc.) and the government should find the root causes and address these issues accordingly. Finally, the government should work on modernisation of the enforcement system through modern capacity building, provision of incentives and small 'nudges' type interventions.



Photo Credit: Mashroor Shafat Nitol

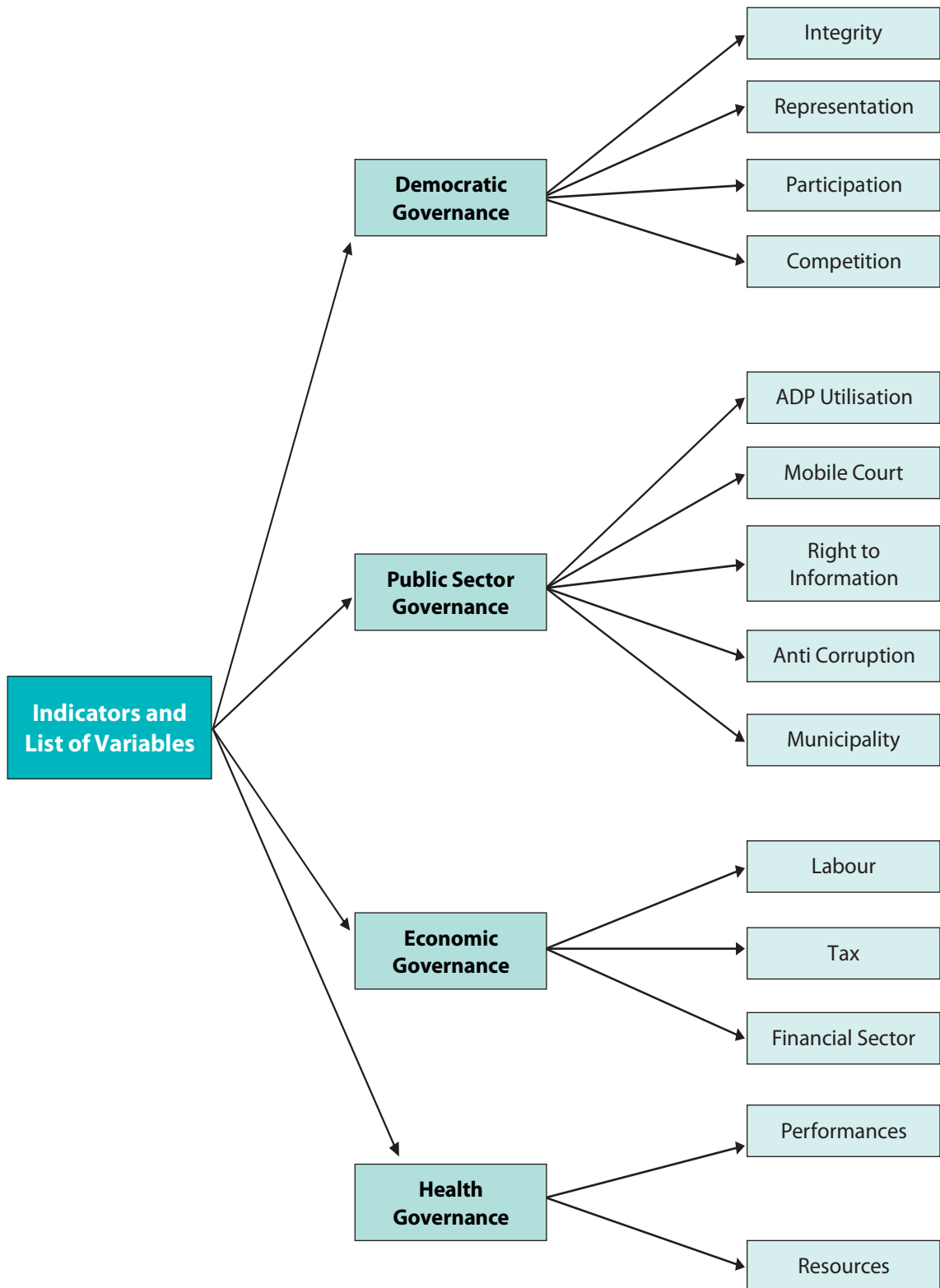
1 Introduction

Introduction

BRAC Institute of Governance and Development (BIGD) have been publishing the State of Governance (SOG) Report every year since 2006. For the purpose of the SOG, BIGD follows a simple framework which loosely intends to cover issues related to the efficacy of the state, whatever that may be. Within this broad definition, SOGs in previous years have focused on various dimensions of factors that are relevant to such state effectiveness. This includes factors that defines the relationship between the government and other parties, the internal organisation of the government, the internal organisation of the parties (with whom the government interacts) to the extent that those factors have an influence on the state effectiveness as well as in interactions between multiple non-government parties where the government is expected to provide a workable environment and enforce regulations to ensure the social, economic and physical environmental compliance of the environment.

This year's SOG has focused on three issues. The first is the quality of various interfaces where the government interacts with citizens, businesses and other stakeholders. The quality of the interface depends on the regulatory status, the bureaucratic culture, the socio-economic conditions of the parties and the nation as well as a myriad of other factors including behavioral factors affecting the individuals and even weather. This quality of the interface eventually dictates the fulfillment of the purpose of the interface which is reflected on certain outcomes. For example, the service a patient receives at the outdoor department is the interface whose quality depends on the availability of doctors and nurses and other facility-specific factors as well as socio-economic-demographic backgrounds of the patient. The eventual outcome is to ensure good health of the patient. Whether a patient eventually gets back to her good health quickly (the purpose of the interface) depends on the quality of the service (the interface). Second is the role of government in establishing the ideal socio-economic environment essential for multiple parties to work efficiently. This usually includes the government-designed regulatory structure and government-run enforcement practices. For example, the labour section under economic governance chapter deals with the role of government in placing the regulatory structure, labour regulation enforcement and other related issues in creating an appropriate environment for the labour and industrial relations. Finally, this SOG has also looked into the internal bureaucratic system of the government. This includes, for example, an analysis of issues related to timely use of Annual Development Program Expenditures by different ministries and agencies.

An important aspect of this SOG is its adoption of an indicator based approach, as had been in SOG (2015). The advantage of such an approach to governance is that it allows analysts to compare different aspects of governance across space and time. When it is across space, it helps analysts and policy makers to track down high performers and provides insights for policy implication by examining characteristics of these high performers. In a similar fashion, changes over time helps identify sectors, industries, firms or households doing well over time and find out reasons for such improvements. The variations across time also help to identify the effects of policies and programs.

Figure 1.1: The organisation of the report

Given the above framework, two types of indicators can be pursued. The first set of indicators would capture the processes that the government follows. The processes can be considered as public sector inputs and other factors related to the government that potentially and eventually shape its role. In relation to the methodology of this SOG outlined above, this then includes the public sector inputs that determine the quality of the interface (the first case), the regulatory structure and enforcement activities as well as other related factors (the second case) and everything when it comes to bureaucracy (the third case). The second set of indicators would be to measure the performance. The performance is the outcome of the efforts coming from all the stakeholders (for example, the quality of health of the patient after the treatment). In the first case, outcome is often the end result for which the interface was originally established. In the second case, the outcome is the eventual compliance of the laws and regulations set by the government. In the third case, all factors considered are inputs to the public sector and hence, processes. Since all the factors in the bureaucracy are inputs in one way or the other, everything is processes. (It is important to distinguish this performance from the bureaucratic performance) as often used by the government (and in this SOG in the public sector governance chapter).

This dependence on indicators calls for heavy reliance on availability of good data. To that end, the report has tried to utilise three types of data. First, we have mostly applied administrative records from various public agencies since this is the most authentic data we believe that can be used for governance analysis. Unfortunately, the breadth indicators based on administrative records is quite slim and a large number of issues cannot be addressed using data based on administrative records. In such cases, we rely on three additional types of data sources. First, we try to use survey data conducted by reputed organisations. Second, we conduct key informant interviews to feed into our quantitative analysis. Third, we rely on newspaper articles and information for a few event analyses.

The type of data gathered also defined our analytical approach. To be precise, we have taken a mix of quantitative and qualitative approach where the degree of "quantitativeness" away from "qualitativeness" depends on the availability of data. In particular, for a rigorous quantitative analysis, data at a highly disaggregated level is required. But such disaggregated data is often not available, especially in the form that would allow rigorous analysis. In such cases, we follow a more qualitative approach.

This report will consist of four chapters three of which are similar to the SOG (2015). These are the Democratic Governance, the Economic Governance and the Health Sector governance. A new section on public sector governance has been added to this year's report which will address the internal organisation and activities of the government.

The democratic governance is the one considered first in chapter two. It focuses on electoral politics which looked into local government elections including the recent UP election and the City Corporation elections in Dhaka and Chittagong as well as briefly touching other city corporation elections. The issues discussed are role of competition in election, voter turnout, voter list, electoral expenditure and electoral violence.

In chapter three, the public sector governance has been considered. The chapter looks into simple measures of performance of public sector efficiency by examining the utilisation of Annual Development Programme (ADP) expenditures and trying to ascertain the role of

bureaucratic factors on the rate of ADP utilisation . Another way to look into it by selecting an important activity by the public officials. The chapter hence looked into a very important activity of the administration cadre of the government; conducting mobile courts to keep the citizens complied. The chapter then looks into two important institutions that would help to ensure good governance in the bureaucracy. One of the two is the Right to Information Act and the Information Commission that works to the keep citizens informed in an attempt to keep the system transparent. The second institution is the Anti-Corruption Commission which plays the role of an overseer over the public officials to keep them complied. Finally, the section discusses the states of the municipalities as a case study.

The chapter four has discussed the economic governance. Since the economy consists of numerous sectors, this SOG limits its scope to three types of economic governance: labour governance, governance issues in the tax administration and the financial sector governance. All the sections look into the regulatory evolution, the stakeholders and prevailing governance failures of the sector in question. The sections also show the role of resource constraints in creating the governance failures.

The fifth chapter is on social governance where the health sector governance are considered. This year, the chapter focuses on a particular public health care facility, the Upazilla Health Complexes (UHCs). The chapter looks into the performance of the UHCs and tries to find out the factors that are important in determining the performance.



Photo Credit: worldhum.com

2 Democratic Governance: Electoral Politics

2.1 Introduction

Robert Pastor once said “democracy should be more than free and fair elections, but it cannot be less” (Pastor 1998: 154). For the stabilisation and democratisation of emerging democracies, regular and free and fair elections are one of the major contributing factors. Generally, democracy is a political system designed to broaden the participation of ordinary citizens in government wherein the powers of the government are clearly defined and limited. However, the basic pillars of any democratic political system are undoubtedly elections. Elections are the most critical and visible means through which citizens can peacefully choose or remove their leaders. In fact, elections are the primary vehicle for people to compel policymakers to pay attention to their demands and expectations. Without credible elections, citizens otherwise do not have any alternatives to peaceful political change. The lack of credible elections risk violent conflicts in a society and reduce the trust citizens have for their political leaders. Regular, free, and fair elections are thus the first step to sustainable democracy in any society. They are, therefore, essential for a stable political environment and economic growth (Mesfin 2008).

Any credible election should begin with an effective voter registration process. Manipulation of the voter registration process has led to destabilising the democratic process in countries (for instance, Afghanistan in 2009). Where this happened, corrupt officials inflate voter numbers on electoral rolls that are favourable to them and decrease numbers of those who may vote for their competitors. As a result, it is important to have a strong national election commission that can oversee and organise credible elections. This is especially important for emerging democracies. A strong election commission should be able to function independent of the government, otherwise it may face questions about its institutional credibility and impartiality. Besides, a process to adjudicate electoral complaints should also be part of the electoral management system (Kuhne 2010).

A successful and fair election depends on a number of indicators. In their examination of “free and fair” elections, Bishop and Hoeffler (2014) define that freedom based on whether all adult citizens have the right to be registered to vote, whether they are free to make their own choices, and whether they have the right to establish and join political parties and campaign freely within the country. Fairness refers to the equal treatment of all. For example, they assert that every voter is entitled to exercise his or her right equally with others, “that voters should have equal and effective access to a polling station, and that every party should have an equal opportunity to access the media (Bishop and Hoeffler 2014).

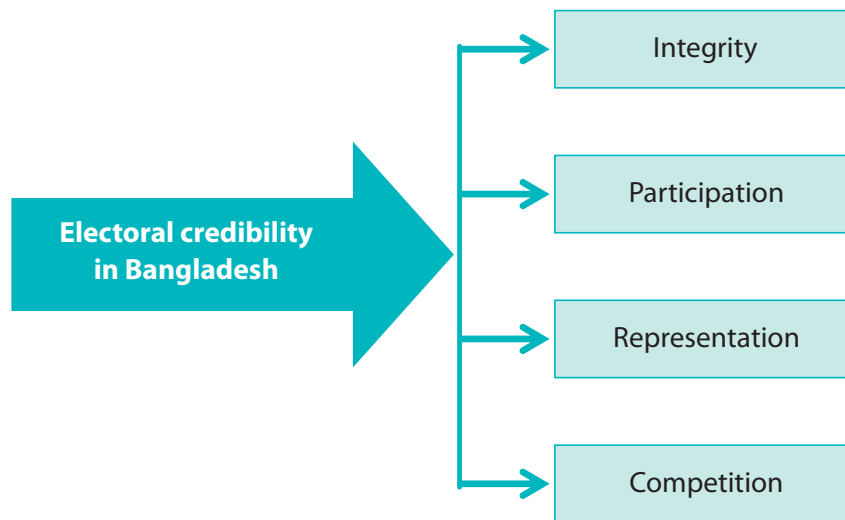
2.1.1 Elections in Bangladesh: Analytical framework

Two major political parties dominate Bangladeshi politics: the Bangladesh Nationalist Party (BNP) and the Bangladesh Awami League (AL). These two political parties have alternated in power since the restoration of democracy in 1991. From 1991 to 1996 and then again from 2001 to 2006, BNP was in power. On the other hand, AL was in power from 1996 to 2001 and they are also the current elected government. Other significant political parties in Bangladesh include the Jatiya Party (JP) and the Jamaat-e-Islami (JI). Throughout its history, elections in the country have been disrupted by political interference, including violence at

polling stations and allegation of vote rigging, corruption, influence peddling, and manipulation by the losing party, for example, election result boycotts (Democracy Watch 2009, BIGD 2014-2015).

A meaningful assessment of the electoral system in Bangladesh should deploy multiple lenses, each of which allows a deeper look into the intricacies of the nation's political reality. As in the last SOG (BIGD 2014-15), our election indicators are based on a four-pronged framework – integrity, participation, representation, and competition, as shown in the following figure. Unlike last year's report, this year we considered indicators mostly from local government elections held in the previous years including the latest Union Parishad (UP) elections 2016, and City Corporation elections in Dhaka, Narayanganj, Chittagong, Barisal, Khulna, Rajshahi and Gazipur. In some cases we also used national elections.

Indicators to assess election in Bangladesh



2.2 Integrity

Election with integrity refers to an election based on democratic principles of universal suffrage and political equality

Election with integrity refers to an election based on democratic principles of universal suffrage and political equality, and is professional, impartial, and transparent in its preparation and administration throughout the electoral cycle (Annan 2012). For the purpose of analysing election integrity in Bangladesh, this section considers issues such as balanced electoral finance and a peaceful environment. A joint study by Harvard University and University of Sydney using data from 910 elections covering 91 democracies from 1961 to 2008 revealed that election related violence decreased turnout (Coma and Trinh 2014), that is, reducing election related violence is crucial to credible elections. Moreover, election related spending also increases the possibility of violence, as the stakes of losing political office becomes extremely high when someone has already invested huge amounts of money for the election campaign.

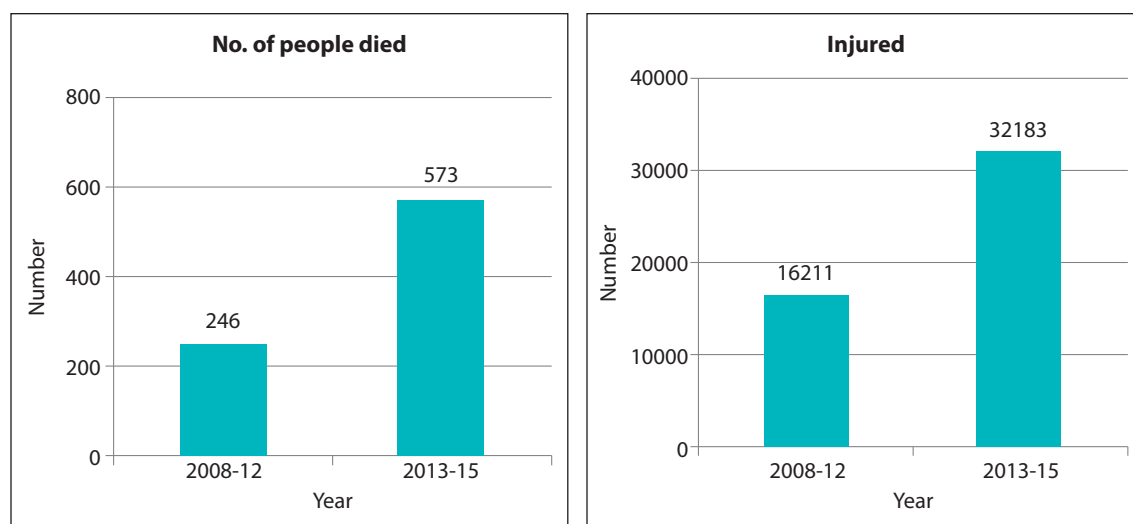
This chapter examines whether Bangladesh has a strong mechanism for reducing election related expenditures and violence. Two key legal instruments for election management in

Bangladesh are the constitution of the People's Republic of Bangladesh and the Representation of the People Order (RPO) of 1972 (amended in 2008). These two documents ensure voting rights, including universal suffrage with a secret ballot voting and guarantee of free expression of the electorate's will. Both the constitution of Bangladesh (Article 66) and the RPO describe criteria for eligibility to participate in elections.

2.2.1 Violence during elections

Electoral violence is one of the most discussed categories of political violence. Recent examples of such devastating election violence include Kenya, Zimbabwe, Afghanistan, and very recently the UP elections in Bangladesh. As mentioned earlier, elections without violence is one of the most important factors to electoral integrity and thus is a benchmark for determining their legitimacy (Hoglund 2010). In Bangladesh, an informal system of "winners take all" causes most of the electoral violence. This system makes the elections very costly and candidates invest considerable money and muscle power to win at all costs (Khazan 2013). As shown below, because of such high stakes, election year violence in Bangladesh has gradually increased over the years.

Figure 2.1: Number of death and injuries in electoral violence in Bangladesh



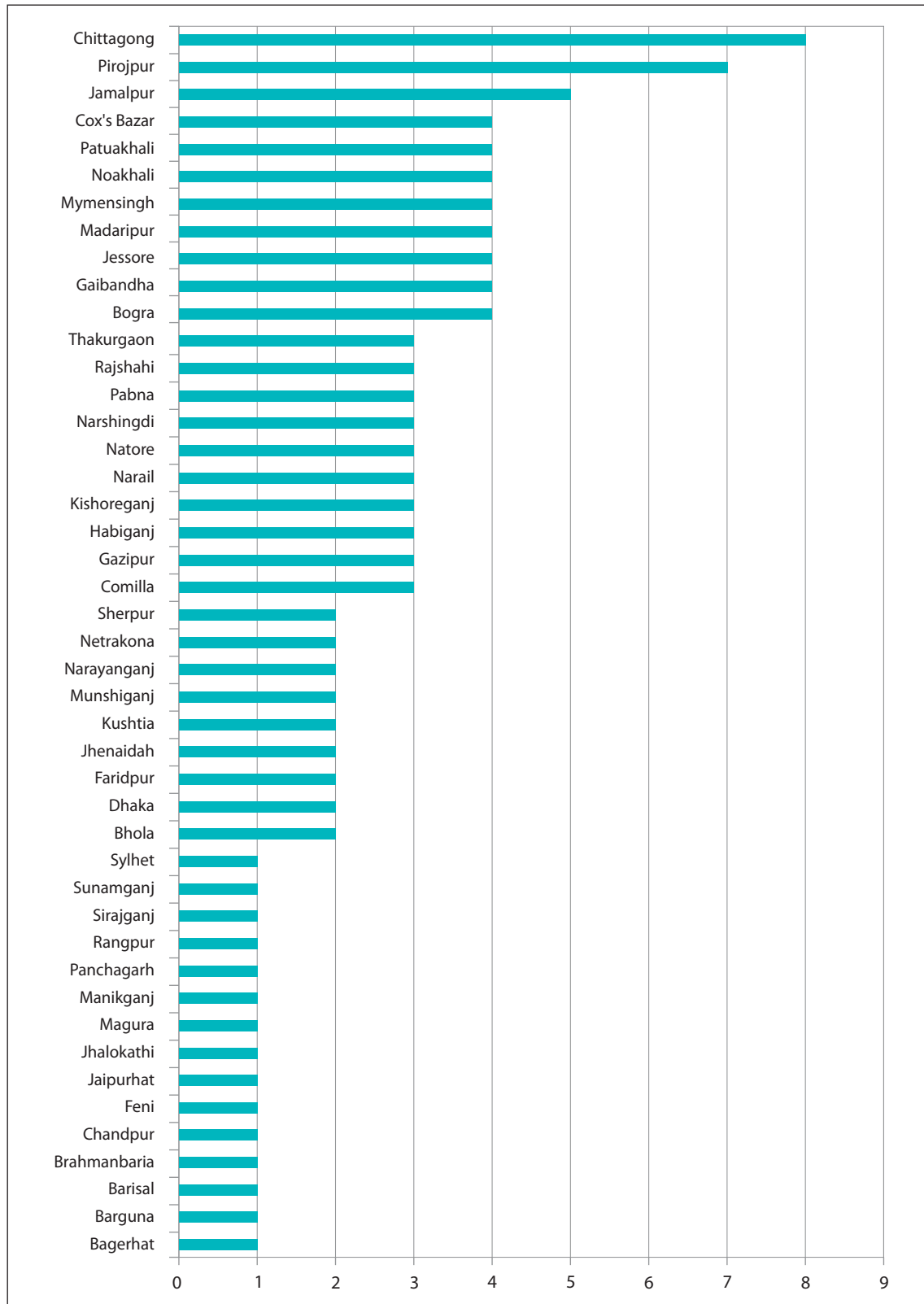
Source: BIGD 2013 and Ain o Shalish Kendra 2014 and 2015

The year 2008 was comparatively less violent even though it was an election year. One possible reason is, the election was under a caretaker government and the administration took measures to ensure a free and fair election. Elections in 1991, also under a caretaker government were less violent, in addition to the fact that both the major parties, AL and BNP, had just participated in a joint movement against the autocratic regime. However, during the recent UP elections in early 2016, the country experienced a spike in violence. Civil society activists also observed "voters couldn't cast votes due to fear" (The Daily Star 2016).

Election related violence decreases turnout

There is an increasing pattern of election time violence in Bangladesh

The recent UP election held in 2016 saw huge loss of lives from violence throughout the six phases

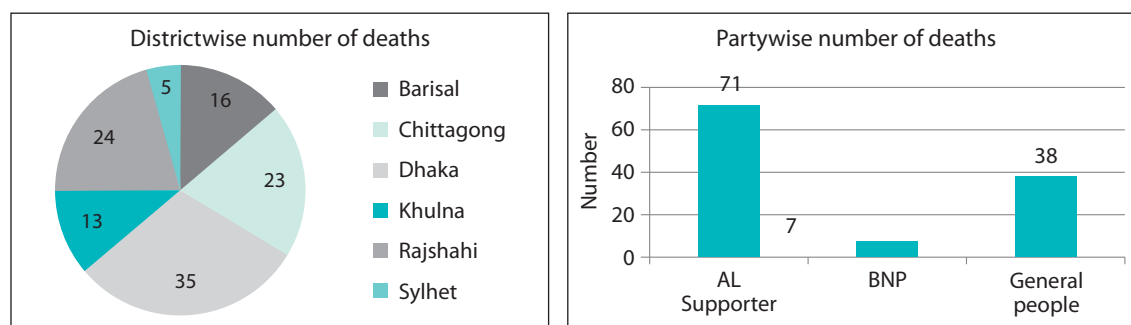
Figure 2.2: District level casualties in the 2016 UP election

Total 116 people died in the six phases of this year's UP election. Among them Chittagong is the top district with 8 deaths followed by Pirojpur district with 7 deaths

Source: ProthomAlo 2016

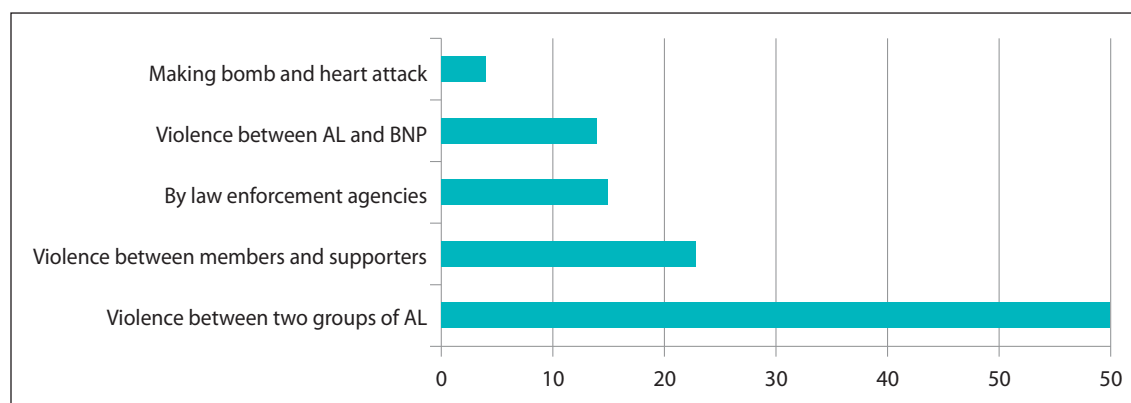
According to a report by the Daily Prothom Alo, over the course of six phases of this year's UP elections, a total 116 people died. Chittagong had the highest number of casualties with eight murders, followed by Pirojpur district with seven murders, and then Jamalpur and Cox's Bazar with five each. In comparison, 27 people died during the 2011 UP elections and 3,136 were injured. The number of casualties during the seventh UP election in 2003 was 80 people with 7,029 injured (Democracy Watch 2011).

Figure 2.3: Casualties in UP election 2016



Source: Prothom Alo 2016

Figure 2.4: How people died in the 2016 UP election



Source: Prothom Alo 2016

As per divisional ranking, Dhaka ranked at the top with 35 murders and Chittagong held second position with 23 murders, followed by 24 murders in Rajshahi, 16 in Barisal, 13 in Khulna, and 5 in Sylhet. Most of the murders, about 60, were due to intra-party violence in the ruling party. However, a number of casualties occurred when general citizens unaffiliated with any political parties got caught in the clashes between these different factions and also in inter-party violence.

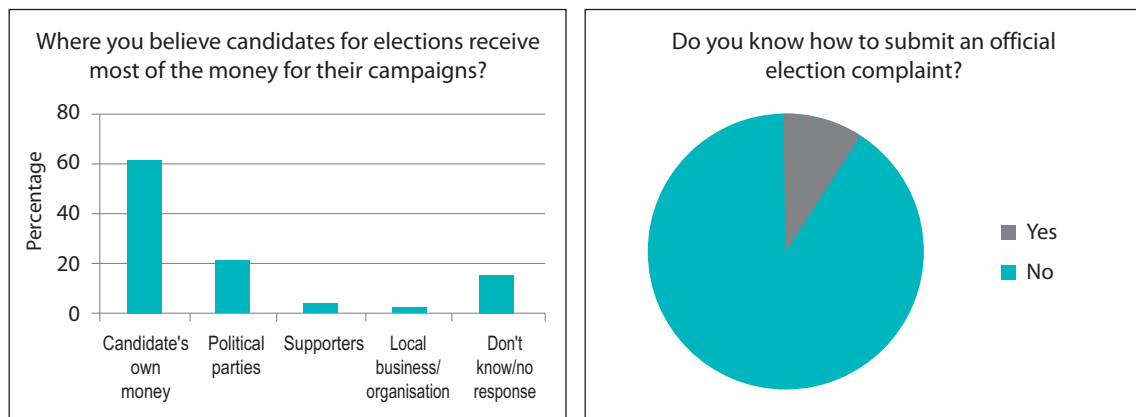
Key informant interviews to understand the increase in casualties suggest that one of the most important aspects to this was factionalism and intense competition for nominations. Since candidates participating in the UP elections this year could use party symbols, ruling party supporters and operatives involved themselves in selecting candidates, sometimes in exchange for a high price. In return they guaranteed wins to selected candidates. The cost of each of these nominations was from BDT 10 lac to BDT 1 crore. This led to bidding wars and only those with money could participate and often also included wealthy non-political funders who backed specific candidates (Prothom Alo 2016). Nominations, then, were based on who could

afford to run and sometimes resulted in selection of candidates from outside the party who then competed under the party symbol. Influence of money at the nomination stage pushed candidates to attempt to win at all costs, including through use of force, to get a return on their investments, causing widespread electoral violence.

2.2.2 Election expenditure

Electoral funding of political parties is another important aspect of electoral integrity that affects election credibility. In Bangladesh, there is a lack of transparency about electoral fundraising and spending and reports filed with the Election Commission rarely reflect accurate numbers. Political parties do not maintain exhaustive accounts of electoral spending.¹ One of the most significant findings on electoral spending is that candidates rely on self-funding or raise money themselves in an election year with little contribution from district committees. As the findings reveal, 70 percent of AL respondents presumed candidates bear their electoral costs. Similarly, two thirds of BNP respondents reported that their electoral candidates were responsible for party expenses without any input from or involvement of district units. Expert opinions also corroborate survey results and only in exceptional cases do parties provided financial assistance to the candidates (IRI 2015). According to expenditure statements submitted to the EC, AL spent approximately BDT 3.6 crore during the 2009 parliamentary elections, and BNP spent approximately BDT 4.5 crore (EC 2009). However, it is worth noting the EC did not independently verify these electoral expenditure statements (SOG 2013). As shown below, another survey (IRI 2015) supports the findings from the SOG (2013).

Figure 2.5: IRI survey on electoral integrity



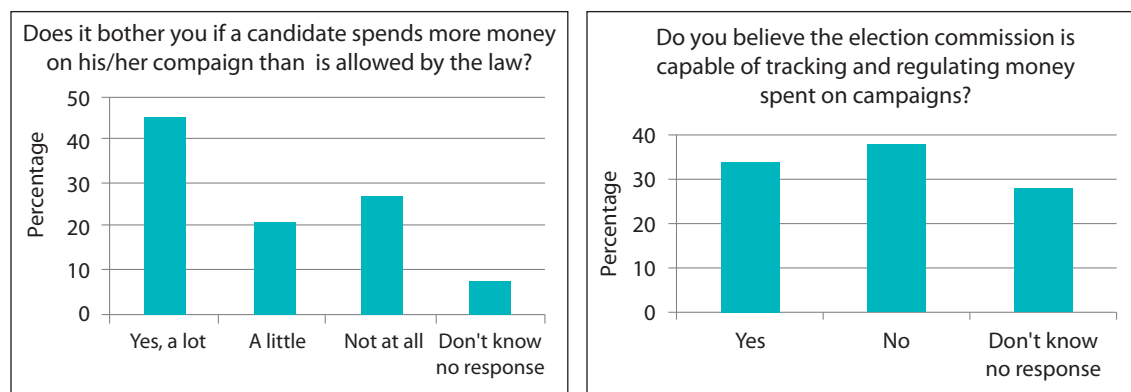
Source: IRI 2015

In the graphs above, in response to questions about campaign funding, 60 percent responded that candidates raised their own funds, whereas 20 percent replied political parties funded campaigns, and 15 percent either did not know or did not respond. For questions about excessive campaign spending, 45 percent were bothered and 48 percent were bothered a little

1. For example, according to a survey by the BIGD (2013), only 10 percent AL respondents said they spend BDT 5 to 10 lac taka while 20 percent BNP respondents claimed to spend a similar amount in an election year. Five percent of AL respondents reported that they require BDT 16 to 20 lac while 7.5 percent BNP respondents reported to spend BDT 21 to 40 lac in an election year. It is worth mentioning that 7.5 percent BNP respondents reported to have spent over BDT 10 million (100 lac) in an election year.

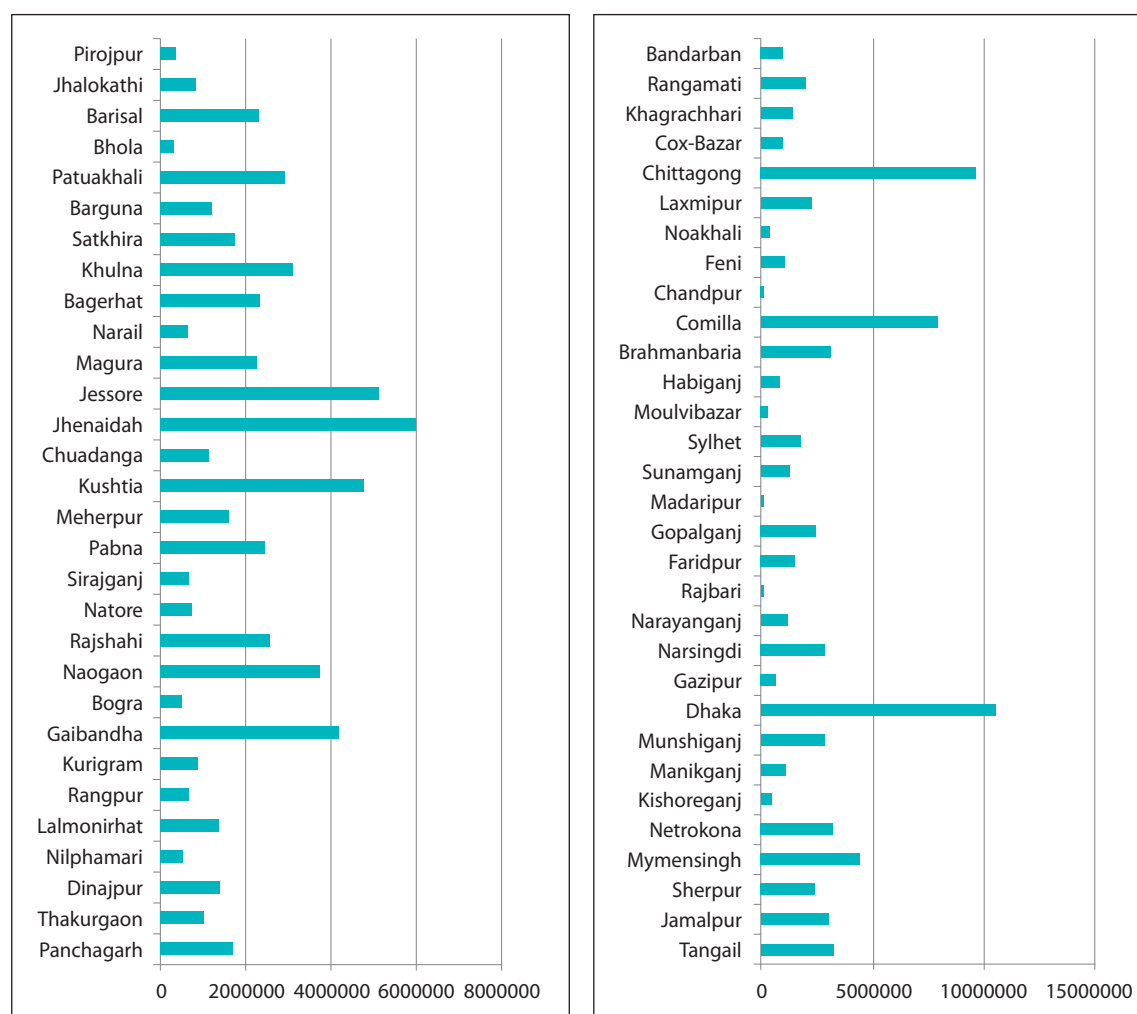
or not at all. Asked about the Election Commission's capability to track and regulate campaign spending, 38 percent responded negatively while 34 percent responded positively. Another 28 percent either did not reply or did not know the answer.

Figure 2.6: Survey of IRI on election in Bangladesh



Source: IRI 2015

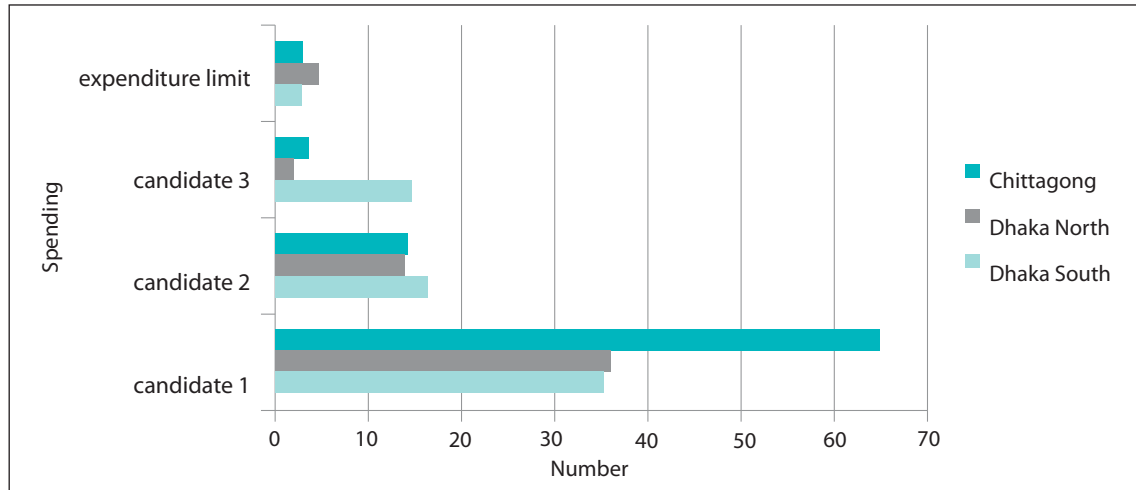
Figure 2.7: Constituency-wise campaign spending by candidates in the 2014 national election



Source: votebd 2016

The figure above shows the constituency-wise breakdown of campaign spending by candidates in the 2014 national election. Dhaka topped the list with BDT 10.4 million spent by candidates followed by Chittagong with BDT 9.5 million and Comilla with BDT 7.8 million. According to another estimate by Transparency International Bangladesh (TIB), campaign spending limit for the mayoral candidates were BDT 3 million for Chittagong, BDT 3 million for Dhaka South, and BDT 5 million for Dhaka North. However, the winner in Chittagong spent BDT 64.7 million, the winner in Dhaka North spent BDT 36 million, and in Dhaka South the amount was BDT 35.1 million.

Figure 2.8: Estimated campaign spending by mayoral candidates (million BDT)

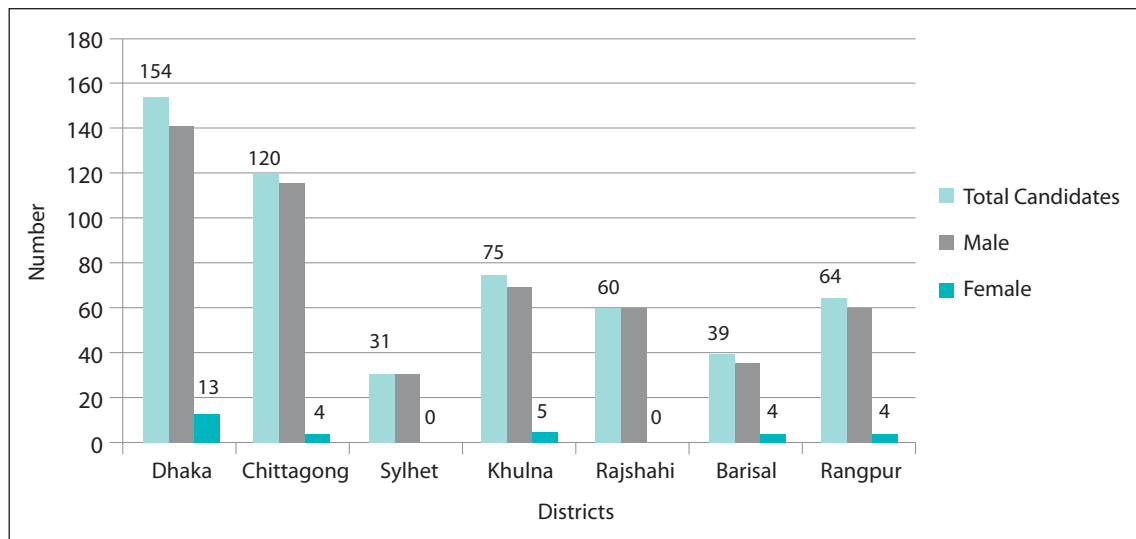


Source: TIB 2015

2.3 Representation

While elections provide the basis for rule by the people, they often do not guarantee that citizens have effective representation. That is why it is crucial to investigate whether the candidates represent all communities including women and people from different ethnic backgrounds across the country.

Figure 2.9: Gender breakdown of candidates in the 10th national election



Source: votebd 2016

The graph above illustrates that the number of women running for office in the last national election was miniscule. Roughly half of the country's voters are women which is not reflected in their representation both at the national and the local level.

Table 2.1: Women representation in current local government bodies

Current Local govt. bodies	Women representation	Total elected candidates
City Corporations	1	11
Union Parishad	29	4000
Upazila Parishad	5	482
Municipality	4	240

Source: EC, SHUJAN, the Daily Star 2016

Table 2.2: Elected women in national parliament and local government elections

SL	Name of the election	Contesting women candidates	Elected women candidates
	Reserved seat in 9th Parliament Election		50
2	9th Parliament	59	19
3	10th Parliament	27	19 + 50 on reserved seats
4	Upazila Election Women Candidate-2009	1,936	481
5	Chittagong City Corporation Election-2010	59	14
6	Narayanganj City Corporation-2011	56	9
7	Comilla City Corporation Election- 2012	69	9
8	Municipality Election-2010-11 (310)	3,720	930
9	Upazila Election-2014	1,556	458

Source: DemocracyWatch, Sultan 2014

Only a nominal number of women were elected as mayors or chairmen of the local bodies in elections in recent years. Currently, in the chairman posts of Union Parishad, the women representation is less than one percent whereas in mayoral post of municipality and chairman post of Upazila Parishad their representation just crossed one percent.

2.4 Participation

Participation in elections depends on several factors including a credible voter list and robust voter turnout. The ninth parliament election in Bangladesh was delayed because of irregularities in the voter list and included false voters. Legal measures included a Supreme Court verdict to the EC to correct the list. Later the EC developed a revised list with voter photos that the International Foundation for Electoral Systems (IFES) attested to be 99 percent accurate. According to the list, the total number of eligible voters in Bangladesh was 81,058,698. Of this, the number of eligible women voters was 41,236,149 and eligible male voters was 39,822,549. In that election there were 1,413,600 more women voters than men, with a gender gap of 1.74 percent.

The Election Commission updated the voter list between May and November 2014. According to that list, there were 7,04,632 fewer women voters than men. The gender gap was 0.74 percent. The number of new voters was 4,695,650. Of them, 2,066,144 were women voters and 2,629,506 were male voters. This means there were 563,362 fewer women voters than men and the gender gap was 12 percent. So the last updated list increased the gender gap (Majumder 2015).

Very little number of the women took part in the last national and local government elections

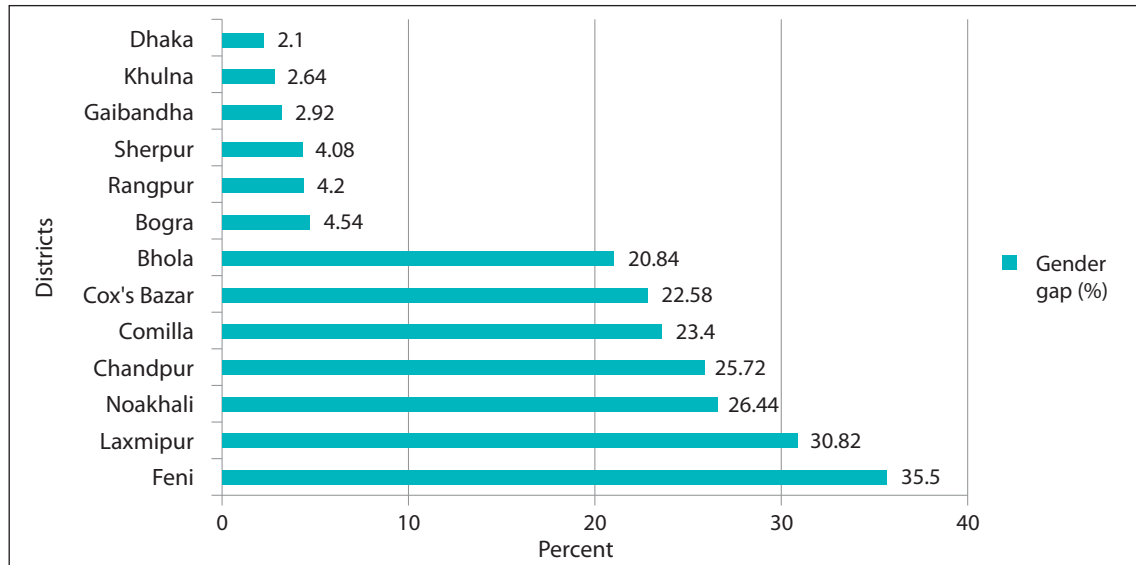
A credible voters' list is essential for free, fair and neutral elections

Final voter list prepared in 2014 before the 10th national election concluded with the increased gender gap.

The widest gender gap is in Feni, Laxmipur, Noakhali, Chandpur, Comilla, Cox's Bazar and Bhola.

Majumder (2015) further reported that among the 64 districts of Bangladesh, the gender gap was below 5 percent in 8 districts; within 5 to 10 percent in 28 districts; 10 to 15 percent in 9 districts; 15 to 20 percent in 11 districts; 20 to 25 percent in 4 districts; 25 to 30 percent in 2 districts; 30 to 35 percent in 1 district; and 35 to 40 percent in 1 district.

Figure 2.10: Districts with the widest and the least gender gaps



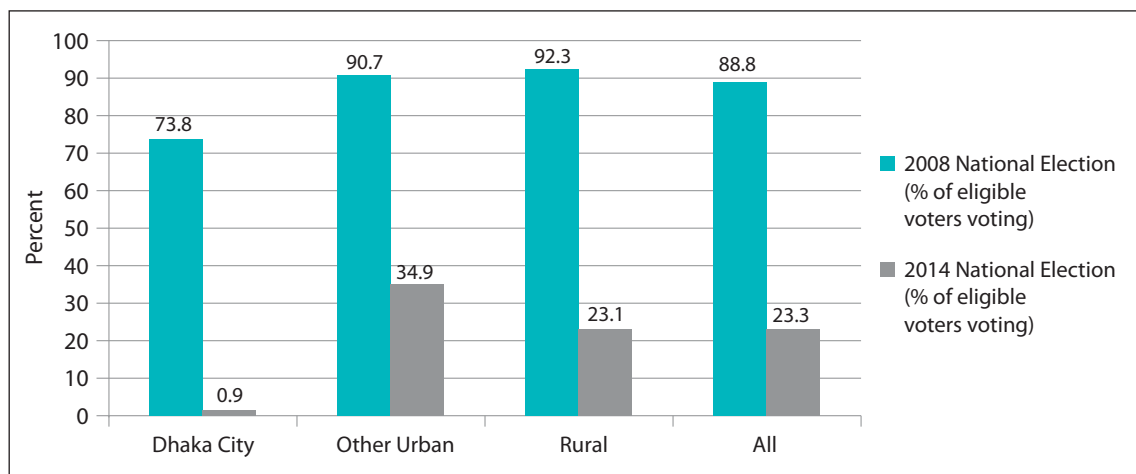
Source: Majumder 2015

The widest gender gap was in Feni followed by Laxmipur, Noakhali, Chandpur, Comilla, Cox's Bazar and Bhola. The least gender gap was found in Dhaka followed by Khulna, Gaibandha, Rangpur, Sherpur, and Bogra.

2.4.1 Voting

Citizen participation in political and institutional processes is essential to effective governance. The Power and Participation Research Centre (PPRC) collected data on electoral participation of households in the previous two national elections of 2008 and 2014. The graph below shows voter turnout by region during the last two national elections.

Figure 2.11: Electoral participation in Bangladesh



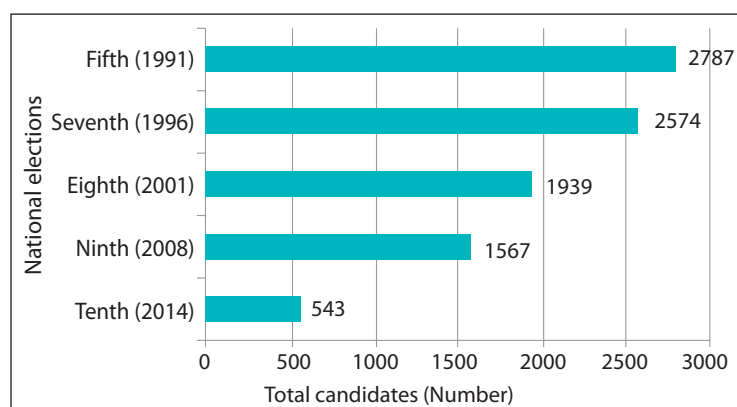
Source: PPRC 2016

In general, voter apathy is not prevalent in Bangladesh and voters usually participate in the election process in large numbers. During the 2008 election, the survey reported a voter participation of 88.8 percent. The participation rate dropped dramatically in 2014 when the main opposition party boycotted the national election and candidates were elected unopposed in more than half the parliamentary seats because of the boycott (PPRC 2016).

2.5 Competition

Another vital factor for electoral fairness is competitiveness. Experts consider electoral competition a necessary precondition for a healthy democracy. Competitiveness is linked to the nature and dynamics of political engagement. For a credible election, it is essential that multiple parties and candidates participate in a competitive election. Recent local and national elections lacked that competitive process. For instance, in the last (10th) national election, one party contested for majority of the seats (153) without any competition. In the remaining 147 seats, there were 390 candidates.

Figure 2.12: Comparative picture of the number of candidates in the national elections in Bangladesh since 1991

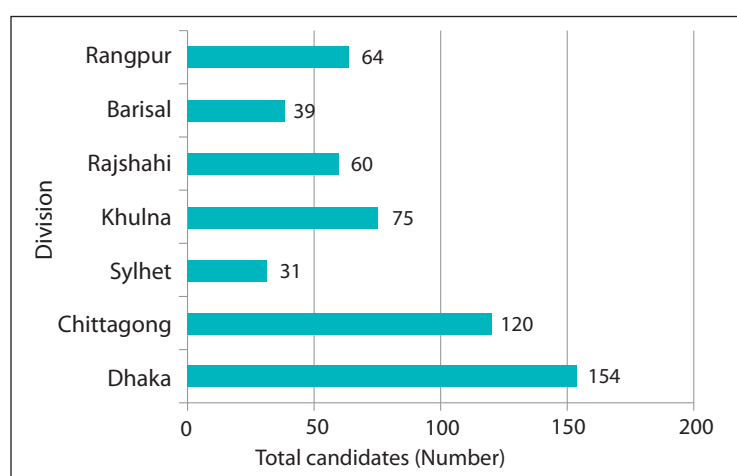


However, only 543 candidates ran for office in the 10th national election across the country, whereas the number was 1567 in the 9th election, 1939 in the 8th election, 2574 in the 7th election and 2787 in the 5th national election. This indicates a clear deterioration of the electoral competition over the years.

There is a clear deterioration of electoral competition in Bangladesh in the recent years

Source: Election Commission Bangladesh 1991-2014

Figure 2.13: Division-wise number of candidates in 2014 national election



Source: votebd 2016

The figure (2.13) shows the divisional variation of all 543 candidates. The maximum number of candidates was from Dhaka division at 154, followed by Chittagong division at 120, Khulna 75, Rangpur 64, Rajshahi 60, Barisal 39, and Sylhet 31. Factors such as opposition boycotts, lack of a democratic nomination process, influence of money in the process, and deepening patron-client relations have skewed the climate for a

competitive electoral field in Bangladesh. As observed during the recent UP elections, these factors, especially the nomination process, weakened healthy competition and grassroots participation in favour of intensifying patron-client relationships (PPRC 2016).

2.5.1 Competition: Pattern of voter share

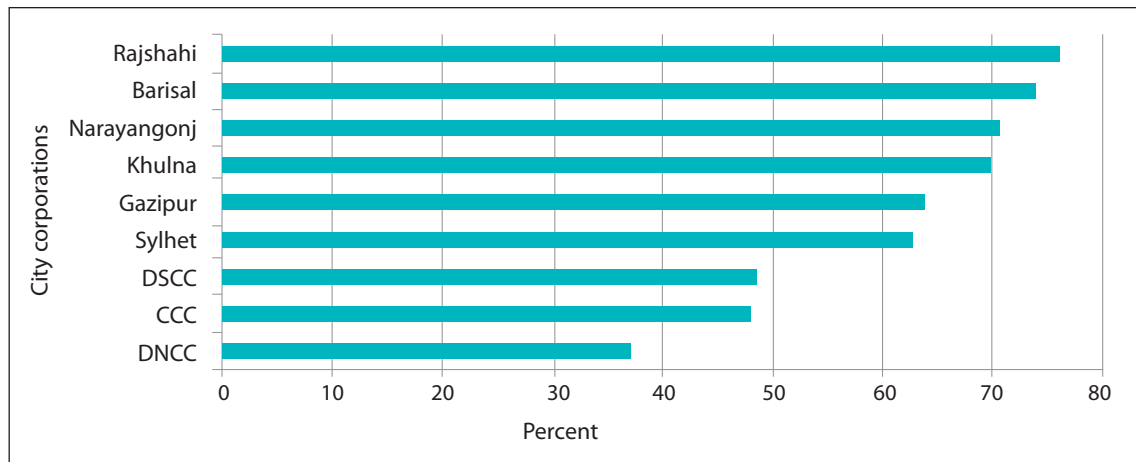
The level of competition in the political process is also reflected in voting patterns. In Bangladesh, the spread of votes for the two major political parties – BNP and AL – and other smaller parties including JP and JI, changed over time. Whereas the spread was relatively more even in the 1990s, the gap extended during the 2000s. Two major political parties, AL and BNP, have dominated the electoral field and the smaller parties have been unable to gain mainstream acceptance in Bangladeshi politics in the last decade. In the recent national and local government elections, voters were presented with a limited choice through the boycott by the major opposition party and electoral violence, further shrinking the field of competition, which is elaborately discussed in the following section.

2.5.2 Competition and voter turnout

The relationship between competition and voter turnout has long been established (Karp and Banducci 2008, Norris 2011). Electoral competition is linked to integrity and can have a positive impact on turnout. Turnout in an election depends on the behaviour of the incumbent, the opposition, the voter and the election commission. For example, voter turnout can be low due to an opposition boycott. A similar pattern prevailed in a number of local government elections including the city corporation, UZP, UP, and municipal elections.

The recent city corporation elections were competitive as both the major parties participated in the election in most occasions. Hence, we examine the electoral competition in the city corporation elections of Dhaka North, Dhaka South, Chittagong, Gazipur, Rajshahi, Khulna, Barisal and Narayanganj below.

Figure 2.14: Percentage turnout in City Corp elections



Source: Bangladesh Election Commission, SHUJAN, EWG 2016

Figure 2.14 depicts voter turnouts in the nine City Corporation elections. The voter turnout was the highest in the Rajshahi city corporation election whereas voter turnout in City Corporation elections of Barisal, Narayanganj and Khulna was also quite high (close to 70%). On the other hand, the most recent city corporation elections in Dhaka and Chittagong experienced the lowest voter turnout (less than 50% in all the elections) with the lowest turnout in Dhaka North City Corporation (less than 40%). This may be attributed in the large part to the boycott of one major party in the middle of election (Coma and Trinh 2014). A special case is Narayanganj, where, despite a BNP boycott, a rebel ruling party candidate with widespread support ran and eventually won the election.

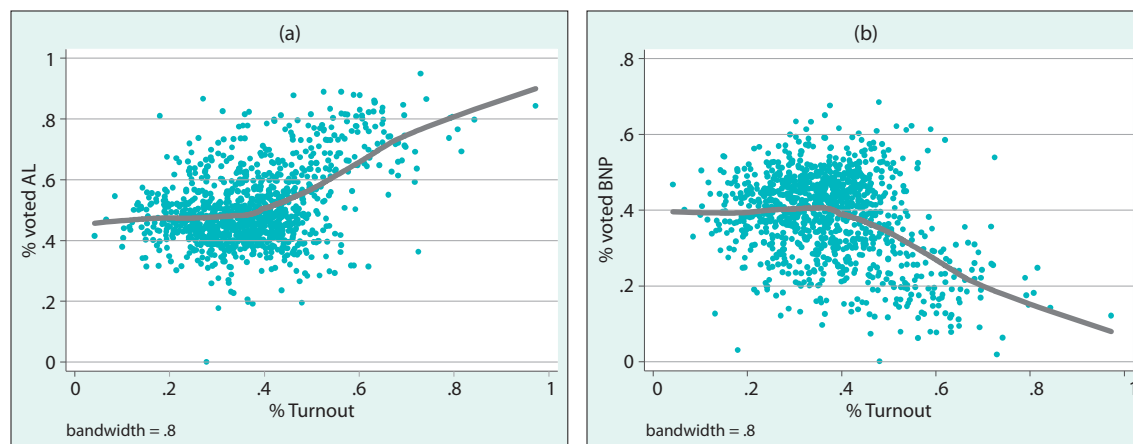
Even though there were a large number of political parties who ran for election, it rarely ever translated into increased competition in the political arena

Turnout in an election is influenced by the behavior of the actors – mainly the incumbent, the opposition and the election commission Bangladesh

The election results are mixed. In the three elections of Dhaka North, Dhaka south and Chittagong, the candidates backed by the ruling party were the winner. In Narayanganj, winner was from the ruling party, even though she was not formally backed by the party. In all other cases, the candidates from the other major parties were the winner.

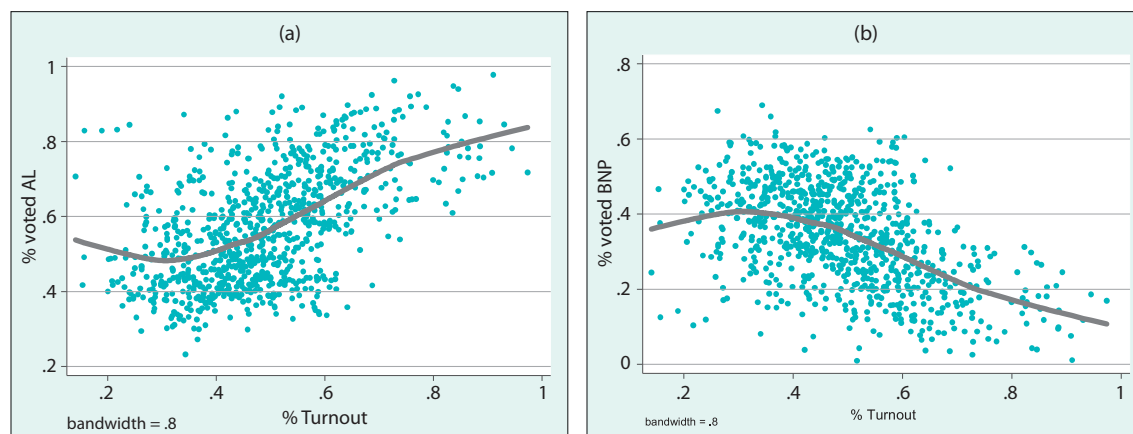
There is an interesting pattern in some city corporation elections when voter turnout is compared with percentage of votes won by the winning candidate. This was first pointed out by Majumdar (2015) on the Chittagong City Corporation election. According to his article, the winning candidate in the Chittagong City Corporation election has greater proportion of electoral votes where the voter turnouts are also the highest (more than 90% for example). To see this more clearly, we plot the percentage of votes won by the winning candidate in a voting center in the Y axis and the voter turnout in a voting center in the X axis in Dhaka North, Dhaka South and Chittagong City Corporation figures 2.15 (a), 2.16 (a) and 2.17 (a) respectively. In order to identify a pattern, we applied locally weighted scatterplot smooting (LOWESS). In all the three cases, as Majumdar (2015) mentioned, it is observed that there is a positive relationship between percentage of votes won by the winning candidate and percentage of voter turnout. When a similar exercise is conducted with the next closest competitor (who is from the opposition), a completely reverse relationship emerges, as Majumdar suggested, with almost mirror image-like relationship (Figures 2.15 (b), 2.16 (b) and 2.17 (b)).

Figure 2.15: Turnout in the Dhaka North City Corporation (DNCC)

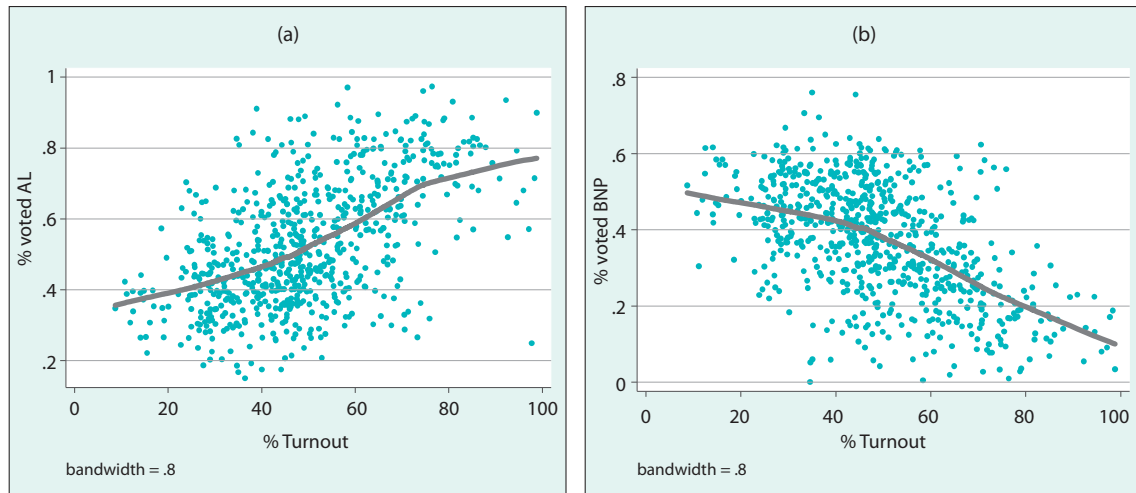


Data source: Bangladesh Election Commission, SHUJAN, EWG 2016

Figure 2.16: Turnout in the Dhaka South City Corporation (DSCC)

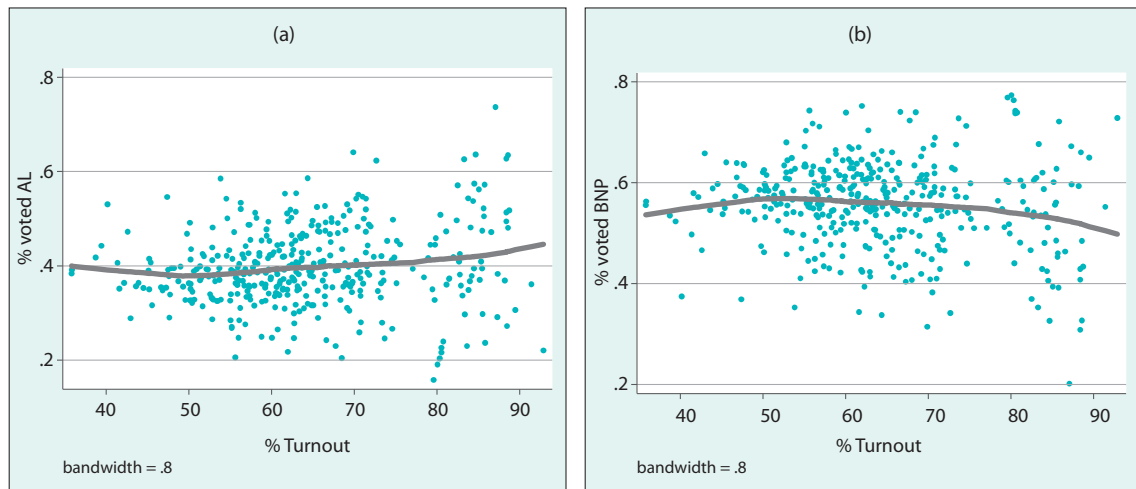


Data source: Bangladesh Election Commission, SHUJAN, EWG 2016

Figure 2.17: Turnout in the Chittagong City Corporation election

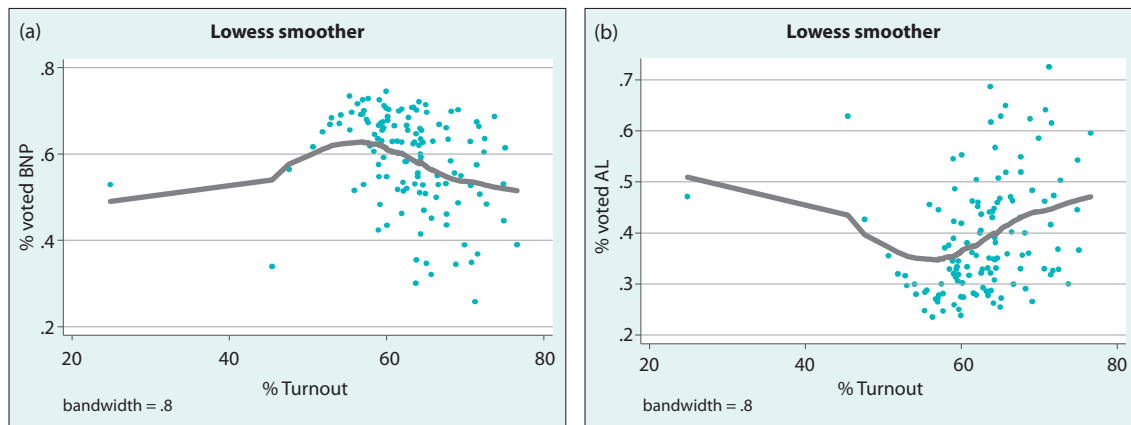
Data source: Bangladesh Election Commission, SHUJAN, EWG 2016

Is there similar pattern in other city corporation elections? Figure 2.18, 2.19, 2.20, 2.21, 2.22 and 2.23 present scatter plots between percentage of votes won by the winning candidate and percentage of voter turnout in Gazipur, Sylhet, Barisal, Khulna, Rajshahi and Narayanganj in Figure 2.21 (a). Whereas such rising pattern throughout is not apparent, there is a rising pattern in part of the graph in Rajshahi, Barisal and Narayanganj. Figure 2.18, 2.19, 2.20, 2.21 and 2.22 (b) show the same pattern with the second closest competitor. The mirror image prevails, but the negative relationship is less evident, except in part in Rajshahi, Barisal and Narayanganj.

Figure 2.18: Turnout in the Gazipur City Corporation election

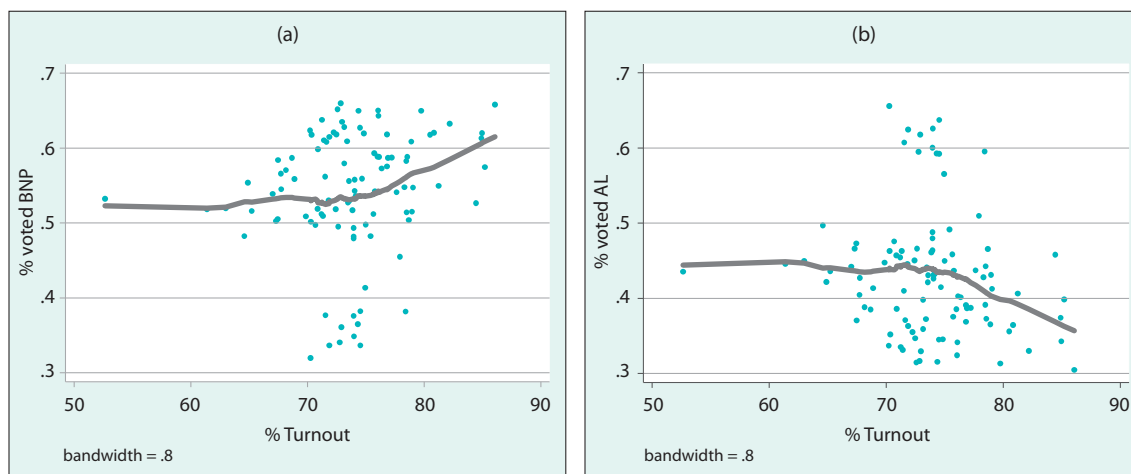
Data source: Bangladesh Election Commission, SHUJAN, EWG 2016

Figure 2.19: Turnout in the Sylhet City Corporation election



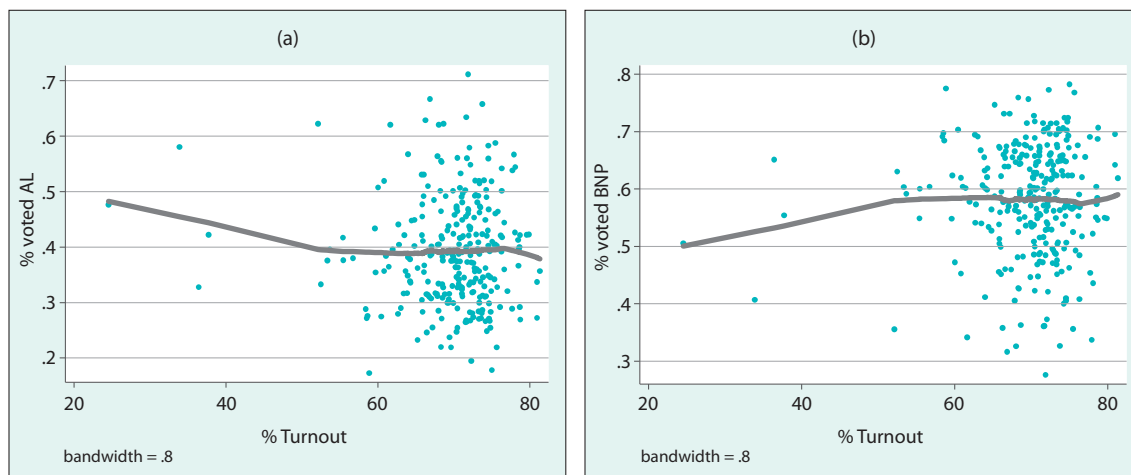
Data source: Bangladesh Election Commission, SHUJAN, EWG 2016

Figure 2.20: Turnout in the Barisal City Corporation election

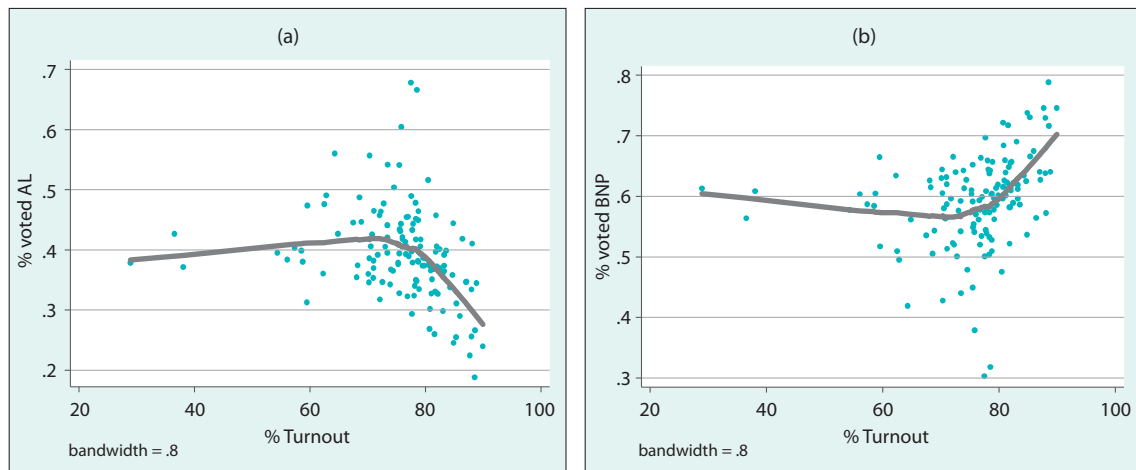


Data source: Bangladesh Election Commission, SHUJAN, EWG 2016

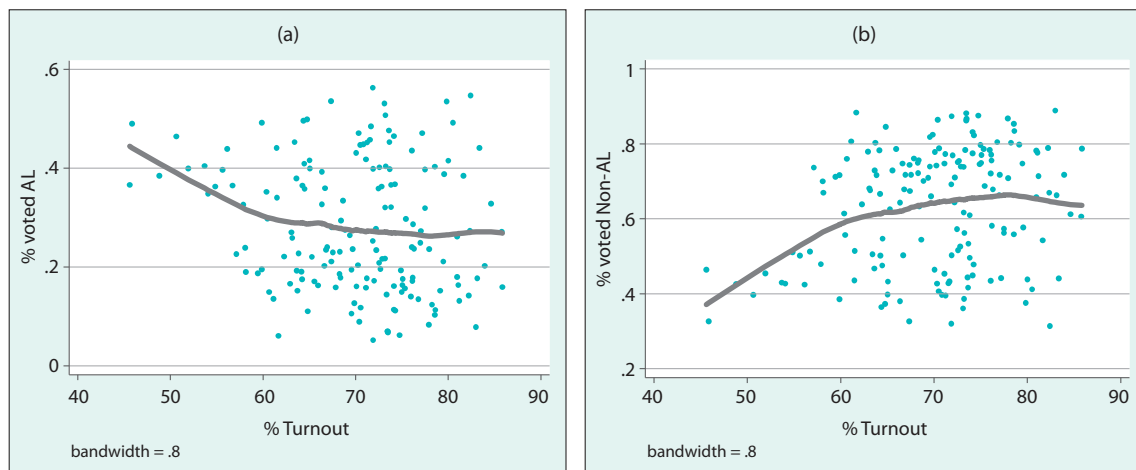
Figure 2.21: Turnout in the Khulna City Corporation election



Data source: Bangladesh Election Commission, SHUJAN, EWG 2016

Figure 2.22: Turnout in the Rajshahi City Corporation election

Data source: Bangladesh Election Commission, SHUJAN, EWG 2016

Figure 2.23: Turnout in the Narayanganj City Corporation election

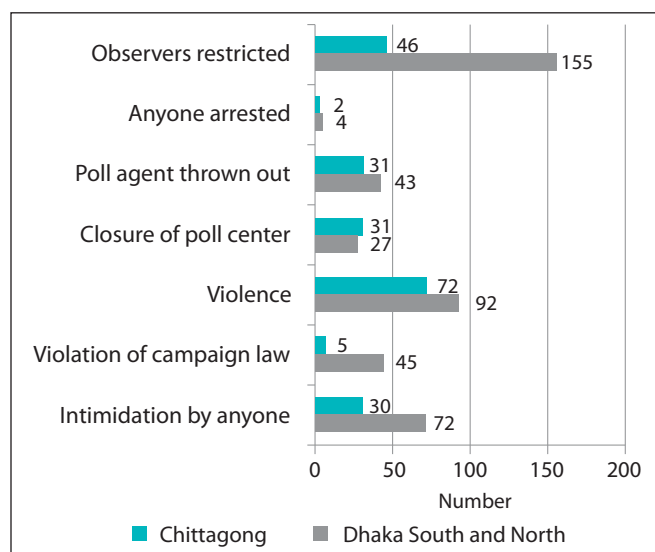
Data source: Bangladesh Election Commission, SHUJAN, EWG 2016

It is not clear whether such pattern is normal. One possibility is that people of some voting centers are more inclined to vote than other centers and they also favor the winning candidate. Another possibility is that the election boycott by the opposition mid way through the DNCC, DSCC and CCC may have encouraged the voters to vote for the candidates of the ruling party. There were also more complaints of irregularities and election period misconduct in DNCC, DSCC and CCC (the following section would show) than other City Corporation elections, and the observed pattern reflect that as well, as Majumdar (2015) indicates.

2.5.3 Election day voting environment

Dhaka and Chittagong City Corporation elections 2015

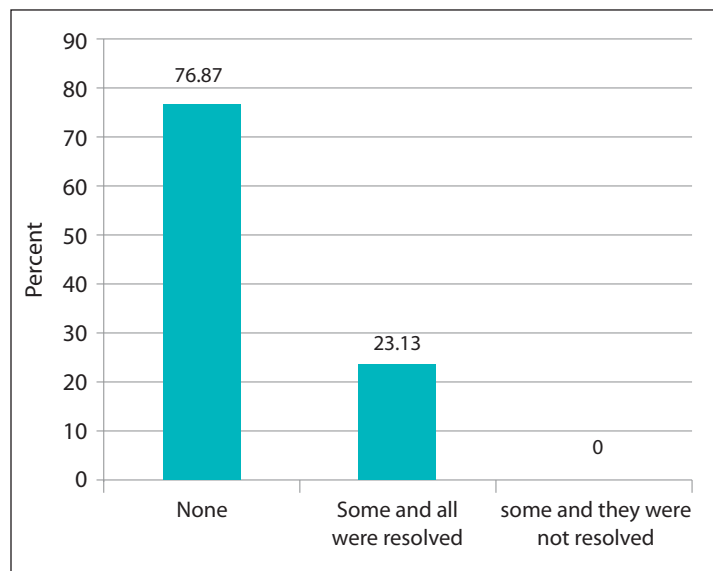
Dhaka North, Dhaka South, and Chittagong City Corporation elections were held in April 2015. These were long-awaited elections as in both cities the previous mayoral terms were long over and unelected officials ran the affairs of the city instead (TIB 2015).

Figure 2.24: DNCC, DSCC and CCC election day observation of the voting environment

Source: EWG 2016

voter turnout was initially high in both cities but changed later when the main opposition party boycotted the election in the middle of the polling day, forcing the candidates to boycott the election (Daily Star 2015).

Gazipur City Corporation election

Figure 2.25: Objections during vote count in the Gazipur City Corporation election

Source: Istiak 2013

According to the Election Working Group (EWG), the overall voting climate on Election Day was more favourable in Chittagong than in Dhaka. The number of reported incidents in Dhaka was 155 and in Chittagong 46. These incidents according to EWG report included election observers barred from polling centers and vote-counting rooms, expelling of polling agents, closure of polling centres, intimidation, violence, and campaign law violations. Two individuals were reported to be arrested in Chittagong and four in Dhaka. According to press reports,

Election observers reported a positive climate during the Gazipur City Corporation (GCC) elections, including enthusiastic voter participation to elect the mayor and ward commissioners (FEMA 2013). The Election Working Group (EWG) reported a similar positive climate with only sporadic incidents of procedural irregularities and other electoral code violations (Daily Star 2013). A study by Xplore and Democracy International reported the findings for this election showed in the (Figure 2.25).

2.6 Conclusion

Through the four-pronged framework- integrity, participation, representation and competition, this section examines electoral politics mostly of the local government elections. The analysis based on the framework revealed lower voter turnout in recent elections of DNCC,

DSCC and CCC in comparison to elections in earlier years of the decade. Furthermore, the relationship between the voter turnout and percentage votes received by the winner seems unexpected at least to some corners of the civil society.

The competition in the elections were not also of its best form. The opposition party have boycotted a number of elections either completely from the beginning (e.g., the National Election 2014) or midway through (DNCC, DSCC and CCC). There is also increased electoral violence over the years in Bangladesh. Spread over six phases earlier this year, the UP elections were marred by rampant violence including 116 casualties. However, the UP election in 2011 experienced far less violence (Islam 2016). It is important to identify the reasons behind such increased electoral violence.

There is also a gender issue. The number of women running for office in these elections was extremely low. In addition, the revised voter list from 2014 revealed an increased gender gap between women and male voters, something the Election Commission should consider to investigate.



Photo Credit: Mashroor Shafat Nitol

3 Public Sector Governance

3.1 Introduction

The government is an integral part of the society and contributes significantly to the economy. The main driver of the government is the bureaucracy that governs it. How efficiently the government works depends significantly on the bureaucracy. The efficacy of the bureaucracy in turn is affected by the socio-economic and cultural practices in which it works as well as a host of other factors including the resource constraints and the regulations that dictate the day-to-day and long term practices.

BIGD recognises the importance of the public sector in governance. Hence, a full chapter is dedicated on the public sector and bureaucracy for the first time in this year's SOG. The importance of bureaucracy has always been stressed by BIGD and previous SOGs did cover bureaucracy to some length. The coverage this year is slightly greater. Furthermore, a number of important reforms have taken place over the past few years that deserve to be mentioned. Finally, with the government's increased efforts in digitisation, data and information are becoming more readily available allowing for various analyses.

Bureaucracy however, is vast and therefore only a few issues are selected. Since this year's SOG is following in the footsteps of last year's with an indicator-based approach, the issues to be covered are partially dominated by availability of data. More particularly, this chapter will look into a simple efficiency measure of public sector governance, then the government's efforts to improve these activities and how citizens respond to some of these reforms.

This chapter first looks into the level of efficiency across different ministries. Whereas efficiency has multiple dimensions and hence can be measured in various ways, a simple approach is taken here by considering the utilisation of Annual Development Program by each Ministry. Various bureaucratic bottlenecks at different stages often make the process of this important fund utilisation low. Even within this big public sector management system, some ministries tend to perform better than others. This section makes a meagre attempt to identify such ministries and a few characteristics that are important to their timely utilisation of resources. Section two is dedicated to this issue.

One other way to look into the efficiency parameter is to examine certain activities of some sections of the public system. One important activity in this regard is the mobile courts as well as other related activities conducted by executive magistrates in various layers in the government. Section three looks into this across different districts. It also highlights a few new reforms that are underway in making the system more efficient and accountable.

In addition to the government's internal effort to improve public sector efficiency, the citizens themselves have a role to play which to some extent also needs to be facilitated by the government itself. An issue in question is that of transparency. A transparent public system would allow the citizens to monitor the activities of the government better. This in turn will make the public officials cautious in handling public funds, reducing wasteful activities and corruption. In an effort to improve such transparency, the government enacted the Right to Information Act in 2009. The citizens accordingly can seek information from the public offices on a wide variety of public activities. The Information Commission sees whether citizens' requests to provide information are properly met. The government has also improved their websites so that the citizens can access much of these information from these websites. Section four discusses these efforts in details.

Accountability along with transparency needs to be addressed as well to ensure an efficient system. One important institution that facilitates proper accountability is the Anti-Corruption Commission. The Commission investigates various complaints lodged by various sources as well as cases unearthed by themselves where a public official is suspected to engage in a corrupt activity. Such cases are eventually resolved in the court of law. These activities of the commission across various districts as well as the reforms initiated by the commission are presented in Section five.

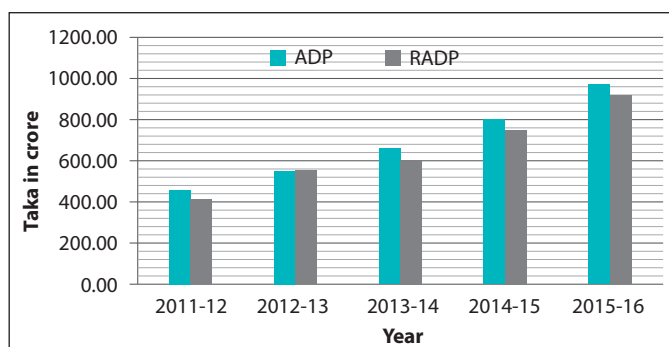
Finally, a case study on the status of one of the local government institutions, the municipalities, is considered in Section six. The section focuses on the resources available to each municipality on average and also the status of various services provided by these municipalities.

3.2 ADP utilisation in Bangladesh

3.2.1 Introduction

The Annual Development Programme (ADP) is considered as public investment, which includes all types of GoB funded and foreign aided projects that are ongoing and newly included. The ADP consists of the main investment programme, technical assistance programme and self-financed programme, which are sub-divided into the different government sectors. The ADP is published in June and is available to the public (Roads and Highways n.d.). The programs and projects taken under ADP are largely aligned to government policies and priorities. Focusing on the Vision 2021 projected by the Bangladesh government, the size of ADP allocation has increased over the years. Nevertheless, the size of ADP is alleged to be 'overambitious' as each year a certain percentage of the allocation remains unspent. The behaviour of ADP allocation and its spending pattern is discussed by many. Ahmed (2010) provides a detailed exploratory analysis behind slow ADP utilisation. According to his study, the slow utilisation rate accounts for the delay in three major phases i.e. delay in project kick off stage, delay in resource mobilisation phase and finally the delay in implementation phase. The first stage includes issues like delay in preparation of the project document (DPP/TPP), inadequate preparation from the side of the agencies, delay in project approval process and so on. The second stage includes procedural difficulty of fund release from both government and donors, inadequate allocation and disbursement, misappropriation of funds, and lack of preparation among the project team. The final stage includes implementation delays including delay in project procurement, design approval, supervision and monitoring.

Figure 3.2.1: Trend in ADP and revised ADP (2011/12-2015/16)



In this backdrop, this section provides a quick snapshot of the ADP allocation pattern across ministries in recent years, particularly in the current fiscal year. It also looks in to the utilisation pattern by analysing monthly data and shows the disaggregated utilisation pattern by ministry/division.

ADP allocation has increased over the years

Size of ADP is alleged as 'overambitious'

Each year a certain percentage of the allocation remains unspent

3.2.2 Data

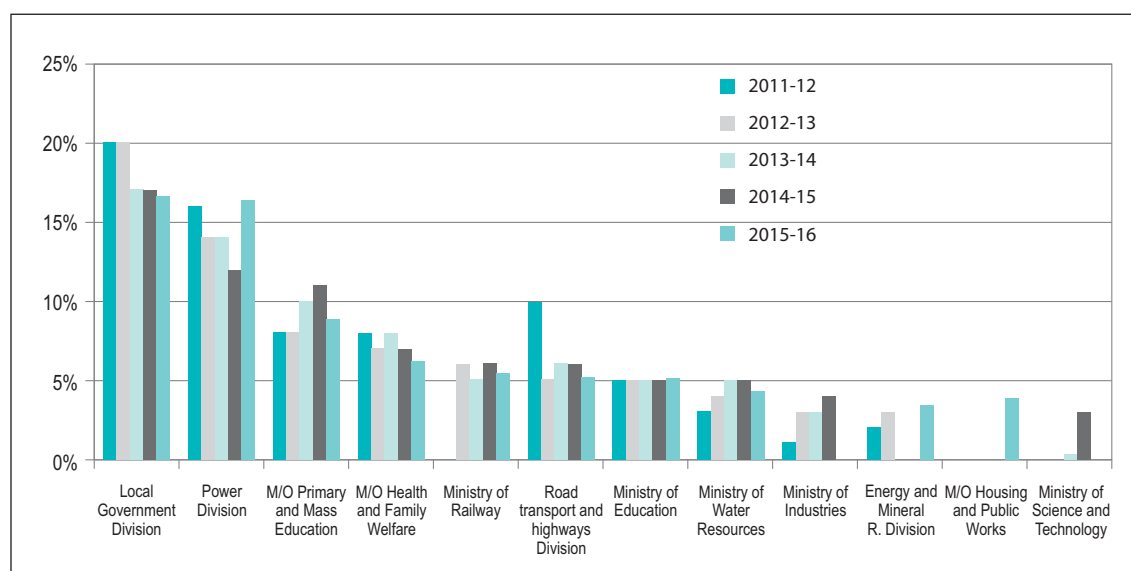
For this section, data from two key government agencies are used. For annual allocation and spending, data from the Finance Division, Ministry of Finance, Bangladesh has been used. For month-wise ministry specific allocation, disbursement and spending, data from Implementation Monitoring and Evaluation Division (IMED), Ministry of Planning, Bangladesh has been used.

3.2.3 Trends in ADP allocation

In recent years, Bangladesh's annual development plans largely reflect on the aspiration declared in Vision 2021 to become a middle income country in the next five years. This resulted in a great deal of investment in physical infrastructure. If the ministry/division-wise ADP allocation is ranked, the ministries/divisions engaged with heavy infrastructure projects are observed to get the top allocation in ADP. If the trend of the last five year's allocation to ministries is considered, we see that in every year approximately three-fourths of the total ADP is being allocated to ten ministries or divisions whereas the remaining 25 percent are distributed among 44 other agencies.

ADP reflects on the declaration of Vision 2021

Figure 3.2.2: Top ten recipient agencies of ADP in last five years (2011/12-2015/16)



Three-fourths of the total ADP is allocated to ten ministries

If the ministries/ divisions are ranked based on the allocation they received in the last five years, Figure (3.2.2) shows that the list is quite consistent. From FY 2011 till now, LGD, Power Division, Primary and Mass Education, Health and Family Welfare, Railway, Road Transport & Highways, Education, Water Resources, and Energy and Mineral Resources are the ministries/divisions in the list of top ten receivers of ADP allocation. Ministry of Industries also remains in the top ten in the last four years except the current fiscal year, where it is replaced by the Ministry of Housing and Public Works. However, the ranking also shows that the difference in allocation is also very high within the top ranked ministries. While Local Government and Power Divisions receive almost equal share (16 percent to 17 percent) in the current fiscal year, the third ranked ministry receives half of what the Power and Local Government Divisions receives. The deviation within the other ministries are not very pronounced, as seen in Figure 3.2.2.

Top ten receivers of ADP allocation is quite consistent over the years

LGD and Power Division receives highest share

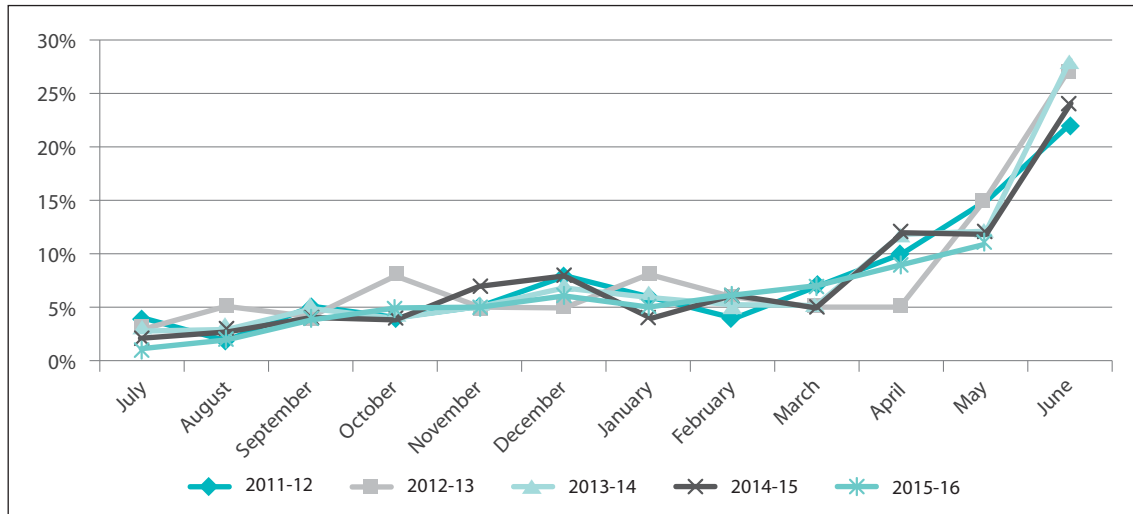
Budget spending rises in the last quarter of the year

Among top ten ministries, highest rate of spending is recorded for Roads and Transport division

3.2.4 ADP utilisation in ministries with highest allocation

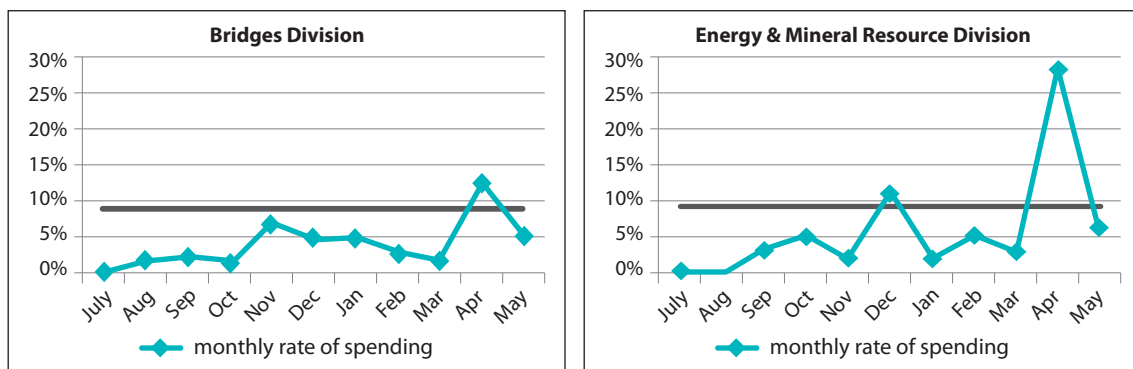
The annual ADP utilisation data shows that from 2011 till 2015 the rate of ADP utilisation remains at a range of 80 to 95 percent. The month wise disaggregated data for the last five years is shown in Figure 3.2.3. The graph reveals that monthly utilisation trends for the last five years have similar patterns. After a slow start in July, the rate of spending slightly increases during the second quarter of the fiscal year¹ and slows down in the next quarter. The spending again records a sharp rise in the last quarter of a year.

Figure 3.2.3: ADP utilisation by month (2011/12-2015/16)



To see if the individual ministries follow the same trend, we looked into the expenditure pattern of ministries receiving highest allocation in the current fiscal year. It is worth mentioning that the highest rate of spending in 11 months is as high as 75 percent, recorded for Roads and Transport division. The other two agencies which could spend more than 70 percent of their allocation are Local Government Division and Power Division. The rest have more than 30 percent of unspent budget which needs to be spent in one month (Figure 3.2.4).

Figure 3.2.4: ADP utilisation by ministries receiving top allocation



1. Except FY 2011-12, the trend line follows a slightly different trajectory than the rest of the years.

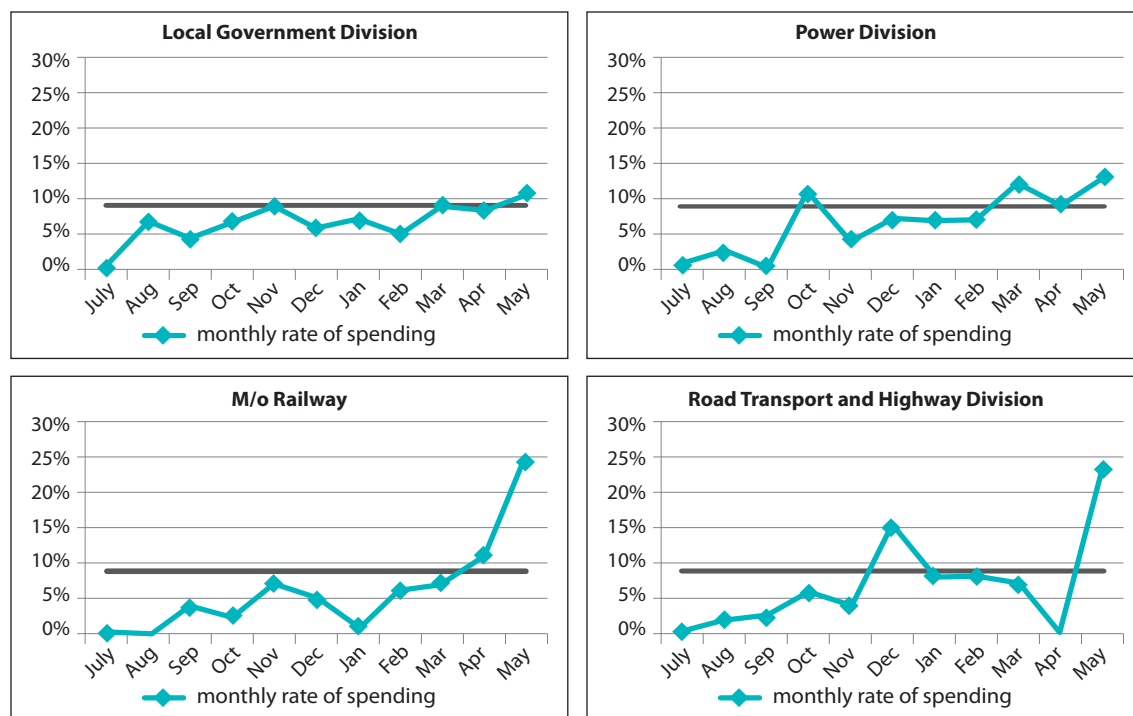
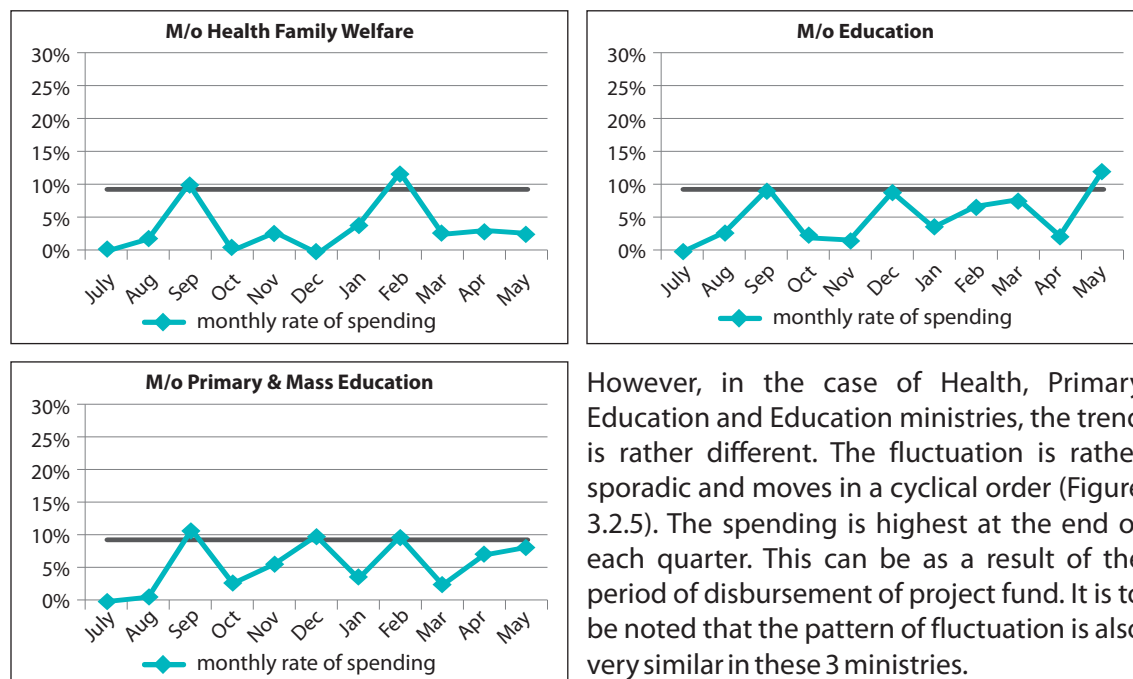


Figure 3.2.4 presents a series of trend lines for ministries which are mostly involved in infrastructural projects. Looking at the month-wise spending pattern for those ministries, it appears that the pattern is similar to aggregate spending shown in Figure 3.2.3. The average spending in the first three months is less than five percent which tends to increase in the second quarter to a maximum of ten percent followed by a slow spending in third quarter. The last quarter shows a sharp increase in spending across all the ministries. Among the ministries, Local Government Division follows a steady spending pattern throughout the year compared to other ministries.

Figure 3.2.5: Spending in ministries with top allocation (social sector)



However, in the case of Health, Primary Education and Education ministries, the trend is rather different. The fluctuation is rather sporadic and moves in a cyclical order (Figure 3.2.5). The spending is highest at the end of each quarter. This can be as a result of the period of disbursement of project fund. It is to be noted that the pattern of fluctuation is also very similar in these 3 ministries.

Average ADP spending in 1st quarter months is less than five percent

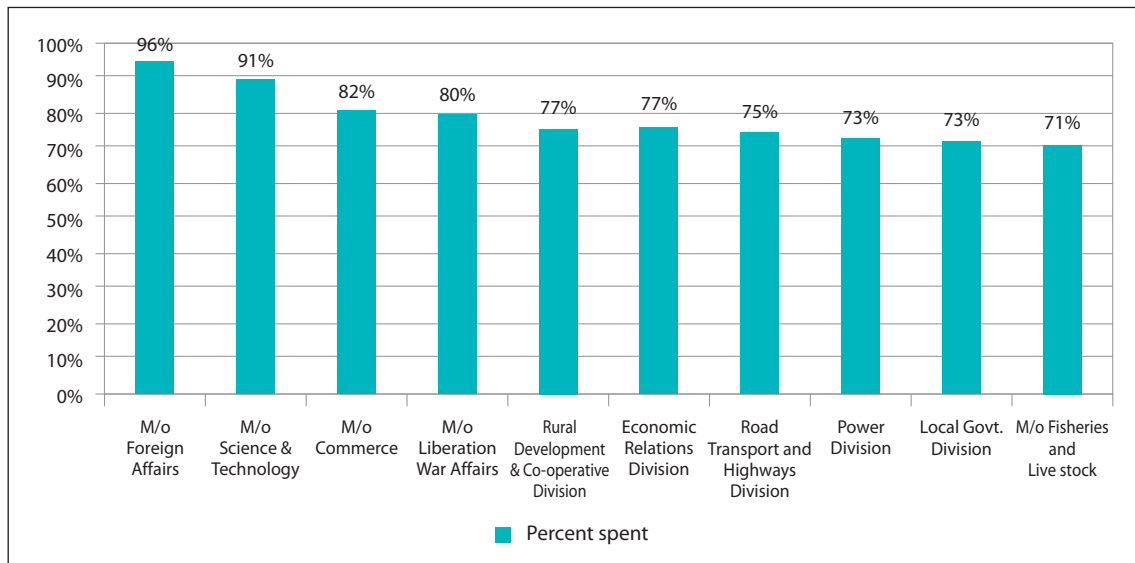
7 ministries have 30 percent of unspent budget

62 percent of total ADP allocation was spent in the FY 2015-16

3.2.5 Ministries with highest rate of spending

When the rate of ADP utilisation is considered, Figure 3.2.6 shows that on average 62 percent of total ADP allocation was spent in the fiscal year 2015-16. When ministries are ranked according to their performance in utilising the budget, it turns out that the variation among ministries is quite pronounced even among the top 10 ministries, varying between 91 percent and 71 percent. Only 2 ministries spent more than 90 percent of their budget while another 2 ministries spent around 80 percent. The rest could only spend about 70 percent of their development budget.

Figure 3.2.6: Top ranked ministries/divisions in terms of budget utilisation



In the above section, it is seen that the overall ADP utilisation remains slow in the beginning of the year and is given a boost up at the end of the year. There is variation among individual spending patterns across ministries and some ministries are more efficient in spending their allocation compared to others. Further scrutiny is required to understand the reasons behind the delay in implementation.

3.3 Mobile Court

3.3.1 Introduction

The Mobile Court (MC) may be defined as a court that moves from place to place, finds offenders and delivers justice on the spot – such as receiving complaint, preparing seizure list, framing charges, recording confessional statement and passing verdict easily and quickly. The Mobile Court, as a device that helps the judicial system reduce its burden, has been introduced to ensure compliance of businesses and service providers to various laws and thereby to render justice at the field level. The necessity for the Mobile Court was perceived to draw direct linkage between citizens and the Court by ensuring consumer rights, deterring a range of issues from drug dealing and food adulteration, restraining eve teasing, preserving human rights and the environment to public smoking, cruelty to animals and so forth.

In the traditional system of mobile court operation, multi- dimensional problems arose in terms of its functioning, legal basis, logistics support, and acceptance to the vested segment. Some enthusiastic government officers defying all these problems became popular media personalities as they conducted frequent Mobile Courts and fined a number of business establishments for selling adulterated food, fertiliser and stocking expired raw materials, as well as for other acts of non-compliance (The Daily Star 2006, 2007). Having realised the popular acceptance of the Mobile Court, the government decided to expand its operations throughout the country. But considering the reality of the judicial system in Bangladesh, courts needed to be efficient, effective and transparent in order to render justice to the people. Introduction of e-Mobile court in 2015, discussed later in this section, was a spot-on initiative to fulfill that need.

3.3.2 Legal basis of Mobile Court

Mobile Court Ordinance was first drawn up in 2007. Subsequently, in the first session of the 9th Parliament, the Mobile Court Ordinance was abolished and replaced with the Mobile Court Act 2009. The jurisdiction of the Mobile Court ranges within 85 Acts entailed as the Schedule in the Mobile Court Act 2009. Executive Magistrates and District Magistrates have been empowered to recognise certain criminal activities instantaneously on the spot under these Acts.

3.3.3 Procedure of trial by Mobile Court

The Mobile Court disposes off most of the cases instantaneously. Clause 8, Section 1 of the Mobile Court Act 2009 provides that in trying a case under the jurisdiction of the Mobile Court, the maximum punishment that can be awarded is two years of imprisonment, no matter what penalty is provided by the related law of the offence.²

Section 2 of Clause 8 says that the fine prescribed in the relevant law for the offence being tried may be attributed, or fine within the specified range may be imposed.³

Section 3 of Clause 8 provides that fine and imprisonment shall be realisable and imposable as prescribed in the Criminal Procedure Code.⁴

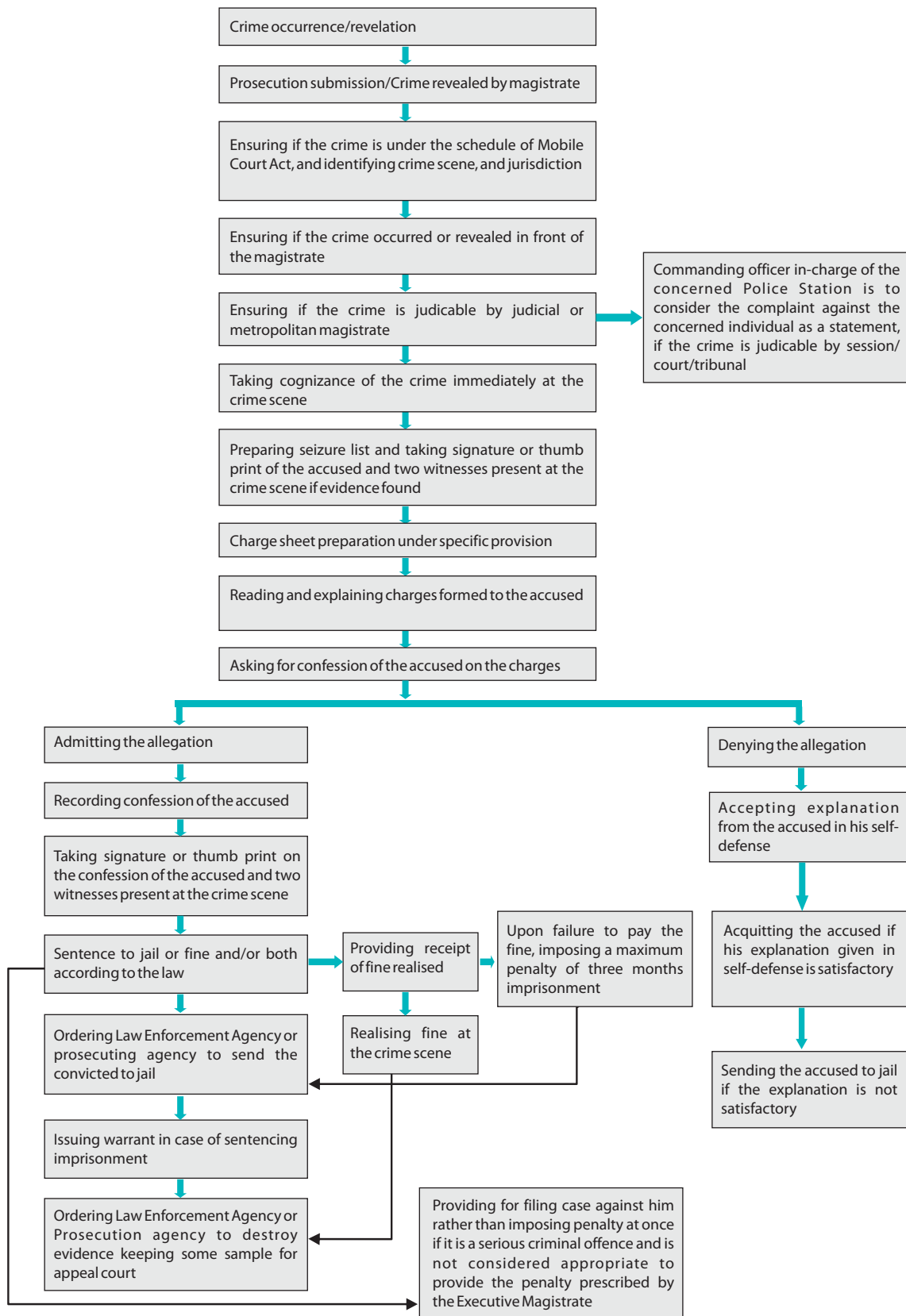
Clause 9 of the Mobile Court Act 2009 clearly says that fine shall have to be realised instantly after the accused becomes convicted. If unable to pay the fine, simple imprisonment will be effective at once, which shall not exceed 3 months. If total fine is paid in the middle of the imprisonment, the accused will be released immediately from prison.⁵ The detailed procedure of the Mobile Court conduction has been delineated in Figure 3.3.1.

2. Mobile Court Act, 2009

3. *ibid*

4. *ibid*

5. *ibid*

Figure 3.3.1: The Procedure by which Mobile Court is conducted

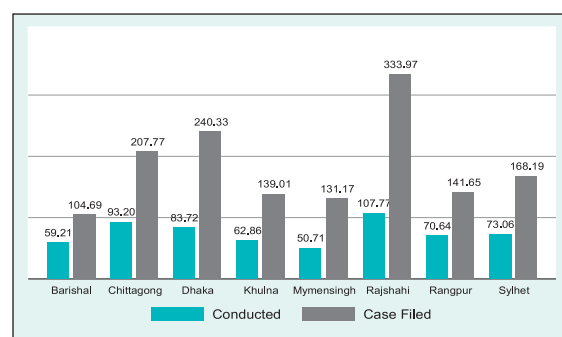
Source: Mobile Court Guideline, Cabinet Division

3.3.4 Statistics of Mobile Court operation

In order to understand the current state of the mobile court in Bangladesh, we use detailed monthly data on Mobile Court conducted by the Executive Magistrates from June 2015 to May 2016. These data are submitted to the Cabinet Division every month by the DC office and shared by the Access to Information (A2i) programme. The objective of this section is to provide a comparative picture of Mobile Court operations in the 8 divisions of Bangladesh.

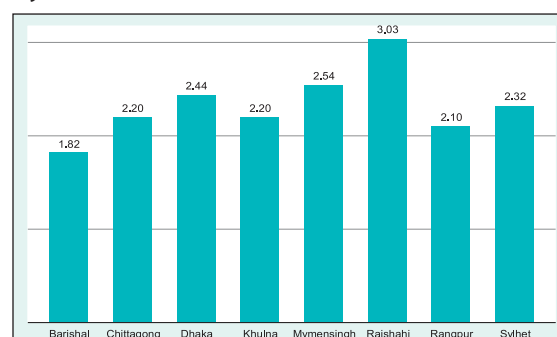
It needs to be clarified here that the variation of numbers among divisions on different indicators is not solely caused by the varying number of districts under each division. For instance, Rajshahi division has the highest number of Mobile Court operations despite having only 8 districts, while Dhaka division stands second in conducting Mobile Court despite having 13 districts (see Figure 3.3.2).

Figure 3.3.2 Average mobile court conducted and case filed by division



Source: a2i

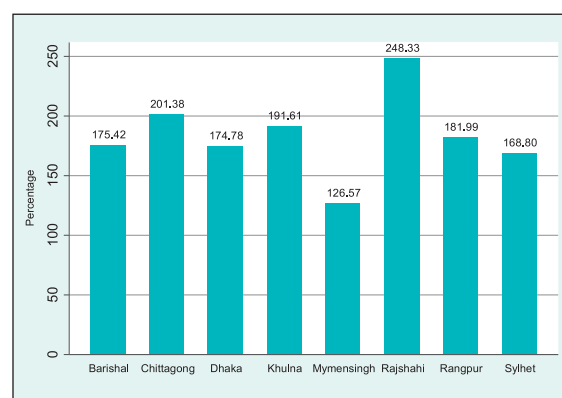
Figure 3.3.3 Case filing rate per mobile court by division



Source: a2i

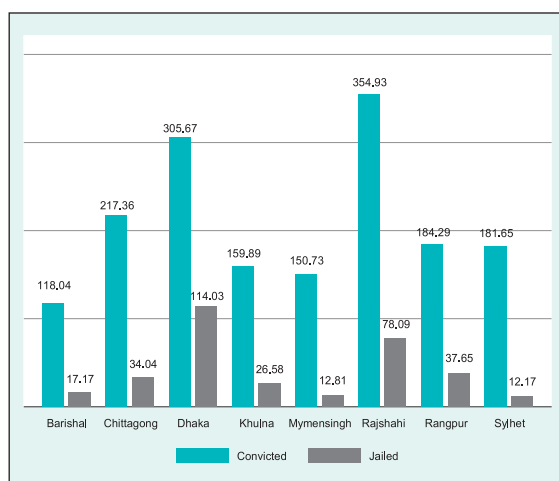
Figure 3.3.2 presents average Mobile Courts conducted and case filed by division during the period of June 2015 to May 2016. Figure 3.3.3 shows average case filing rate per Mobile Court at the divisional level. In Figure 3.3.2, it is clearly demonstrated that Rajshahi division stands out by conducting an average of 108 Mobile Court per district in 1 month. As Figure 3.3.3 shows, Rajshahi division also has the highest case filing rate per Mobile Court which is 3.03. Chittagong division conducting 93 Mobile Court per district each month holds second position. However, when it comes to case filing ratio to the conducting of Mobile Court, Chittagong division stands at 5th. Mymensingh division represents the lowest average (51) of conducting Mobile Courts per district followed by Barisal, Khulna, Rangpur, Sylhet and Dhaka accounting for 59, 63, 71, 73 and 84 respectively.

Figure 3.3.4 Mobile court conducted as percentage of target by division



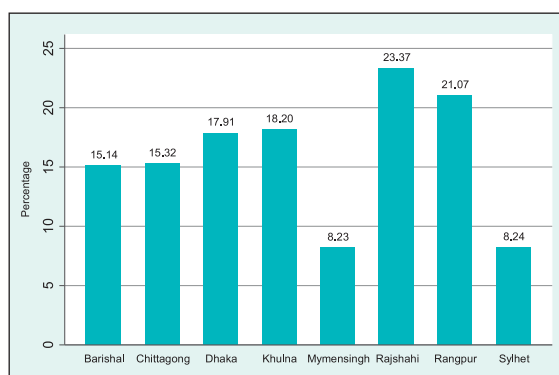
Source: a2i

Almost all districts of the 8 divisions have achieved their targets for conducting Mobile Court with a significant higher percentage than required. Figure 3.3.4 shows that Rajshahi division has made a stunning achievement in this regard with 248 percent Mobile Courts conducted compared to the targets followed by Chittagong, which conducted 201 percent of the targeted number of Mobile Courts. Khulna division ranked at 3rd position with 192 percent of the target.

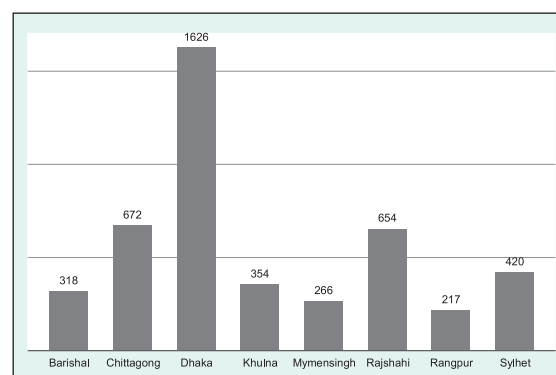
Figure 3.3.5 Average mobile court convicted and jailed by division

Source: a2i

Figure 3.3.5 depicts average Mobile Court conviction and jailing by division. The graph clearly singles out Rajshahi division having the largest number of average convictions, that stands at 355. This is understandable from the fact that this very division has the highest number of Mobile Courts conducted as presented before in Figure 3.3.2. By contrast, average conviction share of Dhaka division is the second largest (306), followed by Chittagong division having an average of 217 convicts per district in each month. Barisal division has the least number of convicts, at 118 per district per month.

Figure 3.3.6 Mobile court Jailed as percentage of conviction by division

Source: a2i

Figure 3.3.7 Average fine realised through mobile court by division

Source: a2i

Figure 3.3.6 presents the monthly average number of persons jailed as a percentage of convicted persons per district. Here also, Rajshahi division has the highest proportion of jailed as a percentage of convicted persons, accounting for 23 percent in each district. Rangpur division follows by having 21 percent of total convicts jailed. The rate at which convicts are put to jail is the lowest in Sylhet and Mymensingh, 8.24 percent and 8.23 percent respectively.

Figure 3.3.7 exhibits the amount of fines collected in each district by divisions. The highest average fine is collected in districts of Dhaka Division amounting, on an average, to about Tk 1,626 thousand. Chittagong stands second with Tk 672 thousand whereas Rajshahi fines Tk 623 thousand per district on an average. Districts in the newest divisions of Rangpur and Mymensingh collected lowest amount of fines, Tk 217 thousand and Tk 266 thousand respectively.

3.3.5 Introduction of e-Mobile Court

As a sign of popularity and government's recognition of the Mobile Court, a policy is undertaken to transform the manual court conduction process into an electronic process. Access to Information (a2i) Programme of Prime Minister's Office has developed the 'Mobile

All divisions have outperformed the Mobile Court operation

Court Management System' (MCMS) in association with United Nations Development Programme (UNDP), with the broader aim to materialise Vision 2021. The System is envisioned as the 'e-Court System' of the future which may be extended to other Courts, i.e. the lower and higher courts of the whole judicial system of Bangladesh.

Unlike the manual system which is as elaborate as shown in the above flow chart (Figure 3.3.1), executive magistrates can carry out different functions of a Mobile Court (such as issuing complaint petition, preparing seizure list, framing charges, recording confessional statement and passing verdict) online and even offline if required in an easier and quicker manner using MCMS. Through this online system, the citizens can easily inform or complain against any crime directly to the District Magistrates or the Executive Magistrates of their respective jurisdiction. On top of these, magistrates of a particular district have to enter and update data under different variables e.g. how many Mobile Courts are conducted, how many cases are filed, how many are convicted and jailed, how many fines are realized etc in the MCMS system by the 7th of each month. Designated officials can access to the system to check if data has been entered and/or updated. If not entered or updated, the respective magistrate of the district is reiterated to do so.

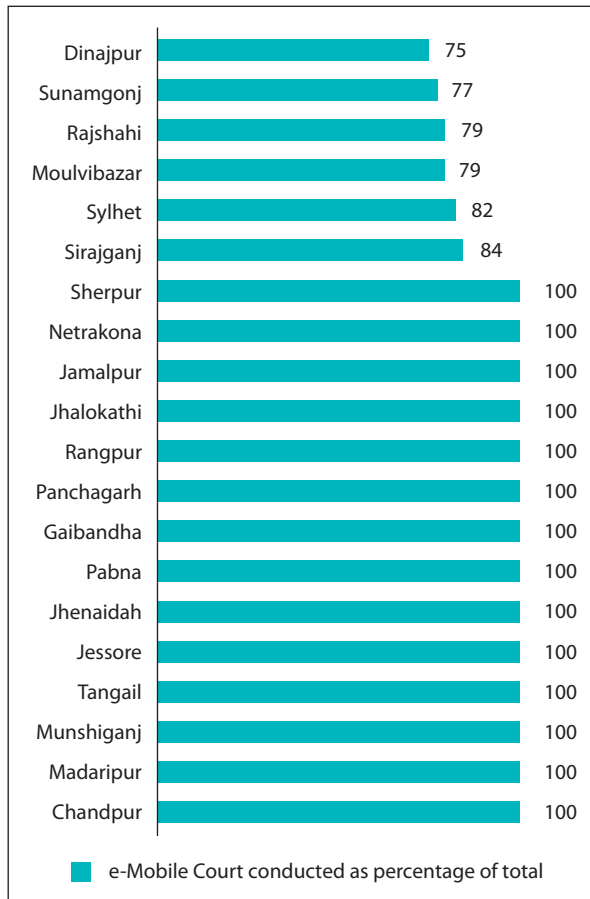
3.3.6 Current status of e-Mobile Court operation

The E-Mobile Court system has been introduced on a phase by phase basis. In the first phase four districts e.g. Munshigonj, Sirajgonj, Chittagong and Rangpur adopted the system in August 2015. In January 2016 eleven more districts, Chandpur, Feni, Pabna, Jessore, Jhenaidah, Jamalpur, Moulovibazar, Shunamgonj, Tangail, Pirojpur and Jhalokathi had the system in place and started conducting Mobile Courts using the online platform developed by a2i. By now almost all the districts have had e-Mobile Court system taken up. However, performance when it comes to conducting Mobile Court electronically instead of using traditional methods varies across districts.

Box 3.3.1: Case of Nitu

Thirteen year old Nitu is an eighth-grade student of a school only half a kilometer away from where she lived with her family in Chittagong district. On her way to school, she was often stalked by her 22-year-old male neighbor and some of his friends who used to block her way and gave out vulgar comments, smutty jokes and even made indecent exposures. The neighbor was alleged to have been stalking her and her friends for several months. One day she saw a TV advertisement on e-Mobile Court System and was surprised to learn how she could easily use her father's smart phone and send a complaint through www.ecourt.gov.bd against the boys to the District Magistrate. Formerly afraid of the complex system of lodging a complaint, she now did that easily. After only three days, the mobile court team went to the spot and caught and punished the culprits and brought justice to Nitu and the other girls in the neighborhood. She was even pleased to find a notification in her father's mobile saying 'Your complaint has been disposed off'. Now girls like Nitu in the rural backwaters of Bangladesh can easily take help from the legal system without facing the seemingly complex system or fear of being vilified by the society. (Adapted from a2i)

Rajshahi division stands out in operating the highest number of Mobile Court

Figure 3.3.8 High performing 20 districts conducting e-Mobile Court in October' 16

As Figure 3.3.8 shows, during the month of October 2016, 100 percent of all Mobile Courts have been operated electronically in 14 districts. Other districts have also been making progress in adopting e-Mobile Court gradually.

It would be too early to conclude that performance of the executive magistrates in conducting Mobile Court will be efficient once e-Mobile Court is implemented across all districts of Bangladesh. It will take time and effort for the electronic system to replace the traditional one as many officers may not find the former comfortable. Besides, there is always resistance to accept a new system in the bureaucracy. However, we observed substantial commitment of the government officers and e-Mobile Court implementing authorities to embed the system into the field administration while interviewing them. Once replaced, the new system would hopefully have an impact on other activities of the concerned officers.

Source: a2i

3.4 Transparency and Right to Information (RTI) in the public sector

3.4.1 Introduction

In the wider context of democratic, participatory, transparent and accountable governance system, freedom of and access to information is currently considered to be as valuable as other basic rights of a common citizen (Right to Information Forum 2012). The RTI can not only empower the people to hold the authorities including the Government accountable, but also indeed in its spirit has the potential to revolutionise the concept of democratic governance - governance that engages the people to establish democracy with the people (Iftekharuzzaman 2010).

It is increasingly recognised that impediments to information feed corruption by allowing hidden public spending deals. Secrecy also creates inability at the citizens' end in assessing government decisions. It is from this perspective that access to information is predominantly thought of as a tool to fight corruption. However, access to information is equally important in strengthening citizens' role in enhancing governance efficacy of the leaders as well as meeting their own responsibilities in a participatory and transparent governance framework. As such, access to information is now thought of as a cornerstone of democracy (Neuman 2002).

3.4.2 RTI in Bangladesh

In Bangladesh, the Right to Information (RTI) Act came into force on 1 July 2009. The purpose of the RTI Act, stated in the Preamble, is to increase transparency and accountability, decrease corruption and establish good governance. The government of Bangladesh introduced RTI so that citizens are able to access public information that in turn ensures transparency and public officials' accountability for their responsibilities and the expenditures they make. Corruption is very hard to uproot in its entirety but information disclosure can control it to some extent. The Government perhaps initiated RTI in that spirit. Besides, there is a constitutional mandate for upholding the right of citizens to seek and receive public information.

RTI Act came into force in 2009

It has been observed though, that to realise the above purpose, only enactment of the law is not enough. As Mustonen (2006) pointed out, enactment of the law marks the beginning and not the end. Furthermore, general indifference of civil society groups, professional groups, including lawyers, political parties and the media towards the law may hinder the effective implementation of the Act regardless of the Strategic Plan drafted by World Bank (Bari 2013). Also, lack of awareness from the demand side, culture of fear and secrecy, and capacity of the government agencies and coordination among them are reasons for sluggish implementation of the RTI Act.

3.4.3 Constitutional framework

Article 39 of the Bangladeshi Constitution guarantees the right of every citizen to freedom of speech and expression and freedom of the press, and subjects these rights to reasonable restrictions in the interest of state security, friendly relations with foreign states, public order, etc. The right to seek, receive and impart information is not explicitly mentioned, although the Preamble of the Right to Information Act stipulates that this right is an inalienable part of freedom of expression.

3.4.4 Scope

Only citizens have the right to demand and receive access to information from public bodies. The scope of the RTI Act in relation to bodies liable to provide information extends to the executive, legislative branch and organisations that undertake public functions. Private organisations with government or foreign funding are included, which applies to NGOs, and other private bodies. However, the Act excludes state security and intelligence agencies, unless information sought pertains to corruption and violation of human rights in these institutions. The definition of "information" is broad: any documentary material relating to the constitution, structure and official activities of any authority regardless of its physical form or characteristics (including machine readable records) fall within this definition (RTI Act 2009).

The Act excludes state security and intelligence agencies, unless information sought pertains to corruption and violation of human rights in these institutions

3.4.5 Proactive disclosure

The RTI Act includes a long list of information that should be proactively published, although it does not explicitly mention that such information should be available online. This includes information on decisions, activities, policy related documents and reasons for their adoption. On an annual basis, every authority shall publish a report containing information about its structure and activities, rules and regulations, conditions on accessing services and information on access to information officers (RTI Act 2009).

3.4.6 Disclosure upon request

As a rule, information seekers are required to fill out a form to request documents, but if the form is not easily available, the information may be requested in writing (without a form) or on an

electronic form. The applicants need to identify themselves only by name and address, describe the information sought so that it can be identified, and note the form in which they wish to obtain the documents. Individuals have the right to receive a copy, inspect the documents, take notes or use any other 'approved method'.

Each body must appoint a designated officer. There is no general requirement to provide assistance to all applicants, but if the applicant is a person with a disability, the authority must provide such assistance as necessary for him or her to access the requested information. If the authority is not in possession of the information sought, there is no procedure in place to refer the request to another body.

The authority must provide the information within 20 working days, unless the information relates to life and death, arrest or release of persons, where the deadline is 24 hours. If more than one authority is involved in the decision making, the information may be provided within 30 working days. If the authority decides to refuse access, the decision must be issued within 10 working days. In case of administrative silence, the request is presumed to be rejected.

A reasonable fee may be imposed for obtaining information and the price should not exceed the actual expenses. The regulation on fixing the fees should be published in the official gazette. The fee regulation may also include provisions for fee waivers (RTI Act 2009).

3.4.7 Appeals

The Act explicitly bars access to a court following a denial of the right to information, but establishes the Information Commission, an independent appeal authority with strong competences. The Commission is formed of a Chief Commissioner and two Commissioners, appointed by the President with respect to a gender balance requirement. This oversight body handles appeals against refusal decisions, administrative silence, imposition of unreasonable fees, incomplete, misleading or false information and other violations of the RTI Act. The Commission may conduct inspections, has other strong oversight powers and issues binding decisions. The Commissioners may also conduct other tasks, such as promoting the right to information, issuing policy recommendations, researching on the impediments to the right to information and so forth (RTI Act 2009).

3.4.8 Sanctions

The RTI Act prescribes fines for officials who fail their duty to justify the refusal, to decide upon the request in due time, to give misleading or false information or who create impediments to the right to information. The Commission may also recommend the authority to take departmental action against the responsible official. In such a case, an official may be fined Tk 2000 (RTI Act 2009).

3.4.9 Implementation of the RTI Act

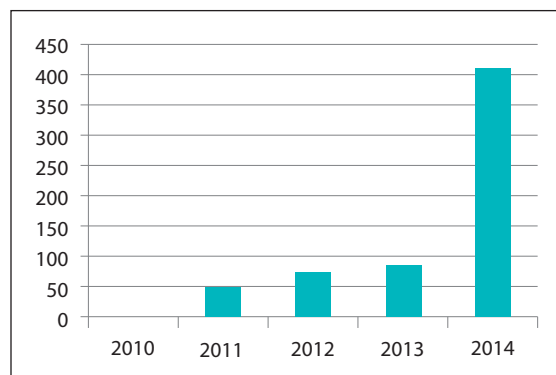
Several groups have noted that the RTI Act has a concrete effect on the ground, a possibility to achieve societal change (The World Bank 2011). However, civil society groups report that implementation of the RTI Act is a challenging process, not least because of the "culture of fear" and the lack of trust (freedominfo.org 2014). The World Bank has drafted a Strategic Plan on implementation of the RTI for 2014-2018, which identifies areas where implementation has stayed behind the promises of the RTI legislation, in particular lack of awareness on the demand side and lack of capacity on the supply side, as evidenced by some data presented and interpreted below.

The Act explicitly bars access to a court following a denial of the right to information

Implementation of the RTI Act is a challenging process

Following the enactment of the RTI Act, the Government of Bangladesh has taken initiatives i.e. creating a commission, designating officials in each office and ordering private organizations to do the same and also training them.

Figure 3.4.1: Percentage of officers trained against officers designated



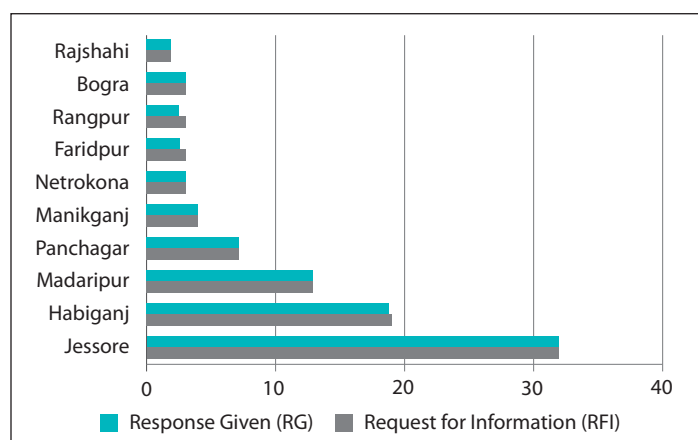
Source: Bangladesh information commission

Figure 3.4.1 shows training of officers as percentage of total designated officers for RTI. Clearly, training provided throughout the year has grown exponentially from just 3 percent in 2010 to 410 percent in 2014. However, this remarkable increase means officers other than the designated ones also have obtained training. Before 2014, the rising trend is marked by 46 percent, 72 percent and 82 percent increase of officers being trained out of total officers designated in 2011, 2012 and 2013 respectively. However, this upward trend in

both designating officers and training them does not seem as effective as it looks. According to Information Commission data, only 20136 officers have been designated in both government and private organisations which seems inadequate to keep up with the growing demand for information. Although 80 percent of them have been trained already, this does not add up until required numbers of officers are in place.

When it comes to district-wise request for information (RFI), it is seen that only 10 districts out of 64 receive 89 percent and 92 percent RFI in 2010 and 2014 respectively. However, there is also wide variation in these 10 districts in receiving requests. Jessore in 2010, for instance, tops the list by receiving 32 percent of all requests followed by Habiganj and Madaripur whose percentage stands at 19 percent and 13 percent respectively. Rajshahi, Bogra, Rangpur, Faridpur and Netrokona are amongst the lowest receiving RFI, accounting for only 2 percent to 3 percent each. However, all these 10 districts have discharged information at a percentage almost equal to that of their RFI, meaning RG ratio to RFI has been the same with only a miniscule exception in some districts (see Figure 3.4.2).

Figure 3.4.2: Percentage of total RFI and RG in top 10 Districts 2010



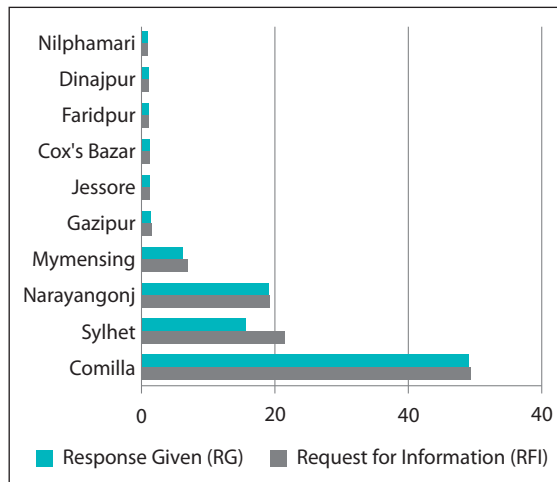
Source: Bangladesh Information Commission

2014 data exhibits significant changes in the demand for information to different districts. Considering the top ten districts, a whole new set of districts emerges on the list having the lion's share (92 percent) of RFI in 2014. Comilla takes the first position by receiving 44 percent of total RFI while Sylhet and Narayanganj stand second and third with 19 percent and 17 percent respectively (see Figure 3.4.3).

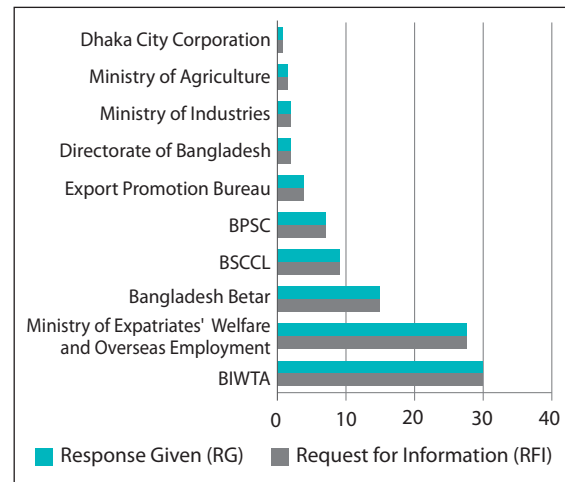
Training provided throughout the year has grown exponentially from just 3 percent in 2010 to 410 percent in 2014

Training is still inadequate

Top ten districts, ministries, and NGOs receive almost 80% to 90% RFI

Figure 3.4.3: Percentage of total RFI and RG in top 10 Districts in 2014

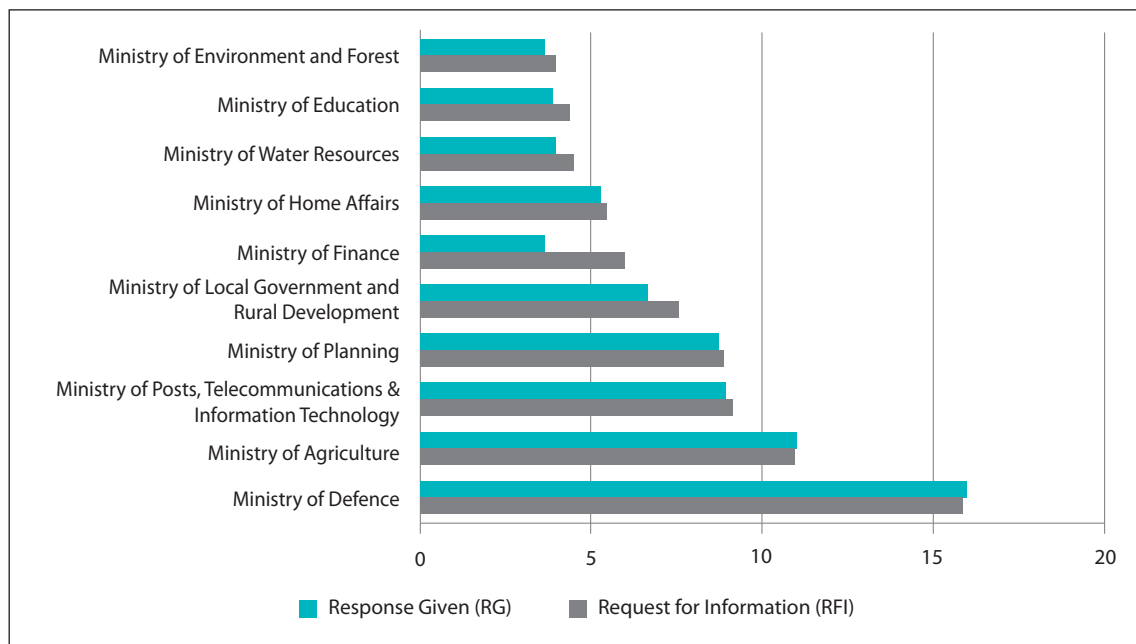
Source: Bangladesh Information Commission

Figure 3.4.4: Percentage of total RFI and RG in top 10 ministries/agencies in 2010

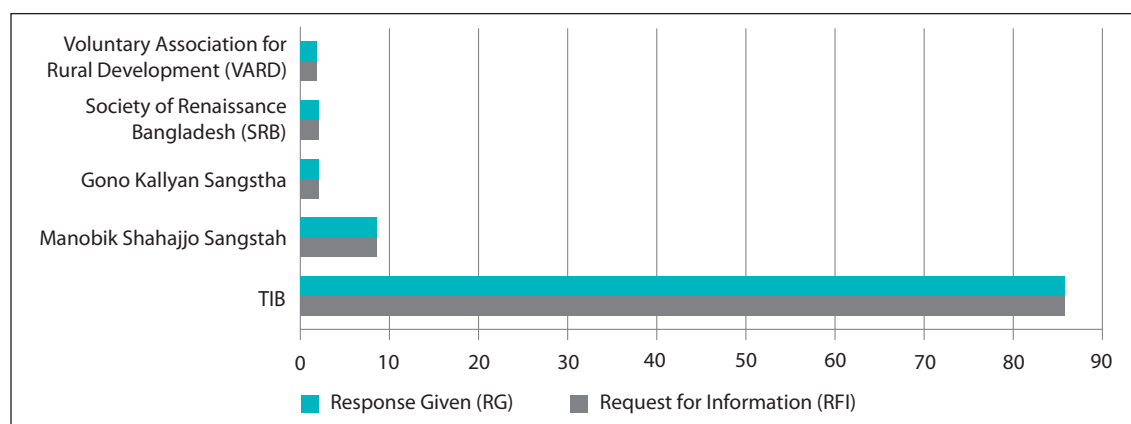
Source: Bangladesh Information Commission

Listed ministries and agencies throughout the year 2010 to 2014 was maintained at 100 percent

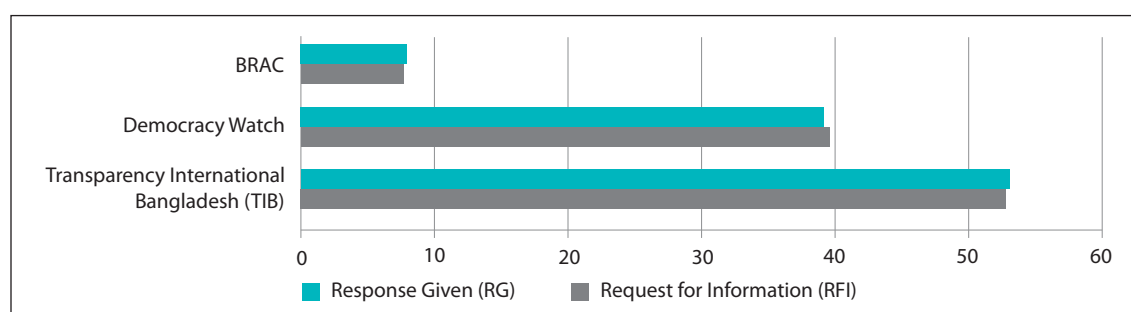
A similar picture is seen in terms of ministries/agencies and private organisations/NGOs. Resembling the district group, a cluster of ten ministries attracts the majority (98 percent in 2010 and 76 percent in 2014) of the total RFI coming to all ministries. In 2010, Bangladesh Inland Water Transport Agencies have the largest share (30 percent) of RFI while in 2014 the Ministry of Defence takes over that place by having 16 percent share of the total RFI. Amazingly, RG rate of almost all listed ministries and agencies throughout the year 2010 to 2014 was maintained at 100 percent, except for the Ministry of Finance whose RG rate is 4 percent against the total RFI received of 6 percent in 2014 (see Figure 3.4.4 and Figure 3.4.5).

Figure 3.4.5: Percentage of total RFI and RG in top 10 ministries/agencies in 2014

Source: Bangladesh Information Commission

Figure 3.4.6: Percentage of total RFI and RG in top 5 NGOs 2010

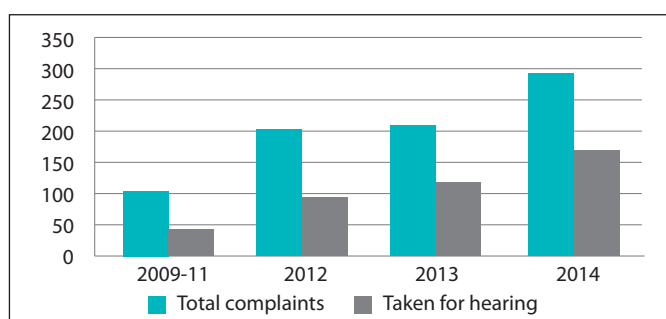
Source: Bangladesh Information Commission

Figure 3.4.7: Percentage of total RFI and RG in top 3 NGOs 2014

Source: Bangladesh Information Commission

The position of NGOs with regard to the RFI and RG is rather uninteresting. Transparency International Bangladesh (TIB) is the only organisation citable that receives the most RFI from 2010 to 2014. TIB leads both in 2010 and 2014 in receiving RFI with the rate of 85 percent and 53 percent respectively. Here too, the group effect is seen to have been in place. Only 3 to 5 organizations are worth mentioning who have activities regarding information request and delivery (see Figure 3.4.6 and Figure 3.4.7).

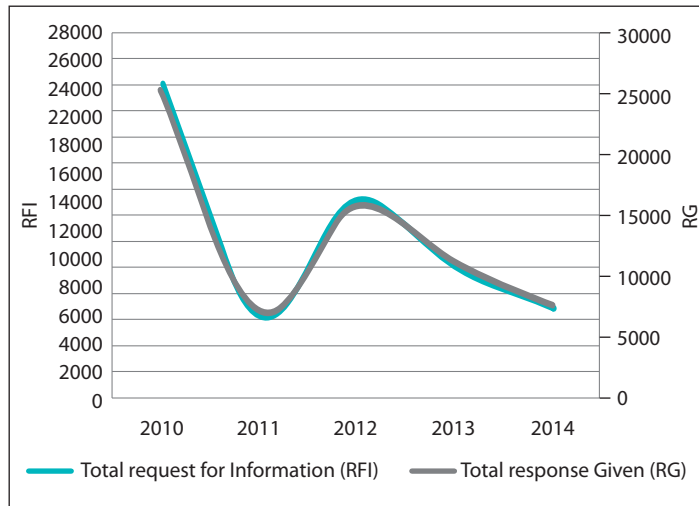
As discussed earlier, almost all districts, ministries/agencies and NGOs have almost 100 percent delivery rate for information. The unmet demands (rejected or poor quality information) for information are facilitated by a provision in the law where the information seekers can complain and the concerned authority is supposed to take action accordingly.

Figure 3.4.8: Complaints and hearing ratio

Source: Bangladesh Information Commission

As Figure 3.4.8 points out, unlike the RG rate to RFI, total complaints 'taken for hearing' have maintained a wide gap with the total complaints. During 2009-11, 42 percent of total complaints were taken for hearing. The rate increases from 47 percent to 58 percent over the period of 2012 to 2014.

Overall, there has been a diminishing trend of RFI during the 2010 to 2014 period

Figure 3.4.9: Overall RFI and RG trend

Source: Bangladesh Information Commission

Figure 3.4.9 shows the diminishing trend of RFI from 2012 to 2014 despite the fact that it had an ambitious start in 2010. The year 2011 experienced a sharp decline in the number of RFI followed by a sharp increase in 2012. After that, both RFI and RG rate started dropping slightly until 2014. It is also apparent from the figure that the overall RFI and RG ratio gap has not widened from the inception to the end of the studied years.

The demand for information has not increased as expected

The above discussion around RFI and RG ratio in different districts, ministries, agencies and NGOs clearly indicates that the demand for information has not increased as expected. This may partly be due to lack of awareness on citizen's right to accessing information. Besides, the process of fetching information from offices, particularly government agencies, is far from straightforward. Lack of knowledge of government services, transport hassles, delay and fear of rejection after all the effort being put, the cumbersome process after being rejected or being provided poor quality information make information elusive for the people who desperately need it at times. The role from the supply side i.e. failing to create environment and infrastructure, deploying human resources, lacking in capacity building have also been observed as the causality of the problems. However, the bright side is the proactive disclosure of information through the largest government portal in the world presumably helps a great deal to reduce RFI rate from the citizen end. So is true for NGOs and other organisations that develop their own websites and upload information for public use. Such efforts on proactive disclosure with maintenance of the government and private websites are essential to ensure citizen's access to information.

3.5 Anti-Corruption Commission and state of anti-corruption drive in Bangladesh

3.5.1 Introduction

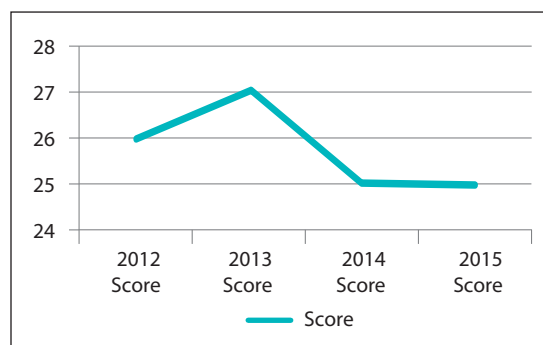
Corruption is one of the main impediments to good governance, which gradually weakens the key national institutions and spoils development initiatives. As already evident in Bangladesh, corruption slows down economic development, prejudices development of public services and weakens democracy and rule of laws (Iftekharuzzaman 2011). International development partners and investors, along with the national representatives of the civil society have shown much apprehension about the rise of corruption in Bangladesh. Citizens of Bangladesh experience corruption at almost every stage and have accepted it as a part of their daily lives (Parnini 2011). Based on a nationally estimated amount of bribes paid to different service sectors during November 2014 to October 2015, TIB National Household Survey 2015 found that in Bangladesh the annual cost of bribery is Taka 8821.8 Crore (estimate based on the services covered by the survey), which is 0.6% of GDP and 3.7 percent of the National Budget of the same year. 67.8 percent households experienced corruption while trying to get services

from different public and private sectors or institutions (TIB 2016). According to the report, this estimate would be much higher if all sectors were included. The Finance Minister of Bangladesh has also mentioned that corruption is eating up 2.0 to 3.0 per cent of the GDP in Bangladesh (The Financial Express, 2015). However, the overall impact of corruption on the socio economic development of Bangladesh is huge. Funds raised through corruption is even used in militancy, as reported by the current Anti-Corruption Commission (ACC) Chairman (The Daily Star 2016a).

3.5.2 Score of Bangladesh in CPI

According to the annual Corruption Perceptions Index (CPI) 2015, published by Transparency International-Bangladesh (TIB), Bangladesh slipped one notch to rank as the 13th most corrupt country in the world, as the country's score remains the same as it was in the last report – 25 out of 100 (0-highly corrupt to 100-very clean), a country's rank indicates its position relative to the other countries in the index) – when Bangladesh ranked 14th in the world.

Figure 3.5.1: CPI score for Bangladesh



Source: TI 2016

According to the report, in South Asia, Bangladesh is the second most corrupt country (The Daily Star 2016b). The Government recognises that without a strong anti-corruption strategy, the ability to implement its Vision 2021 and the five year development plans and the Perspective Plan will be seriously compromised. Thus the Government has shown determination to confront and root out corruption from Bangladesh (GoB 2012 and GoB 2015).

3.5.3 Bangladesh's preparation for anti corruption

The Prevention of Corruption Act 1947 is the earliest piece of legislation relating to anti corruption in Bangladesh, through which the Bureau of Anti Corruption was established. Some of the other legislations are the Anti-Corruption Act 1957, the Anti-Corruption Rules 1957, and the Criminal Law Amendment Act 1958. The current Anti Corruption Commission was established by the Anti Corruption Commission Act 2004. The Anti Corruption Commission (ACC) Rules 2007, The Anti Money Laundering Prevention Act 2012, Government Servant (Conduct) Rules 1979, Public Procurement Act 2006, Public Procurement Rules 2008, The Right to Information Act 2009, Representation of the People's Order (RPO) 1972, and The Whistleblower Protection Act 2011 are also some of the important legislations for anti-corruption drive. Besides the national legislations, Bangladesh has also ratified the United Nations Convention against Corruption (UNCAC), on February 27, 2007 the first global legally binding instrument that addresses the full scope of institutional and legal settings needed to be in place to effectively combat corruption. This has been a significant and symbolic step, expressing the government's commitment to take swift and effective reform measures necessary to promote good governance, and prevent and fight corruption in compliance with international standards.

The Bureau of Anti-Corruption (BAC) in Bangladesh was initially set up as an *adhoc* organisation in 1957. Around the same time, the Anti-Corruption Act was passed (1957). After Independence of Bangladesh in 1971, the organisation was reformed to include the duties of the Special Police, after the Special Police was abolished. The next administrative changes were made in 1988

Despite the existence of the Anti Corruption Act, rules and a specialised agency, corruption in Bangladesh slowly worsened over time

According to the recent CPI report, Bangladesh is the second most corrupt country in South Asia

when the divisional anti-corruption offices were transformed into regional offices. With the return to democracy in 1991, the BAC came under the auspices of the Prime Minister's Office and failed to be an effective anti-corruption agency due to the administrative control and widespread politicisation of the public sector. Despite the existence of such a specialised agency, corruption in Bangladesh slowly worsened over time, although there were discussions on corruption during the reign of every government. However, the issue became a burning one when Bangladesh was placed at the bottom of the CPI report in June 2001. The state of corruption has somewhat improved since then, but there is still significant room for improvement.

3.5.4 ACC and its anti-corruption drive

The key features of an anti corruption agency should include the independent investigation and enforcement power, raising of public awareness and educating on matters of corruption, prevention and investigation, and undertaking a broader role to conduct research. The ACC must be politically independent both in law and in practice from the Government and have the political will to carry out its mandate (Charron 2008). In this connection the issue of leadership becomes a crucial element of independence. Only a strong and able leadership can be argued as the key catalyst for ensuring independence of these bodies. Constitutional and statutory protections are the necessary conditions for independence but strong leadership is the sufficient condition that ensures independence in practice.

Fiscal autonomy is obviously another important aspect of better performance for the ACC to function effectively. The role of the Ministry of Finance (MoF) and the Parliament is of crucial importance in this respect. According to the Anti-Corruption Act (2004), the Government will allocate a certain sum in favour of the Commission in expenditure, although obtaining permission to spend the allocated money is not required for the Commission. (Section 25, ACC Act 2004). However, there is no permanent source of funding for the ACC so that it can take initiatives independently for various purposes essential for the anti-corruption drive.

Broadly, the ACC is responsible for three types of work. Firstly, to promote values of honesty and integrity in order to prevent corruption and take measures to build up mass awareness against corruption. Secondly, to make enquiry and investigate into the scheduled offences on any allegation of corruption upon its own initiative, or upon an aggrieved person or by any person on his /her behalf. Finally, to file and conduct cases on the basis of enquiry and investigation (ACC 2016). The main of the three is to regulate cases against corrupt government officials, politicians and other private sectors. In the context of the huge population in Bangladesh and successful experience in other countries, it appears that the ACC is running with inadequate staff in combating corruption. It is also a fact that adequate staff even cannot effectively check corruption if they themselves are not honest and competent.

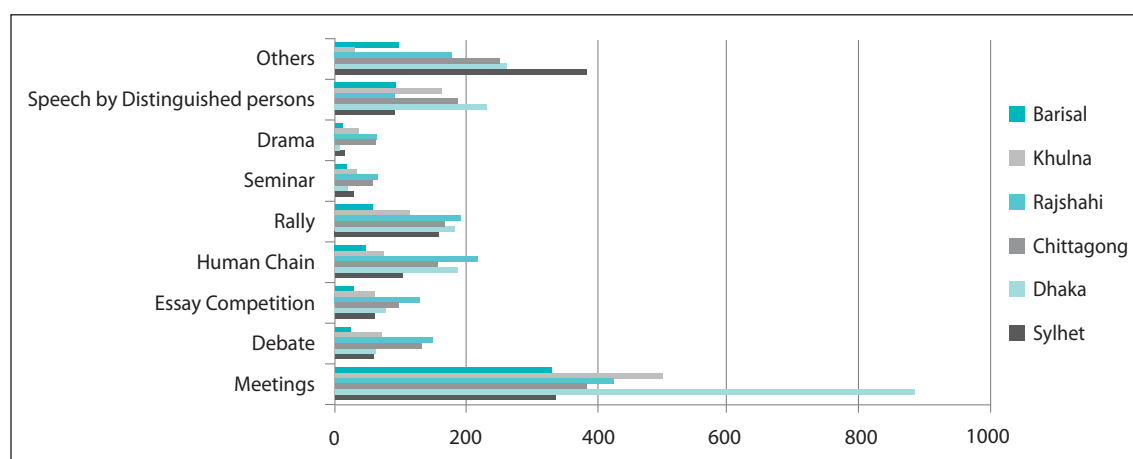
Prevention

According to the ACC, its key mandates include promoting values, integrity and taking measures to build mass-awareness against corruption. Six out of eleven functions of the ACC fall under the purview of corruption prevention. To implement this, ACC established the Corruption Prevention Committees at the upazila, district and metropolitan levels as well as 'Integrity Units' at educational institutions. Moreover, ACC organises various events to sensitise people against corruption (ACC 2015) (as discussed below).

ACC is responsible for three types of work: promoting values of honesty and integrity, enquiry and investigation, and filing and conducting cases on the basis of enquiry and investigation

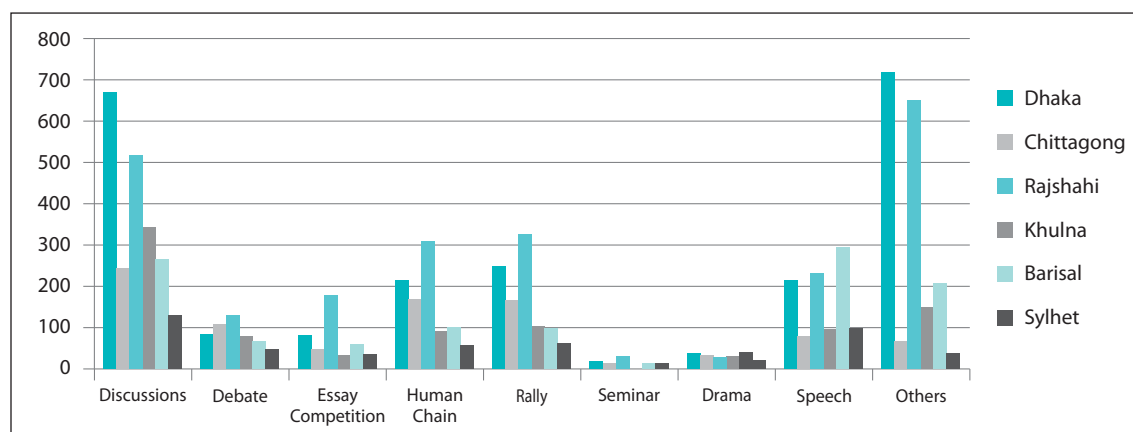
Both in 2012 and 2013, it is seen that most of the activities of the Prevention Committees include meetings and most of these meetings are held in Dhaka. However, the rest of the activities include speech, drama, seminar, rally, human chain, essay competition, debate etc. As reported by the ACC Annual Report 2014, most of the activities of the Corruption Prevention Committees in 2014 were organised in Dhaka, followed by Rajshahi. However, discussion/meetings were the largest of all activities for all the divisions.

Figure 3.5.2: Division-wise activities of districts & upazila corruption prevention committees in the year 2012-2013



Source: Anti Corruption Commission, Bangladesh

Figure 3.5.3: Division-wise activities of upazila, district and metropolitan corruption prevention committees in 2014

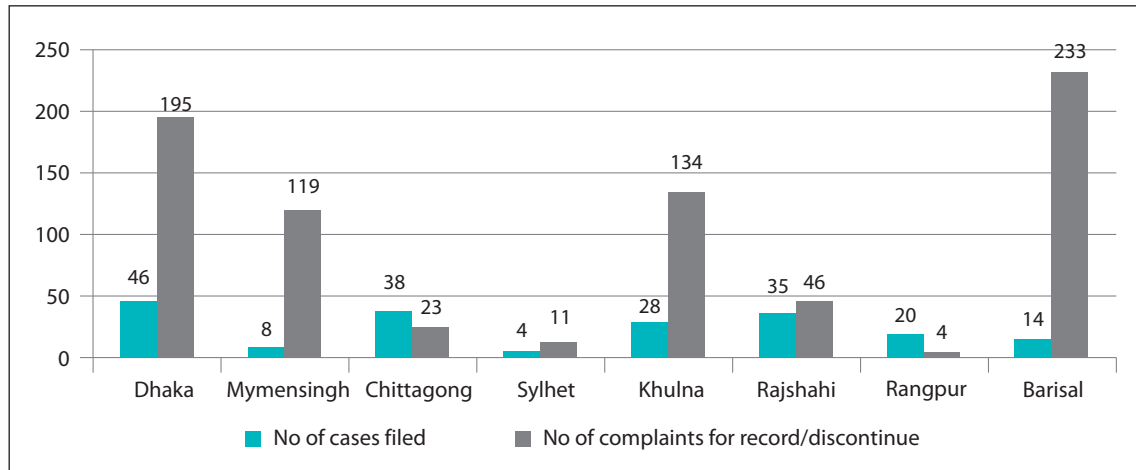


Source: ACC 2014 Annual Report

Enquiry, investigation and prosecution

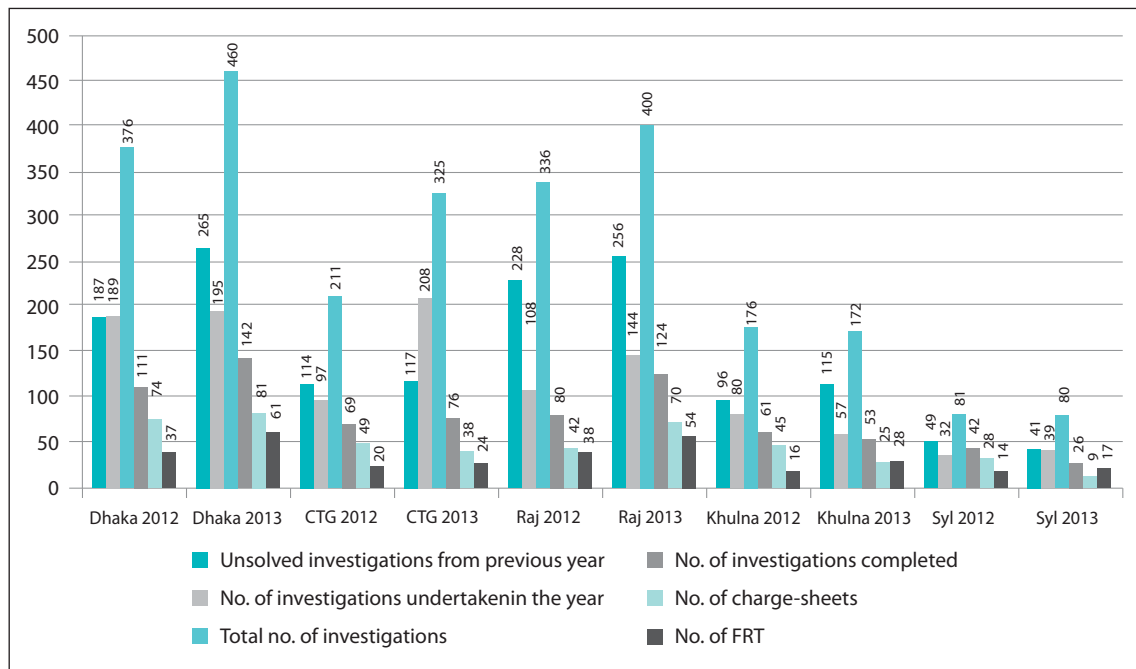
According to the ACC website, a complainant can lodge complaint with name, address and telephone number under the scheduled offences of ACC at any office location of ACC (ACC 2016). However, among the complaints, not all are selected for further inquiry and investigation. More than half of the complaints are discontinued and filed for records. In Figure 3.5.4 we see that the number of the complaints not filed for court cases are higher than the complaints listed for court cases. Barisal is the highest where 233 of the complaints are recorded and only 14 complaints listed for case file.

Most of the activities of the Prevention Committees include meetings and most of these meetings are held in Dhaka

Figure 3.5.4: Number of cases filed and complaints discontinued

Source: Anti Corruption Commission, Bangladesh

According to the ACC, there are 60 working days for inquiry and 120 working days for investigation. The current chairman of the ACC recognised the fact that no inquiry has been completed within the given time period, though there is no good reason for this. He also added that the inquiry of the ACC cases are not very complicated (Prothom Alo 2016).

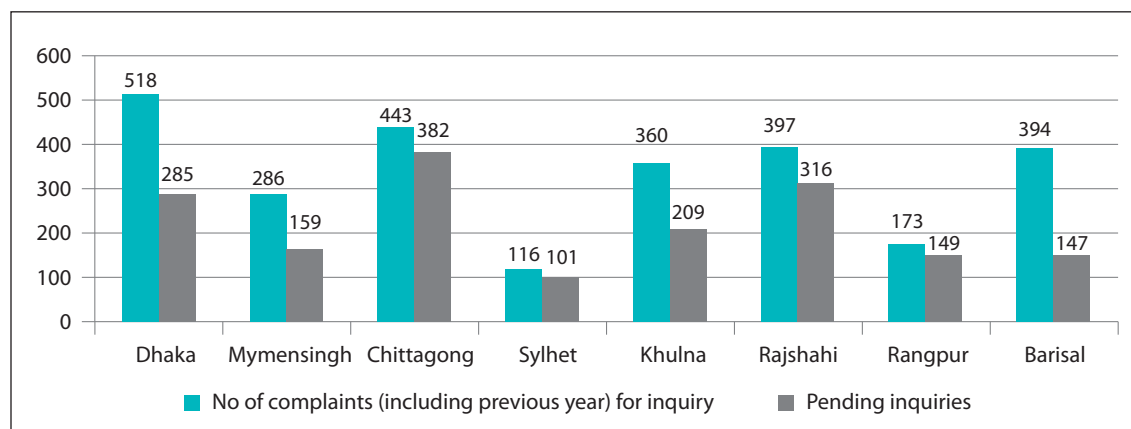
Figure 3.5.5: Division-wise investigation scenario in 2012-2013

Source: Anti Corruption Commission, Bangladesh

In Figure 3.5.5 we see that the number of unresolved investigations is quite high in all divisions. FRT (Final Report True) means there is no evidence for the case although the case is true. In every division, it is evident that the number of FRT increased from the year 2012 to 2013. According to the current ACC Chairman, the increasing rate of FRT indicates the ongoing faulty system of the investigation (Prothom Alo 2016)

However, after the whole process of inquiry and investigation, people are either convicted or acquitted. Figure 3.5.7 shows that out of the total number of complaints, very few are finally convicted.

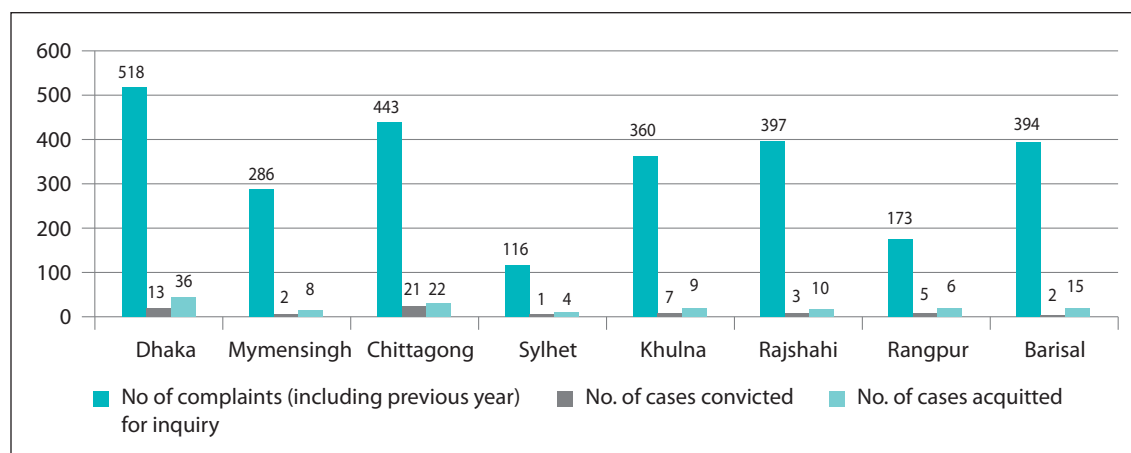
Figure 3.5.6: Division-wise number of complaints and pending inquiries



Source: Anti Corruption Commission, Bangladesh

Figure 3.5.6 shows that in 2015, in almost all divisions, the pending rate of inquiries is very high. In most cases more than half of the inquiries are pending.

Figure 3.5.7: Division-wise conviction rate

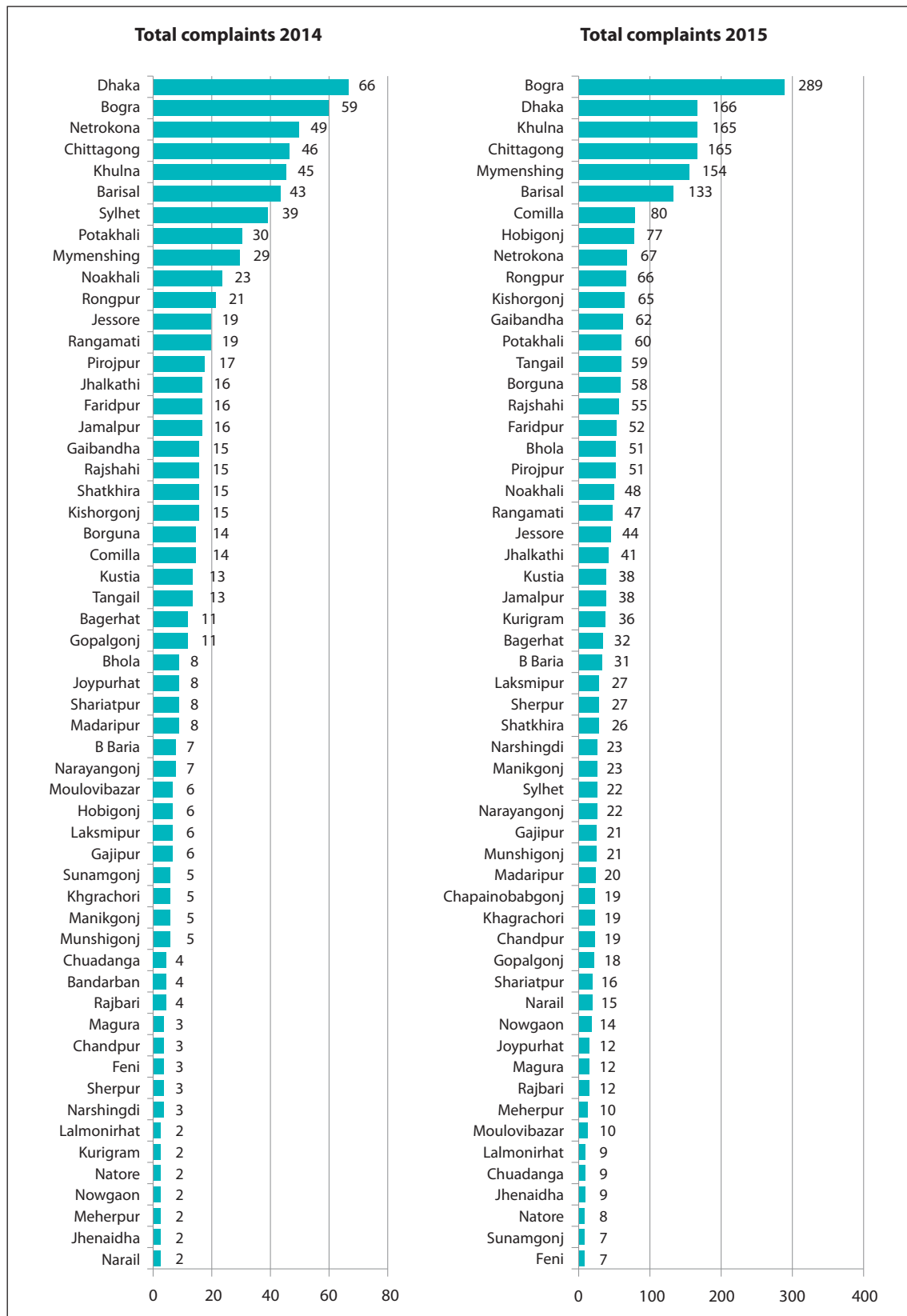


Source: Anti Corruption Commission, Bangladesh

When districts are compared, Dhaka, Bogra, Chittagong and Khulna are the top districts that got the highest number of corruption complaints in both 2014 and 2015, whereas districts like Feni, Natore, Lalmonirhat, Jhenaidah and Meherpur are the ones with the lowest number of complaints. Figure 3.5.8 also show that the number of complaints increased in every district. In Dhaka the number of complaints increased from 66 in 2014 to 166 in 2015. In Bogra the number was only 59 in 2014 which increased rapidly to 289 in 2015. In Chittagong, it was 46 in 2014 and that reached 165 in 2015. Feni and Sunamgonj are at the bottom with only 7 such complaints for each, as recorded by the ACC.

Among the corruption complaints, more than half are discontinued and filed for record

Across the divisions, pending rate of the inquiries is very high. In most cases more than half of the inquiries are pending.

Figure 3.5.8: District-wise Corruption Complaints in 2014 and 2015

Source: Anti Corruption Commission, Bangladesh

Bangladesh has made outstanding progress toward achieving the MDGs in recent decades. However, data shows that these advances have not benefitted all citizens equally. While overall poverty rates have fallen sharply, there have been growing disparities between regions and social groups in the country (Zaman 2015). According to TI's findings, one of the reasons for this uneven progress is corruption. Transparency International (TI) found a strong correlation between lower levels of transparency, accountability and integrity, and reduced country progress on key MDGs (Iftekhharuzzaman 2011).

The government of Bangladesh has already shown its commitment to achieving the Sustainable Development Goals. One of the key targets of the SDG 16 is to substantially reduce corruption and bribery in all their forms. In its Vision 2021 and the Seventh Five Year Plan, the Government already recognises that without a strong anti-corruption strategy, the implementations of its development plans would not be possible and thus the Government has shown determination to confront and root out corruption from Bangladesh (GoB 2012 and GoB 2015). The ACC needs to play a key role in this regard.

3.6 Municipality financing: A case study

3.6.1 Characteristics of municipalities: Class and division-wise heterogeneity

Municipalities play a vital role in providing the residents with local public & private goods and services through elected representatives in the urban local government structure of Bangladesh. Urban areas are classified into 11 city corporations and 319 municipalities throughout the country. In terms of their locations, Chittagong, Dhaka and Rajshahi divisions are the biggest divisions in terms of the number of municipalities located there. To the other extreme, Sylhet is the smallest. See Table 3.6.1 for division wise distribution of number of municipalities across the country.

Table 3.6.1: Number of municipalities across divisions

Indicators	Barisal	Chittagong	Dhaka	Khulna	Mymensingh	Rajshahi	Rangpur	Sylhet
Number of Municipalities	25	60	62	36	26	61	30	19
Percentage	8	19	19	11	8	19	9	6

Source: Author's estimate based on BIGD Municipal Survey

Municipalities are further divided into three broad categories based on the minimum of annual revenues collected over last three years. Accordingly, Class A Municipalities are the ones with income of more than six million BDT. Municipalities in Class B have income of more than 2.5 million BDT up to 6 million BDT. The Class C municipalities have income more than 1 million BDT up to 2.5 million BDT. This study investigates the differences in the quality of service delivery, number of staff per person, quality of road infrastructure, bridge, culverts etc. across these three classes and eight administrative divisions. Table 3.6.2 indicates that around one third of the municipalities are in category A, while B, the largest category consists of around 40 percent of the municipalities and category C comprises around one fourth of the municipalities.

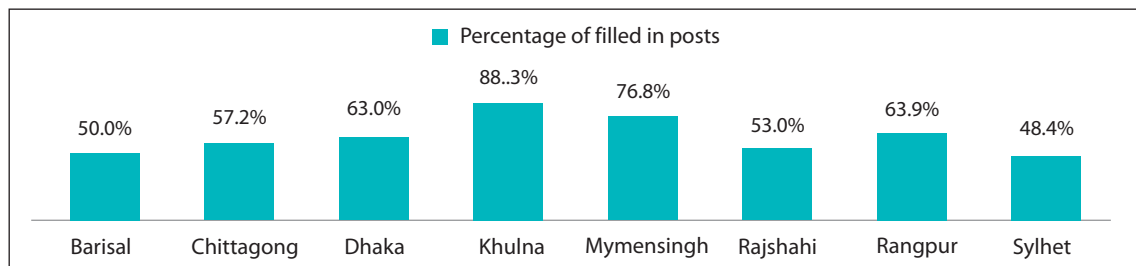
Table 3.6.2: Number of municipalities across classes

Indicators	Barisal	Chittagong	Dhaka	Khulna	Mymensingh	Rajshahi	Rangpur	Sylhet
Number of Municipalities	25	60	62	36	26	61	30	19
Percentage	8	19	19	11	8	19	9	6

Source: Author's estimate based on BIGD Municipal Survey

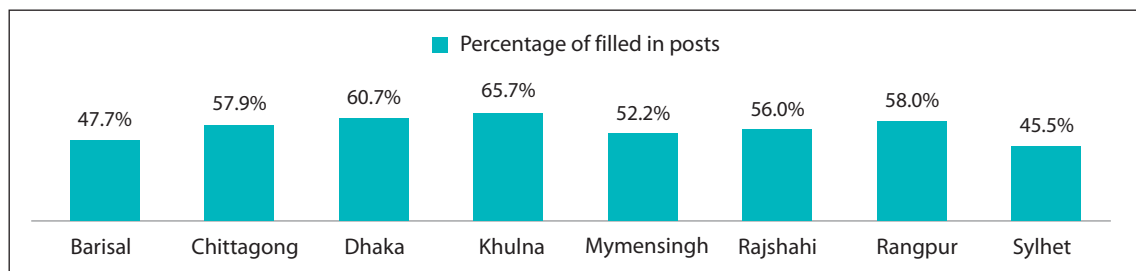
3.6.2 Staff strength of the municipalities

Turning into comparing the number of staffs (permanent and temporary) working and the number of posts sanctioned reveals interesting characteristics of the administrative divisions and the categories of the municipalities.

Figure 3.6.1: Percentage of total filled in posts

Source: Author's estimate based on BIGD Municipal Survey

In most of the cases, people working as a percentage of posts sanctioned are below 100 percent (i.e. under employment or scarcity of staff). The total number of staff working (Figure 3.6.1) is less than the posts sanctioned in all divisions. In aggregate, total number of posts sanctioned for the municipalities is 33736 whereas the number of staff working is 21865; and on average, around 62 percent of posts are filled in. Figure 3.6.1 shows the percentage of filled in posts in each division. The percentage is the highest in Khulna division (88 percent) and lowest in Sylhet division (48 percent). Figures in Barisal, Chittagong, Dhaka, Mymensingh, Rajshahi and Rangpur are 50, 57, 63, 76, 53 and 63 percent respectively.

Figure 3.6.2: Percentage of filled in posts in tax collection

Source: Author's estimate based on BIGD Municipal Survey

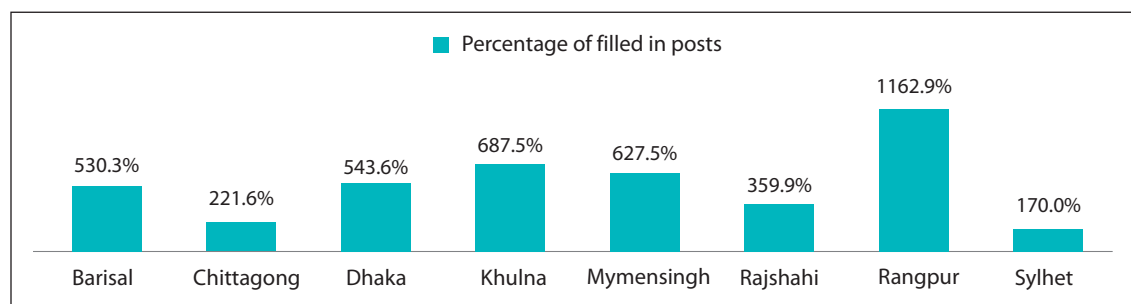
The member of staff working in tax collection (Figure 3.6.2) is less than the posts sanctioned in all the divisions, indicating scarcity of staff. Total number of tax staff in all municipalities is 1851 whereas the number of posts sanctioned is 3439. On average, 56 percent of water posts are filled in. As found in the total staff, percentage of filled in posts in tax collection is highest in Khulna (65 percent) division and lowest in Sylhet (45 percent) division. Percentages in Barisal, Chittagong, Dhaka, Mymensingh, Rajshahi and Rangpur are 47, 57, 60, 52, 56 and 58 respectively.

Class A:
Annual
income
greater or
equal to 6
million BDT

Class B:
Annual
income in
between 2.5
and 6 million
BDT

Class C:
Annual
income in
between 1
and 2.5
million BDT

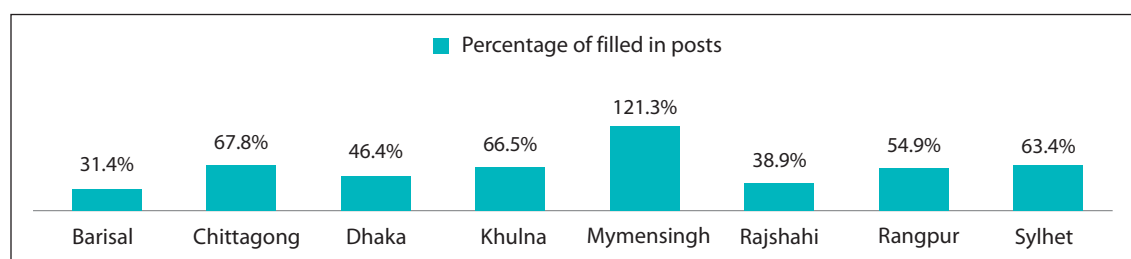
Sylhet division
has the lowest
percentage of
filled in posts
while the
percentage is
the highest in
Khulna for tax
collection,
solid waste
management
and water
supply

Figure 3.6.3: Percentage of filled in posts in solid waste management

Source: Author's estimate based on BIGD Municipal Survey

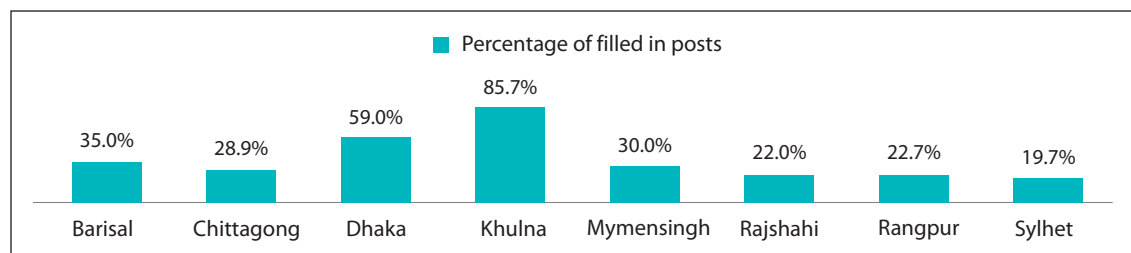
Surprisingly, there are some cases of over employment. For example, number of staff working in solid waste management (Figure 3.6.3) is higher than the number of posts sanctioned in each division. Total number of waste management staff is 5464 whereas the number of sanctioned posts is 1376. On average, number of waste management staff is 5 times higher than the sanctioned posts. This is because of the large number of temporary and contractual low wage workers working in waste disposal. Rangpur division employs 11 times higher number of workers than the sanctioned posts. The number is lowest in Sylhet division where the number of workers is almost 1.7 times higher compared to the posts sanctioned. Similarly in Barisal, Chittagong, Dhaka, Khulna, Mymensingh and Rajshahi the number of workers are respectively 5.3, 2.2, 5.4, 6.8, 6.2 and 3.6 percent higher than the posts sanctioned.

Barisal division has the lowest percentage of filled in posts in health and family planning

Figure 3.6.4: Percentage of filled in posts in health and family planning

Source: Author's estimate based on BIGD Municipal Survey

Health and family planning staff (Figure 3.6.4) are less in number than the posts sanctioned in all municipalities except Mymensingh. In Mymensingh, number of workers is 1.2 times higher than the posts. Total sanctioned posts in health and family planning is 5621 and the number of existing workers is 3264. On average, 58 percent of posts are filled in this sector. Percentage of filled in posts in Barisal, Chittagong, Dhaka, Khulna, Rajshahi, Rangpur and Sylhet are 31, 67, 46, 66, 38, 54 and 63 respectively. The percentage is lowest in Rajshahi division.

Figure 3.6.5: Percentage of filled in posts in water supply

Source: Author's estimate based on BIGD Municipal Survey

Figure 3.6.5 represents the percentage of filled in posts in water supply. The percentage is the highest in Khulna division (85%) and the lowest in Sylhet (19%) division. In other divisions, for example, in Barisal, Chittagong, Dhaka, Mymensingh, Rajshahi and Rangpur the percentages are 35, 28, 59, 30, 22 and 22 respectively. Total number of workers and total sanctioned posts in water supply are 2239 and 3966 respectively. The average percentage of filled in posts is 39 in water supply which is the lowest among all other services discussed.

Across the classes of the municipalities, percentage of total filled posts is less than 100 in all three classes.

To restate, among 319 municipalities, numbers of municipalities in class A, B and C are 109, 123 and 87 respectively.

Figure 3.6.6: Total number of staff working and posts sanctioned

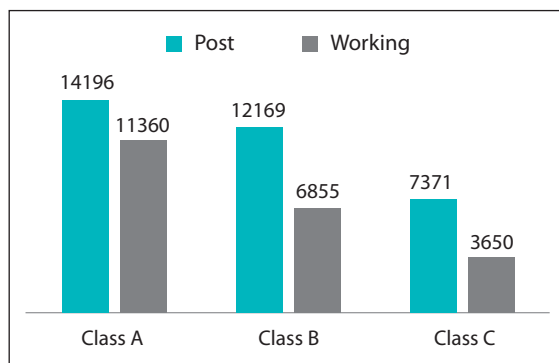
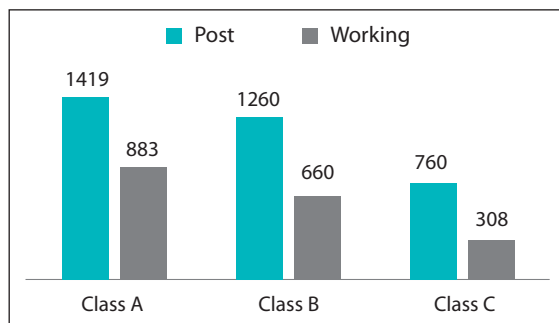


Figure 3.6.6 shows that for a total of 109 Class A municipalities there are 14196 posts sanctioned whereas the number of filled in posts is 11360 (i.e. 20 percent of sanctioned posts are vacant). For 123 Class B and Class C municipalities, numbers of sanctioned posts are 12169 and 7371 whereas total 6855 and 3650 posts are filled in respectively. That is, percentages of vacant posts are 44 and 51 in Class B and C municipalities respectively.

Source : Author's estimate based on BIGD Municipal Survey

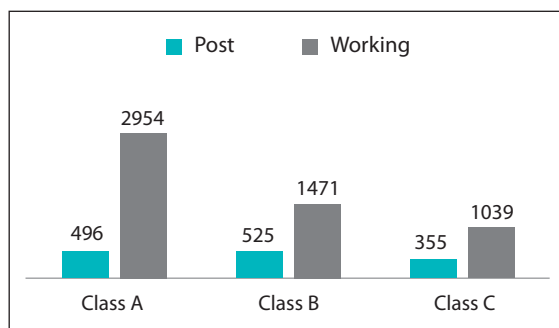
Figure 3.6.7: Number of tax staff working and posts sanctioned



Sanctioned posts for tax collection staff (Figure 3.6.7) in Class A municipalities are 1419 and only 883 are working. In Class B, numbers of sanctioned posts and working staff are 1260 and 660 respectively. For Class C these numbers are 760 and 308 respectively. So the rate of vacancy in Classes A, B and C municipalities are 38, 48 and 60 percent respectively.

Source : Author's estimate based on BIGD Municipal Survey

Figure 3.6.8: Number of solid waste management staff working and posts sanctioned



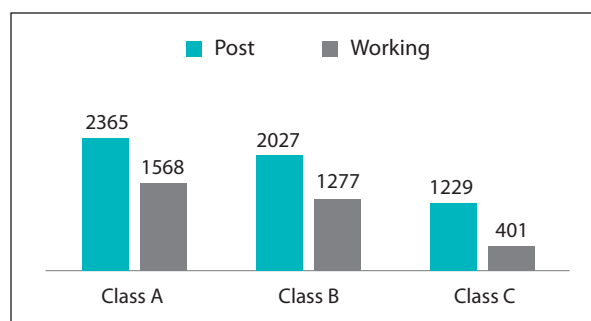
In solid waste management (Figure 3.6.8) we have working staff higher in number than the sanctioned posts in each of the three classes. Class A employs 2954 staff whereas they have only 496 posts (employment is almost 6 times higher than the posts sanctioned). Class B employs 1471 staff whereas they have only 525 posts (employment is 2.8 times higher than the posts sanctioned). And Class C

Source : Author's estimate based on BIGD Municipal Survey

51 percent of sanctioned posts for class C municipalities are vacant

employs 1039 staff whereas they have only 355 posts (employment is 2.9 times higher than the posts sanctioned).

Figure 3.6.9: Number of health and family planning staff working and posts sanctioned



Posts for health and family planning staff (Figure 3.6.9) in Class A municipalities are 2365 and number of working staffs is 1568 (rate of vacancy is 34 percent). Posts in Class B municipalities are 2027 and number of working staffs is 1277 (rate of vacancy is 38 percent). And posts in Class C municipalities are 1229 and number of working staff is 401 (rate of vacancy is 68 percent).

Source : Author's estimate based on BIGD Municipal Survey

Figure 3.6.10: Number of water staff working and posts sanctioned

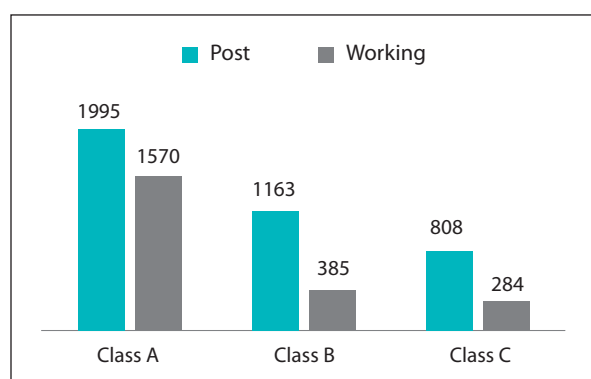
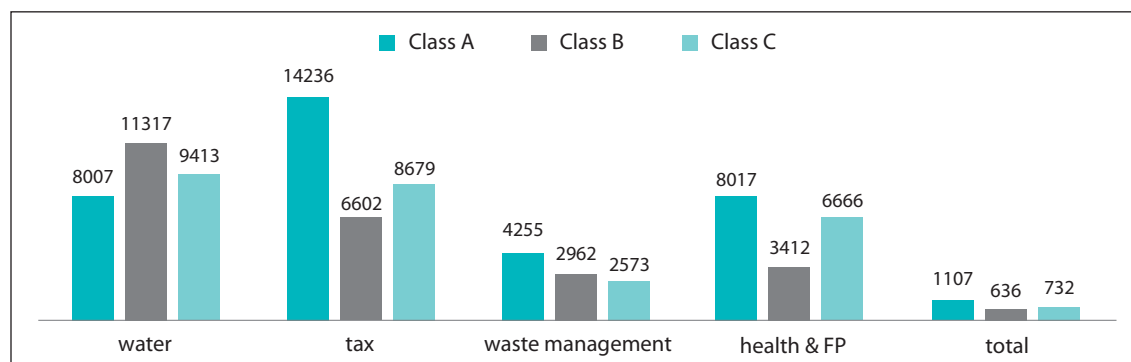


Figure 3.6.10 represents the numbers of sanctioned posts and working staff in water supply. Class A municipalities have 22 percent vacant posts (sanctioned posts and working staff are 1995 and 1570 respectively). Class B municipalities have 67 percent vacant posts (sanctioned posts and working staff are 1163 and 385 respectively). And Class C municipalities have 65 percent vacant posts (sanctioned posts and working staff are 808 and 284 respectively).

Source: Author's estimate based on BIGD Municipal Survey

Class A municipalities have higher number of citizens or persons per staff compared to the other two categories in health & family planning, tax collection and waste management (Figure 3.6.11). One health & family planning staff in Class A municipalities has to serve 8017 people on average compared to 3412 and 6666 people in Class B and C respectively. Tax collection staff in Class A municipalities are the busiest; a staff member serves more than 14 thousand people in class A municipalities compared to the figures 6602 and 8679 in Class B and C respectively. On the other hand, in water supply, Class B municipalities have highest number of persons per staff having more than 11317 people against one single staff member.

Figure 3.6.11: Citizen per staff in different classes of municipalities



Source: Author's estimate based on BIGD Municipal Survey

One tax collection staff in class A municipalities serves more than 14 thousand people

In aggregate, Class A municipalities have one staff member against 1000 people while in Class B and C, the numbers are 600 and 700 respectively. This represents the poor capacity of the municipalities in delivering better service. Number of staff needs to be increased based on area specific considerations.

3.6.3 Road and infrastructure

Bituminous carpeting (BC) roads are the highest in percentage in all three classes; 37 percentage of total roads in Class B municipalities have bituminous carpeting while in Classes A and C, this percentage is 23 and 28 respectively (Figure 3.6.12).

Figure 3.6.12: Distribution of roads across different types

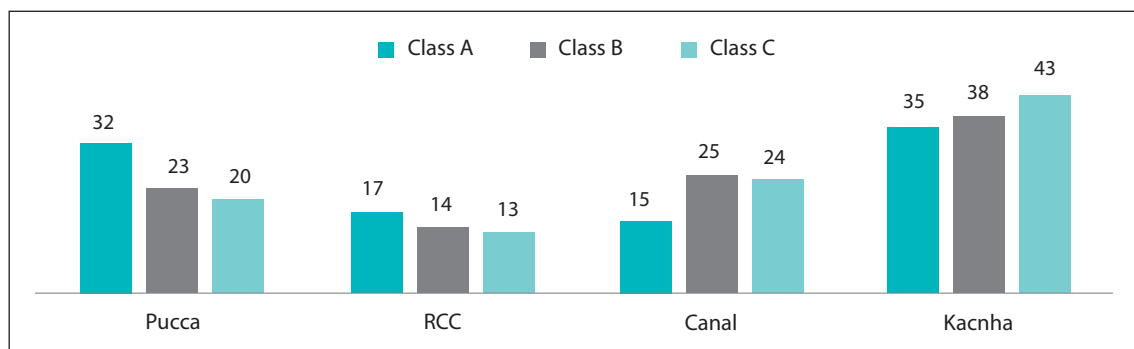


Source: Author's estimate based on BIGD Municipal Survey

Herring Bone-Bond (HBB), Soling, Cement Concrete (CC)/ Roller Compacted Concrete (RCC) and Water Bound Macadam (WBM) roads are very few in proportions in each class. But the proportion of non-mechanized earthen roads is very high among the classes. Almost 60 percent of the roads in Class A municipalities are earthen. The proportion of earthen roads in B and C classes is also very high (e.g. 30 and 40 % respectively). It's evident that a significant proportion of roads in the municipalities are still in earthen or HBB form. Authorities should give more concentration on developing road and infrastructure; earthen and HBB roads should be reconstructed in mechanized (e.g. BC, CC/RCC, WBM) form as soon as possible.

Distribution of drains across classes is quite interesting (Figure 3.6.13). Proportions of mechanized (Pucca and RCC) drains are lower in B and C classes compared to that in Class A.

Figure 3.6.13: Distribution of drains across different types

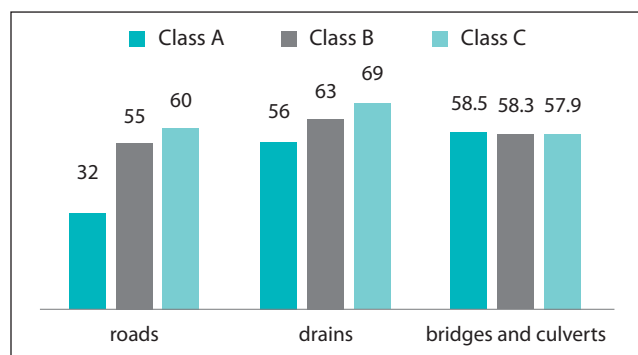


Source: Author's estimate based on BIGD Municipal Survey

Proportion of non-mechanised earthen roads is very high in each class of municipality

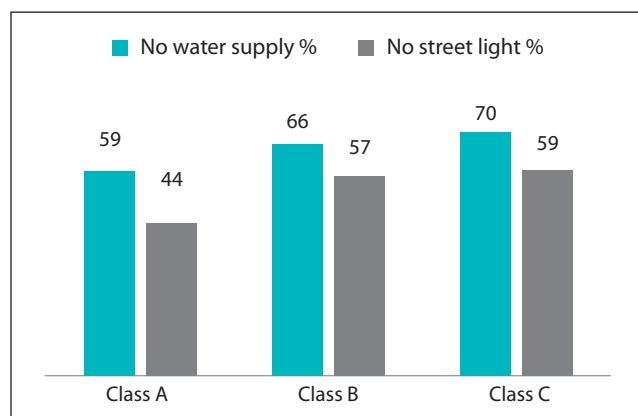
Not surprisingly, the proportion of non-mechanised (canals and kancha) drains is higher in Class B and C compared to that of in Class A. In each class more than 50 percent of the drains are damaged or need further development (Figure 3.6.14). The situation in Class C municipalities is the worst; 70 percent of existing drains need development.

Figure 3.6.14: Percentage of roads, drains and bridges & culverts need development



Source: Author's estimate based on BIGD Municipal Survey

Figure 3.6.15: Percentage of areas outside water and street light coverage



Source: Author's estimate based on BIGD Municipal Survey

Therefore, immediate attention is needed to ensure reconstruction or repairing of the damaged drains, bridges and culverts.

3.6.4 Service coverage

Coverage of street lighting is not very encouraging (Figure 3.6.15). Almost 60 percent of the areas in Class B and C municipalities are not covered with street lights. The situation is much better in Class A municipalities; around 55 percent of the area provides street lights. Almost 70 percent of the areas in Class C municipalities are not covered with municipal water supplies (Figure 3.6.15). For other two classes, figures are not too low (e.g. 60 and 65 percent in class A and B).

Number of street lights per kilometre is negligible. For class A, B and C the number is 39, 31 and 24 respectively (Figure 3.6.16).

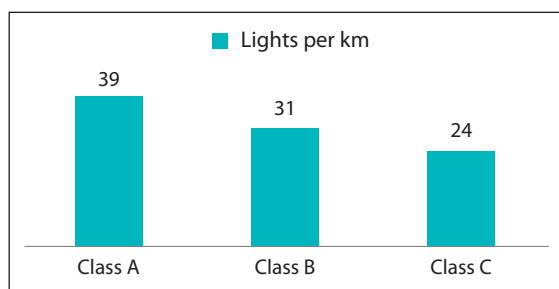
Another alarming situation is that more than half (55 and 60 percent in Classes B and C respectively) of the roads are damaged or need further development. In Class A the proportion is about 30 percent (Figure 3.6.14).

Municipalities should be made capable in constructing new mechanised roads and at the same time, they should build their capacity in maintaining existing road and infrastructure. Municipal authorities can engage the residents in constructing roads and other infrastructure through small monetary contribution by each resident, which could probably create an incentive among the residents to maintain the roads and infrastructure by their own efforts.

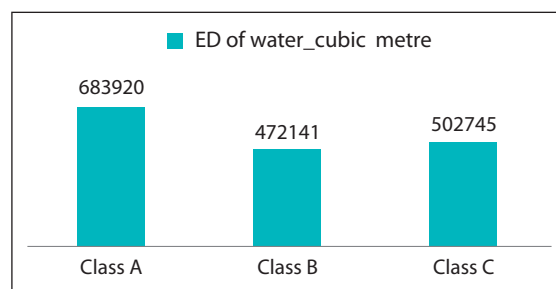
Similar type of scenario exists in bridge and culvert infrastructure (Figure 3.6.14). More than half of the bridges and culverts need development in either of the classes.

More than half of the roads in class B and C municipalities are damaged or need further development

Almost 70 percent of the areas in class C municipalities are not covered with municipal water supplies

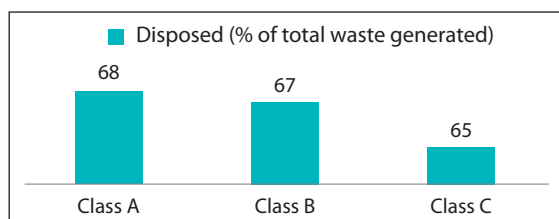
Figure 3.6.16: Number of street lights per kilometre

Source: Author's estimate based on BIGD Municipal Survey

Figure 3.6.17: Excess demand (ED) of water in cubic metre

Source: Author's estimate based on BIGD Municipal Survey

In each class of municipalities there is excess demand for water and the amount is the highest in Class A. The total amount of excess demand in Class A municipalities is 45 and 36 percent higher than that in Class B and Class C municipalities respectively (Figure 3.6.17).

Figure 3.6.18: Average daily waste disposal rate

Source: Author's estimate based on BIGD Municipal Survey

Average disposal rate of the waste generated is high in Classes A and B compared to Class C municipalities. 65, 67 and 68 percent of daily generated waste are disposed in Classes C, B and A municipalities respectively (Figure 3.6.18).

From the above discussion, it is evident that municipalities have a lot of scope for improvement on existing staff strength, road and infrastructure situation, delivery of services like water supply, street light and solid waste management, etc. In division-wise comparison of staff strength, municipalities in Sylhet division were found to be the weakest in almost every area of service delivery while in class-wise comparison, Class C municipalities were found as the weakest. Roads and infrastructure are the least developed in Class C municipalities. A significant number of municipalities in each class are still outside the coverage of water supply, street light and solid waste management. In such a situation, context specific improvement plans should be taken to improve the quality of municipal services.

On average, 68 percent of daily generated wastes are disposed in class A



Photo Credit: Mashroor Shafat Nitol

4 Economic Governance

4.1 Introduction

Economic activities are a core part of social and institutional relations in any country and between countries. The transactions that constitute these activities reflect the general economic environment in a given country. National economic policies as well as sector specific policies and regulations inform that general economic environment. Whereas regulations provide guidelines for economic activities, government institutions are responsible for enacting and implementing these policies and regulations, that in turn shape these activities. Furthermore, the public institutions are also responsible for monitoring and enforcing these policies and ensuring legal compliance. Finally, involvement from the judiciary and other law enforcement agencies are also required to resolve disputes. In sum, a proper economic environment depends on a web of interconnected well-functioning institutions.

This section will focus on the role of government in shaping economic environment. It is important to note that there are numerous sectors and sub-sectors with their respective policies and regulations that form the overall economic environment and it is impossible to focus on and analyse each of them separately. Therefore, SOG (2014-15) selected a few key sectors. They are: labour, tax administration, and financial institutions. For each of these sectors, regulatory environment, performance and factors influencing these performances are discussed. The coverage of each section varied due to the nature and depth of the problem as well as availability of data.

Following SOG (2014-15), the approach this year is also indicator based. This means on most occasions, select indicators were chosen to examine performance and regulatory practices in labour, tax administration, and financial institutions as robustly as possible. Yet, the report recognises limitations in presenting some complex issues only through quantitative measurements and as a result, where possible, qualitative analyses have also been included.

It is important to note the scope of the analyses in some detail. First, the sections do not evaluate the efficacy of the regulations at great length; in other words, they are taken at face value. The reason for that is the long term effects of these policies are yet to be established. However, each section includes expert comments in a limited scale on their feasibility and efficacy. In this report, BIGD is more interested in analysing the success and obstacles to implementation for the selected policies and regulations. Occasionally, expert comments point to fundamental issues and problems of some policies and regulations and these are included in this chapter.

Second, BIGD understands that political and bureaucratic governance also play an important role in shaping this environment. However, given the nature of this analysis, those are covered in separate chapters and are not linked here. As a result, no attempt has been made to establish a connection across these chapters. However, at a sectoral level, relevant bureaucratic factors have been considered. One of the key factors to surface repeatedly was resource constraint, namely, financial and human resource constraints, and those issues were included in this analysis.

The data used in this chapter are from several sources. First, a large part of the data are from administrative records of respective agencies. Second, annual reports and other documents of these agencies were also used to complement the analysis. Third, key informant interviews rounded up the analysis on economic governance. The following sections discuss the data and methodology in more detail.

Labour rights, generous benefits, better contracts lead to greater productivity

Mix of research method: qualitative and quantitative

4.2 Labour governance

4.2.1 Introduction

In 1944, the ILO Declaration of Philadelphia proclaimed, “labour is not a commodity.” The proclamation is based on the understanding that labour is unlike other factors of production because of the human dimension and thus entitled to proper rights and respect. At the time the push was to eliminate slavery and forced labour, which later evolved towards a more right based approach including freedom of association, collective bargaining, non-discrimination, and elimination of child labour. The economic literature (Haq 1996, Sen 1999, Buchele and Christiansen 1995) also recognises a link between working conditions and economic productivity, that is, labour rights, generous benefits, and better contracts led to greater productivity.

Bangladesh's economy underwent a major structural shift in the 1990s that continued in the subsequent decade. During this time, the share of agriculture decreased with an equal increase in the share of manufacturing industry – “the structural transformation of Bangladesh economy since early 1990s seems like a transition from agriculture to industry rather than to service” (Ahmed et al. 2010). However, this rapid shift was not accompanied with an improvement in labour conditions as evidenced by unsafe working environment, and overall lack of regulations and oversight in manufacturing industries. The country is yet to abolish child labour and establish a minimum wage for the industrial sector while the concept of exercising workers right to form association or participate in negotiation is virtually non-existent.

In this context, this chapter looks at the governance of labour in Bangladesh in manufacturing industries with a special focus on Ready Made Garments (RMG) industries. Even though the chapter outlines the historical trajectory labour governance in Bangladesh, the main objective is to look at recent developments and highlight the challenges in the governance process. In doing so, the chapter looks at the following:

- i. Policy and administrative framework
- ii. Industrial relations in Bangladesh: labour rights and collective bargaining
- iii. Labour conflicts
- iv. Worker safety

4.2.2 Method

This chapter uses a mix of research methods, both quantitative and qualitative. It uses data available from different government offices and NGOs along with international agencies. For qualitative reporting, it looked at available literature and policies and conducted several key informant interviews with relevant stakeholders including labour leaders, activists, NGO officials and, relevant government officials.

4.2.3 Findings and analysis

4.2.3.1 Labour policy in Bangladesh

Most of the existing labour laws in Bangladesh date back to the British colonial period. After independence, labour sector governance continued its reliance on legal instruments from

Box 4.2.1: International ratification and Bangladesh

Bangladesh has worked with ILO since its independence. It became a member of ILO in June 1972, and has ratified 35 ILO conventions. Out of 189 total conventions, it has ratified almost all the fundamental conventions (7/8) and half of the governance conventions (2/4). However with technical conventions, it lies far behind with ratification of only 26 out of 177 technical conventions. Almost all the ratifications were made in 1972 except a few of recent developments. These recent ratifications are: elimination of Worst Form of Child Labour 1999, Seafarers Identity Documents Convention 2003, and Maritime Labour Convention 2006.

previous eras. Till 2006, around 50 different pieces of legislations guided these sectors which were originated at different points in time during British and Pakistan era under different socio-political and historical contexts. As a result, a lot of them was contradictory, some overlapped with each other, and others used different definitions for similar terms. Not to mention, laws enacted during the colonial period were fundamentally unsuited to govern labour and productive relations in an independent country. These led to demands for a comprehensive legislative reform for the labour sector.

In 1990, the Labour Court Bar Association demanded a consolidated labour law. In response to that demand the government formed a labour law commission in 1992. The commission recommended repeal of 25 laws and prepared a draft labour law incorporating and updating them into one consolidated version. The draft then underwent an extensive review and vetting process and was finally approved as Bangladesh Labour Act (BLA) in October 11 of 2006. The remaining regulations are still in effect in Bangladesh in addition to the BLA 2006. (See annex for the regulations).

Figure 4.2.1: Evolution of policy

British period	• The Factory Act of 1881 • 15 different acts were enacted
Pakistan period	• East Pakistan Factories Act 1965 • 23 different acts and rules were enacted
Bangladesh period : Bangladesh Labour Act	• Formation of labour commission 1992 • Enactment of Bangladesh Labour Act 2006 • Bangladesh Labour (Amendment) Act 2013 • Minimum wage policy for RMG sector 2013 • Bangladesh Labour Rules 2015
EPZ law	• Export Processing Zone Authority Act, 1980 • Suspension of Employment of Labour Act 1965, Industrial Ordinance 1969 and the Factories Act 1965 • EPZ Workers' Welfare Associations and Industrial Relations Act (EWWAIRA) 2004 • EPZ Workers' Welfare Associations and Industrial Relations Act (EWWAIRA) 2010 • EPZ Labour act 2014

Bangladesh Labour Act 2006

In independent Bangladesh, the BLA (2006) was the first attempt at a comprehensive labour policy in the country that included "broad aspects of worker rights and labour and industrial relations including special provisions for specific worker groups under its purview" (Hossain 2013). It eliminated ambiguities and confusions in previous laws, such as definition of age limit for child labour and retirement age, clarified the definition of workers, and stated that wages should exclude all other payments made to labour. The BLA (2006) stipulated better regulations of industries and set provisions for standard job contracts including issuance of appointment letter, identity card, maternity benefit, sick leave, death benefit, annual leave with pay, festival leaves, and group insurance. It also set provisions for a minimum wage board that could pass a minimum wage rate for workers. The legislation also specified workers' right to form and join trade unions and was better aligned to ILO core conventions that Bangladesh ratified back in 1972.

No comprehensive labour law till 2006

BLA 2006 was first comprehensive labour policy in Bangladesh

BLA (2006) fails to comply ILO conventions regarding Freedom of Association and Right to Organised and Collective Bargaining

Excessive requirements and complicated procedures discourage trade unionism

BLA 2013 emphasised safety, job contract and welfare

The law ignores collective bargaining and associational rights

Nevertheless, many human right organisations including the ILO pointed to inherent weaknesses in the BLA 2006 in lack of recognising and enforcing workers rights. Specifically, the legislation failed to comply with two major ILO conventions, ILO convention no. 87 (1948) – Freedom of Association and Protection of the Right to Organise – and ILO Convention No.98 (1949) – Right to Organise and Collective Bargaining. Despite recognition of workers' right to join and form trade unions, the law practically discouraged trade unionism by stipulating “excessive requirements and complicated procedures”(ITUC 2012).

The law specified 30 percent worker participation for formation of trade unions plus submission of employee names to employers for verification. The procedure is complex and even when requirements are met, employers can fire or pressure employees against unionisation. Employees can form “participation committees” whose members are supposed to be chosen by trade unions. But, the law doesn't provide guidance on member selection in the absence of a trade union. Another major weakness of the law is that outsiders are not allowed to represent trade unions. Finally, the factories in the export processing zones (EPZs) operate under a separate act with very limited freedom for associational activities.

Labour policy amendment 2013

The next policy level changes occurred in July 2013 after the devastating Rana Plaza event. The BLA 2006 was amended to include industries such as ship breaking, construction, agro firms, and rice-processing mills. The amendment also included new safety and security guidelines such as use of personal safety equipment, power safety and structural integrity, prohibitions on blocking exits, and fire drill exercises. Provisions of different types of committees were made obligatory by law based on the factory size. The 2013 amendment eliminated union leader information sharing requirement with employers during union registration. It created provisions for Workers Participation Committees (WPC), an elected committee meant to work as a proto union in absence of unions. The amendment also increased penalties for law violations and defined union role in wage and overtime determination. Maternity leave for garments workers was also increased to four months.

However, the amendment still ignores basic collective bargaining and associational rights. The law retains loopholes favourable to employers who can still suppress worker rights. For example, although the law doesn't require to share the list of union leaders with employees, it doesn't prohibit the practice either and there is no defined process to ensure confidentiality of the list (USAID 2014). Non-factory representation is not discussed and employee participation rate at 30 percent remains unchanged in the amended law. While employer associations and factory owners claim the requirement of 30 percent participation rate is necessary for proper representation, human rights advocates assert it is valid only if the number of employees in a single factory is considered and not the employees of an entire company. When factories are located at different places, facilitating communication and coordination between individual factories poses a very high bar for unionisation (Bearnot 2013). The law also fails to address issues related to worker retention and sub-contracts. On the other hand, when the Rana Plaza disaster triggered a demand for minimum wage in the RMG sector, responses included the formation of a minimum wage board that proposed a revised minimum wage of USD 68 that is equivalent to BDT 5300¹.

Labour policy for Export Processing Zones (EPZs)

Bangladesh has 12 Export Processing Zones (EPZs) that are regulated under a separate act, the Export Processing Zone Authority Act; 1980. The law assigned a separate authority, namely the

1. The conversion rate was 1 USD= 78.05 BDT as of 31 March 2013.

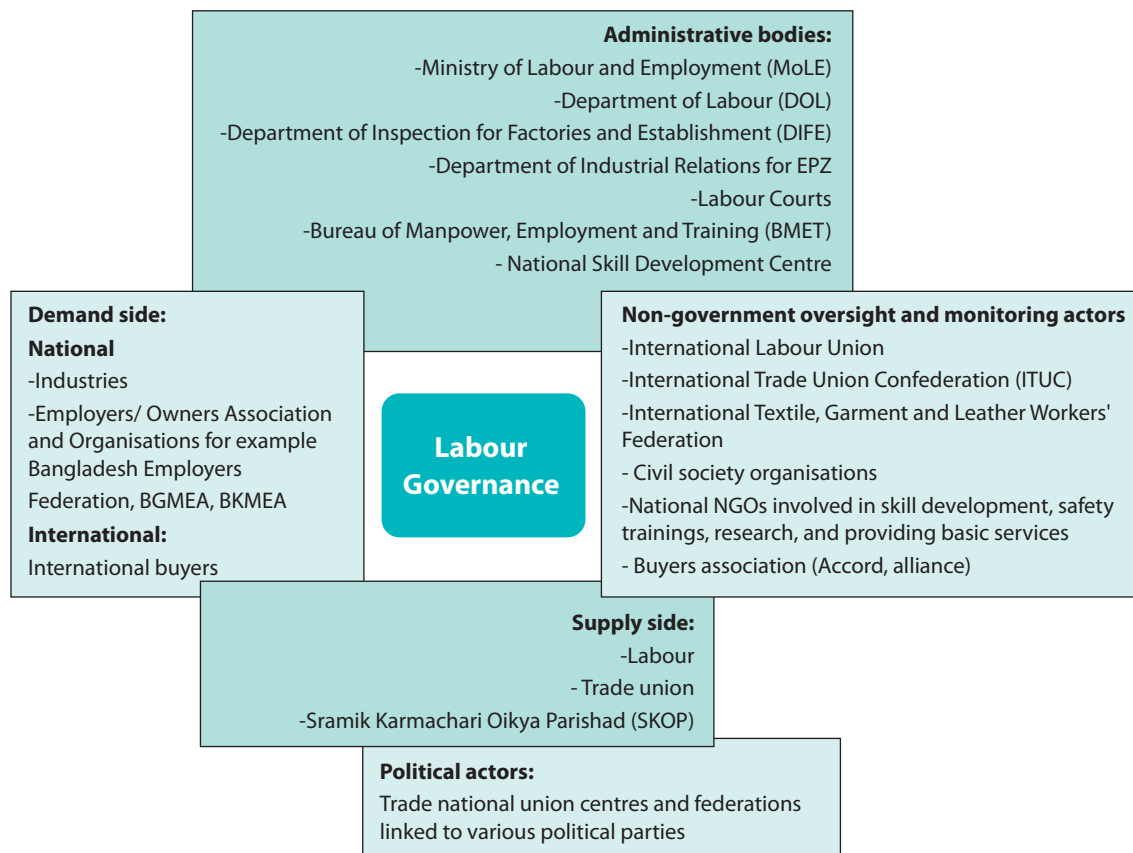
Bangladesh Export Processing Zone Authority (BEPZA) to regulate these EPZs. In 1986 and 1989, with the suspension of several labour acts,² establishment of trade unions in EPZs were made illegal (Faruque 2009). However, following national demand and international pressure, the government passed the EPZ Workers' Welfare Associations and Industrial Relations Act (EWWAIRA) in 2004 and amended it in 2010, though they still fall short in ensuring worker rights. The amendments allowed the workers to engage in restricted associational activities through committees, but procedures for committee formation remained very complicated to discourage them. The government made further changes to the law after the suspension of US GSP facilities and the cabinet passed a new EPZ Labour law in July 2014. Positive developments in the new law included establishment of EPZ labour courts and appellate tribunals. However, ITUC and many other organisations claim there is no fundamental change in the new EPZ law in terms of workers' rights to association. The law still doesn't allow trade unions and provision for worker committees are still very complicated. Demands for bringing EPZs under a centralised inspection are yet to be met and BEPZA still holds the authority to control inspection at EPZs. Presence of dual authorities in the same sector undermines the accountability mechanism and promotes unequal standards within the industry.

EPZs are guided by a different set of laws

4.2.3.2 Governance of the labour administration and inspection

Labour administration involves multiple institutions and stakeholders. Ministry of Labour and Employment (MoLE) is the primary governing body for this sector. The major stakeholders are listed in the following figure (Figure 4.2.2).

Figure 4.2.2: Stakeholders in labour governance



2. The Employment of Labour (Standing Order) Act 1965, Industrial Ordinance 1969, and the Factories Act 1965.

Series of Industrial disasters in 2012-13 led to greater scrutiny of government's oversight and regulatory capacity

Lack of adequate policies and institutional mandate restricts DOL and DIFE's functioning

Ministry of Labour and Employment (MoLE) is responsible for labour policy and enforcement of labour laws. Several agencies operate under its auspices including Department of Labour (DOL), Department of Inspection for Factories and Establishments (DIFE), Bureau of Manpower, Employment and Training (BMET), Minimum Wages Board, Labour Appellate Tribunal and seven labour courts, Labour attaché offices attached to Bangladesh embassies and Plantation Employees' Provident Fund.

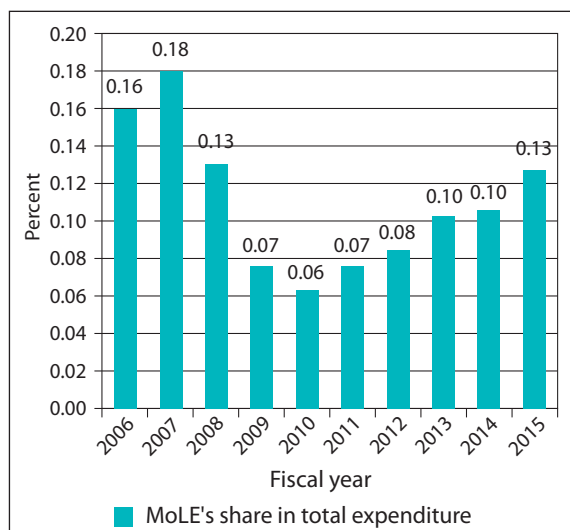
Two departments, DOL and DIFE, are tasked with discharging MoLE institutional activities, but until recently their operational scope was limited given the size of the industrial sector in Bangladesh. Department of Labour (DOL) is responsible for labour management and facilitation including collective bargaining, negotiation, and labour dispute settlements. Department of Inspection for Factories and Establishments (DIFE) is the key monitoring agency for labour law implementation. It is responsible for enforcing labour law, monitoring compliance with these laws including terms of employment, working conditions, wages, working hours, safety and security, along with the infrastructure and industrial facilities. In 2013, DIFE was upgraded to a department whereas DOL got department status in 2016.

Ensuring efficiency and effectiveness of labour inspection remains a challenge in Bangladesh. A series of industrial disasters in 2012-13 in the apparel sector have led to greater scrutiny of the government's oversight and regulatory capacity. It is evident from budget allocation and workforce assignments to MoLE that until recently most key agencies in the ministry were in poor shape. Labour rights advocates suggest the political will to strengthen the agencies under the ministry is also absent (Human Rights Watch 2015).

The overall lack of attention towards MoLE is reflected in the poor functioning of the two key agencies, DOL and DIFE. Experts argue there aren't adequate policies and institutional mandate for these departments to function as autonomous and effective bodies. For instance, DOL is responsible for trade union registration and investigation of unfair practices against union officers and members. But far from being mandatory, the law allows DOL to exercise its own discretion to investigate allegations of unfair labour practices and to follow up on complaints (ILO 2013a). DOL also doesn't have the authority to enforce decisions against employers; rather it can only file complaints to labour courts. Often DOL officials discourage trade union registration and demand extra money or time in exchange for registration. Based on interviews with labour activists, HRW report (2015) reveals that DOL officials are more interested in helping factory owners than their workers. For RMGs it is more obvious. The International Labour Organization (2015) also notes that "the problematic registration rules, coupled with the Government's poor union registration practices, had led to increased rejection of union applications at a disturbing rate. The reasons provided by the Government for rejecting unions ranged from the questionable to the absurd; [...] the online registration process had also failed to operate efficiently. In 2015, rejections outnumbered registrations by 31 to 26" (ILO 2015). Of the two key departments, the shortcomings of DIFE were revealed during major disasters recently. According to ILO, lack of budget, manpower, logistic support, training along with inadequate measures for non-compliance with law are the major weaknesses of DIFE (ILO 2013a).

Budget allocation

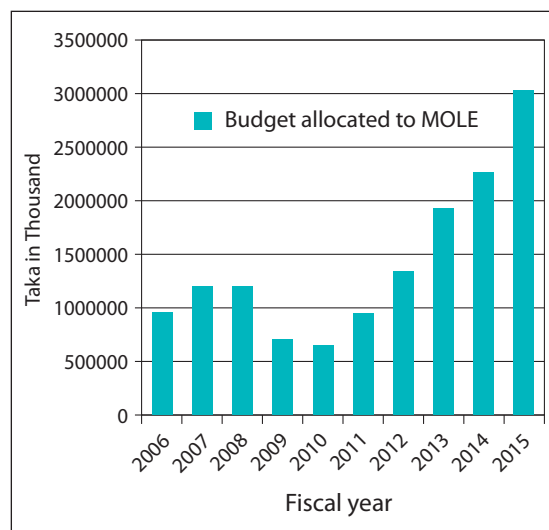
Figure 4.2.3: Share of MoLE's budget in total expenditure



Sources: Ministry of Finance 2009-10, Ministry of Finance 2010-11, Ministry of Finance 2013-14, Ministry of Finance 2014-15; Bangladesh Bank Annual Report 2008/09-2014/15

*Percentage calculated based on revised budget allocation

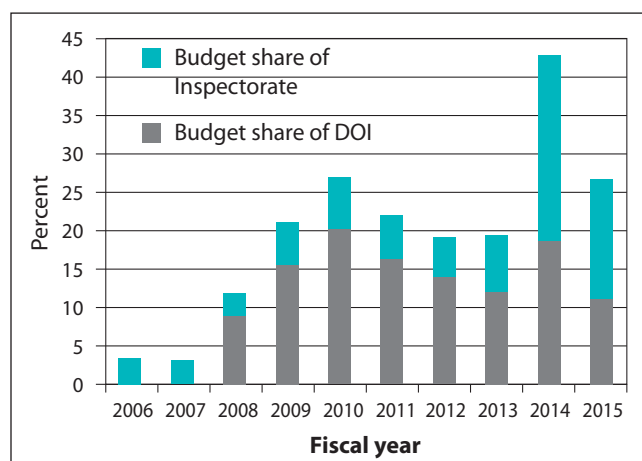
Figure 4.2.4: Amount of budget allocation to MoLE



Sources: Ministry of Finance 2009-10, Ministry of Finance 2010-11, Ministry of Finance 2013-14, Ministry of Finance 2014-15

The chapter looks at MoLE budget allocation over a period of 10 years starting from 2006. Based on allocations during this period, the ministry hasn't received priority from the government of Bangladesh. When MoLE allocation is compared with total budget expenditure, the trend shows that the labour ministry has never received more than 0.2 percent of the total government budgetary expenditure in Bangladesh (Figure 4.2.3). The majority of this amount is spent on salary and operational expenses with only a small share devoted to any development or capacity building projects. However, since 2010 MoLE has received an increasing amount with each successive budget (Figure 4.2.4) with the share of budget increased from .067 percent in 2010 to 0.13 percent in 2015.

Figure 4.2.5: Budget allocation to DOL and DIFE



Source: Annual Financial Statement, Ministry of Finance 2008/09-2015/2016 and Bangladesh Bank Annual Report 2008/09-2014/15

A look at the allocation to DOL and DIFE (Figure 4.2.5) shows that the combined budget of these agencies hovered around 20 percent of the total amount allocated to MoLE till 2013 and made a big jump in 2014 to 42 percent. Another interesting trend is the increasing allocation to DIFE beginning in 2013 after the Rana Plaza incident and establishment of DIFE as a department, reversing the trend of higher to allocation to DOL in previous years. The allocation to the inspectorate increased three fold in 2014 from 2013. In the next year however the budget share

MoLE's share in total expenditure budget never exceeded 0.2 %

Lion's share of budget spent on salary and operational expenses

Limited allocation for capacity development

decreased again, even though the allocated amount increased. Our interviews revealed that besides budget allocation, directorates have limited internal resource generation streams.

Staffing

Table 4.2.1: Statistics on DIFE inspector

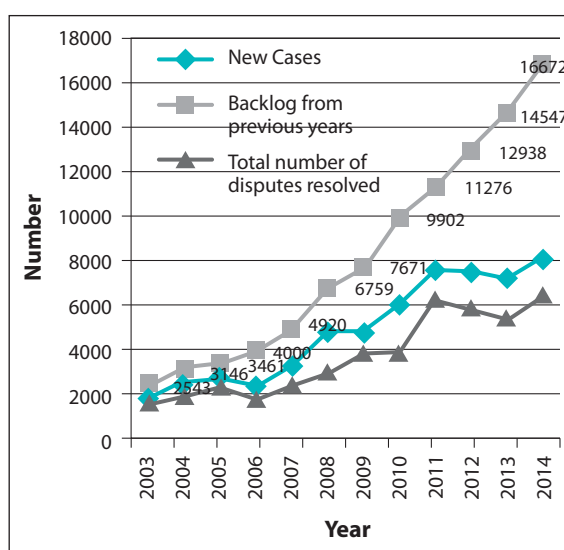
Year	Number of inspectors
2001-2006	62
2013 (June)	92
2014 (Dec)	168
2016 (June)	255

Source: International Labour Organisation 2013, Department of Inspection for Factories and Establishments 2015-2016

Even though factory inspection plays a crucial role in ensuring labour governance, this issue has never been prioritised in Bangladesh. The sector has always been marred with inadequate inspection staff and the scope for their capacity development was low. ILO, back in 1990s, noted that “Bangladesh has about 18,384 registered factories and 166,601 shops and establishments of various sizes... total strength of the inspecting staff is insufficient for effective inspection and control” (Khan 1996). Over the years, staffing and inspection capacity at these departments have improved very little. As the sole agency responsible for field inspection, staffing shortage at DIFE had serious implications. From 2001 to 2006, DIFE had only 62 inspectors (ILO 2013b). According to ILO standards, one inspector per 10,000 workers is a standard for market economies, 20,000 for transition economies, and 40,000 for less developed countries. For Bangladesh, according to 2006 estimate the ratio was one to 3.2 million (ILO 2006)³.

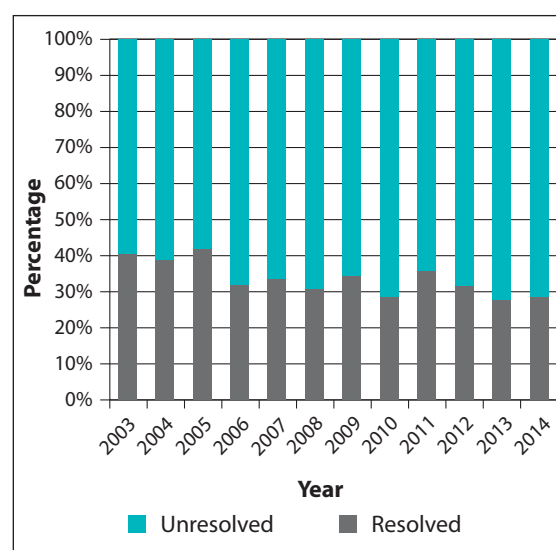
The absence of systematic records doesn't allow us to chart a time trend but it is obvious that the number increased rapidly after Rana Plaza. According to our interviews, currently that number is 255. We should also note that 575 new positions for first and second-class inspectors were created when DIFE received department status.

Figure 4.2.6: Trend in case backlogs



Source: Bangladesh Labour Journal 2005-2015

Figure 4.2.7: Share of solved cases as a share of total number of cases referred to the labour court



Source: Bangladesh Labour Journal 2005-2015

3. Number of inspector increased four times in 2016 compared to 2006, rough estimates still leaves us with an approximate ratio of one to 8,00000 workers.

There was a jump in budget allocated to DOL and DIFE in 2014

Number of inspectors at DIFE increased by 3 fold in 2016

Labour courts are another important institution for overseeing and settling industrial disputes and they are also hemmed in by short staffing. Functioning since the 1970s, there are seven existing labour courts in the country and for each court there is a district and a session judge. Expansion of industries and increasing industrial disputes without a commensurate increase in courts has created case backlogs. As of 2014, there was a backlog of more than 16000 cases in aggregate (Figure 4.2.6). Only 30 to 40 percent of the total cases referred to the labour court got resolved each year (Figure 4.2.7). Many of these cases remained pending for over six years, although labour law requires that all cases be disposed of within 60 days (Alamgir 2016).

*16000 cases
backlogs in
labour courts*

4.2.3.3 Struggles for labour rights and collective bargaining

Trade unions in Bangladesh date back to the mid-19th century and they evolved with the times during the British and Pakistan periods. In 1971, trade unions played an important role in mobilising socialist and progressive forces of the world in favour of our independence struggle. Right after independence, when the government nationalised large industries, trade unions were instrumental in restoring production in closed factories and restoring war ravaged infrastructure. When the military government banned trade union activities in 1983, Sramik Karmachari Oikya Parishad (SKOP) was formed to demand job security, higher wages, trade union rights, and other benefits. After the fall of the military regime, the democratic government restored full trade union activities in 1991. A new labour policy in 2006 and subsequent reforms created a new framework for labour organising in Bangladesh. Nevertheless, the frequent changes in government and military rule from 1975 to 1979 and again from 1982 to 1990 were disruptive to the democratic environment for industrial relations in general and trade unionism in particular (Nimalathasan and Taher 2012).

*30%-40 % of
the total cases
get resolved
each year*

Overall the state seems to have a neoliberal economic agenda. The relevant legislations and labour market policies are designed to “loosen” workplace influence of trade unions and strengthen managerial prerogative (Ahmed, Hossain and Khan (2011) cited in Mushtaque et al. (2011)). These acts and policies created stringent pre-conditions to discourage trade union registration. And despite rights to collective bargaining with employers, our interviews with trade union leaders and activists revealed that registered unions rarely practice it. Labour organisations have reported that in some companies workers do not exercise their collective bargaining rights due to their unions' inability to address grievances with management informally or due to fear of reprisal.

In national policy-making decisions, RMG sector movements played an important role. In 1994, garment worker movements demanded a minimum wage, and implementation of labour laws in the RMG sector resulted in the formation of a tripartite committee of representatives from workers, employers, and the government. In addition, seven trade unions formed a grand alliance with the patronage of Bangladesh Garments Workers Unity Council in 1997. The committee advocated for arbitration to resolve disputes, a practice subsequently implemented successfully. Another landmark achievement is the National Tripartite Memorandum of Understanding between the government, BGMEA, and the organisations representing garment workers, signed in 2006. Most of the MoU demands were later incorporated in the Bangladesh Labour Act of 2006.

*Despite rights
to collective
bargaining
with
employers,
registered
unions rarely
practice it*

Trade union structure in Bangladesh

Trade union structures vary in Bangladesh due to worker type and affiliation and they have divergent interests and objectives. Legally there are three types of trade unions in Bangladesh:

Share of trade union members is only three percent of the total labour force

22 percent of waged workers are trade union members

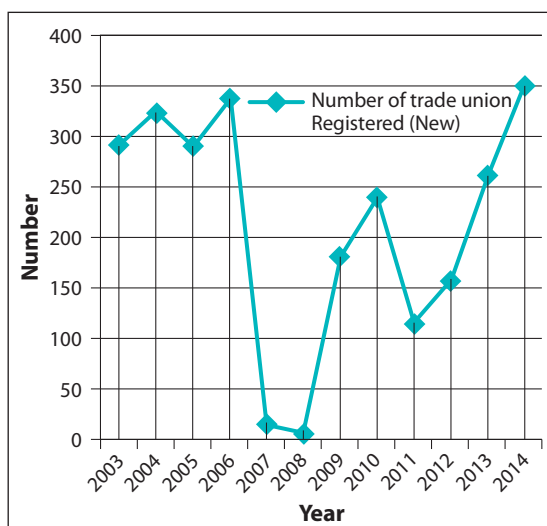
Since 2011, trade union registration has been on a rise

Basic Union	Industrial Federation of Trade Unions	National Federation
- Trade union at the plant or enterprise level - Has the advantage of being close to members - Has the ability to directly understand the day to day problems of workers and address them within the capacity of the union.	- Works within the jurisdiction of a particular industry - Consists of two or more unions at a particular industry - Provides a common platform for workers employed in different enterprises or units of the industry.	- Apex organisation of trade unions within the country. - All types of trade unions can be affiliated with any such federation of their choice. - The federation units may rely on their guidance for strikes, negotiations, and other worker demands.

Trend in trade union registration

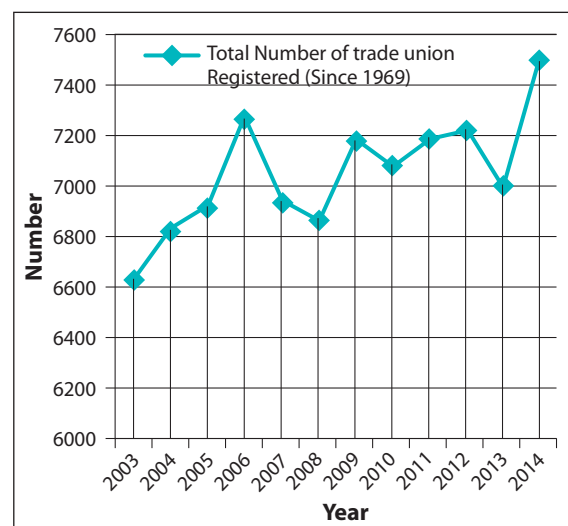
Current trade union participation is dismal in comparison to the workforce in the country. The trade union movement is split along party lines and political leanings. According to one estimate, the share of trade union members is 3 percent of the total labour force, while it is 22 percent among waged workers (Danish Trade Union and Council for International Development Cooperation 2014). The trade union movement is fragmented into more than 32 national trade union centres or federations with links to rivaling political parties. Most trade union activities occur in the industrial hub of the country and union participation is higher in the public sector. Besides, there are a number of trade unions in the formal private sector. Figure 4.2.8 below shows the new registration of trade union from 2003 to 2014. The numbers are too erratic to draw any systematic conclusion, but it's worth noting that after being steady until 2006, the number of new registrations fell sharply in 2007 and 2008, most likely due to the emergency. Trade union registration fluctuated over the next few years and has improved since 2012. The cancellation pattern follow almost the same course as revealed in Figure 4.2.10. Figure 4.2.9 shows the cumulative statistics of trade union registration till 2014 which shows an upward trend in recent years. Total numbers of trade union members also increased from 2003 to 2014. Total numbers of trade union members also increased from 2003 to 2014 (Figure 4.2.11).

Figure 4.2.8: New trade union registration in Bangladesh (2003-2014)

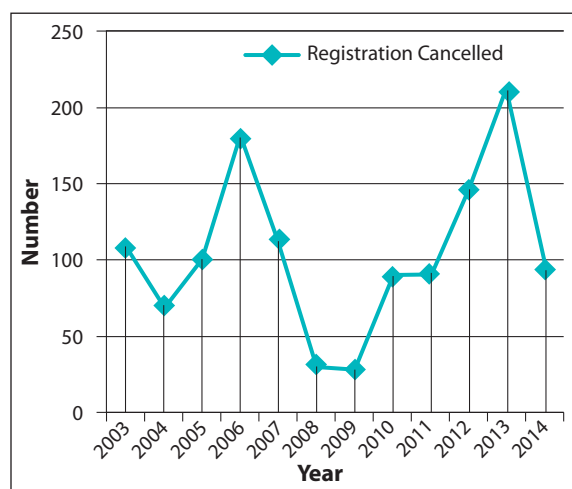


Source: Bangladesh Labour Journal 2005-2015

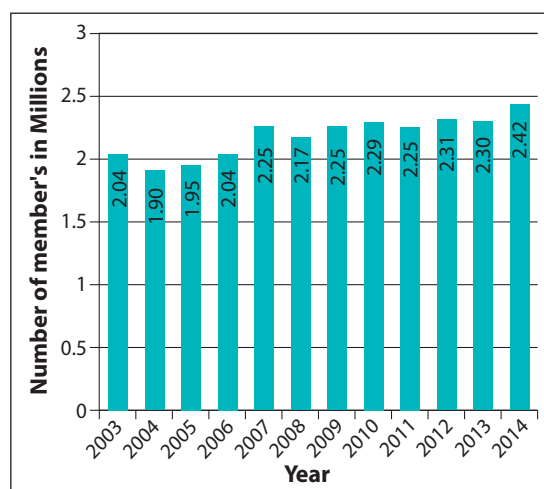
Figure 4.2.9: Trend in trade union registration in Bangladesh (2003-2014)



Source: Bangladesh Labour Journal 2005-2015

Figure 4.2.10: Trend of registration cancellation for Trade unions (2003-2014)

Source: Bangladesh Labour Journal 2005-2015

Figure 4.2.11: Trend of trade union membership (2003-2014)

Source: Bangladesh Labour Journal 2005-2015

As already mentioned in the policy section, the RMG sector discourages trade unionism. Table 4.2.2 is indicative of that situation. For instance, until 1997 only three trade unions existed in the RMG sector. Though the RMG industry grew rapidly, trade union registration didn't register a similar growth during this period and until 2012 there were only 132 registered trade unions. However, trade union registration improved slightly in the next two years following reforms after the Rana Plaza collapse. As of 31 March 2015, the total number of unions in the RMG sector was 437. Still, the newly registered unions only represent a small fraction (approx. 4 percent) of a workforce of over four million.

Table 4.2.2: Trade union registration in RMGs

Formation of RMG sector Unions	Up to Dec 2012	2013	2014	2015
Newly Formed		83	187	35
Total	132	215	402	437

Source: Bangladesh Sustainability Compact Technical Status Report, April 2015

Nature of industrial conflict and dispute settlement

The labour law (2006) provides provision for dispute settlement through bipartite negotiation⁴, conciliation⁵ and arbitration⁶. However, as Faruque (2009) mentioned, other than conciliation, the other two provisions are virtually non-existent in Bangladesh. In the case of failure of conciliation, the law allows provision for strike or lockout. We have consulted Bangladesh Labour Journal for statistics on conflict management which are categorised in two broad groups including conflict management through conciliation and labour strikes and

4. Bipartite negotiation takes place between the employers and employees where union leaders represents the employees.
5. Conciliation in industrial dispute used when the settlement of disputes fail at the bipartite negotiation level in which the conflicting parties can have a fair chance of settlement of industrial disputes through the services of expert negotiators (Faruque 2009).
6. If the conciliation fails, both employer and employee can get help of an arbitrator who is 'a person borne on a panel to be maintained by the Government or any other person agreed upon by parties'. The award of the arbitrator is final and no appeal shall lie against it. (ibid.)

Number of registered trade unions was 7512 as of 2014

Cancellation of trade union registration has been significantly high over the last decade

For 4 million workers, there were only 437 trade unions in RMG sectors

More than 1,500 industrial conflicts recorded in eight years

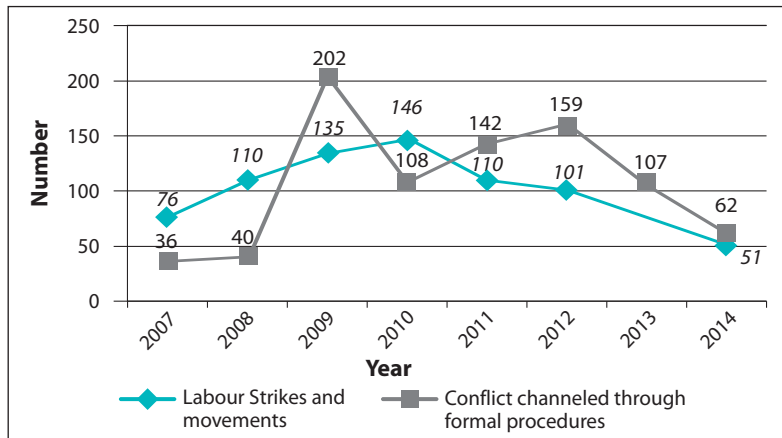
RMG sector disputes comprises 72 percent of conciliation cases

93 percent of strikes and movements happened at RMG factories

Increases in salary, bonus and piece rate are major reasons behind conflict

movements. In our analysis, we have used the term 'formally managed conflict' which refers to conciliation.

Figure 4.2.12: Trend in industrial conflict (formal and movements and strikes)

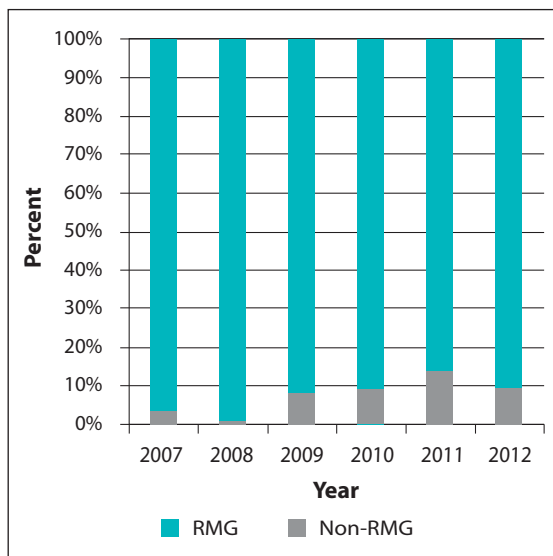


Source: Bangladesh Labour Journal 2005-2015

The Department of Labour records show that during eight years from 2007 until 2014, there were more than 1,500 industrial conflicts. Of this, 964 conflicts were processed through formal channels and 729 of them were labour strikes and movements.⁷ Figure 4.2.12 shows a downward trend in recent conflicts.

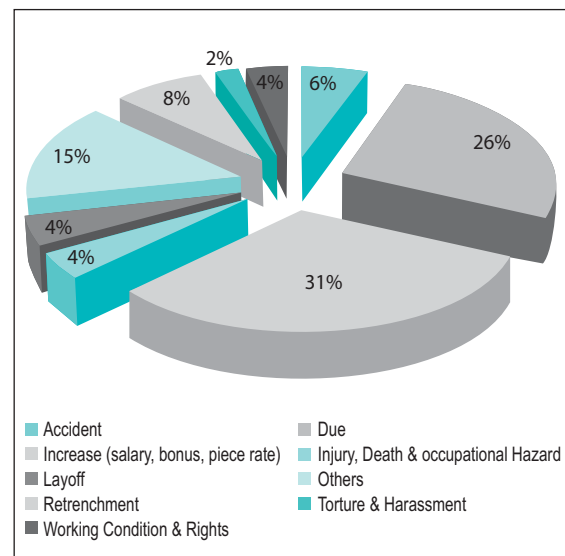
Labour strikes and movements

Figure 4.2.13: Labour unrest in RMG and Non RMG Sector



Source: Bangladesh Labour Journal 2007-2015

Figure 4.2.14: Reasons of conflict (2007-2012)



Source: Bangladesh Labour Journal 2007-2015

DOL data on labour strikes and movements mostly include RMG sector conflicts. Analysis of conflict data over five years, 2007-2012, shows RMG sector disputes were 72 percent of total formally channelled conflicts and 93 percent of total strikes and movements (Figure 4.2.13).

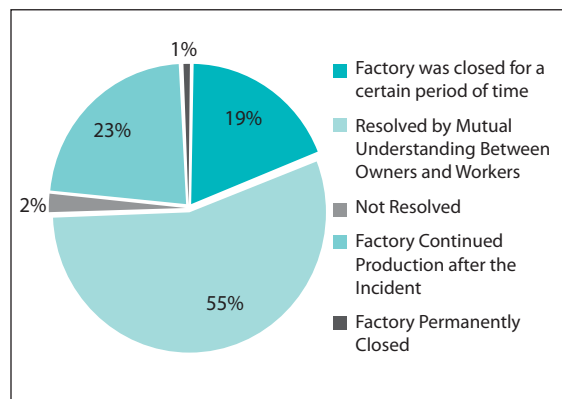
The reasons for labour unrest are many. As Figure 4.2.14 illustrates, demand for increase in salary, bonus and piece rate⁸ were the primary causes for these disputes amounting to around

7. This number excludes 2013 statistics of labour strikes and movements due to unavailability of data.

8. Piece rate refers to wage per piece of production.

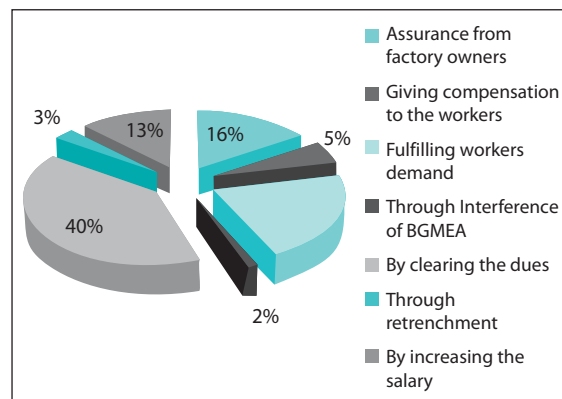
31 percent of total incidents for the period 2007-2012. Almost 26 percent of total labour conflicts were caused by demands for due salaries and payments. Retrenchment and labour layoffs also contributed significantly to labour unrest. The rest were related to internal clashes between labourer and supervisor, withdrawal of cases, and so on.

Figure 4.2.15: Status of labour unrest and crisis management incident (2007-2012)



Source: Bangladesh Labour Journal 2007-2015

Figure 4.2.16: Process of settling the labour unrest (2007-2012)



Source: Bangladesh Labour Journal 2007-2015

We further disaggregate the strike data to see how the strikes were resolved. Figure 4.2.15 shows that a majority (55 percent) of reported labour strikes and movements were solved through mutual understanding between workers and factory owners. In the same period, approximately 19 percent factories closed due to movements while the rest continued to operate. Around two percent of the incidents were reported as unsolved whereas one percent of the factories were reported to be closed after labour movements.

According to available data, of the 55 percent of strikes recorded as solved through 'mutual agreement', only 181 cases mention the details of it. From this, approximately 40 percent cases were resolved by clearing dues and 21 percent by fulfilling worker demands (Figure 4.2.16). Assurance from factory owners resolved 16 percent of the cases. Finally, three percent cases reported retrenchments and another two percent relied on BGMEA mediation.

In seven years (2007-2014), there were 856 disputes settled through conciliation. Most of these conflicts were financial disputes. Demand for pay raise and due payments, bonus and allowances contributed to around 60 percent of total complaints.

4.2.3.4 Wage, safety, security

Wage has been a major concern of industry workers in Bangladesh. In addition to this, absence of a proper job contract and the associated risk attached with the industrial job are marked as key governance challenges of the sector. In this section, we generate a discussion on wage rate movement of the industrial sector along with RMG sector. We also discuss the issue of job safety and hazard in this regard and also provide a quick snap shot of recent updates of safety initiatives in the RMG sector taken after the Rana Plaza disaster.

The minimum wage board (MWB) is responsible for setting minimum wages. The law permits MWB to fix wages for any sector based on employer or worker requests that is subject to review every five years. In 2010, MWB fixed the minimum wage for 33 industrial and commercial sectors and left the remaining 10 major sectors untouched (Ministry of Finance 2011). That policy is still in effect. In addition, MWB fixed a minimum wage of BDT 1,800 for all economic sectors that were outside the purview of industry specific wages.

55 percent of reported labour strikes and movements were solved through mutual understanding

19 percent factories closed due to labour strikes and movements

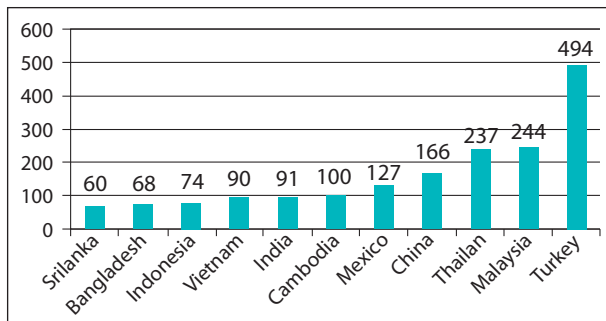
Bangladesh's RMG sector wages is one of the lowest among top apparel exporting countries

A 2014 survey shows 40 percent factories in Dhaka and outskirts did not pay the updated wage

DIFE inspection reports contradict with findings of other research reports regarding compliance issues

MWB also revise wage rate at regular intervals. Wages for many industrial sectors like foundry, petrol pump, tea packaging, tailoring, tea garden, have not been revised in 6 to 33 years (Alamgir and Saha 2016). Wages for sectors like foundry and petrol pump were last revised in the mid 1980s. Moreover, MWB fixed minimum wage doesn't always serve worker interests and proper implementation of minimum wage policy in these industries poses a major challenge.

Figure 4.2.17: Minimum wage rate in top ten RMG exporting countries



Source: ILO 2014

Table 4.2.3: Wage rate movement in RMG sector of Bangladesh

Year	Wage rate
1994	950
2006	1650
2010	3000
2013	5300

Source: Ahmed et al. 2010, interview

The RMG sector wage rate has experienced frequent changes. Wages remained constant for 12 years, but in 2006 after strong worker protests, minimum wage was set at BDT 1,650 taka. Following further worker demands, wages were adjusted to BDT 3,000 in 2010. That was changed again in 2013 after the Rana Plaza disaster. Yet even with the increase, Bangladesh RMG sector wages remain one of the lowest among top apparel exporting countries (Figure 4.2.17).

Table 4.2.4: Three tiers factories in RMG sector (2015)

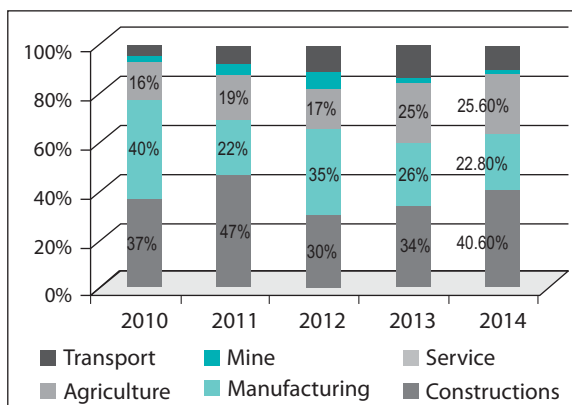
Tier	Number	Percentage
1st	235	4%
2nd	1887	35%
3rd	3379	61%
Total	5501	100%

Source: Khan and Wichterich 2015.

Express Tribune n.d.). In addition, irregular payment of wages continues to be a problem in this sector (Human Rights Watch 2015).

Despite policy changes, RMG sector implementation of minimum wages has been sporadic. A BGMEA survey from 2014 reported that 40 percent factories in Dhaka and its outskirts did not pay the updated minimum wage. In Chittagong, only five percent of the factories paid the minimum wage (The

Figure 4.2.18: Workplace death in Bangladesh (2010-2014)



Source: Safety and Rights 2013-2015

Interestingly, inspection reports present a different picture altogether. According to DIFE inspection reports, among the 2,495 factories inspected, 92 percent followed the minimum pay scale and 91 percent paid salaries regularly. Other research also contradict DIFE findings and report significant variation in compliance with minimum wage regulations (Khan and Wichterich 2015). Another interesting aspect to regulatory compliance is that factories well connected to western markets are

subject to compliance while a large number of smaller factories fall outside of the guidelines. As Table 4.2.4 shows, small lower level (belongs to tier 3⁹) factories constitute 60 percent share in RMG sector. According to the latest DIFE data, around 3,500 industries are subject to inspection coverage while more than 2,000 factories are outside of it.

Occupational safety and hazards

Table 4.2.5: Number of death in manufacturing industries

	Death per year	Major accident
2010	153	
2011	85	
2012	173	112
2013	96	1134
2014	73	

Source: Safety & Rights 2013- 2015

(Figure 4.2.18). According to Safety and Rights data, in the five years beginning in 2010, at least 1500 workplace accidents were reported, resulting in at least 2,200 fatalities and numerous injuries (Table 4.2.5) in the manufacturing sector. If we include death tolls from the Rana Plaza and Tazreen Fashions disasters, the number rises to 3,500.

Box 4.2.2 presents an update on recent reforms and challenges in adopting safety measures in the RMG sector.

Box 4.2.2: RMG sector safety: Reforms and progress

After the Rana Plaza collapse, the RMG sector was forced to undergo sweeping fire and structural safety reforms. According to DIFE, after the collapse in 2013, all 3,508 export oriented RMG factories were brought under structural, fire, and electrical safety inspection. There are currently three separate factory inspection initiatives. Accord and Alliance, which represent European and North American retailers, are two international initiatives besides the government's own initiative supported by ILO and funded by the European Union.

There have been marked improvements since these initiatives went into effect. According to DIFE, 1,549 factories were inspected under the national initiative, 1,368 under Accord, and 829 were inspected under Alliance. Based on inspections, factories found at serious risk were closed or temporarily closed. DIFE data shows that as of October 2015, inspectors found major problems at 136 factories – 37 of these were closed and another 36 were partially closed. Inspectors allowed 57 factories to operate and referred 136 factories to the review panel for further revision.

In order to make RMG factories compliant with structural, fire, and electrical safety standards, they must have Corrective Action Plans (CAPs). However, CAP implementation remains a challenge because of complexities and time and resource constraints. For example, according to Accord estimates, 28 percent of factories under review were

Construction and manufacturing sectors record the highest rate of accident

The period 2010-2014 saw 1500 workplace injuries and 2200 fatalities in the manufacturing sector

9. The first-tier factories are those in the Export Processing Zones (EPZs). The second-tier factories are those outside the EPZs. They are both large and medium in size; connected to the international buyers. The third-tier factories are comprised of all those medium- and small-scale factories that have no direct links with buyers

The progress is slower for factories under the national initiative – remediation plans began in only 20 percent of the factories

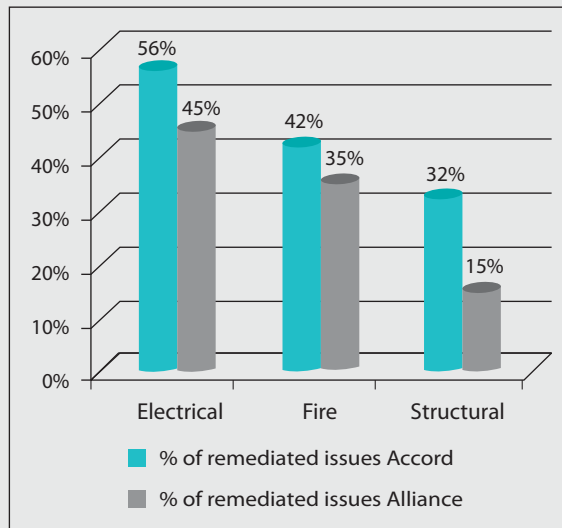
Only 28 percent of factories under Accord review were corrected

Only three percent of Alliance factories resolved 80 percent safety issues

Slower progress in fire and structural remediation

corrected, 23 percent factories were corrected but with pending Accord verification, while the remaining half were yet to be completed. Alliance reports only three percent of their factories resolved 80 percent safety issues. Approximately 45 percent of them completed only 21 to 41 percent safety problems.

Figure 4.2.19: Percentage of remedial issued in RMGs



Source: ILO & IFC 2016

A recent study (IFC and ILO 2016) reveals that both agencies, Accord and Alliance, have made progress in implementing electrical remediation which is less expensive compared to more expensive and complicated fire and structural safety issues. The report estimates that 56 percent of Accord firms has completed electrical remediation, 42 percent fire remediation, and only 32 percent structural remediation (Figure 4.2.19). For Alliance factories, the estimate is 45 percent, 35 percent, and 15 percent respectively (Figure 4.2.19). The progress is slower for factories under the national initiative – remediation plans began in only 20 percent of the factories. Our interviews with DIFE suggest that CAP implementation is complicated - factory owners often don't cooperate with the authorities or understand the process.

This section reviewed labour governance in the manufacturing sector in Bangladesh. It examined policy and administrative frameworks and assessed the efficiency of labour administration and inspection in Bangladesh. In addition to that, it outlined the history of trade unionism, conflict and dispute regulation in the manufacturing sector. We also covered wage and workplace safety issues in the manufacturing sector.

The findings suggest that the whole sector experienced a major shift because of the Rana Plaza disaster. Since then budget allocation and staffing of concerned agencies have improved and labour inspection has received a higher priority. However, policy and regulatory frameworks still discourage trade unions in the manufacturing sector, particularly in the private sector and EPZs, and allow only limited associational activities. These policies adversely affect labour movements, particularly noticeable in the private sector and within that, RMG industries. Most labour conflicts arise from demands for wage increases. Bangladesh is yet to establish industry specific wages for many industries and where they exist they haven't been revised in a while. There is, however, established minimum wage for the RMG sector, though implementation of the policy remains a challenge. Western buyers that work with large factories in the RMG sector have pushed for compliance with international safety standards and these factories constitute half of the total RMG industries in Bangladesh. The other half which are mostly smaller firms with no direct connection to buyers still remain outside the compliance purview. Workplace safety standard is another area that needs more attention. External engagement provided an

impetus for improved safety standards in the RMG sector though progress has been slow especially for structural and fire safety. These areas need continued focus and resource allocation in order to avoid future major disasters like Rana Plaza.

4.3 Tax governance

4.3.1 Introduction

Tax policy plays a major role in creating sustainable revenue base on which to create successful public programmes. Bangladesh experienced six percent economic growth in the last fiscal year, but tax-to-GDP ratio remains significantly low. The current tax-to-GDP ratio is 10, far below other South Asian nations (Nandi and Khondoker 2016). In the seventh five-year plan, the Bangladesh government set a tax-to-GDP ratio target of 14.1 percent to expand the fiscal space in the country and to reduce foreign aid dependence.

Tax revenue constitutes nearly 75 percent of total revenue collection in Bangladesh (NBR 2016). The two most significant sources for domestic revenue are – value added tax (VAT) and income tax. For decades, almost 70 percent of total tax revenue has depended on domestic VAT and income tax collections (NBR 2016). In order to achieve the seventh five-year plan target of tax-to-GDP growth of 14.1 percent, income tax base must increase by 2.1 percent while VAT receipts must increase by 0.8 percent.

However, success of these tax policies depends on the efficiency of tax governance. In particular, an effective tax collection system and regulatory framework will decide whether VAT and income tax receipts can promote a better fiscal base. The following sections will discuss current revenue collection using a number of performance indicators. Section 4.3.2 discusses tax reforms and structures in recent decades; Section 4.3.3 discusses existing exemptions and other distortions in the tax system; followed by Section 4.3.4 which analyses revenue trends over the years.

The ultimate goal for the government is to increase revenue targets by expanding the direct tax base, but accountability of the process is a major challenge. With these underlying factors, this section will try to answer the following questions:

1. Did policy changes result in positive changes to revenue earnings from direct taxation?
2. How did governance achievements or failures affect tax revenue mobilisation?

4.3.2 Tax reform and structure in recent decades

Since the 1980s there have been major amendments to tax laws and changes to their enforcement. For first two decades, between 1980s till late 1990s, indirect tax base such as customs and supplementary duties contributed to most of the revenue collection (NBR 2016). During the 1980s, when VAT law was first enacted, revenue collection remained low at less than seven percent of GDP. Later, new reforms followed in 1991 when a package system was introduced. During that time, VAT imposition became more progressive. Smaller firms were subjected to a streamlined tax regime with a lower tax burden. Taxpayers and companies could negotiate for tax exemption and holidays. As a result, a number of tax holidays, reduced rates, and exemptions followed which brought little result in increasing tax revenue (Reva 2015).

The current tax-to-GDP ratio is 10, far below other South Asian nations

Since the 1980s there have been major amendments to tax laws

Smaller firms were subjected to a streamlined tax regime with a lower tax burden

Figure 4.3.1: Evolution of tax policy

1980s	• Original Introduction of VAT • Low revenue collection: 7% of GDP
1991 reforms	• Introduction of a package system • Scope for lower tax burden and greater exemptions, reduced rates • Scope for negotiation with tax officials
2004-2009	• Vat coverage was expanded to all major sectors to increase revenue collection
2012-2016	• Broadening tax base to increase coverage • More focus on indirect taxation: VAT • Reduced number of exempt goods • Proposal for electronic system

In 2004 the government introduced a set of amendments to tax laws which were not implemented until 2009. VAT coverage now included many major sectors, both industrial and manufacturing. The revised law dropped previous exemptions for many sectors and reduced tax holidays. But optimum revenue collection was still a problem including sub-optimal VAT receipts. To meet the targets for the seventh five-year plan, the government announced a new tax reform strategy in 2012. The new VAT law will broaden the tax base by bringing all sectors, including import, manufacturing, services, and distribution within the purview of VAT. Under the new law, tax will be paid on the basis of actual transaction values rather than arbitrary tariff values (for manufactured goods) and truncated bases (for services and the trading sector) as practiced under the existing law, while substantially reducing the long list of exempted goods and services. An electronic system will facilitate online tax submission and centralised processing. However, despite recent improvements in administrative regulations and restructuring, successful implementation of automated VAT registration by this year remains a question.

In 2004 the government introduced a set of amendments to tax laws which were not implemented only 2009

4.3.3 Existing scenario of exemptions and other distortions in the tax system

Despite major reforms in the last two decades, the already complicated tax system is further compounded by different industry regulations. The post VAT regime included many exemptions such as reduced tax rates and other exemptions, holidays, and incentives that decreased revenue collection (Mansur¹⁰ *et al.* 2011). The new VAT legislation also includes different tax rates by industry type, product, and firms. For instance, from the 1990s until 2015 many areas in the agriculture sector—poultry, corn, sugar beet, and rice—got tax exemption status (Reva 2015). The duration of tax holidays are also high compared to other South Asian countries. For example, in Bangladesh, nearly 20 industries including handicraft exports, agro-processing, pharmaceuticals and boilers receive five to ten years of tax holiday. Table 4.3.1 details the list of the industries that enjoyed tax concessions as of the last fiscal year.

These disparate policies have created scope of greater resource misallocations (Reva 2015). According to a report by World Bank, while some industries in Bangladesh enjoyed greater tax benefits, others had more tax burdens. In general, manufacturing industries get tax benefits which increase the burden on consumers through imposition of higher VATs on retail prices.

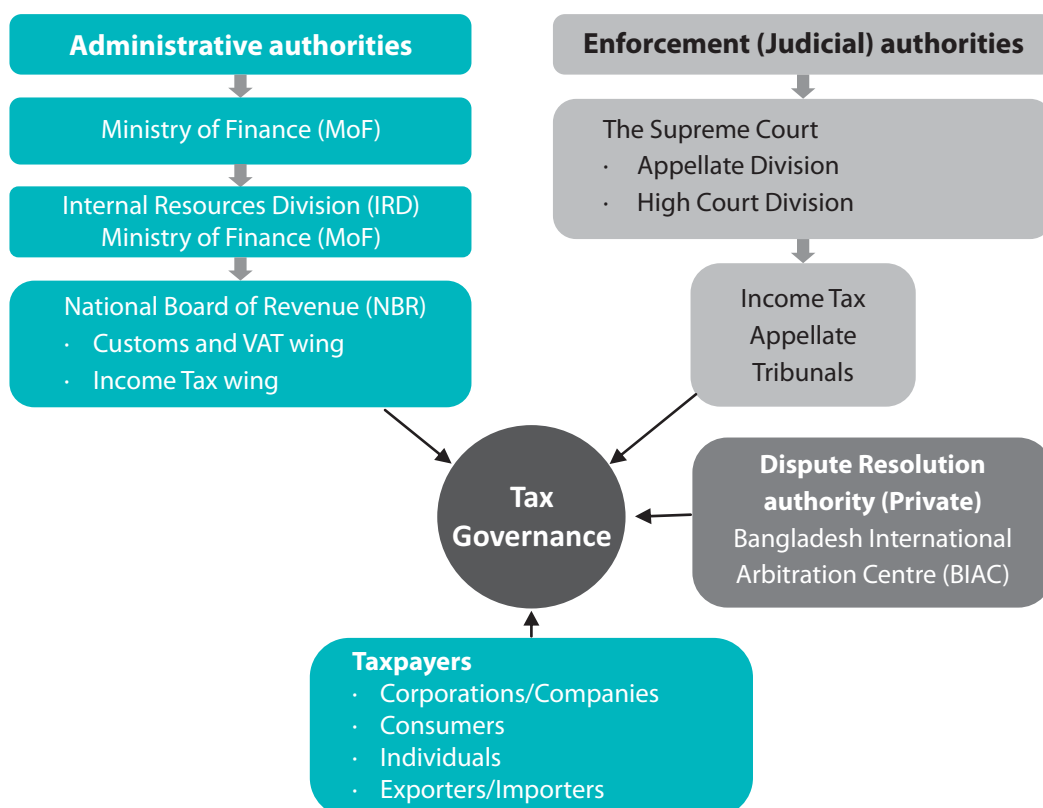
10. An evaluation of Bangladesh tax system, IGC working paper, Mansur, Yunus and Nandi, 2011.

Table 4.3.1: VAT exemptions, reduced rates and presumptive taxation in Bangladesh

Exemptions for goods	Most unprocessed agricultural products and select raw materials (cork, wood, cotton)
Exemptions for services	Six main categories of services: • basic services for living (agriculture-related services: e.g., food grains and vegetables packing or sorting; storage and preservation of agricultural goods, seeds, meat and fish); • social and welfare services (e.g., medical and educational services); • culture related services (e.g., TV and radio broadcasting, artwork, social and sports clubs); • financial services; • transport services; and • personal services (e.g., dancers, actors, translators, plumbers, wood, mason, and electrical workers)
Presumptive taxation of manufacturing items	101 products are taxed based on notional tariff values at production stage
Reduced rates for services ("truncated VAT")	21 services are taxed at reduced rates of 1.5%, 2.25%, 4.5% and 9%.
Special treatment of wholesalers and retailers ("trade VAT")	Wholesalers and retailers are taxed at 1.5% of total sales, provided that they do not avail of input credit.

Source: World Bank Policy Brief, December 2015

4.3.4 Stakeholders in tax governance

Figure 4.3.2: Stakeholders in tax governance

The new law will broaden the tax base by bringing all sectors within the purview of VAT

Manufacturing industries get tax benefits which increase the burden on consumers

NBR has broadened the tax base and increased coverage

Increase in income tax and VAT revenue as a result of greater tax base

To understand how tax governance operates in the context of Bangladesh, it was crucial to first identify the different actors or stakeholders in generation, administration and enforcement of the taxation process. The major stakeholders who were identified are displayed in Figure 4.3.2. The primary administrative authority responsible for the taxation system is the National Board of Revenue (NBR), which operates under the Ministry of Finance. On the enforcement side, the primary actors are the judicial branch of the government, namely the income tax appellate tribunals and the two branches of the Supreme Court and the Bangladesh International Arbitration Centre (BIAC), a private sector dispute resolution center.

4.3.5 Tax revenue trend analysis

In light of the regulatory structure and recent reforms, it is important to look into changes in the tax revenue in recent years. It is evident that revenue generation, for both direct and indirect tax has increased in recent years.

Figure 4.3.3 shows annual tax revenue from both direct and indirect taxes since fiscal year 2005-06. During the fiscal year 2014-15, total direct tax revenue rose to nearly BDT 50,000 crore from BDT 44,000 crore in the previous year. During that same time, total indirect tax revenue rose from BDT 77,000 crore to BDT 87,000 crore. Figure 4.3.3 also reveals that indirect tax contributes more in total tax revenue than the direct tax. Given the importance of indirect tax, we next look into various indirect taxes.

Figure 4.3.4 shows various indirect tax revenues over a 10-year period. Locally collected VAT revenue increased from BDT 10,965 crore in FY 2008-09 to BDT 32,290 crore in FY 2014-15. Import level VAT revenue increased from BDT 9,186 crore to BDT 17,690 crore during the same period, but this change was somewhat depressed by revenue collection at the local level. As previously mentioned, broadening the tax base and increasing coverage increased revenue from indirect taxes. While most indirect tax revenue increased, local and import level VAT, in particular, generated a major share of annual revenue. As previously mentioned, VAT coverage increased significantly from 2004 to 2009. The increased coverage went into effect around 2009 and the following years registered a steeper rise from VAT collection. Since 2009, indirect taxes such as import and local supplementary duties also increased annual revenue. Other types of indirect taxes, such as, supplementary duty, excise duty, turnover tax, did not significantly contribute to revenue generation.

Figure 4.3.3: Tax revenue trend 2005-2015

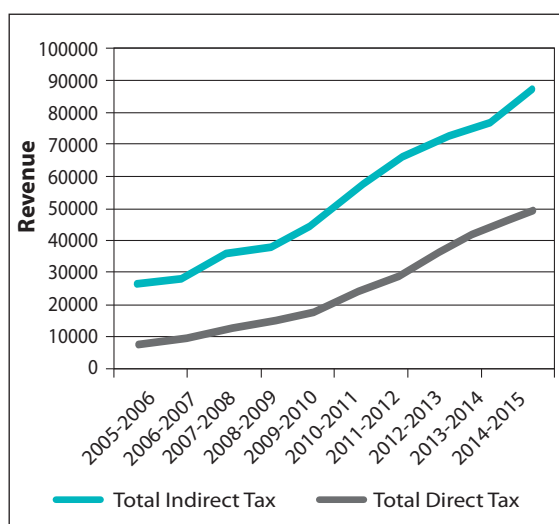
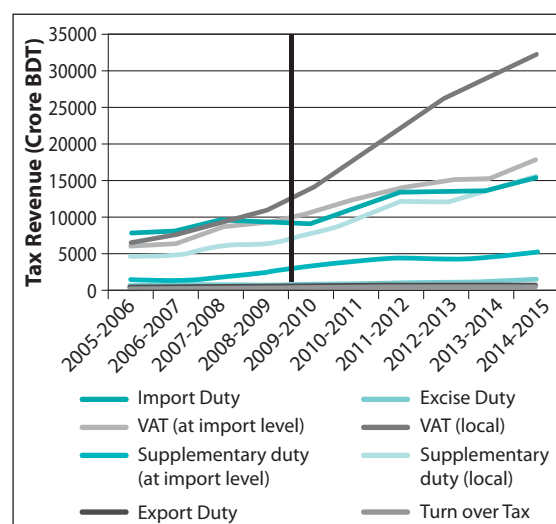
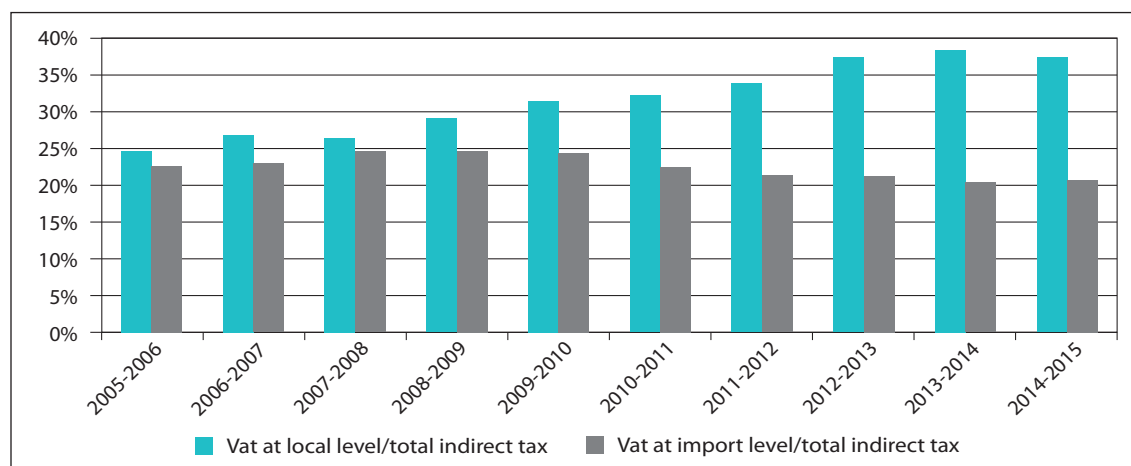


Figure 4.3.4: Indirect tax revenue trend (breakdown)



Due to the positive effect of VAT on indirect tax revenues, local VAT¹¹ as a percentage of total indirect tax revenue rose from 28 percent in FY 2008-09 to 37 percent in FY 2014-15. During FY 2014-15 VAT (import) as a percentage of total indirect tax revenue was just above 20 percent, rising from 24 percent in FY 2008-09. The figure below shows the change in local and import level VAT revenue as a percentage of indirect tax revenue in the last 10 years. These increases in indirect tax revenue may impose a greater burden on the consumers. A long list of exemptions and tax holidays¹² and a flat VAT rate of 15 percent meant the tax burden was transferred to consumers who faced soaring commodity prices.

Figure 4.3.5: VAT (local and import level) as a % of total indirect tax



The recent reforms in 2009-2012 focused on expanding the indirect tax base. These changes along with tax authority efforts have led to increased revenue from indirect taxes, particularly from VAT. NBR sources claim that the government intends to digitise the tax collection and filing system, with an emphasis on better taxpayer services and taxpayer education. These interventions are also recommended by the OECD argues as strategic tools for revenue mobilisation¹³ because a more informed taxpayer is more likely to be compliant and submit their taxes.

4.3.6 Failures in revenue mobilisation

The section above is an overview of recent revenue trends and government efforts to improve tax revenue mobilisation. Despite successes, like increase in indirect and direct tax revenue, and the VAT system digitisation, there are failures as well. This section delves into some detail.

11. Value-added tax (VAT) is a consumption tax, meaning that it is a tax on the purchase of a product or a service. VAT, collected at local level, is that on domestic consumption. (Source: <http://www.investopedia.com/ask/answers/011915/what-valueadded-tax-vat-and-who-pays-it.asp?ad=dirN&qo=investopediaSiteSearch&qsrc=0&o=40186>)

12. The Daily Star, in a recent article, reported that the new VAT law would put exemptions on nearly 1900 goods and services, including on raw materials that are essential in construction work, in the country. 'VAT law could spell trouble' May 17, 2016.

13. Building Tax Culture, Compliance and Citizenship, A Global Source Book on Taxpayer Education, OECD.

Between 2005- 2015, indirect tax and direct tax revenue made up 56% and 23% of government revenue

Current traditional tax system is being digitalised to put more emphasis on providing better tax services to taxpayers

Bangladesh is the only country with a tax-GDP ratio below 10%, compared to other South Asian nations

Only 1 percent of the population pays income tax

Increasing gap between government revenue and expenditure in recent years

Gaps between revenue and expenditure increase reliance on loans

Table 4.3.2: Tax effort in South Asian countries, average 2010-2014 (As % of GDP)

Country	Average Tax Revenue as % of GDP
Bangladesh	10.2
India	16.6
Nepal	14.4
Pakistan	10.6
Sri Lanka	12.4

While increasing VAT revenue in recent years is encouraging, our analysis shows that Bangladesh can improve its performance in terms of tax-GDP¹⁴. In Bangladesh, this ratio has been consistently low, compared to other South Asian countries, with tax revenue amounting to merely 9.29 percent of total GDP in FY 2014-15. Figure 4.3.7 shows the change of this ratio since 2005. In 2005-06, the tax-to-GDP ratio was even lower at 7.14 percent. While the ratio has since improved, it is still less than many other countries. In comparative analysis with neighboring Asian countries, tax-to-GDP ratio in Bangladesh is low (below 10 percent), as shown in Table 4.3.2 (Shahid Ullah 2016).

Figure 4.3.6: Tax-GDP ratio

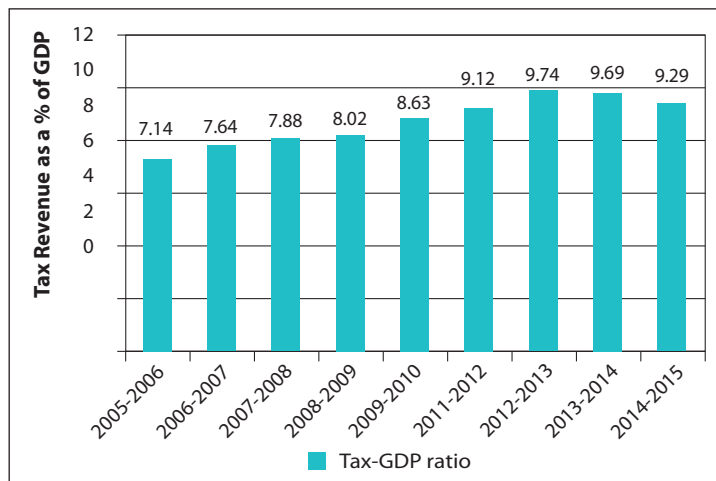


Figure 4.3.6 demonstrates that the tax-to-GDP ratio has remained more or less static for a greater portion of the last decade. In Bangladesh, tax revenue constitutes a major portion of the total revenue for the government. An inefficient tax system can adversely affect total revenue and subsequently the government's ability to spend on public service delivery and development programmes.

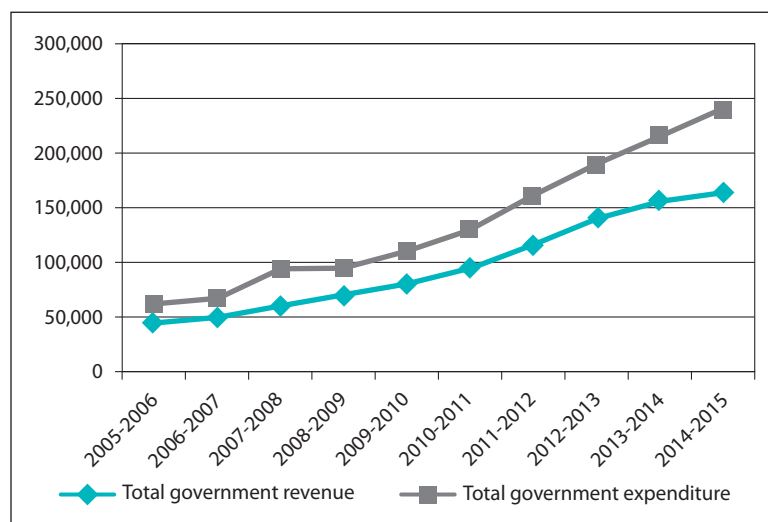
The sub-optimal tax-GDP ratio can be explained through further analysis of the difference between projected and actual tax revenue. The difference in projected and collected tax revenue can be explained by low tax resource mobilisation and prevalence of tax evasion. Currently, only one percent of the population pays income tax.¹⁵ Although local VAT and income tax revenue have increased, existing governance failures in tax system need to be addressed. Mansur *et al.* (2011) argue that the current tax system suffers not only from the issues mentioned above but also from limited administrative capacity and human resource constraints. Civil servant recruitment involves a tedious process administered through the Public Service Commission, limiting the scope for filling positions, especially expert positions, quickly (Hassan and Prichard 2014).

14. The tax-to-GDP ratio, which is tax revenue as a percentage of the national GDP, is a standard performance assessment tool for a country's tax system.

15. Tax System in Bangladesh: Efficiency and Fairness, Mohammad Shahid Ullah, January 21, 2016.

The gap between total government revenue and total government expenditure further strengthen this argument. Figure 4.3.7 shows that in recent years the gap between total revenue and total expenditure widened. In FY 2014-15, government expenditure was BDT 76,297 crore more than total revenue, forcing the government to rely more on domestic and foreign borrowing.

Figure 4.3.7: Trend of government revenue and expenditure

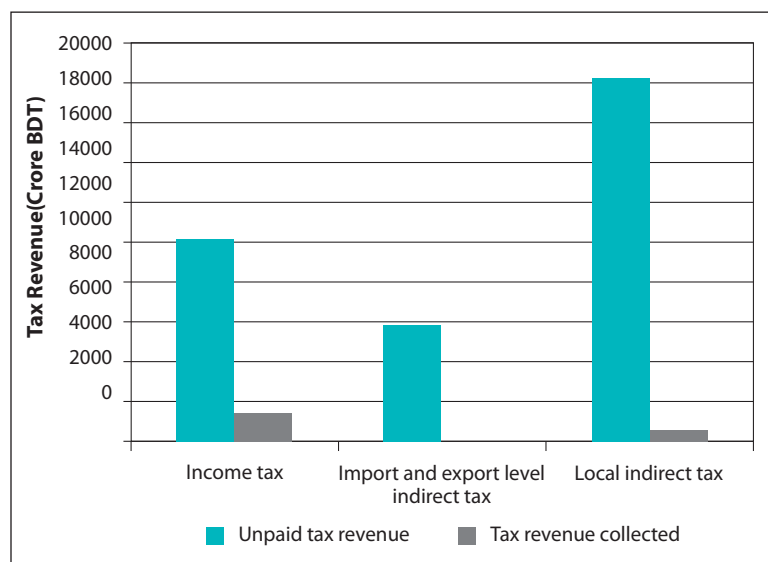


Concerned experts argue that because of the internal administrative inefficiencies of the NBR, the total government revenue may be lower than what is officially reported. In that case, the gap between expenditure and government revenue is likely wider than what is portrayed in here. This leaves scope for further studies to understand possible internal inefficiencies of the NBR.

Significant difference between the projected and collected tax revenue

Low tax resource mobilisation and a high degree of tax evasion could be causing this difference

Figure 4.3.8: Tax revenue collected and unpaid



These limitations have resulted in large amounts of unpaid taxes. Figure 4.3.8 illustrates the difference between tax revenue collected and unpaid tax revenue¹⁶ for fiscal year 2013-14. Amount of unpaid tax was nearly BDT 18,000 crore in this period, a value that far exceeds local indirect tax revenue. This large amount of unpaid indirect tax demonstrates that even with the increase in indirect tax revenue, there are

Unpaid indirect tax revenue was BDT 18000 crore, far exceeding the revenue collected

systemic failures that dampen revenue generation. Figure 4.3.9 shows the amount of unpaid income tax and revenue (in BDT) collected by NBR across various tax zones. As the graph display direct tax revenue collection has similar problems.

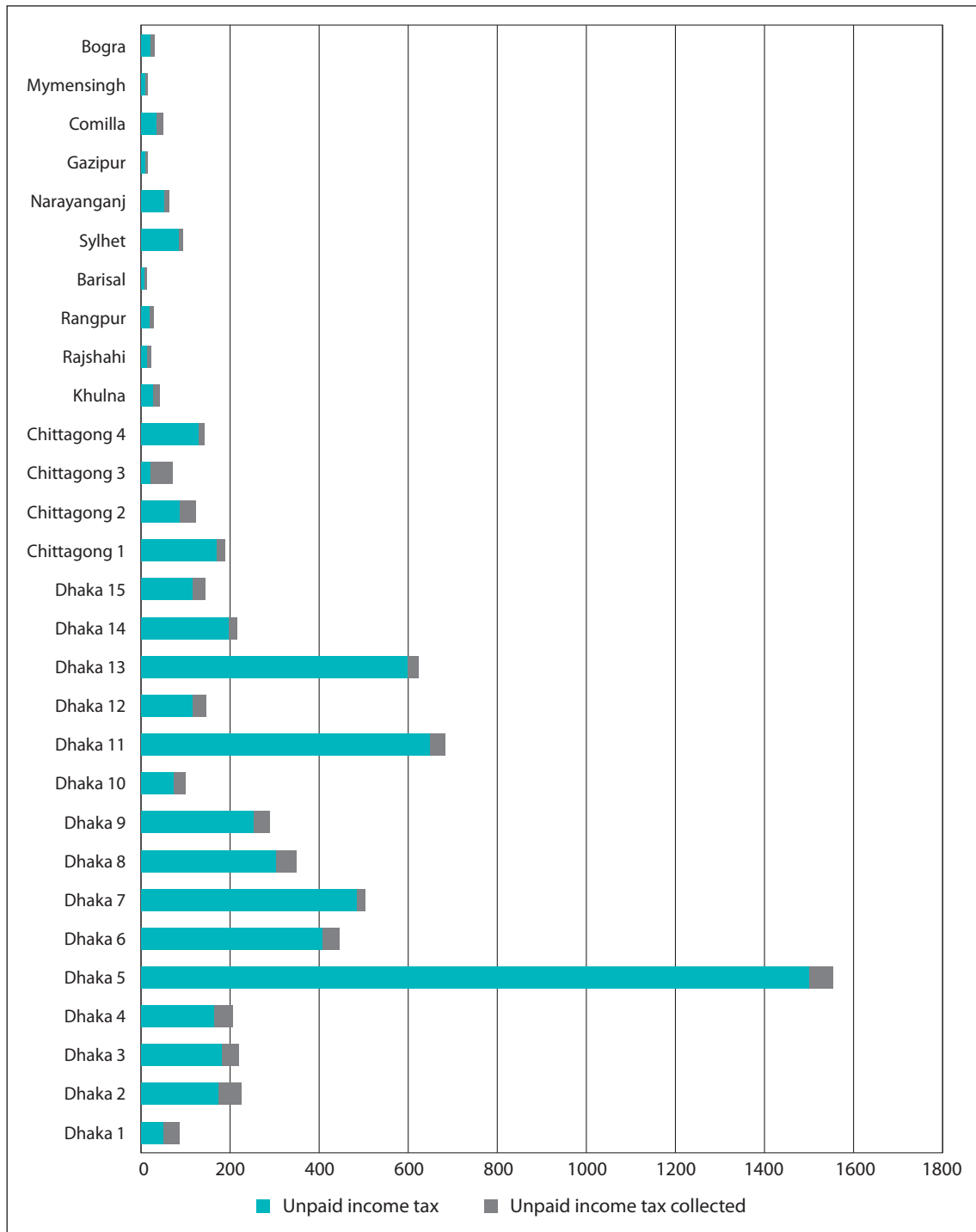
16. Unpaid tax revenue is defined as the sum of total tax payable by all assesses at any point of time, which is due to paid.

Some Dhaka tax zones are among the worst performing in terms of income tax revenue collection

High unpaid income tax revenue is present in most tax zones

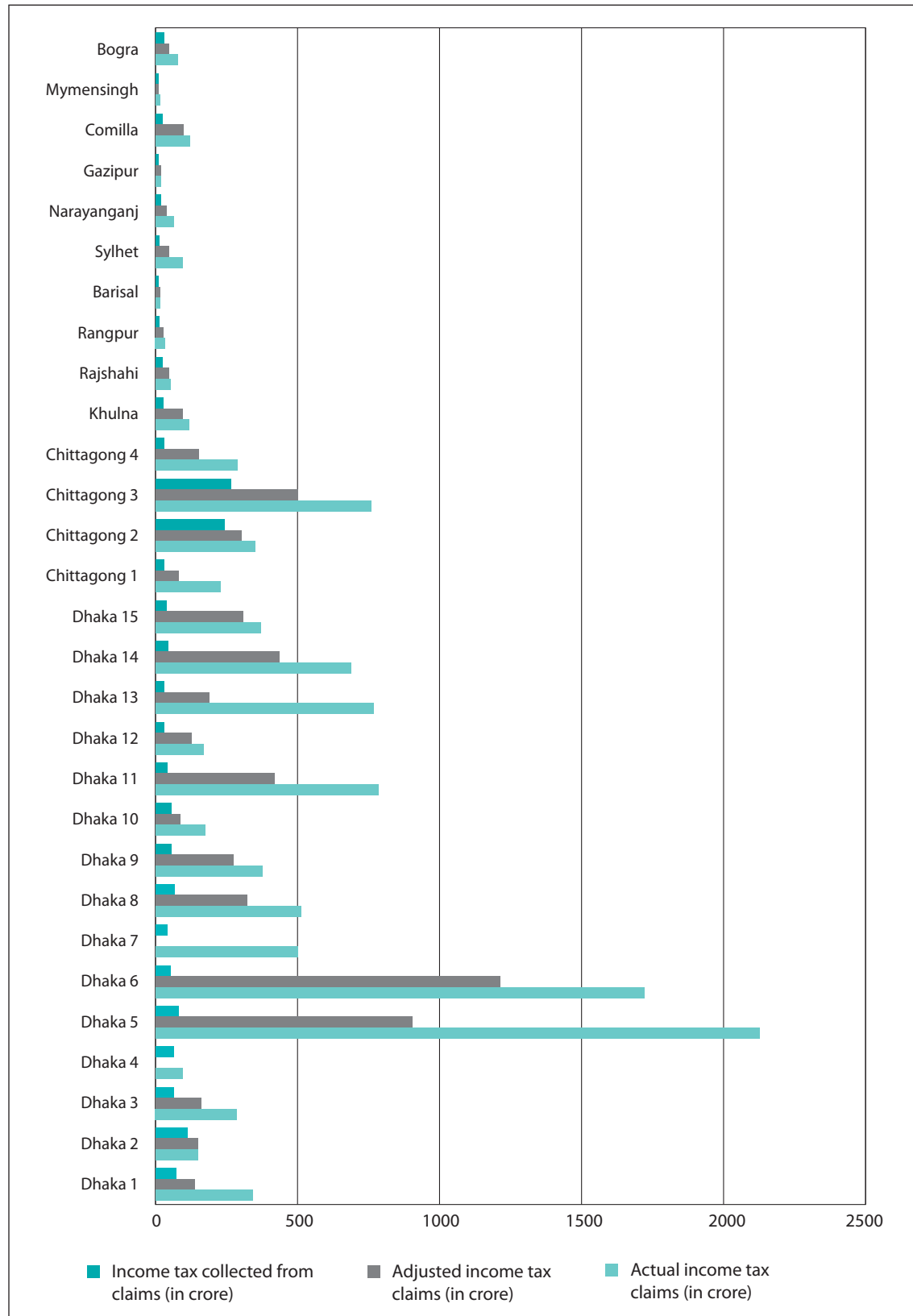
Inefficient tax collection prompted by gaps in administrative capacity and low tax morale results in unpaid income tax

Figure 4.3.9: Unpaid income tax and unpaid income tax collected by tax zones



The picture is similar across tax zones, with some of the worst performances in terms of unpaid or pending income taxes in some Dhaka zones. NBR inefficiency, lack of NBR administrative capacity, or even low taxpayer morale could contribute to unpaid income taxes. Taxpayer morale in Bangladesh is particularly low according to Sarkar *et al.*, (2015) because absence of transparency and accountability in government spending dissuades taxpayers from paying their taxes.

Figure 4.3.10: Actual income tax claims, adjusted income tax claims and income tax collected from claims across tax zones



Low tax morale due to issues of transparency and accountability of the government

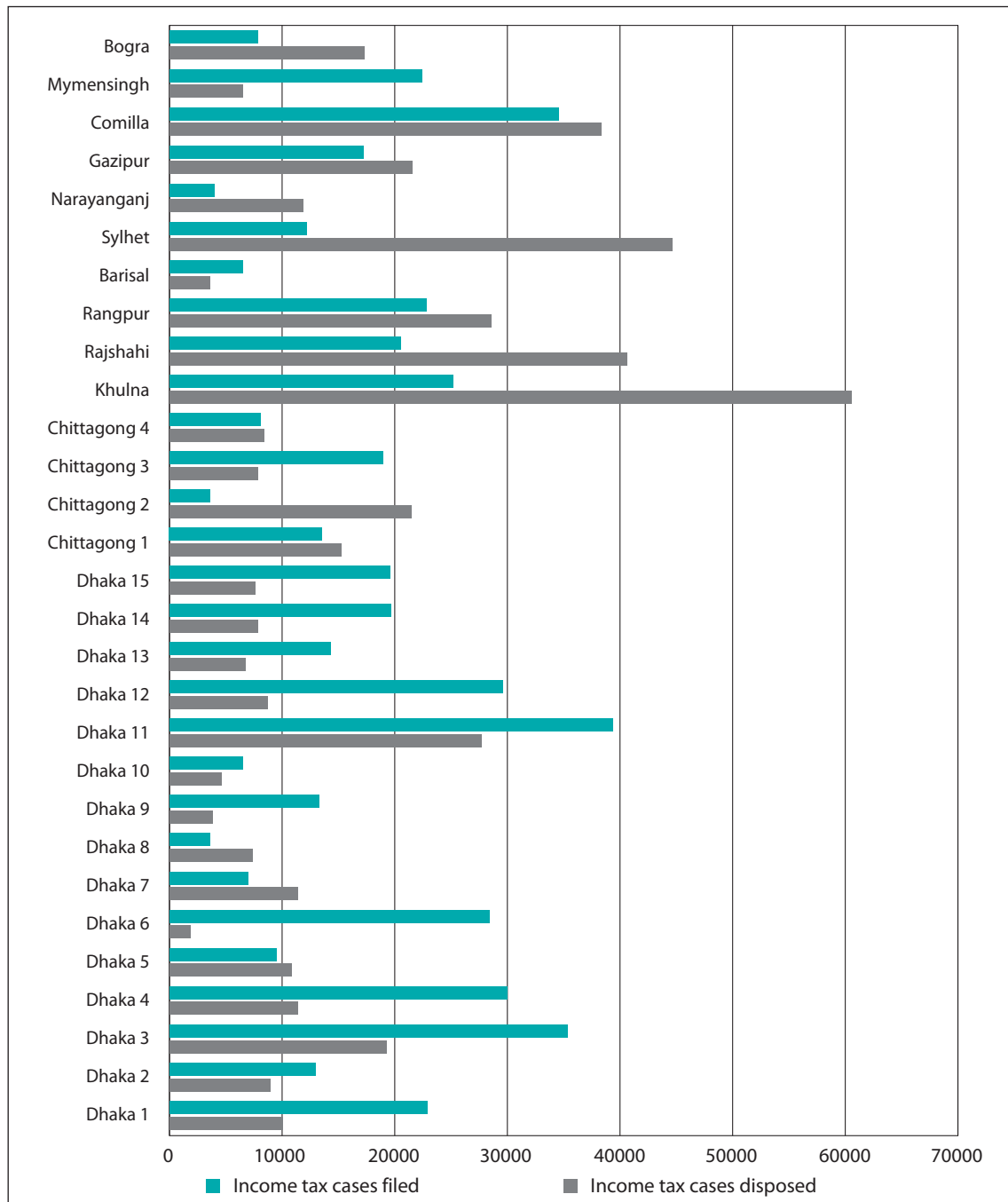
Special negotiations between tax officials and tax payers can lead to adjustment of payable income tax claims

The Dhaka tax zones have performed poorly in terms of the disposal of income tax cases

Number of filed cases high in tax zones with larger gap between adjusted income tax claims and income tax collected

Figure 4.3.10 displays income tax collection across tax zones in Bangladesh¹⁷. It is clear that income tax collected from claims is a small percentage of actual income tax claims and even adjusted income tax claims. One explanation for the difference between adjusted and actual income tax claims could be rent seeking behavior. It is plausible that tax officials engage in special negotiations with individuals or corporations for their tax payments. However, it remains unclear why income tax collected from adjusted tax amount is so low.

Figure 4.3.11: Income tax cases filed and disposed across tax zones

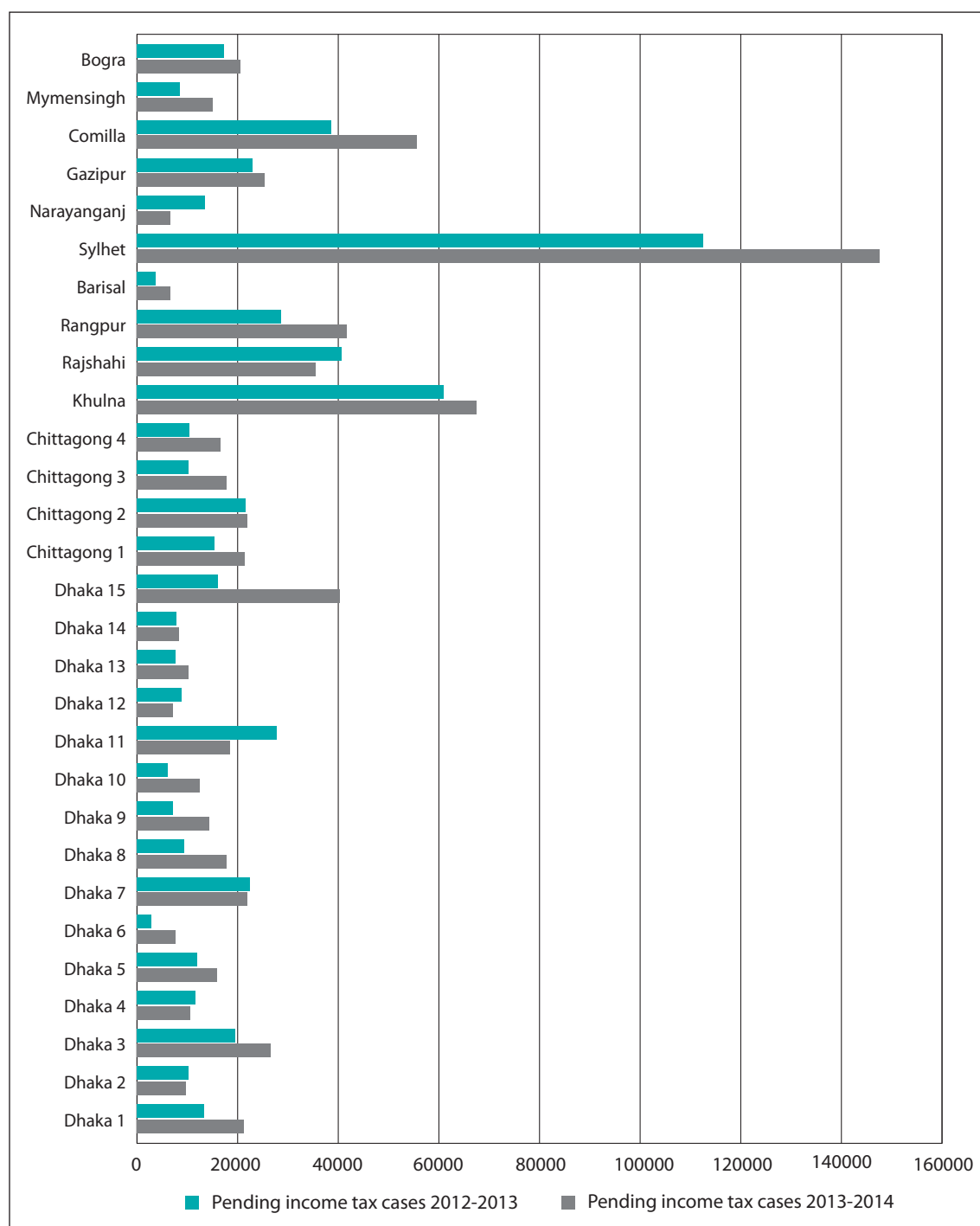


17. Note that the adjusted income tax claims in Dhaka 4 and 7 were negative and were therefore set to zero in the graph.

One of the results of this discrepancy between actual or adjusted income tax and collected income tax is legal. Figure 4.3.11 shows the disposal rate of income tax cases for FY2013-14. Compared to the rest of the country, tax zones in Dhaka performed poorly in terms of disposal of income tax cases. In tax zones where the difference between adjusted income tax claims and income tax collected was more pronounced, the number of cases filed was higher. While this is true for most tax zones, other factors could contribute to the number of income tax cases filed in zones like Mymensingh and Rajshahi.

Pending cases increased across majority of the tax zones

Figure 4.3.12: Pending cases FY 2012-2013 and FY 2013-2014

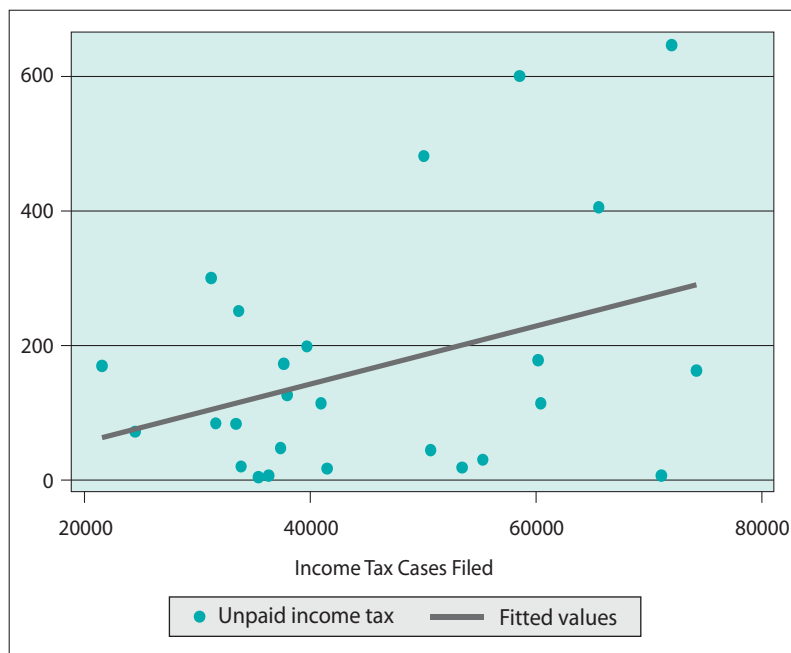


Tax zones with more income tax related cases filed were also found to have higher unpaid income tax

The number of pending cases increased in nearly all tax zones from FY 2012-13 to FY 2013-14 (Figure 4.3.12). Sylhet had the highest number of pending cases, followed closely by Comilla, Khulna, Rangpur, and Dhaka. However, in some cases, like in Dhaka 2, 4, 11 and 12, Rajshahi and Narayanganj, it can be seen that the number of pending cases have declined. Given the number of tax related case backlogs, NBR can rely on Alternate Dispute Resolution (ADR) to resolve these cases and, in general, increase its efforts to resolve cases quickly. As for ADR, the process has been a success in many other countries, though is not widespread in Bangladesh.

Given the increasing number of pending cases in most tax zones, a further analysis is done to see whether number of income tax related cases filed is correlated with unpaid income tax. Figure 4.3.13 displays the scatter plot of unpaid income tax against income tax cases filed across tax zones, which is an indicator for revenue collection performance. The results show that zones with fewer income tax related cases filed also have lower unpaid tax. In other words, zones with lower unpaid tax to income tax cases ratio represents a better performing zone. This complements the analysis in Figure 4.3.12, where the number of pending cases was high in many tax zones. This may be one of the reasons for poor revenue mobilisation across the country.

Figure 4.3.13: Unpaid income tax against income tax cases filed across tax zones

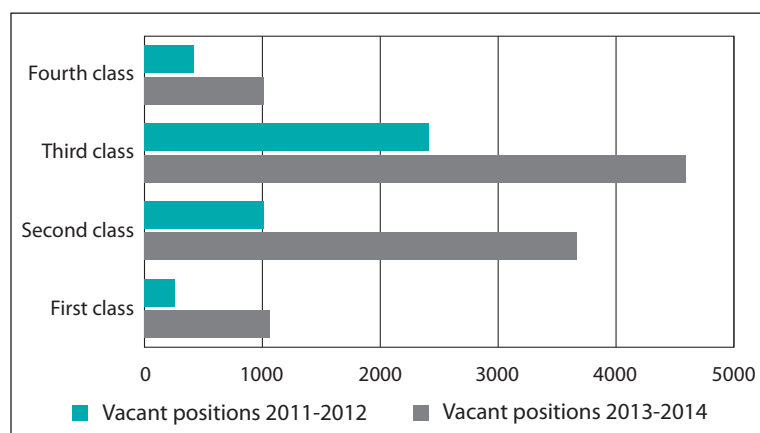


To resolve tax related cases efficiently and to reduce backlogs, NBR launched ADR. Using this alternative legal mechanism, the government aims to mitigate the pressure on the judicial system, resolve cases outside the court and minimise revenue. The initiative launched in 2012 with the support of International Financial Corporation (IFC). In its first phase, ADR covered two large income tax and VAT units: Dhaka South VAT office and tax zone-1.¹⁸

However, despite having obvious advantages, ADR is not yet popular in Bangladesh. Part of the reason is that many people are not accustomed to the process. Interviews with officials from Bangladesh International Arbitration Center (BIAC) revealed further that lack of data and poor administration among other factors hinder successful ADR operations in Bangladesh. They also believed that the country needs more time to effectively implement ADR and reduce case backlogs in all tax zones through adoption of such measures.

18. Information retrieved from http://print.thefinancialexpress-bd.com/old/more.php?date=2012-03-15&news_id=123485

ADR which is yet to be mainstreamed in Bangladesh could be one way to address the issue of tax related case backlogs

Figure 4.3.14: Vacant positions in NBR

Although case backlogs can contribute to lost revenues, there are potentially other factors for low revenue collection. One such factor is the administrative capacity of the tax authority. Figure 4.3.14 illustrates the number of vacant positions at NBR the number of positions increased for all classes of officers from FY 2011-12 to FY 2012-13. Vacant positions for

second and third class officers rose from 1,000 to 3,800 and from 2,500 to 4,500 respectively. In general, vacant positions in the first and fourth grade employment were fewer than in the second and third grades. Chowdhury (2014) argues that the absence of qualified tax collectors can weaken the tax collection mechanism. His paper shows that many assessing officers do not have the proficiency level required to be efficient tax collectors, for which they often fail to complete tax evaluations and assess documents properly, audit reports, and account books. If this is the case, it can encourage tax avoidance and tax evasion.

Box 4.3.1: Policy brief on 'Increasing Tax Compliance through Social Recognition (2014)'

- ✓ An IGC policy brief by Chetty, Mobarak and Singhal (2014) suggest that through social recognition tax compliance could be increased.
- ✓ Authors conducted a randomised control trial by identifying 23,034 VAT-relevant firms.
- ✓ As treatment eight different letter types were randomly allocated across different strata, each having varying information on peer groups and baseline.
- ✓ The results of the policy brief revealed that exposing information about firms to their peers can increase tax compliance and payment.
- ✓ The authors recommend that NBR should allow shopping centers and other shops to display lists of item-specific VAT information inside shopping centers.
- ✓ Eventually, it is believed to encourage additional incentives for firms to become tax compliant since publicly available information about tax compliance may affect consumer behavior, as they are directed towards tax compliant businesses.

Analysis of revenue patterns demonstrates that there is scope for better NBR performance and for greater revenue mobilisation. Tax revenue constitutes a major part of the government's total revenue and therefore, also affects the government's ability to spend. Although there have been a number of reforms in the tax system in recent decades which has resulted in greater tax revenue collection to some extent, there are institutional inefficiencies resulting in sub-optimal revenue collection. Better administrative and regulatory capacity at NBR along with taxpayer education can encourage greater compliance and increased revenue growth. To improve tax collection and to improve the tax-to-GDP ratio, the government needs to redouble its effort to increase tax revenue and encourage greater tax compliance.

Lack of administrative capacity can dampen collection and encourage misreporting and evasion on the part of tax payers

Three sectors:
formal, semi-
formal, and
informal

Bangladesh
financial
sector has
seen major
reform since
the 80s

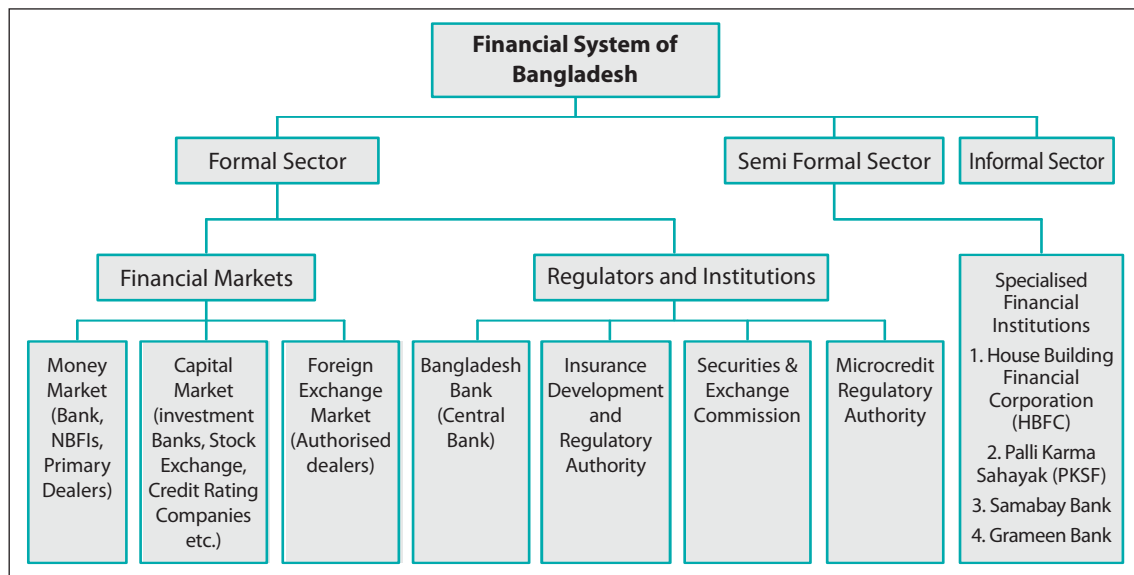
Banking
Regulation
and Policy
Department
(BPRD)
introduced
Basel I in 1996

4.4 Financial governance

4.4.1 Structure of the financial system in Bangladesh

The financial system of Bangladesh consists of banks, non-bank financial institutions (FIs), insurance companies, capital market intermediaries, and microfinance institutions (MFIs). These are divided into three different sectors: formal sector, semi-formal sector, and informal sector based on the degree of regulation (Figure 4.4.1). The formal sector is regulated heavily, whereas the semi-formal sector is outside the standard jurisdiction of national regulation, but otherwise regulated. On the other hand, the informal sector consists of private intermediaries and is completely unregulated.

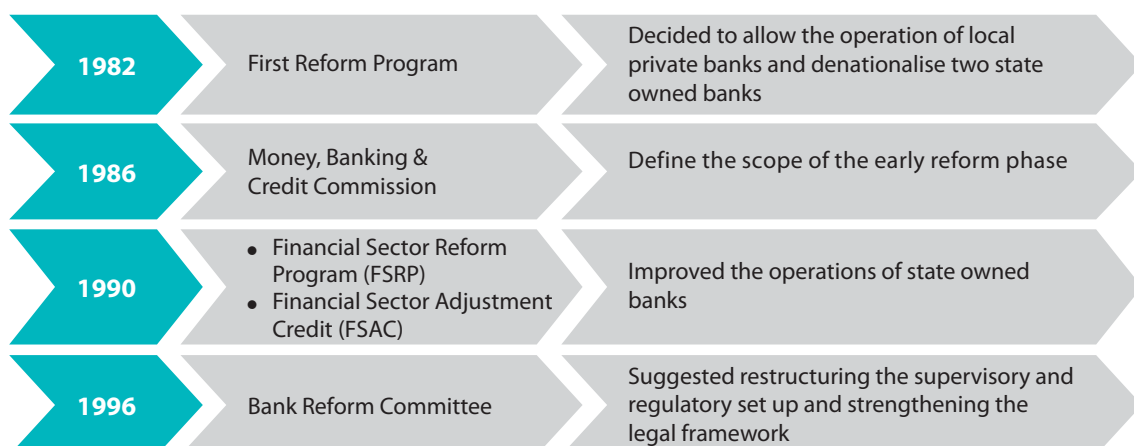
Figure 4.4.1: Financial system of Bangladesh



4.4.2 Financial sector reform measures

The financial sector in any country has to be robust enough to facilitate economic growth. "Financial market can be thought of as the brain of the entire economic system, the central locus of decision making" (Stiglitz 1994). The financial sector in Bangladesh went through substantial reforms beginning in the 1980s (Figure 4.4.2) with the privatisation of some state owned banks and then policy reforms for private sector banking recommended by World Bank and IMF.

Figure 4.4.2: Financial sector perform



4.4.3 Basel regime in banking sector

After the breakdown of Bretton Woods system in 1973, many banks incurred foreign currency losses. The collapse was precipitated by the German bank Bankhaus Herstatt's foreign exchange exposure three times its capital. Banks outside Germany incurred heavier losses on their trades that led to international turmoil. In 1974 in response to this turmoil, central bank governors from G10 countries established a Committee on Banking Regulations and Supervisory Practices. Later called Basel Committee on Banking Supervision, the purpose of the committee was to enhance financial stability and improve banking supervision worldwide. This committee set basic principles for minimum standards but individual countries could modify the terms depending on their market conditions.

Bangladesh also formulated and implemented its own Basel requirements over the years. Following the financial reforms, in 1996, Banking Regulation and Policy Department (BPRD) introduced Basel I for assessing capital positions of banks. In 2008, BB circulated that Basel II can be implemented on Bangladesh based on a self audit assessment on compliance with Basel Core Principles (BCP). From January 1, 2009, "Risk based capital adequacy (RBCA) for banks' in line with existing Basel I was introduced. From January, 2010 Basel II was fully implemented (Figure 4.4.3).

Figure 4.4.3: The timeline for Basel implementation

Regime	1996	2008	2009	2010	2014	2015	2019
Basel I							
Basel II							
Basel III							

Basel I was implemented	December, Basel II formulation	January, Basel I & Basel II parallel implementation	January, Basel II full implementation	March, guidelines for Basel III issued	January Guideline came into effect	January, Basel III full implementation
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Bangladesh entered the Basel III regime as BB circulated new regulatory capital and liquidity guidelines in accordance to Basel III. Following the 2007 financial crisis, Basel Committee of Banking supervision wanted to address "too big to fail" doctrine and deter reckless risk taking by implementing Basel III guidelines. Post-2007 crisis, the banking sector across the globe was plagued with insolvency and liquidity problems. Basel III wanted to solve that by introducing new requirements for maintaining capital adequacy, leverage ratio, and a liquidity standard. Given these developments, Bangladesh Bank pivoted to a risk-based approach in regulation and supervision. The Financial Stability Board established guidelines to mitigate financial institution failures during a financial crisis. The recent guideline, effective as of January 2015, set out principles for minimum capital requirements, supervisory review of capital adequacy, and risk assessment.

The Basel III guideline has been effective from January 2015

Basel III guidelines set out principles for banking sector

Private banks have become more dynamic after the reforms and liberalisation in 90s

The government of Bangladesh developed a phase-in arrangement for Basel III implementation:

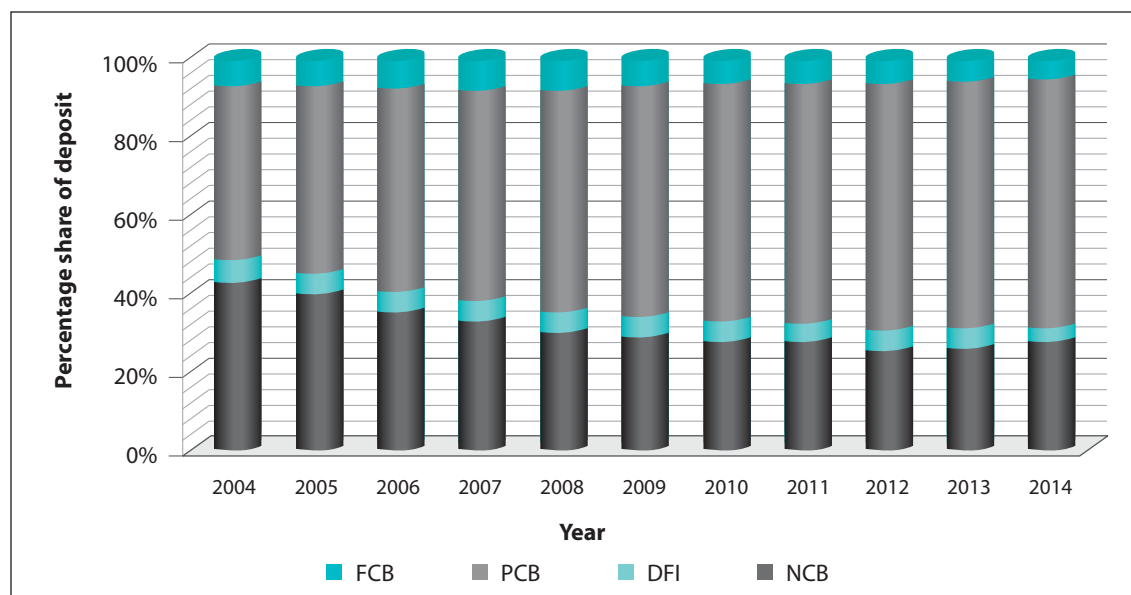
Table 4.4.1: Phase-in arrangements for Basel III implementation in Bangladesh

	2015	2016	2017	2018	2019
Minimum Common Equity Tier 1 (CET1) Capital Ratio	4.50%	4.50%	4.50%	4.50%	4.50%
Capital Conservation Buffer	-	0.625%	1.25%	1.875%	2.50%
Minimum CET1 plus Capital Conservation Buffer	4.50%	5.125%	5.75%	6.375%	7.00%
Minimum T-1 Capital Ratio	5.50%	5.50%	6.00%	6.00%	6.00%
Minimum Total Capital Ratio	10.00%	10.00%	10.00%	10.00%	10.00%
Minimum Total Capital Plus Capital Conservation Buffer	10.00%	10.625%	11.25%	11.875%	12.50%
Phase-in of Deduction from CET1					
Excess Investment over 10% of a bank's equity in the equity of banking, financial and insurance entities	20%	40%	60%	80%	100%
Phase-in of Deduction from Teir-2 Revaluation Reserve (RR)					
RR for Fixed Assets, Securities and Equity	20%	40%	60%	80%	100%
Leverage Ratio	3%	3%	3% Readjustment	Migration to Pillar 1	
Liquidity Coverage Ratio	>=100% (from Sept.)	>=100%	>=100%	>=100%	>=100%
Net Stable Funding Ratio	>100% (from Sept.)	>100%	>100%	>100%	>100%

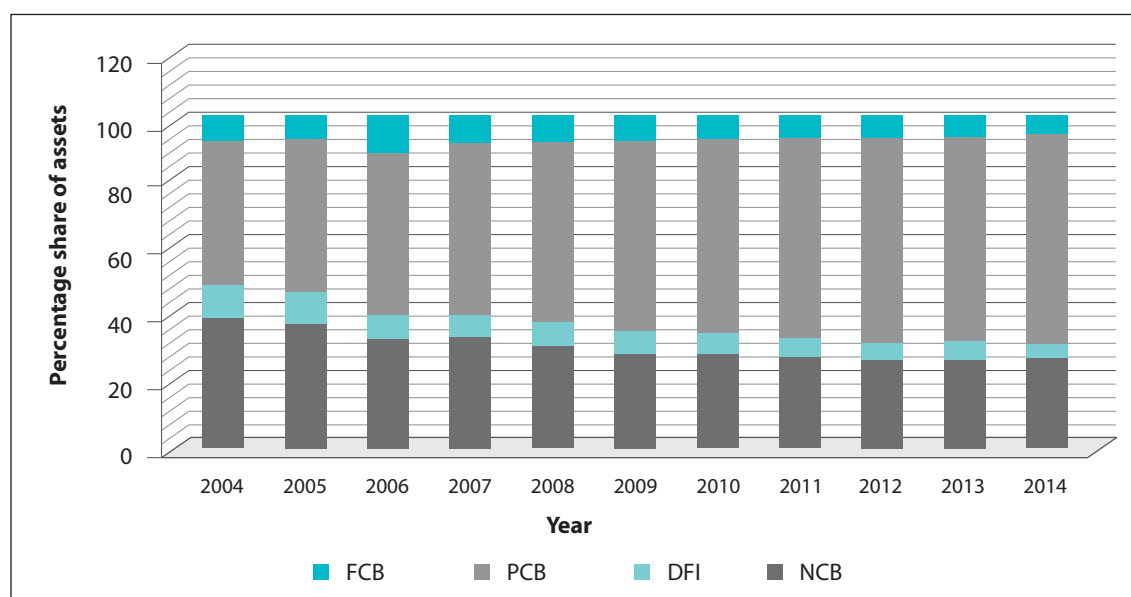
Source: BB Basel III Guideline

Size and depth of banking sector

In Bangladesh, bank loans dominate as a source of finance as the equity market is not large enough. However, after bank reforms and liberalisations in the 1990s, the private sector banking became more dynamic. Share of private commercial banks in total assets and deposits of deposit-taking institutions have also increased since then. Presence of nine private commercial banks (PCBs) and expansion of branches from 1,550 in 2004 to 3,917 in 2014 contributed to a larger share of PCBs in total deposits from 44.5 percent to 63.9 percent (Figure 4.4.4). Their share in assets increased from 44.3 percent to 63.9 percent (Figure 4.4.5). On the other hand, share of state-owned banks for these indicators decreased.

Figure 4.4.4: Bank share of deposit in deposit-taking institutions*¹⁹

Data Source: BB Annual Reports

Figure 4.4.5: Bank share of assets

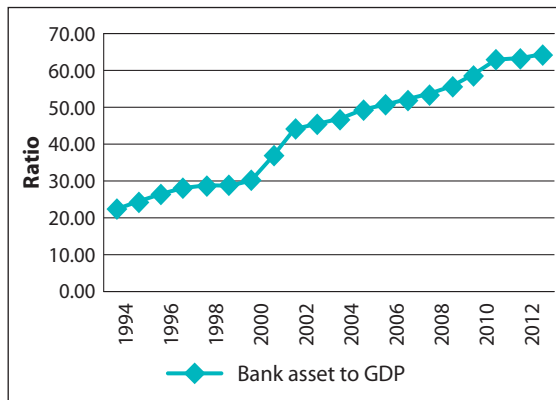
One of the major impacts of financial reform was an expansion of the financial system. One of the conventional ways to determine the size and depth of the financial system is the country's monetary aggregates relative to its GDP. In the last decade, the size of deposit-taking institutions in Bangladesh has increased significantly considering total banking assets to GDP. Figure 4.4.6 shows that the ratio reached to 64 in 2013 from 22.5 from 1994.

19. NCB= Nationalised Commercial Bank
 FCB=Foreign Commercial Bank
 DFI= Development Finance Institution
 PCB=Privatised Commercial Bank

The size and depth of the banking sector increased dramatically

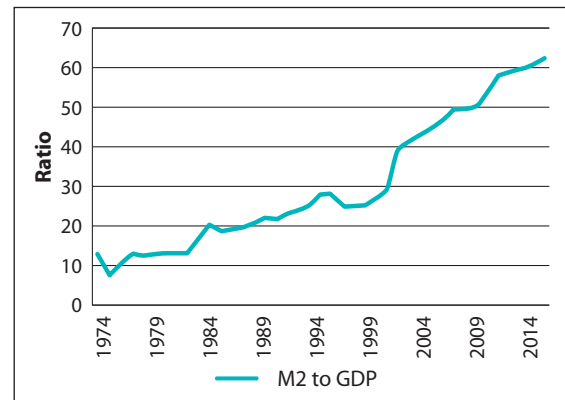
Minimum CRAR ratio ensures allows banks to have sufficient capital to expand the business

Figure 4.4.6: Bank asset to GDP ratio



Data Source: BB Annual Reports

Figure 4.4.7: M2 to GDP ratio



Data Source: World Bank

To understand banking sector size and depth, one of the most important indicators is M2-to-GDP ratio. A large increase in percentage of M2-to-GDP ratio in the last four decades shows the degree of financial depth in Bangladesh attests to the health of the financial sector. Figure 4.4.7 shows within four decades (1974 to 2014) the ratio reached to 63 from 13.73.

4.4.4 Banking performance as per Basel requirement

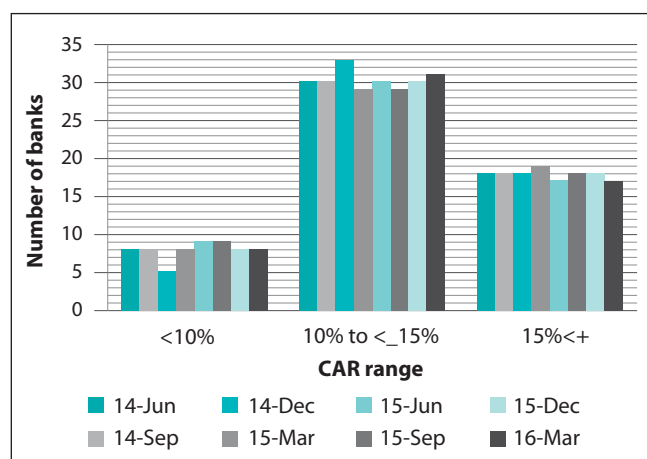
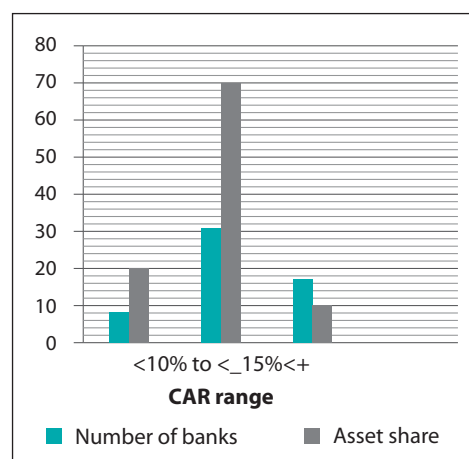
4.4.4.1 Capital adequacy

Basel III requires banks to maintain a specific capital adequacy ratio in order to protect against excess leverage and insolvency. Under this framework, capital to risk-weighted assets ratio (CRAR)²⁰ should be at least 10 percent and Tier-1 capital ratio cannot be less than 5.5 percent for all banks. The minimum CRAR ratio ensures that banks not only has the capability to absorb any financial downturn or crisis, but also has sufficient capital to expand its business. Risk weighted assets mainly consist of and are calculated based on three types of risk: credit risk, operation risk, and market risk. These risks can be arrested if banks have sufficient capital.

Credit risk incorporates each financial transaction and weighs on the lenders, for any types of loans. Market risk incorporates unpredictable market conditions that might change the value of financial transactions. Operational risk is associated with any internal system or staffing failures at a bank. According to Solvency II Directive, European Union, operation risk is "the risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems, or from external events (including legal risk), differ from the expected losses".

According to Bangladesh Bank's Financial Stability Assessment Report (January-March 2016), 31 banks maintained a CRAR of 10 percent to 15 percent and 17 banks maintained more than 15 percent CRAR (Figure 4.4.8). Since a significant share of banking assets kept within CRAR compliance, the Central Bank asserts that the financial sector is stable and resilient. Around 31 banks maintained a CRAR between 10 percent and 15 percent and their assets accounted for 70 percent of total banking industry assets. A significant portion of the banking assets is with banks with a healthy CRAR (Figure 4.4.9).

20. CRAR Capital Adequacy Ratio = {Tier I+Tier II (capital)}/Risk Weighted Assets (RWA), Definition, Investopedia

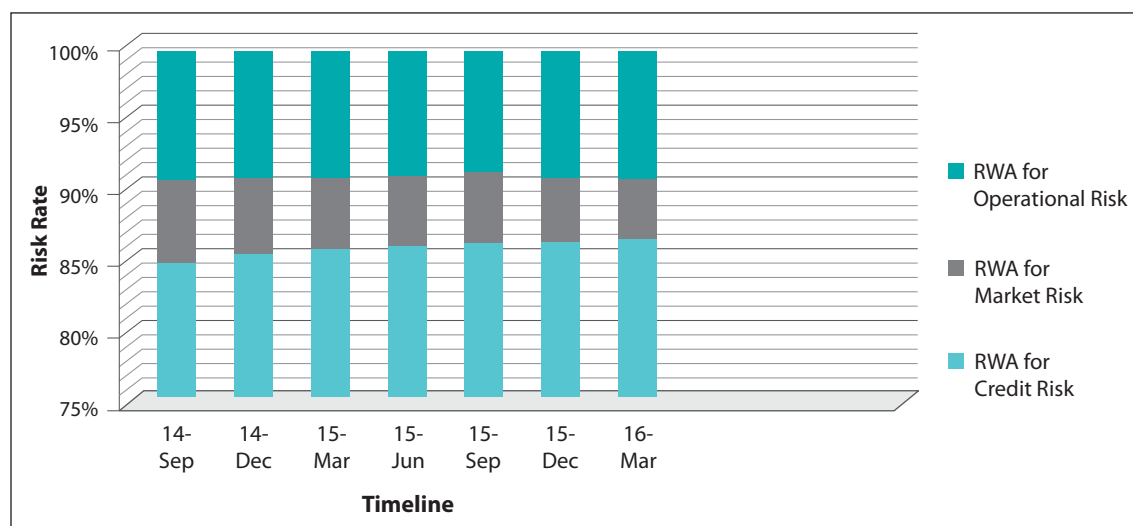
Figure 4.4.8: Capital adequacy ratio**Figure 4.4.9: Banks' asset share based on CRAR**

Source: Financial Stability Assessment Report (January-March 2016)

As of March 2016, 48 out of 56 banks were efficient and stable to absorb losses before any insolvency.

However, under the new framework of Basel III, from the year 2016, banks need to meet CRAR ratio at 10.625 percent instead of 10 percent for 2015. So there has been a shortfall of surplus capital to be reported for 8 banks recently by Bangladesh Bank. On the other side, BB officials said the higher volume of classified loans caused the shortfall of capital required for the 8 banks.²¹

As of March 2016, BDT 6174.5 crores of risk-weighted assets was at credit risk. With 86.73 percent of total industry assets at credit risk, banks are more vulnerable to borrower default risk. Of other risk-weighted assets, 86.73 percent had credit risk and 9.03 percent had market risk. Approximately 4.23 percent assets were linked to operational risk (Figure 4.4.10).

Figure 4.4.10: Distribution of risk-weighted asset

Source: Financial Stability Assessment Report (January-March 2016)

21. Retrieved from <http://www.thefinancialexpress-bd.com/2016/09/02/44448/The-impact-of-capital-shortage-in-banks>

Central Bank claims resilience of financial sector as most banks maintain their CRAR

Banks are now required to meet CRAR ratio at 10.6 percent under the new framework

51 banks maintained a leverage ratio equal to or higher than three percent

Excess liquidity raises a concern over lower demand for credit and unfavourable business environment

4.4.4.2 Leverage ratio

According to Basel III requirements, banks should maintain a leverage ratio (equity/total assets, not risk-weighted) higher than five percent. As per the Financial Stability Report 2016, 51 banks maintained a leverage ratio equal to or higher than three percent, which means these banks had shock absorbing capacity (Figure 4.4.11a). And on a consolidated basis, 35 out of 36 banks maintained regulatory requirements (Figure 4.4.11b). It is important to note however, that according to some banking professionals, for some foreign banks direct capital injection from parent banks helped them increase the ratio.

Figure 4.4.11a: Leverage ratio of banks

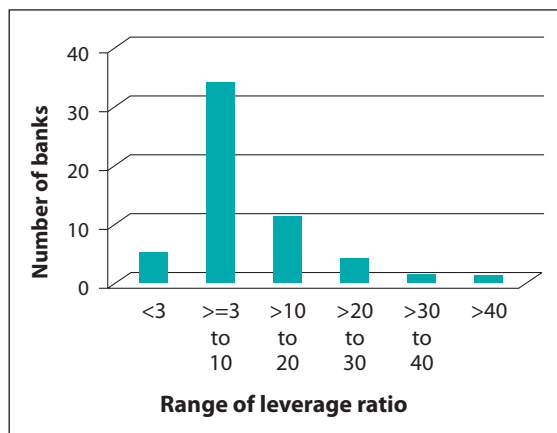
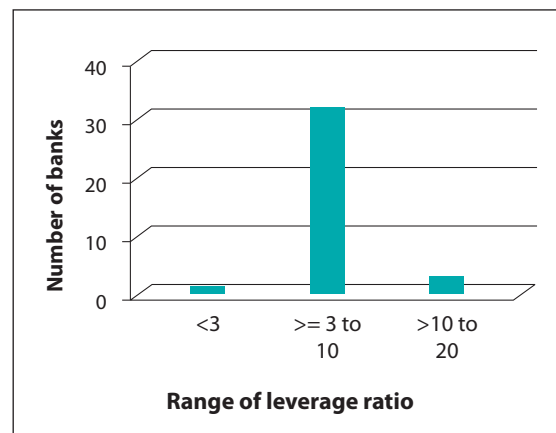


Figure 4.4.11b: Leverage ratio of banks



Source: Financial Stability Assessment Report (January-March 2016)

4.4.4.3 Liquidity

Liquidity of the banking sector reflects financial depth and efficiency. Greater liquidity means banks have the ability to absorb banking and financial crises even in difficult macroeconomic conditions. Since 2006, the banking sector in Bangladesh has maintained a better liquidity ratio where NCBs and PCBs had a lower liquidity ratio than DFIs. Since then, NCBs and PCBs have increased their share of liquid assets, which means they are capable of meeting their short-term liabilities. Liquidity levels at FCBs were also satisfactory but they were lower in 2015 than in 2014. The DFIs need not to show any liquidity after 2013. Upward trend in excess liquidity especially for FCBs means these institutions will explore higher yield investments. In excess liquidity ranking, next in line were NCBs followed by PCBs. This excess liquidity raises a concern to create higher demands for credit or favourable investment environment. (Figure 4.4.12b).

Figure 4.4.12a : Liquidity ratio

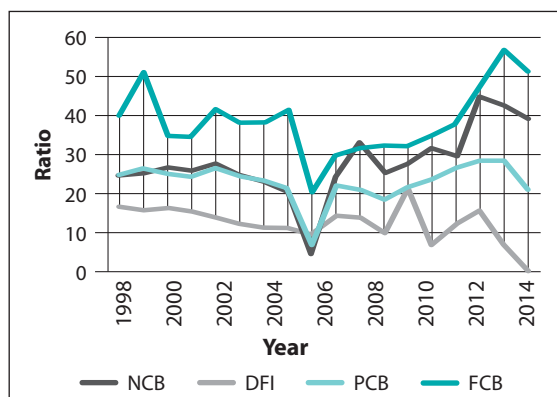
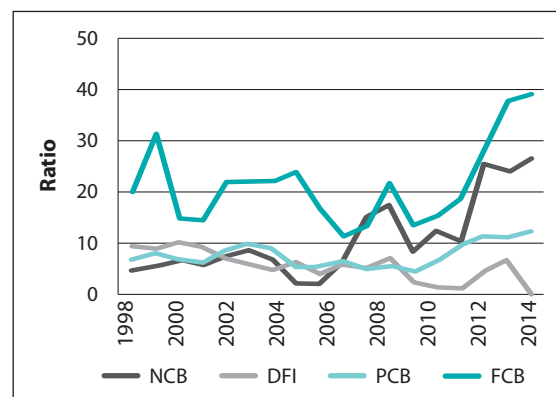


Figure 4.4.12b : Excess liquidity



Source: BB Annual Report

Bangladesh Bank raised minimum requirements for cash reserve ratio (CRR)²² in 2014. Under the new guideline, commercial bank deposits must maintain a statutory liquidity ratio (SLR)²³ of 13 percent of time liabilities²⁴ and demand liabilities²⁵. In addition, they must maintain a daily CRR of 6.5 percent on a biweekly basis against average total demand and time liabilities. The specialised banks and DFIs should also maintain a similar CRR, but not SLR. Banks can maintain SLR in either cash or government securities. According to the Financial Stability Report March 2016, banking sector CRR was robust overall (Figure 4.4.13). And per the Financial Stability Report December 2015, all types of banks maintained the requisite SLR at an aggregate level (Figure 4.4.14).

Figure 4.4.13: Cash reserve ratio by types of bank

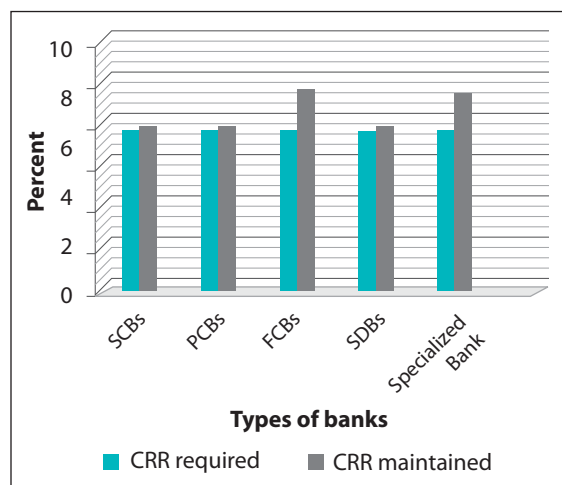
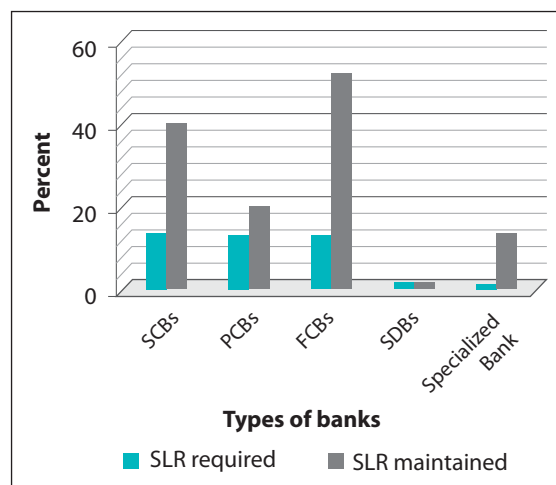


Figure 4.4.14: Statutory liquidity required by types of banks



Source: Financial Stability Assessment Report (January-March 2016)

Under these circumstances, the economy is capable of preventing excess liquidity from spilling over to the markets causing higher inflation because of satisfactory CRR in the financial institutions.

Calculating advance to deposit ratio is a good measure to assess the bank's ability to cover withdrawal by its clients. Advance to deposit ratio has also increased by 1.2 percent at the end of December 2015 from September 2015 and increased by 51 basis points at the end of March 2016 from December 2015 (Figure 4.4.15). Private commercial banks had the highest ADR rate at 80.9 percent followed by DFIs (Figure 4.4.16). This means 80.9 percent of PCB deposits go to loans. According to Forbes standard, 80 to 90 percent loan to deposit ratio is ideal for traditional banks to balance a "combination of prudence and regulatory requirements." However, except for PCBs, no other cluster maintained this ratio. That may be because of low market demand for credit or unfavourable investments conditions. Another possible reason for low ADR ratio could be an increase in deposit rate.

22. the portion of depositors' balances that banks must have on hand as cash (See investopedia)

23. refers to the amount that the commercial banks require to maintain in the form of cash, or gold or govt. approved securities before providing credit to the customers. (See World Finance)

24. are liabilities which are payable on demand as in current deposits, demand drafts etc (See Banking journal)

25. are those which are payable otherwise than on demand as in fixed deposits, staff security deposits etc.(See banking journal)

BB raised minimum requirements for cash reserve ratio (CRR) in 2014

As of March 2016, banking sector CRR was robust

Recent cyber scams, high Non Performing Loans, and frequent recapitalisations have all undermined banking sector performance

Nine banks had 20 percent or more in NPLs as of March 2016

Figure 4.4.15: Banking sector ADR quarterly

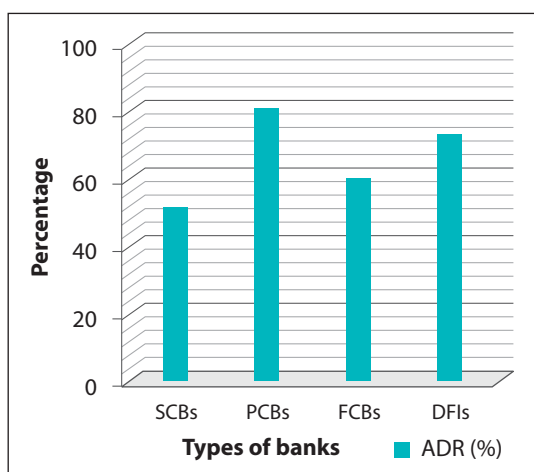
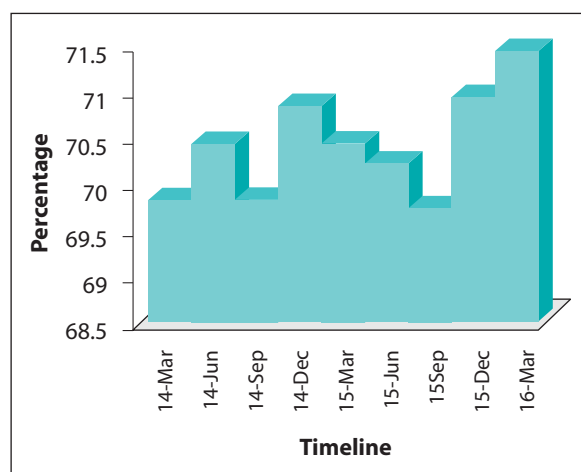


Figure 4.4.16: Banking sector ADR cluster-wise

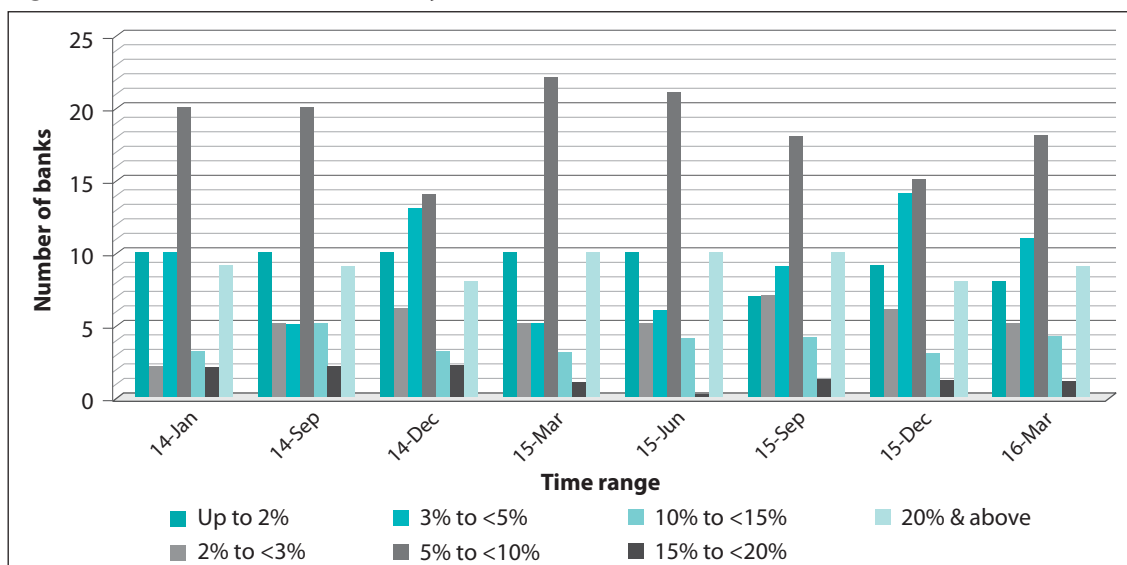


Source: Financial Stability Assessment Report (January-March 2016)

4.4.5 Overall banking performance and the policies

According to the World Bank's Bangladesh Development Update, banks needed more financial discipline to address possible crisis situations. Recent cyber scams (Box 4.4.1), high Non Performing Loans, and frequent recapitalisations have all undermined banking sector performance. Bangladesh Bank issued the "Large Loan Restructuring Policy" on January 29, 2015 to support the borrowers against unfavourable business conditions. Many banks took advantage by rescheduling their possible defaulter to report lower NPL figures; however still failed to maintain an overall good asset quality. According to the Financial Stability Report (December 2015), state owned banks had higher NPL than the banking sector at large. However, NPLs decreased at SCBs to 21.5 percent in September 2015 from 21.8 percent in December 2015. According to the Financial Stability Report 2016, nine banks had 20 percent or more in NPLs as of March 2016, while 14 banks had NPLs in double digits in September 2015 (Figure 4.4.17). That two more banks increased their share of NPLs to double digits only in one quarter suggests high-risk lending is still a problem and current bank regulations are either inadequate or requires rigorous implementation to stop such practices.

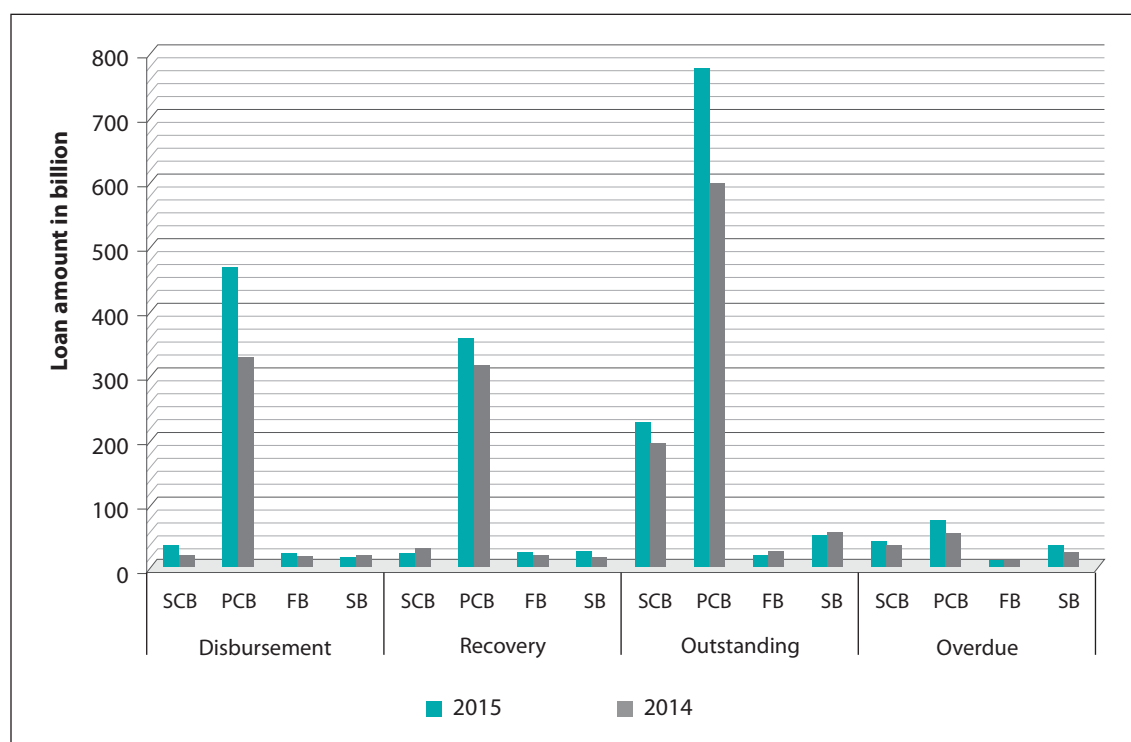
Figure 4.4.17: Distribution of loans by NPL ratio



Source: BB Annual Report

Regarding performance in lowering NPL, while state owned banks had a large share of non-performing loans, their loan disbursement increased from BDT 13.9 crores in 2014 to BDT 30.8 crore in 2015. At the same time, the recovery rate has decreased by 22 percent (Figure 4.4.18). Bangladesh Bank needs to carefully monitor lending decisions of banks with poor performance. However, with high market liquidity, loan disbursement should not be a problem as long as banks make non-risky lending and avoid being influenced by power or favouritism. The central bank has recapitalised large banks with high NPL, but mere recapitalisation without monitoring post-recapitalisation disbursement or recovery rates may not be as helpful in the long-term. (Box 4.4.2)

Figure 4.4.18: Loan performance by types of banks



Source: BB Annual Report (2014-2015)

Moreover, slower credit growth in both public and private sectors increased liquidity in the banking system. Monetary targets like short-term interest rate were down by the end of 2015, still Bangladesh Bank revised the rate in January 2016. The bank decreased repo (rate at which the central bank lends money to commercial banks) and reverse repo rates (short term borrowing rate at which central bank borrows money from banks) by 50 basis points to 6.75 and 4.75 respectively. As a result of high liquidity in the banking system, demand for repo is low, whereas demand for reverse repo is high. Despite positive indicators such as growth in GDP in economy, investment has been sluggish and lowering the repo and reverse repo rates may encourage bank to invest more. However, some financial experts are concerned about a reverse repo rate lower than inflation because then real return can be less than zero. Finally, a low repo rate may further encourage careless lending.

Despite high NPL, loan disbursement was high for SCBs in 2015

Given excess liquidity, non risky loan disbursement should not be a problem

As a result of high liquidity in the banking system, demand for repo is low, whereas demand for reverse repo is high

Box 4.4.1: Bangladesh Bank heist

The recent Bangladesh Bank heist raised questions not only about the bank's vulnerability, but also the poor financial system monitoring in Southeast Asia. In early February this year, USD101 million was stolen from a Bangladesh Bank reserve account with the Federal Reserve Bank of New York. Hackers extracted confidential bank information and submitted 35 transfer requests to steal about \$1 billion by installing a powerful malware in the Bangladesh Bank network. Although the transfer requests were sent using the SWIFT (Society for Worldwide Interbank Financial Telecommunication) interbank messaging system, the Federal Reserve Bank of New York became suspicious and stopped 30 requests after approving five transactions worth USD 101 million. Bangladesh Bank was able to recover USD 20 million from Sri Lanka, since the money had not been distributed because of faulty transfer orders whereas rest of the money, USD81 million had already been distributed to local casinos.

The then governor of the Bank, Dr. Atiur Rahman, along with two deputy governors responsible for payment systems, IT operations, and communications resigned following the incidents. In response, Bangladesh Bank formed a three-member panel to investigate the incident including why it was concealed from higher authorities, what steps were taken during the payment, scope for recovering the money, and measures to be taken to prevent future network breach. Currently, Anti-Money Laundering Council (AMLC) of the Philippines is working with Bangladesh Financial Intelligence Unit (BFIU) to recover the money. According to the World Bank's Bangladesh Development Update (April 2016), the Federal Bureau of Investigation (FBI) also started an investigation into the incident and Bangladesh Bank requested assistance from the World Bank to recover the stolen assets.

After the incident, Bangladesh officials raised concerns about loopholes in the SWIFT system and breach of oversight at the Federal Reserve Bank of New York, but criticisms exist about Bangladesh Bank's own response to the heist. Particularly these criticisms involve irresponsible behaviour from higher-rung officials at the central bank.

Box 4.4.2: Success through recapitalisation

According to the World Bank's Bangladesh Development Update 2016, recapitalisation alone cannot improve banking sector performance. In addition to recapitalisation, reforms in the governance structure of the SCBs are required for long-term success. In 2015, the government provided BDT 26.17 billion for recapitalisation in FY2015 to support the big banks like Sonali Bank which are considered to be "too big to fail". According to World Bank's Bangladesh Development Update 2016, around USD 1.3 billion has been called for recapitalisation in FY 2017-18 that is 0.6 percent of FY2015 GDP. But these measures are inadequate without concurrent governance measures. For example, recently a managing director at a state owned bank was fired for loan irregularities, so simple recapitalisation cannot help broader structural problems like loan disbursement irregularities. Moreover,

many enterprises and private industrial companies are frequently unable to repay SCB loans due to unfavourable operational conditions for their projects like unavailability or erratic supply of basic utilities. Without solving these issues, the overall banking system cannot improve even if banks reduced their share of non-performing loans.

While performance of overall banking sector is decent, the performance of SCBs still remains far from satisfactory. If SCBs cannot arrest their high NPL rate, it would be difficult for them to meet the capital adequacy requirement which is reported to be raised to 12.5 percent by 2019. Hence, merely loan restructuring policy and recapitalisation cannot help to achieve long term performance. Although Bangladesh Bank's focus is on the banking sector's capability to absorb shock or risk, the governance of many banks needs to remain under regular supervision. In order to check the higher liquidity, the sluggish business environment needs to be improved too.



Photo Credit: Md Moazzem Mostakim

5 Health Governance

5.1 Introduction

In Bangladesh, Upazila Health Complexes (UHCs) play an important role in providing primary health care. The UHCs not only have a considerable number of sanctioned posts of professional doctors housing 31 or 50 beds (depending on the size of the Upazila) but are also supposed to be equipped with proper medical equipment in many areas. The patients visiting the Union Sub-Centres (USCs) (the public health care facility at the Union level) are also often referred to the UHCs for primary health care services. These factors make UHCs the health care hub at the upazila level, attracting a large number of patients each year. According to the Health Bulletin (2015), the largest (38 percent of total admissions in all three types¹ of hospitals) share of patients seeking primary care services at public health facilities in Bangladesh go to the UHCs.

This chapter studies the state of governance in Upazila Health Complexes in Bangladesh. In order to do so the administrative records of 424 UHCs available at the Director General of Health Services health are analysed. The approach of this section is to identify a few important indicators of performance related to health care services of UHCs. These performance indicators are i. Number of patients visiting the Out Patient Department (OPD), ii. Number of patients making emergency visits, iii. Hospital admissions rate measured by number of patients admitted to the hospital for indoor services and iv. Total number of days a patient spent in the hospital.

The chapter also looks into a set of factors, mostly resources, that may play an important role in determining the UHC performances. These factors are selected mostly based on availability of administrative data. First, we considered availability of doctors and nurses. There is already a fixed number of sanctioned posts for doctors at each UHC and the number varies from Upazila to Upazila. However, these sanctioned posts are not always filled-in and it varies quite considerably across UHCs. For nurses, the sanctioned and filled-in positions also vary by UHCs.

Hence, our first factor is the total number of doctors and nurses available at each UHC. It is expected that greater number of doctors and nurses would allow a UHC to serve more patients and/or provide the patients with better service (for example, more consultation time per patient).

Second, like sanctioned post of doctors, all the UHCs are also supposed to be equipped with similar number and quality of medical instruments. However, like doctors, all UHCs may not have same equipments in practice. This is particularly possible since medical equipment, like all other equipment, do break down time to time and the rate of repair works and/or replacement of such equipment can be expected to vary across UHCs, resulting in variations of availability of functionality equipment at the UHCs. This is our second factor: UHCs with greater number of functional equipment should perform better.

Finally, we examine the role of the doctors available at the Union Sub-Centres² (USCs). In case of primary health care provision, the USCs have upward referral linkage to the UHCs. It has been seen that most of the referral system in Bangladesh happened within the public system and in some cases from public to private sector (Thinkwell 2012). If the patients are identified with serious cases, doctors from the base level of primary health care refer them to the doctors at the upward level for better services. Thus, we can argue that there might be a positive correlation between the availability of doctors at the USCs and performance of the UHCs.

1. Primary-care hospitals, Secondary-care hospitals and Tertiary-care hospitals

2. The Government provides healthcare services to its rural people through health facilities called Upazila Health Complex (UHC) at the upazila level and through Union Sub-Centres at the union level (smallest administrative unit).

The rest of the chapter is organised as follows. Section 5.2 describes the performances and resources at UHCs. Section 5.3 highlights the role of resources on performances of UHCs. Section 5.4 concludes the chapter along with recommendations.

5.2 Performances of and resources at the UHCs

5.2.1 Data

The study used secondary data sources available at the website of Director General Health Services and the data set of Local Health Bulletin 2015. A total number of 424 UHCs were observed for the entire year of 2015 for this study.³

5.2.2 Description of variables

In order to fulfill the goal “health for all”, the Government of Bangladesh (GoB) has taken the responsibility to provide health care services to the entire population extended down to the community level in three approaches through the Ministry of Health and Family Welfare (MHOFW). Upazila Health Complexes with 31 or 50 beds (inpatient care) have been built with government funds for providing primary health care services to the population. It also provides outpatient care, primary health care, family-planning services, and other preventive health care services to its population in terms of service delivery. In the context of Bangladesh, the UHCs play a critical role in providing primary health care services at the grassroots.

As discussed earlier, we have selected two sets of variables - resources which are basically health care inputs (doctors, nurses and equipment) and performance of the UHCs (emergency visit, OPD visit, hospital admissions rate and total patient days). Table 5.1 depicts the mean and standard deviation of all the selected variables.

Table 5.1: A glimpse of health variables observed in this study

Description	Mean	Std. Dev.
OPD visit	42692.15	22024.73
Emergency visit	5448.28	5010.00
Total admissions	4277.76	2460.45
Total patient days	11677.24	7076.31
Total doctors	9.81	5.65
Total doctors at USCs	3.18	3.32
Total nurses at UHCs	9.88	6.16
Total functional equipment	19.62	11.95

Table 5.1 presents the overall picture across the 424 UHCs. We first turn to the performance of the UHCs. We have observed that an average of 42,692.15 OPD visits, 5,448.28 emergency visits, 4,277.76 admissions and 11,677.24 patient days have been recorded in 424 UHCs during 2015. Out of 424, 8 and 13 UHCs have no record of OPD and emergency visits respectively. The highest number of OPD visits (139,640) was recorded in Gangni Upazila Health Complex which is 0.77 percent of total outpatient department service in 424 UHCs. In 2015, the highest number of

3. The data is available at http://app.dghs.gov.bd/localhealthBulletin2015/publish/lhb_report_2015/

emergency visits has been recorded in Bhaluka Upazila Health Complex which was 48,722. Of them 93% were male patients. And, the lowest number of emergency visits (67 patients served in 2015) was recorded at Barkol Upazila Health Complex in Rangamati district.

During this period, 1,813,770 cases of hospital admissions were recorded in total, of which 58.39 percent were female. The table shows that on average 4,277.76 patients were admitted in UHCs during 2015. The highest number of admissions has been recorded in Moheshkhali Upazila Health Complex at Cox's Bazar district and the lowest (131) number of patient admissions has been recorded in Thanchi Upazila Health Complex. There was no information on patient admission for 16 UHCs.

We now focus on the selected resources available at the UHCs. While looking for the number of filled-in positions against doctors (both male and female), we found that 68.33 percent of the class 1 doctor's posts were filled in against total sanctioned posts during 2015. Available literature (Institute of Governance Studies 2012, Chaudhury and Hammer 2004) on health care services of Bangladesh argue that vacancy rates in government health services in remote places are much higher than those near major cities. In case of availability of nurses at UHCs, it was observed that 78.50 percent positions of nurses were filled in against the total sanctioned nurse posts at the 424 UHCs. In the case of total number of doctors and nurses available at the UHCs, it was observed that the average number of doctors and nurses were 9.81 and 9.88 respectively at UHCs across the country. On the other hand, in case of USCs, 81.90 percent positions were filled in against the allocated posts of class 1 doctors at USCs.

The Health Bulletin data also shows that out of a total 12,283 available equipment, only 8,318 equipment were functional in 424 UHCs. This indicates that on average 69 percent of equipment have been functional at UHCs in 2015. It is also revealed that on average 29 pieces of equipment have been allocated to each UHC whereas only 19.61 were found functional in each of them in 2015.

5.3 The role of resources on performance of UHCs

In order to link the performance of the UHCs to the resources available at the UHCs, we took a two way approach. First, we simply try to identify a relationship between a performance variable and a resource variable by looking at a scatter plot and then try to identify a pattern from the scatter plot. For pattern recognition, we rely on Locally Weighted Scatter Plot Smoothing (LOWESS) which is able to identify linear as well as non-linear patterns and is available in most statistical packages like STATA. Second, we have also applied a multivariate regression analysis in order to distill the effect of other resources and factors. In particular, we have not only used all the resource variables considered here in the regression analysis but have also tried to control for Upazila level factors available in the data. These control variables are i. population size, and ii. area (square km). To keep our analysis simple, we have simply reported whether a particular resource is an important determinant of a UHC performance based on the regression analysis rather than a full-fledged technical analysis and have attached the regression results in the annexure (Appendix 2) for more technical readers.⁴ Following the convention in the research community, a star implies a factor affecting the performance variable more whereas greater number of stars meaning stronger statistical relationships.

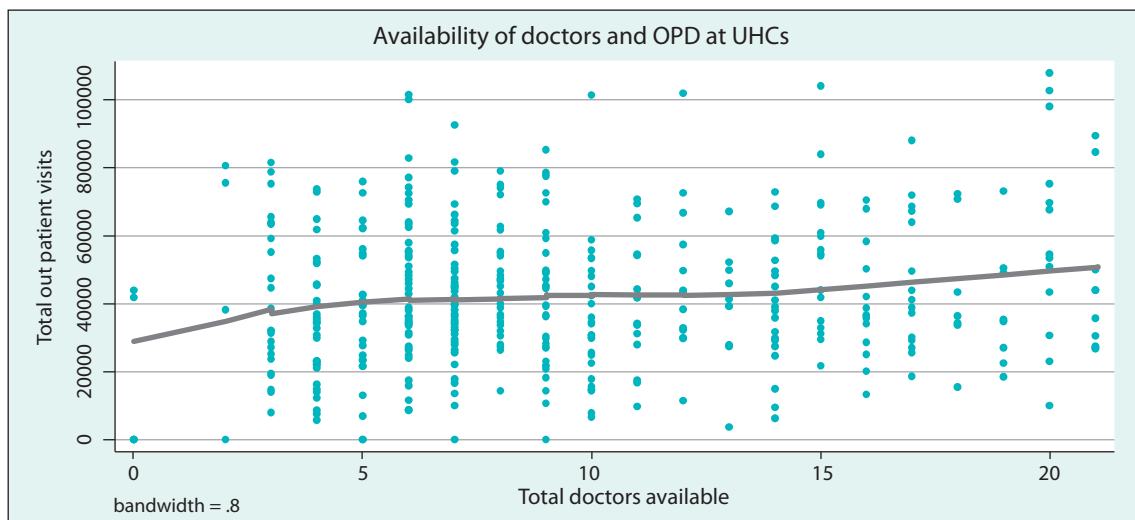
4. Technically, we were able to control for only a few factors. Particularly, there are unobservable Upazila specific factors that should have been controlled for. In addition, there are always problems of selection bias, particularly when resource allocation is concerned. We leave such advanced technical analysis to the experts' hand.

The more the doctors are available in the UHCs the more the patients can be served through emergency services

5.3.1 The role of availability of doctors at UHCs

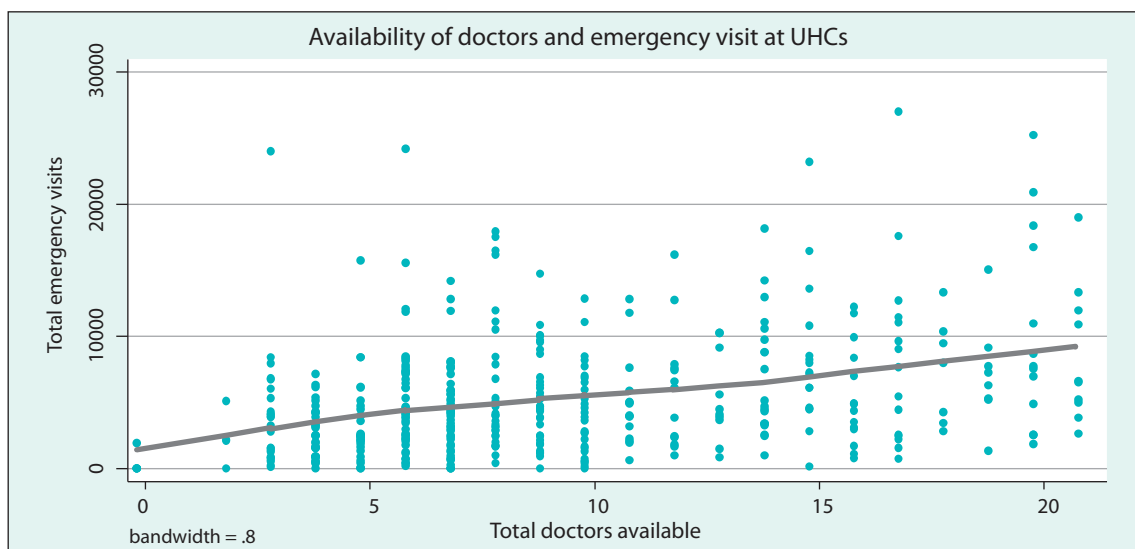
Figure 5.1 depicts the role of availability of doctors on OPD visits at UHCs. It seems that the availability of doctors matters for greater attendance of patients at the Out Patient Department. This line however is quite flat in the middle which may mean that the relationship may not be strong. The regression analysis indeed supports the view that higher OPD visits are not closely associated with availability of doctors.

Figure 5.1: Role of availability of doctors on OPD



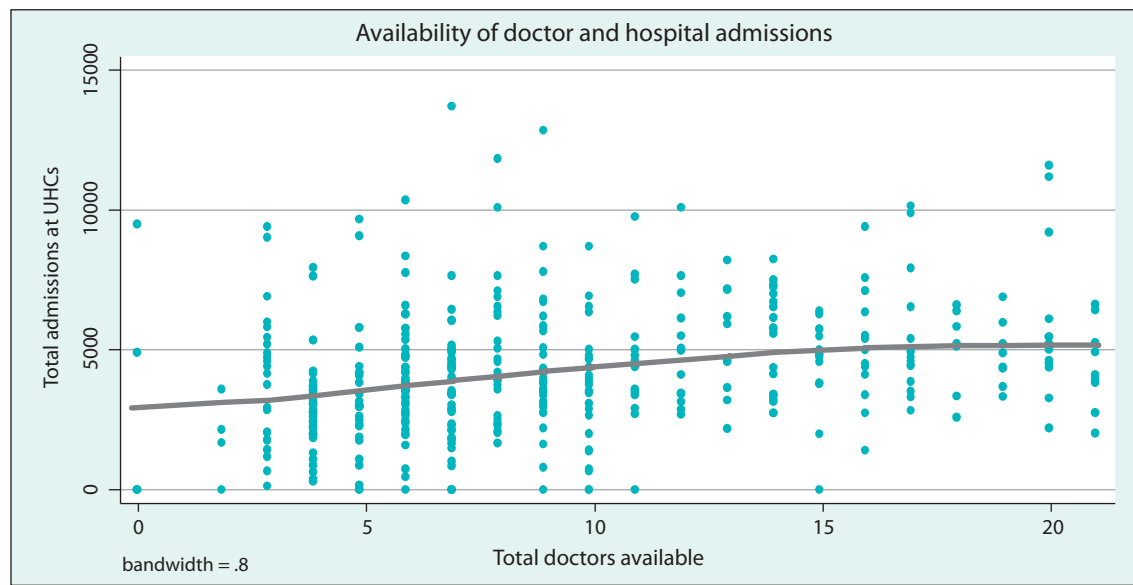
This however is not true for emergency visits. Figure 5.2 depicts the role of availability of doctors on emergency visits at UHCs. The line clearly exhibits a steady increase in emergency visits as the number of filled-in doctors' positions increases suggesting that the availability of doctors matters for greater attendance of patients at the emergency department. The regression analysis provides strong supports as well. In fact, number of filled-in doctors is the most important determinant for the patients' visits to emergency department.

Figure 5.2: Role of availability of doctors on emergency visits



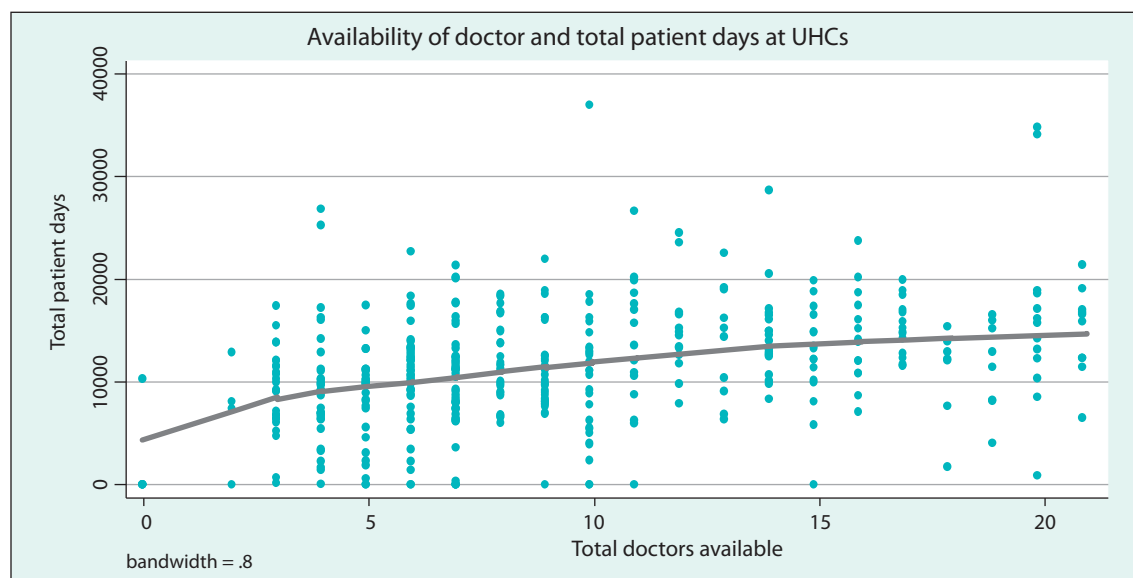
Similarly, Figure 5.3 depicts the role of availability of doctors on hospital admissions at UHCs. The line shows the positive relationship between these two variables. In other words, it can be said that higher hospital admissions are associated with the availability of doctors. The line is relatively flatter which depicts that availability of doctors at UHCs is not an important determinant for hospital admissions. The regression analysis confirms that hospital admissions in the UHCs are comparatively less influenced by the number of filled-in doctors.

Figure 5.3: Role of availability of doctors on hospital admissions



In the same way total patient days are also positively influenced by the availability of filled-in doctors at UHCs. Figure 5.4 shows the role of availability of doctors on the total patient days at UHCs. The line is steadily increasing which reveals that total patient days at UHCs increases with the availability of doctors at UHCs. The regression analysis also confirms that both the variables are significantly associated.

Figure 5.4: Role of availability of doctors on total patient days



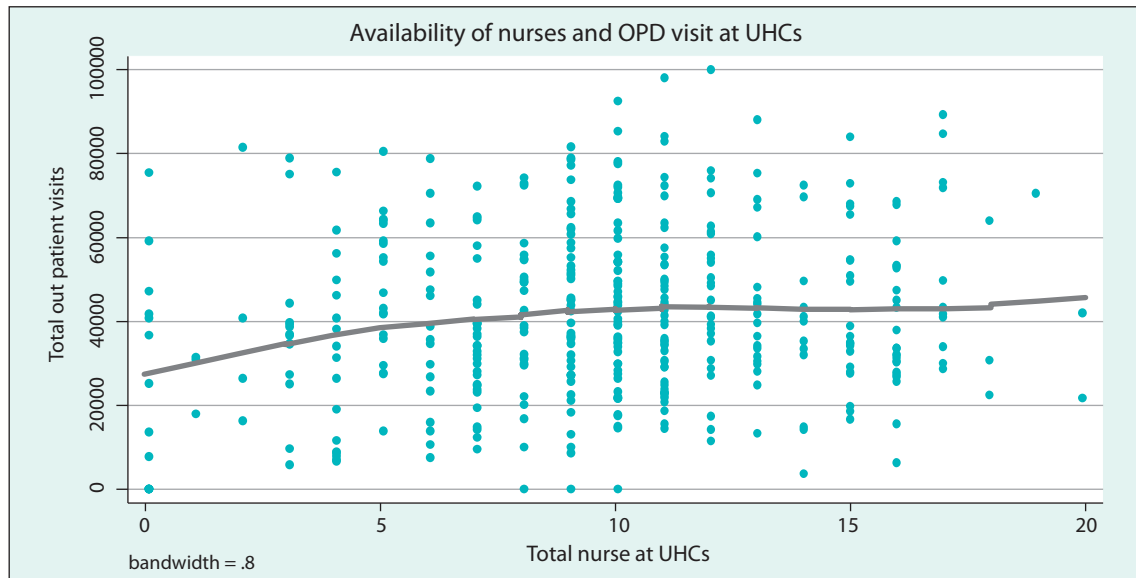
Availability of higher number of doctors significantly influences UHCs' total patient days

Patients' visits at OPD and emergency departments are not robustly influenced by the availability of higher number of nurses at UHCs

Figure 5.5 depicts the role of availability of nurses on OPD visits at UHCs. From the graph it can be seen that there exists a positive relation between the number of nurses and attendance of patients at the Out Patient Department. Although there is a positive correlation, however, the regression analysis does not support the view. This is because the finding from the regression analysis indicates that OPD visits are not significantly influenced by the availability of nurses at UHCs.

5.3.2 The role of availability of nurses at UHCs

Figure 5.5: Role of availability of nurses on patient visits at OPD



Similar type of finding has been noticed in the case of availability of nurses and emergency visits at UHCs. Figure 5.6 demonstrates the role of availability of nurses on patient visits at the emergency department in UHCs. However, the line is relatively flatter which depicts a weak correlation between the two variables. In other words, it can be said that the availability of the number of nurses has a relatively small impact on the emergency visits of the patients.

Figure 5.6: Role of availability of nurses on emergency visit at UHCs

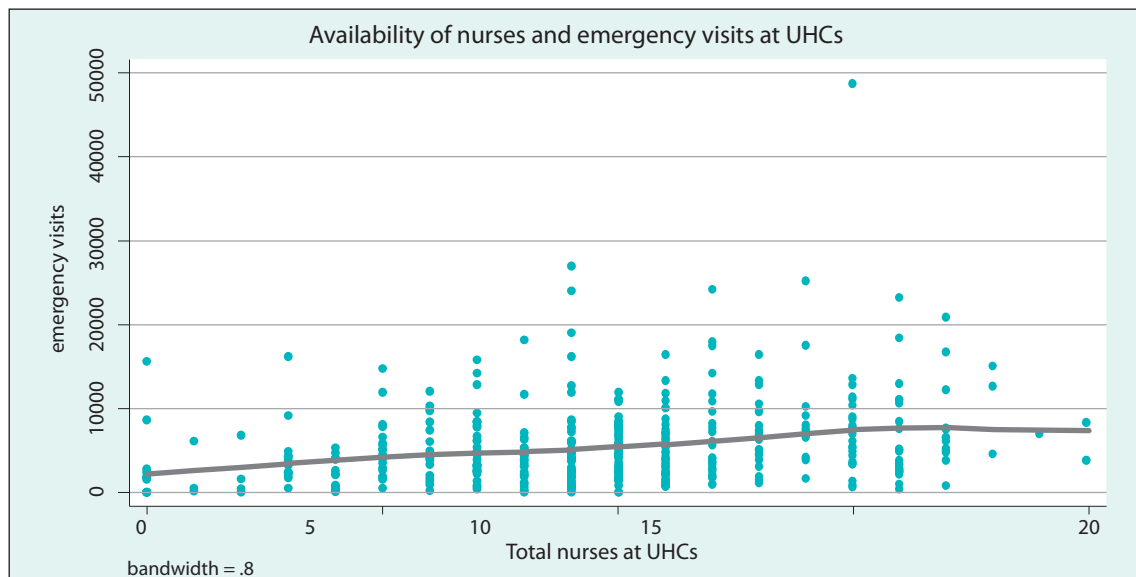
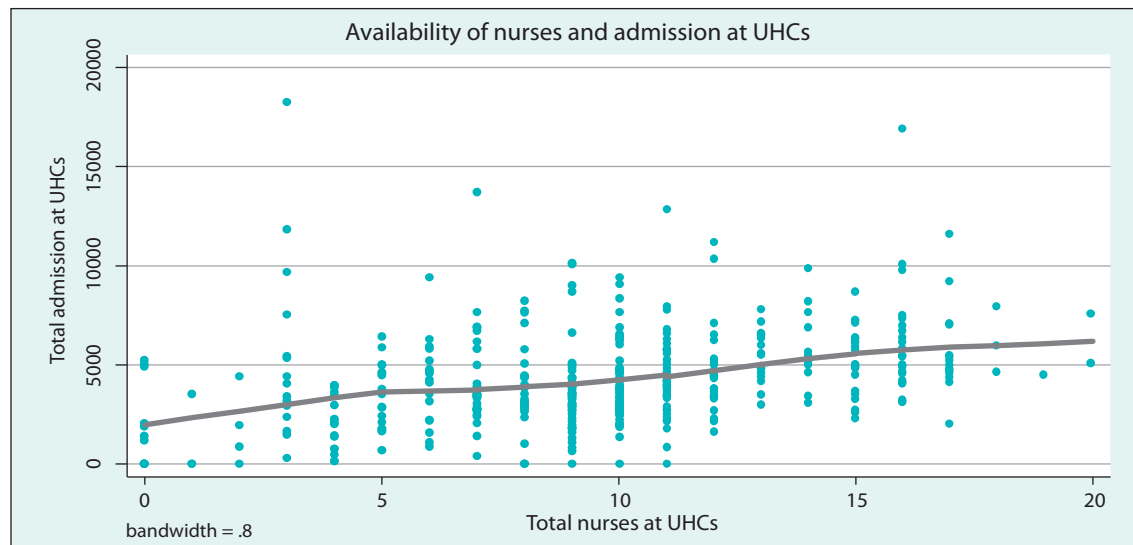


Figure 5.6 underpins the fact that there are other important variables which should be considered to see if the availability of the higher number of nurses actually shows any positive influence on patients' visits at the emergency department. The regression analysis also supports the fact that emergency visits of the patients are not significantly influenced by the availability of higher number of nurses at UHCs.

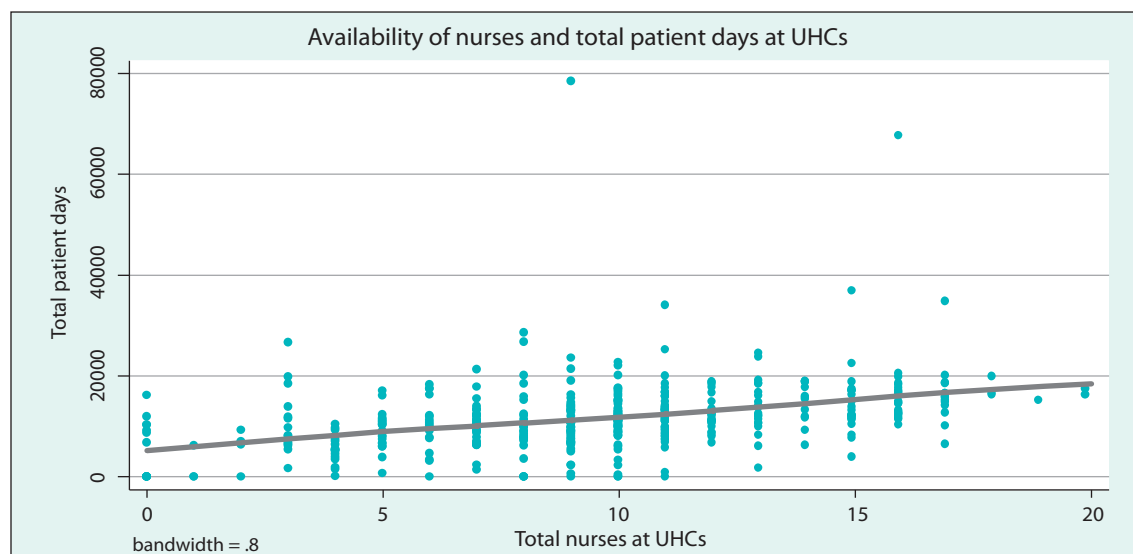
Figure 5.7 exhibits the effect of availability of nurses on the hospital admissions rate at UHCs. The line shown that the number of nurses in the hospital matters for the admission rate at UHCs. Our regression analysis also depicts that availability of greater number of nurses has a significant impact on hospital admissions.

Figure 5.7: Role of availability of nurses on hospital admissions



However, the opposite is true in the case of total patient days at UHCs. Figure 5.8 displays the role of availability of nurses on the total patient days at UHCs. Although the line shows a positive association between total patient days and availability of nurses, the regression analysis portrays that total patient days does not significantly change due to availability of nurses.

Figure 5.8: Role of availability of nurses on total patient days at UHCs



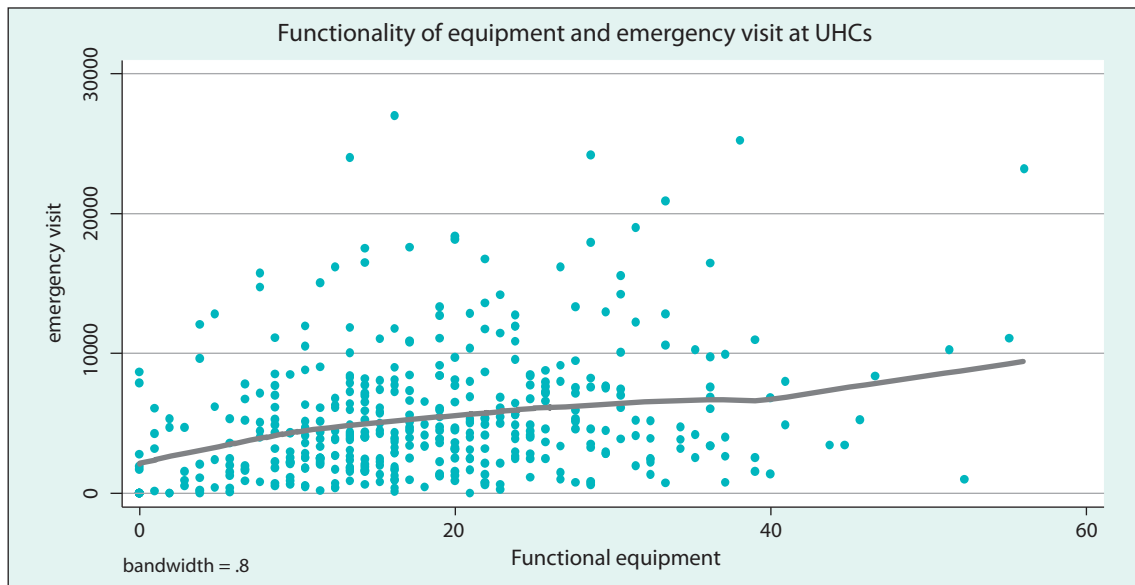
Though total patient days at UHCs does not change with the availability of higher number of nurses at UHCs but it has significant impact on total number of patients' admissions at UHCs

The positive correlation between functional equipment and emergency visits explains that with better equipment functionality, more emergency patients can be served

5.3.3 Role of functional equipment at UHCs

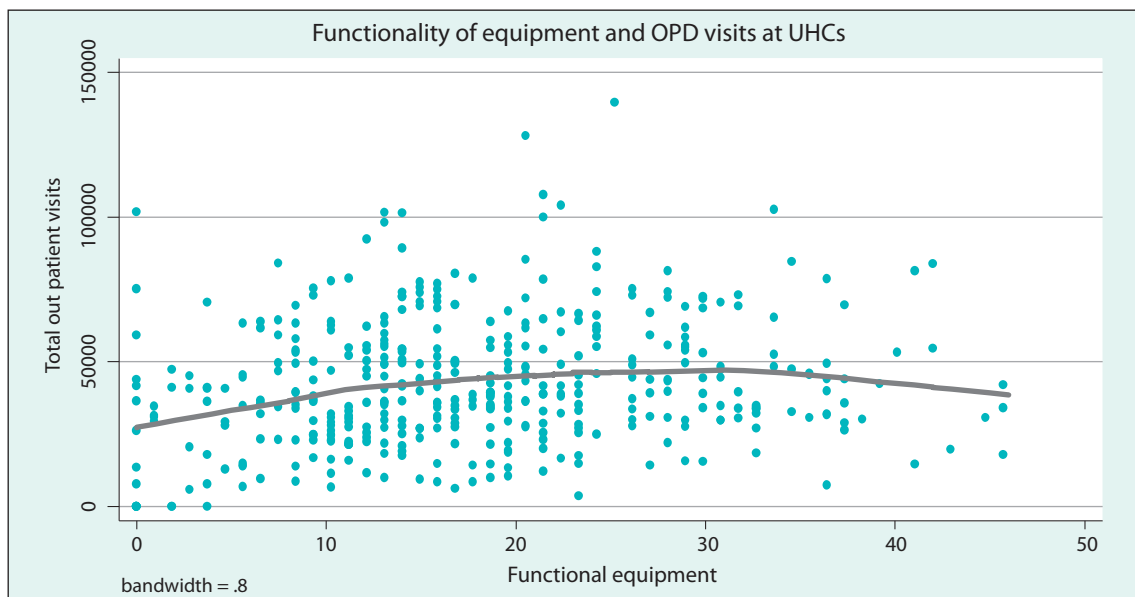
Figure 5.9 exhibits the role of available functional equipment on patient visits at OPD in the UHCs. The line is steadily increasing which depicts a strong association between the two variables. However, the regression analysis shows that there is no significant correlation between OPD visits and functional equipment. In other words, more functional equipment is unlikely to influence OPD visit of patient.

Figure 5.9: Role of functional equipment on patient visits at OPD



On the contrary, member of emergency visits is significantly associated with the functionality of equipment. Figure 5.10 depicts that except for some outliers, number of emergency patients increases with the number of functional equipment. The line exhibits a steady increase in emergency visits as the number of functional equipment increases, suggesting that the functionality of equipment matters for patient visits at the emergency department of UHCs.

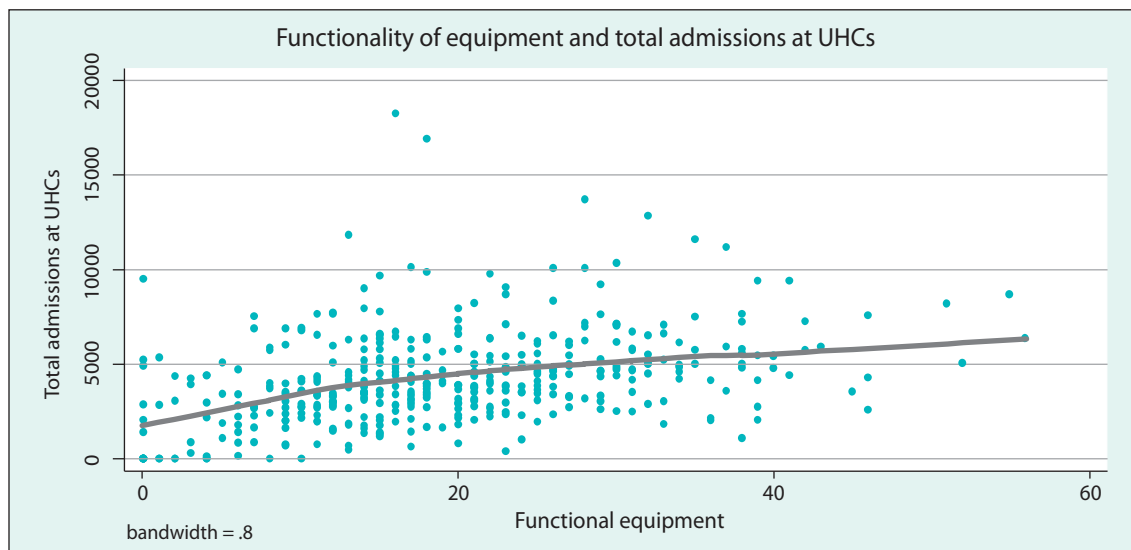
Figure 5.10: Role of functional equipment on patient visits at emergency department



The regression analysis also exhibits these strong correlation. According to the regression analysis, patient visits at emergency department are considerably influenced (number of emergency patient visits increases by 65.984 with each unit of functional equipment) by the functionality of equipment at UHCs.

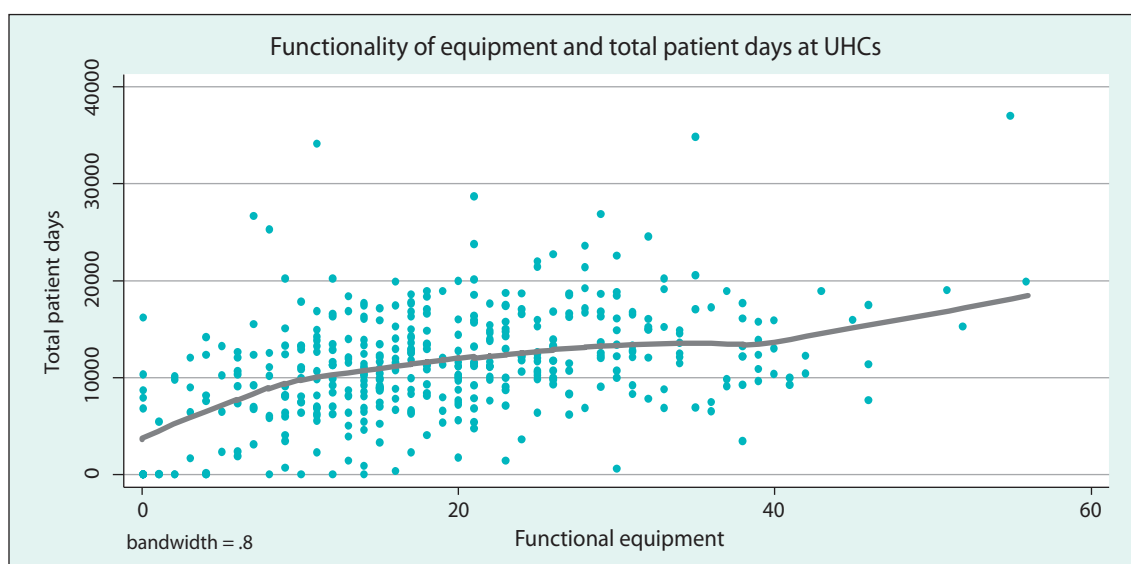
Similar are the findings regarding the effect of functional equipment on total admissions at UHCs. Figure 5.11 presents the role of functional equipment on hospital admissions at UHCs. The increasingly stable line depicts that the number of hospital admissions increases with the availability of higher number of functional equipment at UHCs.

Figure 5.11: Role of functional equipment on hospital admissions



The regression result reinforces the finding. In fact, number of functional equipment is one of the most important determinants for patient admissions at the Upazila Health Complexes.

Figure 5.12: Role of functional equipment on total patient days at UHCs



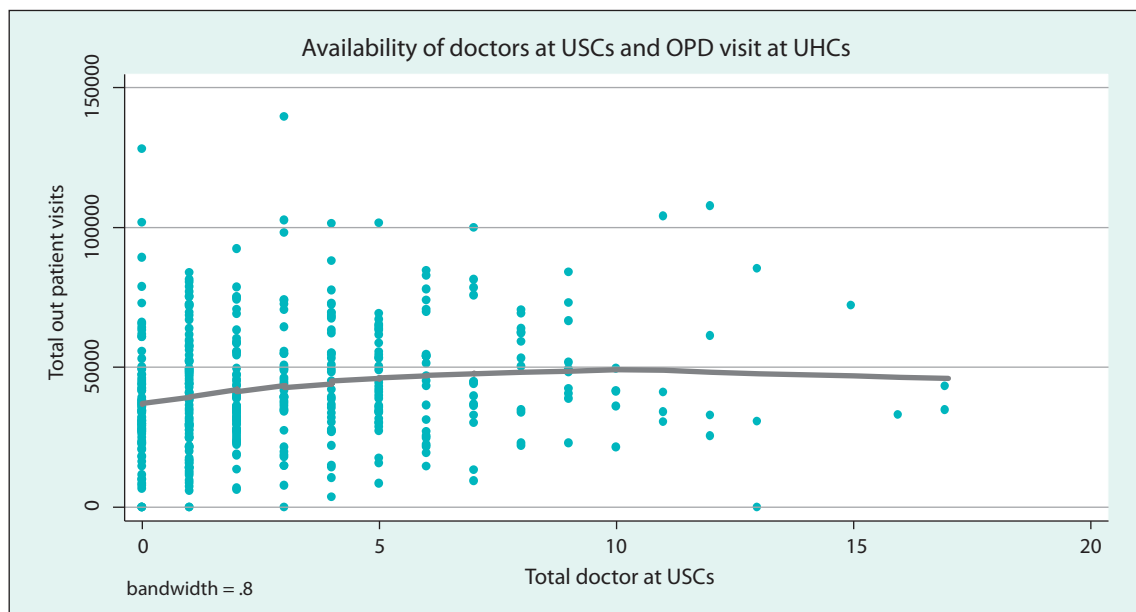
Total patient days are also closely associated with the functionality of equipment at UHCs. Figure 5.12 illustrates the role of functional equipment on total patient days at UHCs. The line is again positively sloped which depicts that total patient days at UHCs increases gradually with the number of functional equipment. This means there is a strong positive association between functional equipment and total patient days at UHCs. The regression analysis supplements the finding. It depicts that functional equipment significantly influences total patient days at UHCs.

5.3.4 Role of available USC doctors at UHCs

All the UHCs are supposed to deal with referred patients. Doctors of USCs refer patients from lower administrative health care units to higher level centers for management of complicated cases. We then analysed the availability of doctors at Union Sub Center (USC) to see whether there is any relationship between doctors' availability in USCs and performance of UHCs.

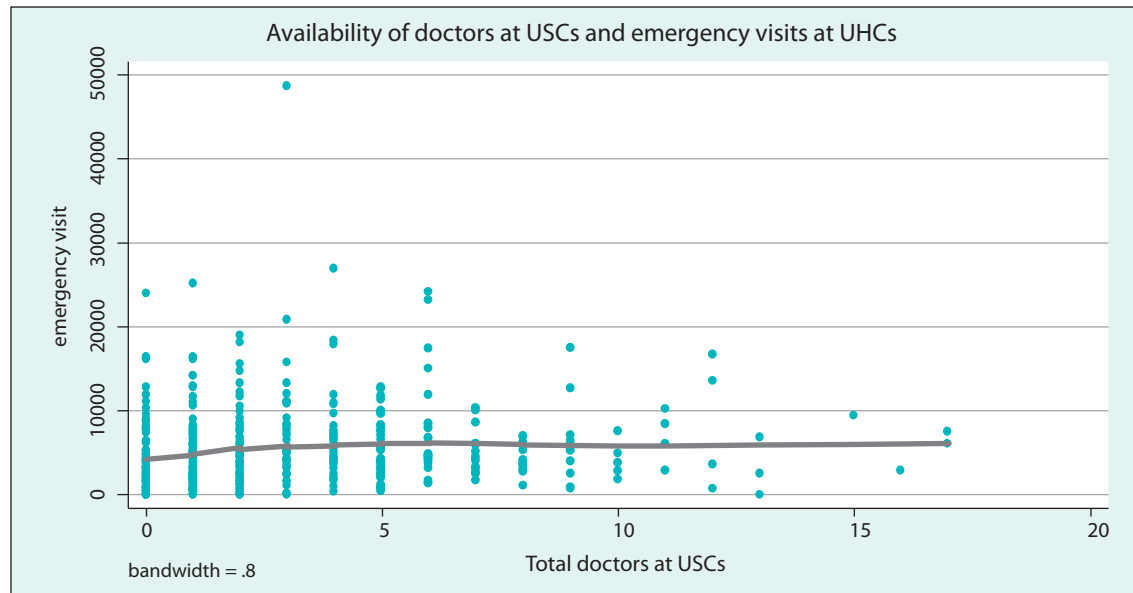
Figure 5.13 presents the role of available doctors at USCs on patient visits at OPD at UHCs. From the graph we can observe that except for a few outliers, the total number of doctors' availability at USCs has a strong positive impact on total outpatient visits. The regression analysis also supports this assumption, where it can be seen that with the availability of an additional doctor at USC, 848.816 more patients can be cared for through OPD at UHCs in a year.

Figure 5.13: Role of availability of doctors at USCs on patient visits at OPD



Thus, on the basis of the above findings we can argue that the number of patient visits at OPD influence is greatly due to the doctors' availability at USCs.

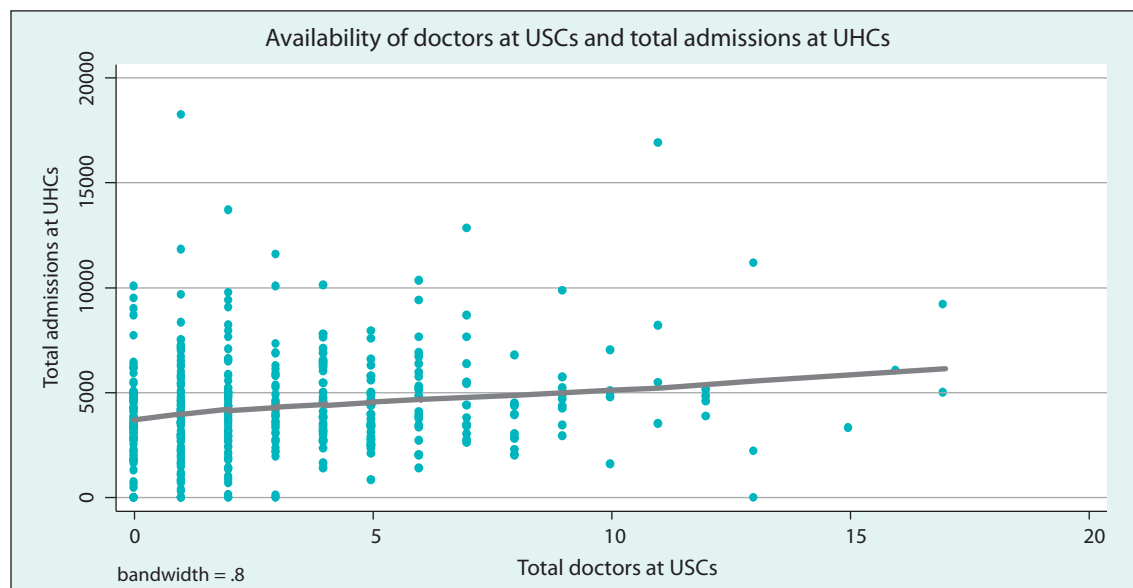
However, for emergency visits (Figure 5.14), LOWESS smoother line does not depict any significant association. Figure 5.14 presents the impact of available doctors at USCs on emergency patient visits at UHCs. The line is relatively flatter and shows that the additional availability of doctors at USCs loosely correlates with emergency patient visits at UHCs.

Figure 5.14: Role of availability of doctors at USCs on emergency department at UHCs

Both hospital admissions and total patient days are influenced by the higher number of doctors available at the USCs

The regression analysis also supports that the member of emergency visits do not change due to the number of available doctors at USCs. Since the LOWESS line in Figure 5.14 seems pretty much flat, there might be other variables that should be taken into consideration while assessing the significance of availability of doctors at USCs and other performance of UHCs.

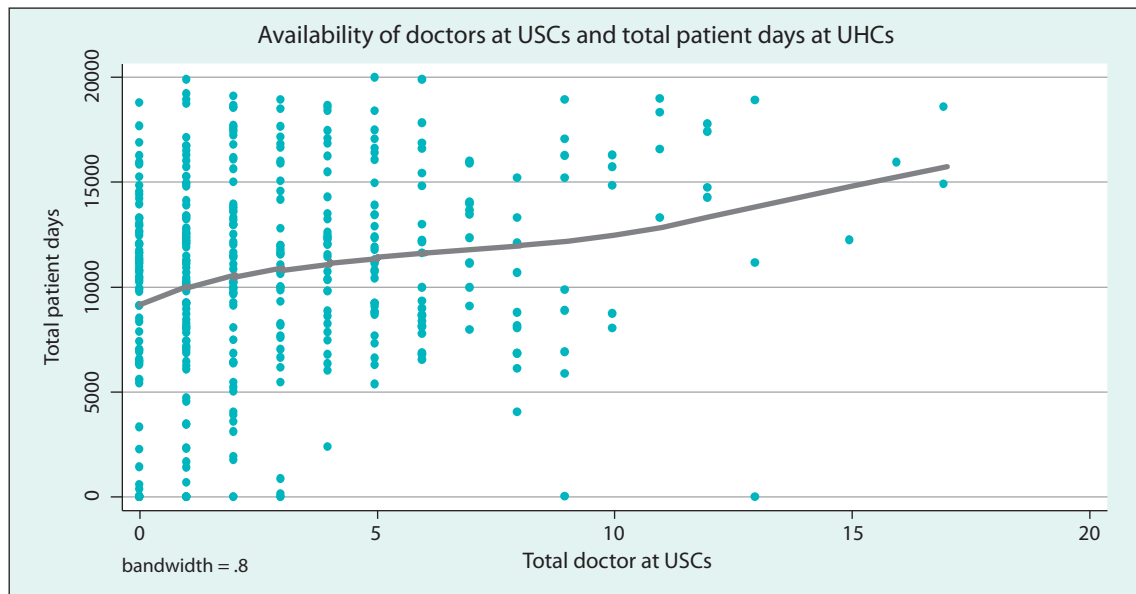
Figure 5.15 shows the role of doctors' availability at USCs on hospital admissions at UHCs. The line clearly exhibits a steady increase in hospital admissions as the number of filled-in doctors' positions at USCs increases, suggesting that the availability of doctors at USCs matters for higher patient admissions at UHCs. Thus, this LOWESS line illustrates the positive correlation between doctors' availability at USCs and hospital admissions.

Figure 5.15: Role of availability of doctors at USCs on hospital admissions

This finding is also reinforced by the regression analysis. The regression analysis has suggested that number of total admissions at UHCs is moderately influenced by the availability of doctors at USCs.

Figure 5.16 presents the impact of availability of doctors at USCs on total patient days at UHCs. The sharp increase of the line shows that doctors' availability at USCs is strongly associated with the total patient days at UHCs. From the regression analysis we also see a similar type of finding. It suggests that total patient days at UHCs are substantively influenced by the higher number of doctors available at the USCs.

Figure 5.16: Role of availability of doctors at USCs on total patient days at UHCs



5.4 Conclusion

Our analysis shows the degree of significance of our input variables upon our performance variables. From the above discussion it is noticeable that patient visits at OPD is strongly influenced by the availability of doctors at USCs and size of Upazila (area/square km). From the regression result it is apparent that the referral system of USCs is robustly associated with OPD visit at UHCs. On the contrary, number of emergency visits is heavily associated with doctors' availability at UHCs and varies due to availability of functional equipment at UHCs. Our third variable, total admissions at UHCs, changes due to all selected four input variables. Among them, functional equipment and nurses' availability at UHCs are strongly associated with patient admissions at UHCs. Besides, doctors' availability at UHCs and USCs also has significant influence over patient admissions at UHCs. Similarly, doctors' availability both at UHCs and USCs, functional equipment and size of Upazila (area/square km) has significant impact on total patient days at UHCs. Among them, doctors' availability and functional equipment have robust impact on the variables.

Though there might be other influential variables, for example, income level at a particular area, distance of UHCs from the city, availability of private health care providers, we could not measure these due to time constraints and shortage of data. However, from our regression analysis we can argue that our selected input variables (availability of doctors and nurses at

UHCs, functional equipment and availability of doctors at USCs) have considerable impact on the performance of UHCs.

From the above findings this study would like to recommend that the government of Bangladesh should take proper measures for providing sufficient medical resources (doctors, nurses and functional equipment) at UHCs. It is also imperative to consider the size of Upazila, demographics and location (distance from city) of the UHCs. As a rural health care facility, Upazila Health Complexes provide treatment to the ordinary citizens of the country. Thus, a need based approach shall be taken while allocating resources to the UHCs so that larger number of patient can be served by proper utilisation of all these resources.



Photo Credit: Mashroor Shafat Nitol

6 Conclusion

Conclusion

The State of Governance Bangladesh 2016 has looked into four kinds of governance: democratic, public, economic and health. Following an indicator based approach like the previous year, each chapter has considered various sub-cases looking into the regulatory framework, the processes through which it works and occasionally the performance of the system under consideration. The current framework looks into three specific particular types of governance: the internal organization and workings of the government, the interaction between the government and the citizens and the role of the government in providing appropriate environment for private multi-party exchanges. This brings about two broad types of indicators. The process indicators captures government inputs, constraints and factors influencing the outcome whereas the performance indicators include the outcome indicators and other performance based measures.

The regulatory environment stipulated by different acts, policies and rules followed by constant reform initiatives in most cases indicate attempts to provide a healthy environment to work in. For example, the two important acts on right to information and anti-corruption have created an environment to ensure transparency and accountability in the public sector. Some remarkable reforms and initiatives have been observed in recent years in the labour, VAT and financial sector as well. For example, adoption of Basel III measures in the financial sector can be viewed as an modern approach to monitor and control the financial sector. There are also notable improvements in e-Governance as initiated by Access to Information Programme through initiatives including introduction of electronic mobile court as well as through bringing the government websites under a single portal (making it the largest government web portal in the world) to enhance proactive disclosure.

The effectiveness of these laws and regulations seemed to have varied results, potential reasons include the resource constraints which often vary across ministries, locations and time. A simple analysis of the Annual Development Program reveals that about three quarters of total expenditure goes to one fifth of the ministries and divisions. Whereas this is largely due to the types of the projects they are involved in (Infrastructure development, large social programs), there are other factors that can be expected to play important roles and eventually affect the efficacy of the ministry. The report shows that important resources like human resources are often lacking in various public facilities despite provision for these resources. For example, number of staffs in municipalities and doctors in Upazilla Health Complexes are lower than number of sanctioned posts in these public offices, suggesting existence of significant number of unfilled positions in these offices. Further, there are disparities in availability of these resources. The already slack human resources also vary across the municipalities (for example number of staffs in different departments, districts and classes) as well as in Upazilla Health Complexes (Number of doctors and nurses) and Tax zones (Number of tax officials). Similarly, other resources (for example, number of functional equipments in the case of Upazilla Health Complexes (UHCs)) varies quite considerably.

If not anything, this suggests that the resource constraints are more stark in some places than others. To a large extent, such differences are partially due to the size of the relevant citizenry. For example, the number of mobile courts conducted, number of requests for information lodged, number of corruption related complaints filed in a district, number of tax payers in the tax zone or people served by the UHC can be expected to be higher in more densely populated districts, tax zone or upazilla. But There are other factors as well. One particular factor is the

government's own realization of importance of a particular sector for investment, as in the case of the Department of Labour (DOL). The Rana Plaza event has triggered the government to significantly increase its budget allocation towards the department, which is reflected in a large number of programs being initiated by the sub-agencies as well as by the increase in number of staff (for example, inspectors for Department of Inspection of Factories and Establishments (DIFE)). Political influence often has important bearings in budget allocation. Indeed, the SOG (2012) has shown the role of political influence in determining development expenditure allocations. There could be other factors as well and identifying those factors would help the policy makers to address such disparities. Nevertheless, the government should work more carefully in ensuring optimal resource allocation.

Not surprisingly, there are significant variations in performance as well, some of which can be attributable to the resources available (for example, the number of patients visiting hospitals, admission rates and number of days a patient stay in a UHC depends on the number of doctors available). Of the three classes (A, B or C) of the municipalities, Class A municipalities are often better performing. The districts in relatively newer divisions (e.g., Rangpur) seem to have poorer performance in many issues most likely due to the lack of resources and the promotion to division can be expected to help these districts grow.

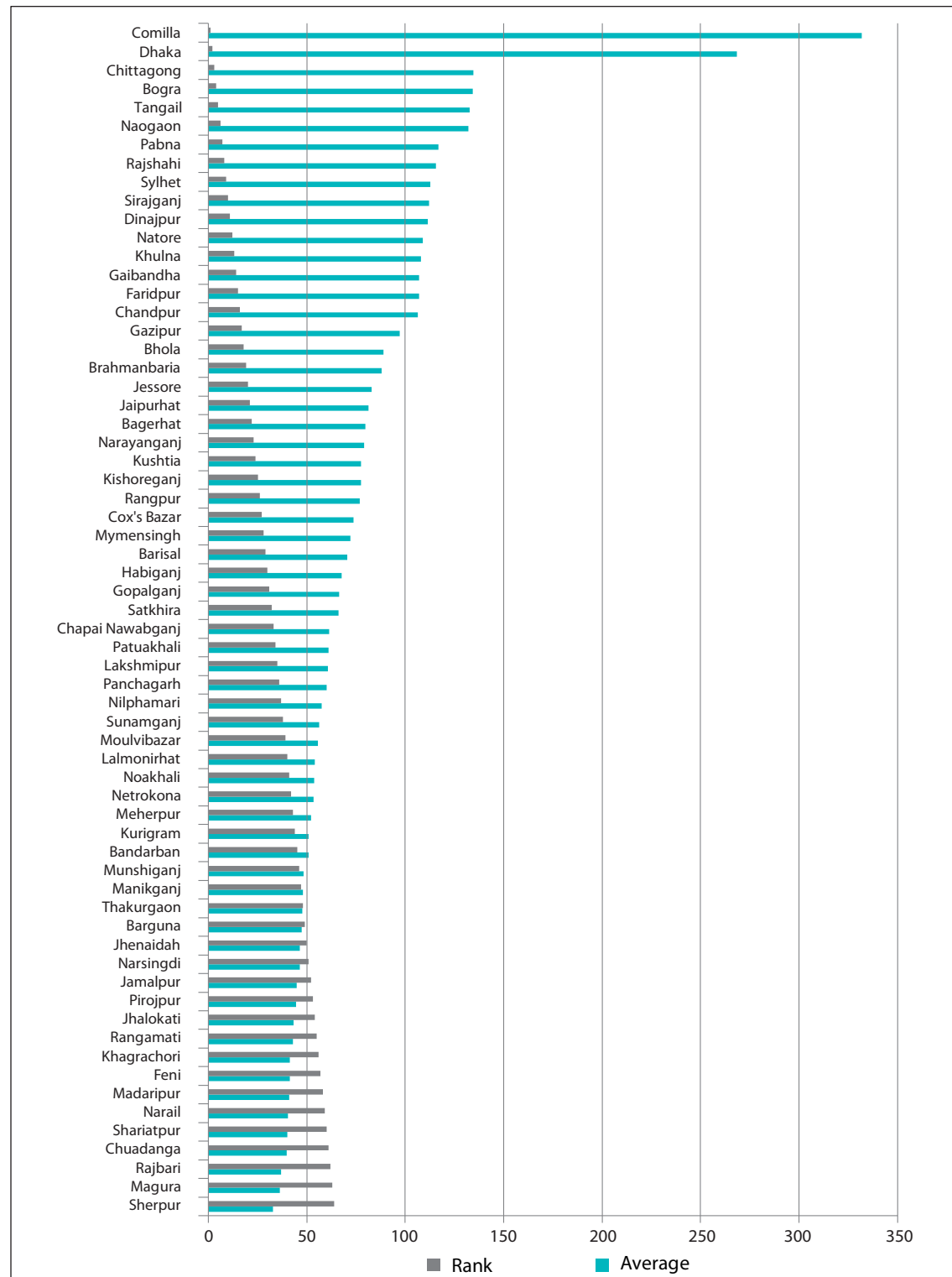
Much of the performance, especially the outcomes of certain processes, cannot be explained and deserve more attention and research. Examples are many. The voter turnouts in the earlier elections in the city corporations (Gazipur, Rajshahi, Narayanganj etc.) are higher than that of recent ones (Dhaka and Chittagong) but the winners from the earlier ones are from the opposition party whereas the winners in the recent elections are from the ruling party. Whereas the half-way boycott of the opposition party may have caused the result, it is important to investigate the reasons for such boycotts as well as the result itself (e.g. would the result be different had the opposition party not boycotted the election and why or why not? What other factors influence the electoral outcomes?). The recent local government elections are also marked with greater degree of violence, something the authorities should look into. The gender gap in the voter list seemed to be remarkably higher in some districts than others and it is not very obvious why this is so. Similarly, labour unrests and related industrial lawsuits is on the rise and should be put under check. This may call for some changes in the labour policy with a focus on the labour rights as well as greater emphasis on enforcement. Whereas the enforcement efforts are already increasing as evident in greater number of inspectors in DIFE and restructuring of human resources in the tax administration, more needs to be done in terms of modern capacity building, provision of incentives and small interventions to bring behavioral changes in these areas.

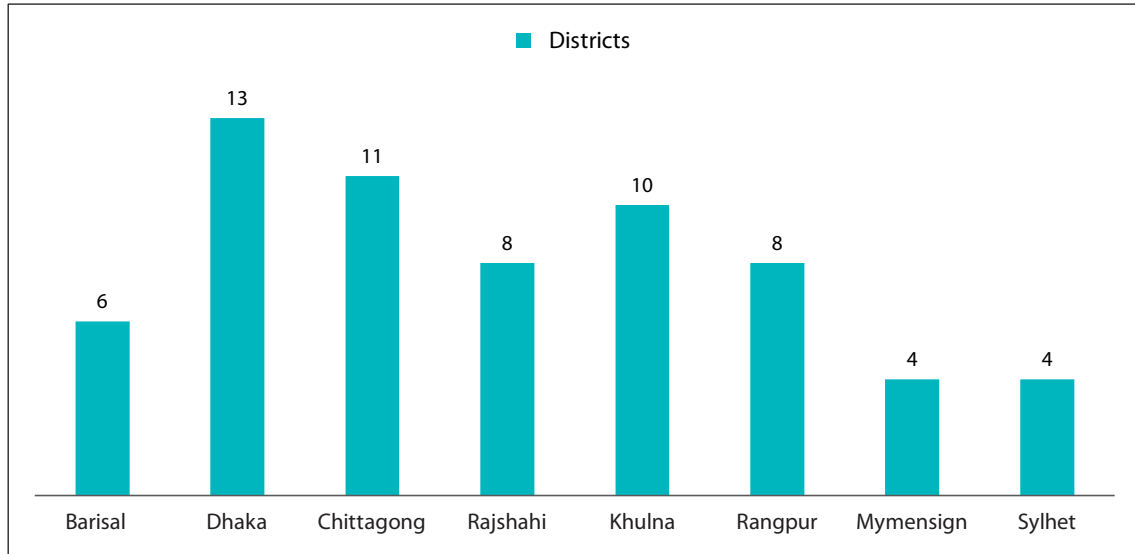
To sum up, the findings of the report have a few policy implications. First, some of the regulations (for example labour related laws) need further reforms (for example, focus on the labour rights). Second, the resource constraints faced at various levels in the government (Municipalities, Hospitals etc.) need to be addressed since these often have serious implications for the performance of the institution in question and eventually, the government. Third, the government needs to work towards controlling violence at various levels, not simply through increased enforcement but also by investigating deeply to identify root causes and tackle them accordingly. Finally, there should be greater central effort on enhancing the capacity of government enforcement systems, with greater incentives for better performance and service delivery.

Appendix

Appendix 1

Average Mobile Court conducted by District



Distribution of districts by Division**Appendix 2****Summary of UHCs input and performance variables**

Variables	OPD visit (1)	Emergency visit (2)	Total admission (3)	Total patient days (4)
Doctors' availability at UHC	249.195 (267.155)	211.248*** (65.623)	36.887* (19.130)	176.393*** (66.057)
Functional equipment at UHC	163.568 (99.045)	65.984** (24.930)	54.217*** (10.834)	148.088*** (41.719)
Doctors' availability at USC	848.816** (372.806)	40.925 (78.669)	68.066* (39.847)	208.664** (103.835)
Nurses' availability at UHC	234.442 (154.641)	30.153 (38.287)	91.729*** (18.095)	118.688 (120.052)
Population size	0.001 (0.005)	0.002 (0.002)	0.001 (0.001)	-0.000 (0.002)
Area (square km)	0.744*** (0.208)	0.053 (0.049)	-0.011 (0.017)	0.084* (0.044)
Constant	31,456.032*** (3,869.479)	1,131.521 (796.761)	1,591.282*** (393.934)	5,201.265*** (1,084.984)
Observations	424	424	424	424
R-squared	0.054	0.138	0.211	0.153

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

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