

# **The State of Governance (SoG) in Bangladesh 2010-11: *Policy, Influence, Ownership***

M. Shahidul Islam

Institute of Governance Studies (IGS)

BRAC University

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# SoG 2010-11: Preamble and Outline of the Report

- The State of Governance 2010-11: theme, rationale and methodology.
  
- External influence and governance: conceptual framework
  - ✓ Understanding the external actors and their forms of external influence
  - ✓ The conditionality- policy ownership debate
  - ✓ The evolution and scope of governance
  - ✓ The process of policy transfer

# Chapters

- ✓ Democracy and Good Governance (D&GG)  
Agenda
- ✓ Public Sector Governance
- ✓ Economic Governance
- ✓ CSO/NGO and Governance
- ✓ Political Governance

# Democracy and Good Governance (D&GG) Agenda

- D&GG promotion: interaction between GoB and donors & development partners (D&DPs)
- The analysis was arranged to answer three broad questions:
  - *How has the D&GG agenda emerged*
  - *How are the D&DPs pursuing this agenda in Bangladesh and how are D&GG interventions prioritized, designed, negotiated and implemented in the country*
  - *How does the GoB respond and react to this agenda and to what extent does it converge or diverge with the GoB's own vision of D&GG reform in the country.*

# D&GG: Case Study

- The study undertook specific analysis of the following projects:
  - Public Procurement Reform Project (PPRP) (World Bank)
  - Strengthening Parliamentary Oversight (World Bank)
  - Managing at the Top (MATT) (DFID/UKAID)
  - Local Government Support Programme – Learning and Innovation Component (LGSP-LIC) (UNDP)

# D&GG Agenda: Findings

- Absence of an effective (*de facto*) vision of D&GG from the GoB
  - Opened up a space for donors to experiment with different governance reforms
  - The political challenges facing D&GG reform in Bangladesh
  - Does not always translate into interventions capable of changing the status quo
- **Reasons:**
    - Some donors are restrained by their institutional mandate to engage heavily in political matters.
    - The GoB is struggling to navigate a new type of aid conditionality - D&GG.
  - **Consequence:**
    - WB and DFID's priority: targeted but largely de-politicised reforms ('good enough governance'?)
    - UNDP: retains its focus on political reform, with a less than inspiring track record.

# Public Sector Governance: Identical Interventions and Different Results

- Assessed the influence of D&DPs in health and education sectors.
- Limited ‘policy ownership’ in both health and education sectors, but contrasting results.

□ Intervention in health sector: *unification of health and family planning wings, introduction of community clinics*

## Findings:

- Little ownership - Health and Population Sector Programme (HPSP) and Health, Nutrition and Population Sector Programme (HNPS)
- New DP-backed programme, Health, Population and Nutrition Sector Development Programme (HPNSDP), launched for the period 2011-2016- no different.

## Public Sector Governance: Focus on Health Sector

- Implementation efforts were unsuccessful due to:
  - *Frequent policy reversals: this had serious implications for co-operation between the GoB and DPs.*
- Malgovernance preventing the GoB from assuming a more dominant role in policy management:
  - Public administration deficiencies
  - Lack of consistent political support
  - Absence of feedback mechanism.

# Public Sector Governance: Focus on Health Sector

## Recommendations:

- 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

# Public Sector Governance: Focus on Education Sector

- DP involvement in the primary education sector: the Project-based approach and the Programme-based approach.
- Resulted in higher school enrolment and improvements in the quality of learning.
- Primary Education Development Programme (PEDP2): The decentralisation framework, community involvement resulted in effective service delivery.
- NGO provisioning of primary/non-formal pre-primary education demonstrated a superior performance.

# Public Sector Governance: Focus on Education Sector

- Sustainability of these accomplishments is questionable, due to the absence of national policy ownership.  
(this concern may have been somewhat mitigated after the inception of the National Education Policy)
- Recommendations:
  - The GOB undertakes greater responsibility for planning and prioritizing in order to promote national ownership in the primary education sector.
  - The existing decentralisation process should be continued for improving governance at school levels.
  - GO-NGO collaboration

# External influence and Economic Governance

- Appraised the trajectory of D&DP-driven economic reforms since the mid-1980s, how these reforms impacted the economy.
- Attempted to disentangle elements that guided the economic reform process.
- Given a mixed bag of results of economic liberalisation, the study explored two cases of banking sector reform and energy price adjustment.

# Economic Governance: Findings

- Political incentives to pursue reform- either through rent or increasing vote banks
- Firm commitment from politicians and the commensurate capacity of bureaucrats are critical
- Politicians showed commitments towards key reforms:
  - ✓ Private participation and Privatisation
  - ✓ Economic openness
  - ✓ Agriculture reform
  - ✓ Public resource mobilisation and macroeconomic stability
- Hesitated: Energy, utility and those are politically costly

# Economic Governance: Findings

- D&DPs' policy advocacy: liberalisation, denationalisation and privatisation policies resulted in a mixed bag of results.
- The banking sector case study
- There are a number of tangible successes (NPL, RWCA, M2/GDP)
- But privatisation including private participation, may not be a solution unless emphasis is placed on regulation and supervision.

# Economic governance: The Banking Sector Case Study

- The recent scams and regulatory lapses in state-owned banks
- Lessons:
  - ✓ Reforms' sustenance could be uncertain
  - ✓ The nexus between politicians and business people poses challenges to governance
  - ✓ Liberalisation does not automatically improve governance quality. "Regulation matters"
- Recommendations
  - ✓ Central Bank's independence and strong regulatory oversight need to be ensured

# Economic Governance: Energy Price Adjustment

- Some of the reform objectives concerning governance have fulfilled
  - However, market-based reform has been less than successful in providing cost-effective electricity
  - Limitations in improving overall governance quality
  - Thereby precluding the long-term investment
- This is largely due to:
    - ✓ The short time horizon of any ruling political party (political settlement)
    - ✓ Declining capability of the bureaucracy
    - ✓ Market-based reform's limitations in improving governance indicators.

# Economic Governance: Recommendations

- Recommendations:
  - Liberalisation with regulation, find a mechanism to disengage political interest from directly controlling finance and other sectors
- D&DPs engagement in energy/utility sector:
  - D&DPs could remain the preferred source of financing and technical assistances
  - But how to reduce gaps/tensions between the state and the D&DPs?
  - D&DPs' fund allocation: weightage on sectoral performance and potentials vs governance performance

# Political Constraints and Limitations of Economic Reform

- Linkages between political reform and economic reform
- Importance of institutional features (i.e. corruption)
- General governance issues (i.e. political accountability, quality of bureaucracy etc. ) determine whether the outcomes of reform would be beneficial.

See Rodrik *et al* (2002), Alcalá & Ciccone (2004) and Kaufmann *et al* (2007)

- D&DPs should study the ‘political settlement’ arising from *competitive clientelism*.
- Alternative thinking on governance? (i.e. growth-enhancing governance capabilities).

# NGOs as Driver of Policy Change

- Changing role of NGOs: from Need-based to Right-based (governance actor)
- The scope of NGOs' role as policy advocacy actors
- The degree of 'policy ownership' NGOs can exercise while shaping the policy agenda
- Case studies- Right to Information (RTI) Act and National Human Rights Commission (NHRC)

## Findings: RTI

- NGOs were the proactive civil society actors in introducing RTI Act.
- Adapted the idea from other countries with technical assistance of INGOs
- Advocated for the introduction of an RTI law
- Prepared a draft law
- Generated public opinion
- Engaged with government accordingly

# NHRC

- Primarily an external actors' agenda that civil society welcomed due to their convergence of interests.
- NHRC's institutional design did not reflect civil society's expectations in terms of independence and effectiveness.

# NGOs as Drivers of Policy Change: Lessons

- NGOs can sometimes bring policy change as policy actors.
- NGOs' roles in the introduction of RTI and NHRC necessitate this mixed answer.
- The success of NGOs in policy change is conditioned by
  - Levels of government response to NGO advocacy
  - Development cooperation with donors.
- Government's response to NGO advocacy varies, according to:
  - Policy field: i.e. RTI or Human Rights
  - Regime type: i.e. caretaker or political government

# NGOs as Drivers of Policy Change: Recommendations

## Recommendations:

- NGOs will have to continue their engagement with government gradually scaling up their involvement in the governance process.
- The government needs to be more pragmatic in its response to NGO initiatives- further institutionalise NGO participation in governance through collaborative initiatives.

# External Influence in Bangladesh Politics

- External influence is largely due to the space created by domestic political weaknesses
- The analysis organised in terms of democratic transition and consolidation framework
- Findings:
  - The democratic transition and consolidation: pitfalls
  - The constitution's constraints to provide the '*rules of the game*' (i.e. the 15<sup>th</sup> Amendment)
  - Confrontational political culture
  - Parliament remains weak
  - Lack of institutionalisation of Political parties
  - The transitional crises and limping democratic consolidation: fragile political institutions

# Democratic Deficit and External Actors' Influence

- Demand side of external influence:
  - Transition and Consolidation Processes-Democratic deficit- External actors' influence
  - Transitional crisis- vulnerable opposition- domestic demand for external influence (the case of 1/11).
  - Trade and aid largesse
- Supply side of external influence
  - Geo-politics (from geo-politics to geo-economic complexity?)
  - Trade, market and connectivity: new geo-economic reality
  - Militancy/extremism: convergence of national and international interests
- **Consequence**
- Lose-win game: political bankruptcy, weak bargain power, missed opportunity

# Limiting External Influence: Recommendations

- Consolidating democracy can provide a better safeguard against undesirable external influence.
- To diminish such possibilities:
  - Parliament has to emerge as an avenue for building national consensus.
  - Revision of Article 145A of the Constitution (Treaties signed with foreign countries)
  - There could be a term limit for the key executive posts of the government
  - Revision of Article 70 of the Constitution (Parliament to speak up freely).

# SoG 2010-11: Conclusions and the Way Forward

- External stakeholders' influence: mixed
  - The reasons: flawed policy design and the state's limited implementation capabilities.
- D&GG: absence of the GoB own effective vision of D&GG, failed to mobilise the requisite political consensus around those reforms;
- Public service provisions: political dynamics and lack of policy ownership have facilitated inefficient outcome in public service provisions
- Economic reform: lack of firm commitment from politicians in strengthening regulatory authority (in some instances dual authorities)
- NGO experience: policy advocacy for good governance is not always a result of home-grown demand

# SoG 2010-11: Conclusions and the Way Forward

- Sustainability of many progressive reforms are questionable
  - ✓ The GoB's lack of ownership and political will
  - ✓ The GoB formulated reforms, enacted laws, established institutions or accepted international standards in order to comply with D&DPs' conditionalities.
  - ✓ In reality it thwarted or deferred their implementation and consolidation
  - ✓ D&DPs reform agenda, particularly concerning core aspects of governance, is often incompatible with political priorities.
- Results:
  - ✓ The state's capacity constraints, often owing to political imperatives, convinced the D&DPs to forego their ambitious reform and governance agenda.
  - ✓ Some of them are designing their reforms around promoting '*good enough governance*'.

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## SoG 2010-11: Conclusions and the Way Forward

- Thus, understanding the nature of political settlement is critical.
  - “*The political settlement in Bangladesh that changed after 1990 replacing ‘clientelistic authoritarianism’ with a vulnerable democracy based on ‘competitive clientelism’, provides comparative stability when the underlying factional structure is very fragmented. However, by its structure, the ruling coalition here has a short time horizon and weak implementation and enforcement capabilities, creating high transaction costs, undermining institutional development, and ultimately resulting in poor governance*” (Khan 2012).
    - Also see North et al, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*.
- The vulnerable ***competitive clientelism*** of the political system emerging in the post-1990s itself necessitates external influence.

# The Way Forward

- External influence is not necessarily good or bad
  - Needed for innovation and cross-fertilisation.
  - But there is a clear limit to the extent by which the external actors and influences can be effective in political reforms
- Reason: competitive clientelism, lack of understanding of ground realities
  - Thus, D&DPs should cautiously engage with the GoB
- Priority:
  - ✓ Reforms that are economically feasible and politically acceptable (by providing right political incentives)
  - ✓ Reforms that are challenging (owing to political imperatives as well as state's implementation capacity constraints), should be prompted gradually, possibly with the help of third sector.

# The Way Forward

- ✓ Should ensure that reforms do not create too many losers,
  - ✓ Engages local actors (communities and NGOs in social sector)
  - ✓ Encourage decentralisation (where applicable).
  - ✓ Should promote ‘liberalisation with regulation’ (so that politicians, bureaucrats and private sector are restrained from establishing absolute control).
- The recent experience following the financial crisis around the world strongly suggests that economic entities do not need to be overregulated nor should they be left to ‘invisible hands’ (Rajan and Zingales, 2003).

# The Way Forward

- In the political domain, external influence is not necessarily detrimental, but should convert present ‘win-lose’ to win-win situation;
- Consolidating democracy can provide a better safeguard against unwanted outside intervention/pressures.
- The political actors should build national consensus on at least some key issues pertaining to democratisation and good governance.

# Limitations of the Study

- The SoG 2010-11 acknowledges its limitations in answering many questions and concerns.
- This new approach of scrutinising governance evolution from the “lens” of external influence hopes to generate some important and informative debates and research on the roles and limitations of external influence in promoting reforms and addressing governance concerns in Bangladesh.

# Thank You All

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