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# The State of Governance in Bangladesh 2010-11

## Executive Summary

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

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

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

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

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

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

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

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

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

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

### **Democracy and good governance agenda**

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

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

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

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

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

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1 Now known as UKAID

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

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

### **Public sector governance**

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

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

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

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

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

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

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

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

### **Economic governance**

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

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

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

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

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

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

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

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

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

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

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

### **NGO/CSO governance**

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

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

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

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

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

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

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

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

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

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

### **Political governance**

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

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

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

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

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

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

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

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

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