

Report No. 51

Reforming Governance in Bangladesh

Centre for Policy Dialogue

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The Centre for Policy Dialogue (CPD), established in 1993, is an innovative initiative to promote an ongoing process of dialogue between the principal partners in the decision-making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has already organised a series of such major dialogues at local, regional and national levels. These dialogues have brought together ministers, opposition frontbenchers, MPs, business leaders, NGOs, donors, professionals and other functional groups in civil society within a non-confrontational environment to promote focused discussions. The expectation of the CPD is to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they feel are conducive to the well being of the country. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues.

In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of CPD include The Independent Review of Bangladesh's Development (IRBD), Governance and Development, Population and Sustainable Development, Trade Policy Analysis and Multilateral Trading System, Corporate Responsibility, Governance, Regional Cooperation for Infrastructure Development and Leadership Programme for the Youth. The CPD also carries out periodic public perception surveys on policy issues and developmental concerns.

*As part of CPD's publication activities, a CPD Dialogue Report series is brought out in order to widely disseminate the summary of the discussions organised by the Centre. The present report contains the highlights of a dialogue organised by CPD held at CPD Dialogue Room, Dhaka on 16 January, 2002 on the theme of **Reforming Governance in Bangladesh**.*

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Dialogue on
Reforming Governance in Bangladesh

The Dialogue

An in-house dialogue was conducted by the Centre for Policy Dialogue (CPD) on 16 January 2002 at the CPD Dialogue room. Presiding over the afternoon's discussion was CPD Chairman, Professor Rehman Sobhan. Former Country Director of the World Bank's Dhaka mission, Pierre Landell Mills was the keynote speaker on the occasion. former Finance Minister M. Syeduzzaman, former Secretary to the Government, Mofazzal Karim, former Secretary to the Government, Dr Towfiq-e-Elahi Chowdhury, BB, former Secretary to the Government, Dr Masihur Rahman, former Director, UN ESCAP Dr Mirza Azizul Islam, Professor Imtiaz Ahmed of Dhaka University and former Chairman, Public Administration Reform Committee, A T M Shamsul Huque were among the eminent personalities who attended the discussion. List of participant is attached (Annexure-1).

Mr. Landell Mills in his keynote address emphasized that this discussion was not about collecting new ideas but instead aimed at examining different nuances of existing ideas. He identified core issues and described ways to improve governance in Bangladesh in the light of the experience garnered during his tenure as Country Director. Using slide presentations, he made a number of recommendations, which were followed by responses from the invited guests and their recommendations on the issue.

Keynote Presentation

The thrust of the keynote address was an examination of ways by which a country of great potential such as Bangladesh could make its administration more effective and proactive by improving governance. While examining core issues one overwhelming question emerged. "Despite the fact that so much study has been conducted and so much learning has ensued, why has so little action been taken to set right the failures of governance?"

Governance is the Key

As a consultant working in different countries, Mr.Landell Mills said that he has tried to look at issues from the macro perspective, keeping the bigger picture in view. Through

that process he tried to identify core issues in Bangladesh. He observed that the fundamental or basic problem of a state usually lies with governance. Talking to various people and agencies he found that almost without exception every single person, whether in private enterprise or public service, agreed that the basic problem of Bangladesh is its poor governance.

Mr. Landell Mills talked about the tremendous odds against which this country has survived. It has faced great natural calamities; it has made huge strides in development at the grassroots level and has made impressive inroads into the tackling of problems like population, education and child mortality. Despite all these achievements however, there are enormous problems such as law and order, crime rate, environmental degradation, which have only worsened with time.

He pointed out that there is a lack of dialogue aimed at dealing with the underlying socio-economic causes that have led to serious problems within the country. It is surprising to notice that while the description of the problem or the diagnostic is extremely rich, the actions that follow or solutions to the problems have not been forthcoming. There is a tendency for people involved to look at problems from a technical standpoint but, he said, it is essential to understand and identify what the right kind of reform is and to put that reform into practice in public governance.

Utilising Public Opinion

Mr. Landell Mills asserted the importance of public opinion. Anything can be done if public opinion can put up with it. It is important to nurture and mobilise it so that it works as an effective tool. Understanding how to mobilise and sustain this very fickle factor is an important element of good governance. Change is inevitable in any society but it should be analysed so as to understand what the change implies and why and how it has come about. Change can be harnessed for positive action.

The Supreme Court in Bangladesh is a good example of an institution holding together a country. It is widely recognised and respected as the ultimate tool of citizen's rights under the Constitution. It plays a pivotal role in this respect and therefore needs to be nurtured. Governments have tried to interfere with the workings of the Supreme Court but this has evoked such strong public reaction that the attempt failed. An example of public opinion mobilised in the right direction.

The Press and Media as Safe Guards of Civil Society

The Press and media play an important role in forming public opinion and in preempting action. In the opinion of Mr. Landell Mills the Press in Bangladesh needs to be more professional with more training and better facilities. Transparency and accountability cannot be achieved without an informed public.

Areas of Concern

Every concerned person has agreed that Bangladesh has huge potential for economic growth and stability. However a number of factors exist that continue to slow down the country's development.

Mr. Landell Mills observed that no effort has been made by the government to attract investors, foreign and domestic. The gas industry is the obvious example. It has enormous investor potential which remains sadly underutilized.

Equally significant is the huge wastage of public resources. This is partly because of rampant corruption but the primary reason is the inefficient use of resources. The question now is how to correct this.

The World Bank has given considerable institutional support over the last ten years. A discussion with a group of young businessmen brought results that were representative of the peculiar situation in Bangladesh. The group was extremely vocal about the problems that faced the country but solutions were not forthcoming.

In an effort to find answers, twelve consultants, mainly Bangladeshis, were asked to do case studies of institutions that they were well acquainted with. Civil servants, people at the union level and others were the subjects. The Nurunnabi Commission paper was another such effort to find answers. The over-riding conclusion of these studies was that human beings are rational individuals who will respond to incentives. The question, however is, what are the incentives that will influence people and how can they be effectively put to use. Again, the recommendations of the Nurrnnabi Commission and others have not been translated into effective action.

Discussion

CPD Chairman, Professor Rehman Sobhan invited comments and suggestions from the participants in response to the points made by Mr. Landell Mills.

Analysing the problem, people from all walks of life have been unanimous in their agreement that the core problem that irked Bangladesh was its poor governance. If people are unanimous in this analysis then the question is why systems and procedures have not been put into place to ensure effective governance. There are many reasons and the dialogue first sought to uncover some of these problems.

Lack of Public Accountability

One of the most important tools for good governance, according to Mr. Landell Mills, is Public Accountability. Transparency in all matters of state and the right for people to question actions are a fundamental right, a right that is rarely asserted. Public officials need to be accountable for their decisions and actions but most resist being held accountable. Accountability has to start at the very top where power is held and filter all the way down to the lowest rungs.

Good governance means holding public officials accountable. Dr. Mirza Azizul Islam said that in addition to a system of public accountability, one also needs a system of accountability to one's own conscience. To cultivate an accountability of this kind is not an easy process. It is long drawn out and dependent on factors such as education, training, reward and punishment, overall social and cultural development, financial values taught in the family and so on.

Dr. Islam cited certain paradoxes that one should take into account. According to him, it is important to have transparency, but there are areas where complete transparency is difficult or not advisable, such as in the apprehension of criminals. It is impossible to give a criminal advance notice of his arrest! He also encouraged caution, saying that while accountability is very desirable, one has to make sure that this does not promote indecision.

Dr. Masihur Rahman added that even when reforms are carried out we need to know what the government is doing. There has to be accountability and transparency. Audit has to change its methodologies ensuring that all aspects of systems and functioning are examined in the cold light of reason.

Public financial accountability in the country has been unsatisfactory even though it is an essential part of good governance. A sound system of planning and budgeting the state's

financial resources, followed by reliable and prompt accounting and auditing and strong action when there is mismanagement is the ideal pattern in good governance.

On this issue Mr Landell Mills commented that the challenge lies in fostering the mechanisms of accountability and strengthening them.

Leadership With the Right Objectives

The country is swamped in political differences. For leadership to be effective in ensuring good governance, it should be motivated for the right reasons. The keynote speech addressed the need for leadership which is motivated by the right objectives.

Most of the participants made known their views agreeing with Mr. Landell Mills' assertion of the central importance of a well-motivated bureaucracy. Dr. Mirza Azizul Islam said that in the end good governance depends critically on who the functionaries are, who the stakeholders are and how they are motivated while performing their duties. The need is for a properly motivated political leadership as well as bureaucracy. Unless the political leadership is properly motivated, the practice of politicization of administration, collusion between civil society and politicians will continue. Personal motivation in political and civil society is very important.

Former Civil Servant, Mofazzal Karim squarely placed responsibility on politicians and the system saying that the first to be responsible for bad governance are the politicians who refuse to use the tools available to them to improve the situation.

Former Finance Minister M Syeduzzaman introduced a note of caution. Reforms, however well thought out might not succeed unless politicians have stakes in the programmes. In order to ensure that reforms are carried out successfully, the representation of politicians is necessary. It is therefore imperative to involve politicians but also to ensure that they have the proper motivations.

It is possible that deliberate acts of commission or omission with a view to promote personal interests needs to be punished, but at the same time one has to make provision for honest mistakes. If human error is not treated with compassion personal initiative may be compromised, warned Dr. Mirza Azizul Islam.

Continuity of government is very important. Mr. Shamsul Haque reminded the group that in Japan it took 20 years to complete their reform programme. It is important that

government bodies remain in position long enough to implement reforms. The Japanese motto of service to the people seems to be an ethic that is sadly missing in public service in Bangladesh. It is important to have a mental attitude that makes reform possible, he added.

Bringing the Government to the People through Decentralization

Decentralization is an important way to bring the government closer to the people, said Mr. Landell Mills, as well as to improve public accountability. This can work only if the government is willing to allow local authorities control over the finances and administration of their own personnel. Decentralization is an important element of the process of accountability and transparency. The state should not engage in those issues, which can be very well managed by the private sector.

Dr. Mirza Azizul Islam had a few reservations. He questioned the role of the Union Council and the government. As an administrator of a district council, he was not optimistic about the local government institutions. This does not mean that the process of decentralisation should be abandoned, but there should be realism in the expectations.

Incentives to Motivate

Landell Mills introduced this concept in the dialogue saying that people are rational human beings who respond to incentives. He defined incentives as identifying reform programs, which depends on change-agents, and identifying what are the change-agents.

Dr Masihur Rahman, also pointed out the need of incentives for good performances of government servants.

Mr. Syeduzzaman agreed that government reforms need to be linked to incentives. However all participants were agreeable with the premise that incentives can change for each society. The cultural, social and economic make up of the nation determines what will serve as an incentive.

Institutional Management

Dr Masihur Rahman said that developing institutional capacity should get priority. A strategy is required for ensuring accountability and transparency, he said, also suggesting introduction of performance evaluating systems for the institutions and incentives for good performance.

An Effective Private Sector

It is strange, observed Mr. Landell Mills that in Bangladesh the private sector has not been an effective voice against public sector mismanagement even when they are the obvious sufferers. Economic losses through the inefficiency of the public sector have been huge. For example the Chittagong Port does not perform to its full capability making it three times less efficient than the Bombay Port and many times less efficient than the Colombo Port. Again business people find everything politically divided and therefore there is no basis for collective actions. Again there is a question. Why is the private sector not effectively vocal?

Public institutions are damaged due to poor management and ineffective public services. Basic collective actions are required in this context. There should be an alternative dispute settlement methods.

Dr. Mirza Azizul Islam directed attention to Mr. Landell Mills' observation that the private sector does not stand together to become an active voice. Interest groups are fragmented and collective class action, though important, is rarely found. Earlier there was a consciousness among some cadres of certain codes of behaviour or ethics that they identified with as a whole. This kind of class-consciousness worked well to bind the group together with a prescription of action. The problem is to figure out how one can regenerate this kind of a feeling. Dr. Islam also talked about the dangers of regulatory capture by the private sector.

Prisoners of the System

Mr. Landell Mills introduced a new concept. He said that people are eventually prisoners of the system in which they live. The escapees are the ones who possess individual resources which provide the means to escape the system and therefore they are the ones who could change the system.

Ms. Iffat Sharif, Doctoral Candidate, London School of Economics presented the hypothesis that the prisoners of the system that Mr. Landell Mills talked about could be the real agents of change. If the prisoners have no alternative or no way of escaping from the system, then they should be the ones with the power or the voice to bring about change. They will have the incentives to bring about change.

Mr. Zaidi Sattar, Senior Economist of World Bank pointed out that there was a third group other than the prisoners and the escapees, those who effect change; they are the change-makers. In this category, according to him, fall Prof. Yunus of Grameen, Mr. Abed of BRAC and Professor Rehman Sobhan himself. Each of these change-makers has done a great deal to rouse public opinion and effect changes.

Exploiting ICT Know How

In an E-Government there is significant opportunity to explore and exercise good governance. The huge development in the Information and Communication Technology (ICT) all over the world has largely passed by Bangladesh. An efficient telecommunications sector is essential to the process of exploiting ICT potential for government systems.

According to Dr. Mirza Azizul Islam, privatization of telecommunication is very necessary but he also expressed discomfort with the total dependence on computers which, he says, would bring about a new set of problems. Initial conditions determine where we stand today. Given the initial conditions good governance will not come easy but nevertheless it is important to keep working towards it.

Mr. Landell Mills while addressing this issue described it as the most efficient way to ensure good governance. It will be possible through the effective use of information and communication technology to link up separate functions that range from the revenue collection to processing bills; and separate organisations in government and private sector immediately increasing efficiency of governance. With the application of information and communication technology it will be possible to depersonalize the systems, formalize public management processes and reduce profit-seeking opportunities. The World Bank is also eager to help in this process of implementing the E- Government.

Professor Imtiaz Ahmed, Dept. of International Relations, University of Dhaka brought in a note of skepticism saying that while E-Government seems exciting, in a country where we had to put off our mobile phones during elections, it would be very difficult to run this type of institution.

Social Capital Versus Rule of Law

Dr. Mirza Hassan, Governance Advisor, UNDP introduced a premise which is based on a 1999 report by Mr. Landell Mills that talks about the difficulty in transfer of governance and institutional changes from the developed West to the under developed nations of the world because of cultural and psychological differences. The old fashioned system of values that exist within Bangladesh and many other developing nations makes change difficult. Because of old fashioned, generalised and non-abstract moralities there is a lack of impersonality, a lack of professionalism, which makes it difficult to bring about a transfer of good governance or institutional changes.

Quoting from Mr. Landell Mills report Dr Hassan says that transfer of Western rules of business and conformity to rational legality of rules are basically a cultural process. Patrimonial traits are seen in public institutions. It is expected that public resources will be used for private purposes on the understanding that they will be shared with the clients just as, within a family, assets are shared. This viewpoint is an over-socialisation. A key factor of patrimonialism is the redistribution of wealth rather than the creation of new wealth. These cultural notions permeate into all areas of business and public life. One consequence is a tendency in these countries to default on loan repayments because of patrimonialism. Likewise in the granting of credit the representatives of nationalised commercialised banks or other public institutions consider it normal that they should receive an informal commission for the sanction of a loan.

Dr Hassan talks about the theory that says societies based on strong interpersonal and family relations may not have an idea of how to separate the personal from the professional. That one has to have ties of loyalty different and separate from the ties of family and kinship may seem strange in such a society. Loyalty to friends, family and co-workers and not to the state is a primary value. Dr. Hassan posed the question, which comes first social capital or rule of law? Trust or rule of law? If foreign institutions seeking to help in the transfer of good governance do not take these historical and cultural values into account nothing can be done.

Dr. Mirza Hassan sees the problems of governance in public banking institutions as collusion between debtors and creditors, between patrons and clients, a deliberate, calculative way of dealing with the immediate problem

Secondly, there is no demand from bankers to create a sound law. He finds the problem the same whether it is a public institution or a private commercial bank. Debt recovery in the last decade is below 10% and problems are never solved. This can be seen as negative social capital. There exists collusion between bankers, lawyers and court officials, which ensures that cases can drag on for years.

Mr. Landell Mills said that it was important to reconcile sociological factors with everything else. Interpretation of incentives depends on the sociological framework in which they operate. Clientalism or patrimonialism is a very rational response of a traditional society where survival is difficult. Social capital works to provide a rationale. To survive you need a patron and patrons need supporters. When you analyse, it all sounds very rational. Social patterns and behaviour can be very deep rooted. For example, the World Bank is very multi-cultural, therefore it is important to establish a World Bank culture which gives its employees a strong sense of what is expected of them within the work environment. The entire problem is a complex one. Each society behaves in a way that they perceive as rational. The question is what is perceived as rational. Dr Tawfiq Elahi -Chowdhury, former Secretary said that people have their own way of making a rule of law that works. A central structure or body of rules should work to giving a framework of ethics. Even in the banking sector a strong rule of law is needed. A.H. Mofazzal Karim, former government servant said that the backdated education systems serve as an impediment to the effective implementation of law and order. ATM Shamsul Haque also said that to improve law and order was a prerequisite to improve governance and for that reforms are needed especially in bodies like the police force.

Need for Reform

It was found that there was a deep-seated resentment towards reform. The opposition to reform comes from vested interests. Despite much dialogue, discussion and recommendations, reform has been slow.

ATM Shamsul Haque pointed out that after having worked on the Public Administration Reform Commission report, he had doubts as to whether administrative reform was really wanted in this country. Since Independence twenty one different reports have been prepared by various organisations, but these remain largely unimplemented, creating a

situation where Bangladesh has been left far behind other states in administrative reforms. Reform based on the reports is a long-term, continuous exercise, which needs solid political support. If the momentum of reform is not maintained, the whole process is lost. In implementing the Nurunnabi Commission report there was no official support from the government. The report was published and all parties were asked whether reform was needed. Even though a consensus was created, there was no further action.

Conclusion & Prescription

Mr. Zaidi Sattar commented that though it appears as if this is a society, whose economy is sinking, if we look back over the last two or three decades we can see that there are positive outcomes in the global context. In this context, he quoted the words, “Bangladesh is a mosaic of remarkable achievements and stark disappointments.”

The closing words of Mr. Landell Mills’ report seemed to have made a deep impact on the participants. “What counts most in this situation is dedicated and visionary leadership. The most opportune moment for a government to tackle these sensitive matters, which requires bold action and courageous leadership, is soon after it takes office.” With all diagnostic work complete and recommendations in place, now is the time for wise leadership to act decisively to bring about better governance for a better future for Bangladesh.

- Enforce more efficient and effective systems of public accountability.
- Give civil society a stronger voice by making information available to them, giving them effective platforms to express opinions and take action.
- Decentralise the government giving local bodies greater autonomy and making public service accountable.
- Enforce administrative reform. A competent and well-motivated bureaucracy is central to good governance. This could be achieved through incentives, transparency and by exploiting the potential of E-Government.
- Create awareness for reform using the Press and media, education, empowerment of local organisations and the construction of social capital.

The Session ended with thanks from the Chair to the speaker and the participants.

List of Participants
(in an alphabetical order)

<i>Professor Imtiaz Ahmed</i>	Department of International Relations, Dhaka University
<i>Professor Muzaffer Ahmad</i>	IBA, Dhaka University
<i>Dr Tawfiq-e-Elahi Chowdhury, BB</i>	Former Secretary, Government of Bangladesh
<i>Mr A T M Shamsul Haque</i>	Former Chairman, PARC
<i>Dr Mirza Hassan</i>	Governance Advisor, UNDP
<i>Prof Mosharaff Hossain</i>	Former Member, Planning Commission
<i>Dr Mirza Azizul Islam</i>	Former Director, UN ESCAP
<i>Mr Mofazzal Karim</i>	Former Secretary & Member, Advisory Council, BNP
<i>Dr Amena Mohsin</i>	Professor, Department of International Relations, Dhaka University
<i>Mr Zia Haider Rahman</i>	Director, Transparency International Bangladesh
<i>Dr A K M Masihur Rahman</i>	Former Secretary, Government of Bangladesh
<i>Prof Mustafizur Rahman</i>	Research Director, CPD
<i>Dr Ananya Raihan</i>	Research Fellow, CPD
<i>Dr Zaidi Sattar</i>	Senior Economist, The World Bank
<i>Mr Iffath Sharif</i>	Doctoral Candidate, London School of Economics
<i>Mr M Syeduzzaman</i>	Former Finance Minister & Member, CPD Board of Trustees