



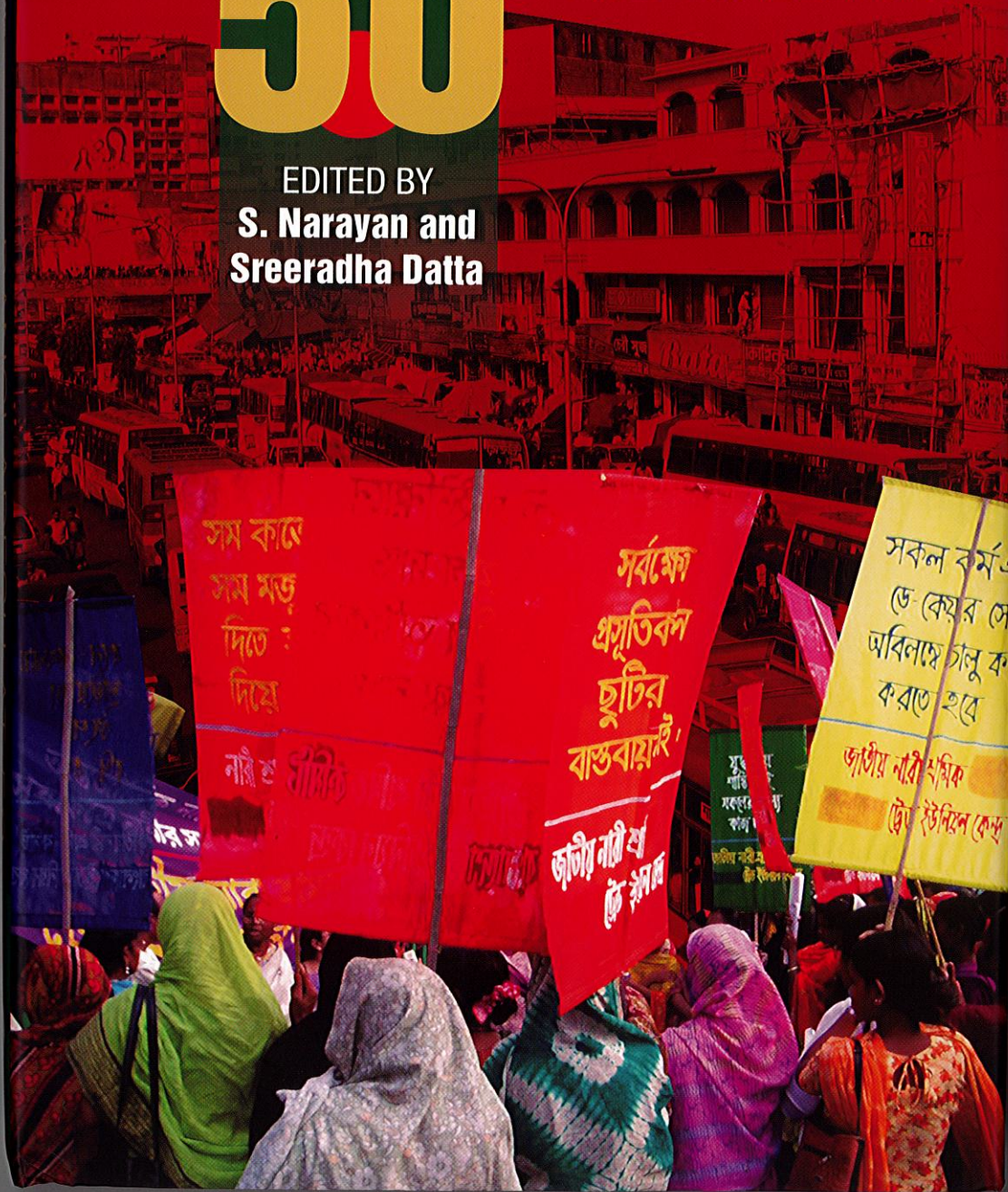
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BANGLADESH

at 50

• DEVELOPMENT
• AND CHALLENGES

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Foreword

Any volume commemorating the fiftieth anniversary of Bangladesh independence would have to retail an interesting but complex narrative of notable progress in the area of development and regression in the sphere of governance. Interestingly enough, a similar polarised narrative was projected in a publication on Bangladesh to commemorate its twenty-fifth anniversary, *Bangladesh: Promise and Performance* (Jahan 2000). The chapters contributed to this volume were presented at a conference convened by the Southern Asian Institute, School of International and Public Affairs, at Columbia University, in December 1996. Comparing the tone and context of these two studies, separated by a quarter of a century, what is notable is the significant improvement in economic performance and the further deterioration in the state of governance. The polarised trajectory between development and governance has become sufficiently noticeable to earn conceptual recognition as the Bangladesh development paradox. This paradox originates in Bangladesh's challenge to the conventional wisdom popularised in contemporary development literature, that good governance is a precondition for strong development. The chapters presented in this volume do attempt to address this paradox, but at the end of the day, the readers will have to judge whether they emerge as appreciably better equipped to unravel this contradiction in Bangladesh's journey over the last quarter of a century.

A careful reading of the chapters on economic development, trade, industry, environment and energy spell out some of the positive outcomes registered in areas such as macroeconomic growth, export dynamism, poverty reduction and improved human development indicators. In all the areas, Bangladesh has surpassed Pakistan, which, in 1971, and for some years after, was well-ahead of Bangladesh. Not only have we surpassed Pakistan in terms of human development indicators, including reducing levels of poverty, but robust growth rates have also enabled us to surpass Pakistan in terms of per capita income and export volume. In recent years, Bangladesh has even surpassed India in a number of human development indicators

such as life expectancy, infant mortality, and reducing gender inequality.

Bangladesh's high Gross Domestic Product (GDP) growth rate has been an important driving force in reducing poverty. Some of the important drivers of growth, such as the expansion in agricultural output, growth and diversification of the non-farm economy, export growth driven by readymade garments (RMGs), high migrant remittances, growth of the construction sector, all have strong labour-intensive characteristics, which have contributed to poverty reduction.

Successive governments, particularly in the democratic era from 1991 onwards, have substantially increased investment in human development. These public efforts have been greatly augmented by a variety of programmes initiated by NGOs in education, health and population control. In recent years, the private sector has also emerged as a major investor in education and healthcare services. However, our human development/GDP ratios still remain below many developing countries, which lag behind Bangladesh's development performance. Such increases in expenditure contributing to improved quantitative indices are unfortunately not backed up by a strong governance of the human development sector, so that quality of service in the sector tends to be inequitably distributed and exposed to unacceptable levels of rent extraction.

The Bangladesh government's major contribution to the growth of the economy, particularly in the last decade, has been through massive investments in infrastructure, mostly in the area of power and communications. The recent deceleration in private investment, which has stabilised at around 21/22 per cent of GDP, has been compensated for by the expansion in public sector investment, which is now in the range of 8 per cent GDP. High levels of public investment have been sustained by growth in revenue generation. Compared to other developing and neighbouring countries, Bangladesh's revenue/GDP ratio remains low and well below its recoverable potential. The growth in revenues has thus originated largely in high rates of GDP growth. The burgeoning of revenue collection has made it possible for the government to invest heavily in the construction of mega projects such as the Padma Bridge, drawing largely on domestic budgetary resources. However, as with the

human development sector, the governance of public infrastructure projects has been weak and exposed again to rent extraction, reflected in substantial cost and time overruns.

The developmental dynamism registered by the economy has enabled Bangladesh to cross two thresholds: graduation from the UN-defined category of a least developed country (LDC), and also graduation from the status of a low-income country (LIC) as categorised by the World Bank. The challenge before the country is to sustain this trajectory of growth so that Bangladesh can attain the level of an upper middle-income country (UMIC), and eventually an upper-income country (UIC) by the target dates set by the present government for 2041.

The chapters in this volume indicate that there are strong objective reasons to be optimistic about attaining these targets, but important concerns, mostly associated with the deteriorating quality of governance, remain. Some encouragement may be derived from the experience of the past 25 years, where concerns registered over the quality of governance, recorded in the twenty-fifth anniversary commemorative volume, have persisted, and in some areas, have aggravated; but this has not arrested the upward trajectory of the development process. I have argued in a recent public address (Sobhan 2017) that some of the key drivers of growth have managed, over the years, to transcend the liability of malgovernance, which could have depreciated their entrepreneurial energies. Some of these drivers of growth are identified below:

- The dynamism of small holder peasant agriculture, which has quadrupled food production since 1972 while greatly diversifying the rural economy through crop diversification, rising investments in fisheries, poultry-farming, animal husbandry and non-farm economic activity in the rural area;
- The dynamism of an emergent entrepreneurial class, which has not only driven Bangladesh's RMG export growth, but has also greatly diversified the industrial economy into areas such as high-rise construction, pharmaceuticals, steel manufacture, shipbuilding, and many other new areas that have served both the export sector and a growing domestic market;
- The gender revolution, which has transitioned rural women from living out their lives in low-income households into

the urban labour force, particularly in the RMG sector, and has drawn them into household-based economic activities through their creditworthy engagement with the micro-credit revolution. The gender revolution has further encouraged rural families to fully exploit opportunities created by both the government and NGOs to educate girls, which has further encouraged their participation in the market economy;

- The enterprise and risk-taking capacity of Bangladeshis, drawn largely from the lower-income households, to travel to every corner of the world in search of their livelihood, has ensured a growing stream of remittances that has not only strengthened the balance of payments of the country, but has also enhanced the level of gross national savings;
- Bangladesh's energetic and creative NGOs, which have served as the conduit linking an educated, urban middle class with the rural society for the provision of public services to the less privileged households.

All these above drivers of growth remain active today. They have, over the years, expanded the stream and scope of their activities, gained from experience, and have established an autonomous capacity for regeneration and growth independent of access to public resources. The operational issue governing the sustainability of these autonomously driven agents of growth is the extent to which the state retains the ability to inhibit, even frustrate their growth, or can be supportive in enhancing their dynamism.

While accelerated economic growth and poverty reduction remain a commendable achievement of successive regimes, particularly the present incumbents, over the last quarter of a century, income inequalities and social disparities have also significantly widened. An elite class has graduated from the ranks of our fast-growing business community into a strong political force that has captured various tiers of representative offices as well as enhanced their influence on the major political parties. Such interest groups have, as a result, been able to expand their influence over the policymaking process as well as their interventions in the regulatory process. Within this empowered business elite, a narrower, politically more privileged elite has begun to demonstrate a capacity for interfering with the

competitive process and to use their influence to extract rents from major business transactions, particularly those associated with the rising volume of public expenditure. This state patronage directed towards a politically privileged business elite, drawing on public resources, including bank financing, has further contributed to the widening of inequalities.

This trend in widening inequalities may originate in some measure from the dynamics of the growth process, but much of the rise in such disparities in recent years may also be attributed to a conspicuous regression in the quality of governance. The source of this deterioration lies in the progressive weakening of the institutions of democracy. Twenty-five years ago, Bangladesh could celebrate its emergence from a decade-and-a-half of cantonment rule where the electoral process had remained unfree and the parliament was subordinated to an all-powerful executive presidency. Between 1991 and 2001, Bangladesh experienced the luxury of three relatively free and fair elections presided over by a non-partisan Caretaker Government (CG), which permitted on each occasion the transfer of power from an incumbent government to a party from the opposition.

The main lament of democrats at the time of our twenty-fifth anniversary was the confrontational nature of a two-party political system and the consequential dysfunctional nature of the parliamentary process. The weakness of the parliament accentuated the lack of transparency and accountability in the administrative process and enhanced the opportunities for corruption. The trend towards the capture of the electoral process by those with wealth and coercive power at their disposal was also becoming more evident, in spite of exposure to a decade of electoral democracy. In this renewed democratic era, we were already witness to the progressive erosion of inner party democracy and the emergence of absolutist tendencies in the exercise of leadership. This trend accentuated the process of transforming the Prime Minister's office into an all-powerful executive presidency.

Over the next 25 years, the positive gains of electoral democracy were progressively eroded. The Bangladesh electorate could continue to cast their vote with relative freedom over two further elections in 2001 and in 2009, under a CG. Unfortunately, the election of 2009

turned out to be the last such election which could be objectively categorised as free, fair and inclusive. The Awami League government, elected to office in 2009, moved to re-amend the Constitution to do away with the system of holding elections under a non-partisan CG. As a result, elections held under the incumbent Awami League government in 2014 were boycotted by the leading opposition parties. In the face of the violence unleashed by the opposition, the voter turnout was low, resulting in a parliament with weak representative credentials without any meaningful opposition.

This trend of organising a non-competitive election was repeated in the recent election held in January 2019, where the incumbent regime persuaded all political parties to participate, with the promise of a free and fair election. Unfortunately, the ruling party, which had performed sufficiently well to win a contested election, preferred to ensure its re-election through various forms of electoral malpractice. As a result, only six members could be elected from the opposition in a house of 350 members. The tenure of two parliaments, without any significant challenge from a credible opposition, has ensured that the government has remained largely unaccountable for most of their acts of omission and commission.

The end result of a decade of virtual one-party rule has been the weakening of the institutions of democratic governance and the institutionalisation of the 'winner takes all' culture. Without exposure to any form of electoral accountability, the executive has perpetuated the partisanisation of the administration as well as the law enforcement agencies, and has further compromised the independence of the judiciary. Within such an unaccountable regime, exposed to increasing elite capture where close to two-thirds of the members of parliament (MP) are self-declared businessmen, the crisis in governance has been aggravated. Such a captured legislature has been disinclined to address a range of governance issues of immediate relevance to the development process, such as the weakening of regulatory institutions. This has encouraged wilful bank default, weak enforcement of building codes and road safety rules, land grabbing, river erosion, and a variety of other such regulatory inadequacies.

It is arguable that such a regime, which remains indifferent to enforcing the rule of law or only enforces it for partisan or

material gain, could constrain the path to upper-middle income status. Therefore, the challenge before both the government and people of Bangladesh is the need to enhance governance to a level that is consistent with the needs of our drivers of growth and the extensive opportunities opening up for us in the global economy. The first task will be to move towards a regime of accountability in governance through the return to a system of free, fair and inclusive elections that minimises the influence of money and muscle power so that people of modest means can freely participate in the political process. It would be expected that a more representative political process would allow for a more inclusive development process which democratises economic opportunity and narrows social disparities.

For meaningful, more inclusive elections to take place, we would need to restore full freedom to the media, permit the unfettered right of public assembly, and protect these freedoms through a genuinely independent judiciary. Institutions of good governance such as an independent Election Commission, a credible Anti-Corruption Commission (ACC), a strong Public Services Commission, and other empowered regulatory agencies should be appointed through a non-partisan process, and their integrity should be protected through an uncompromised judicial system.

Is there any credible expectation that such a transformation in the system and instruments of governance can be recreated in Bangladesh? Much will depend on the capacity and space available to the drivers of growth to maintain their dynamism. As in the period from 1996–2019, the Bangladesh paradox may continue to sustain our upward trajectory. But the upward journey to the higher ranks of the development community may demand rather higher standards of governance than those which elevated us out of the LDC ghetto. In such circumstances, within a system of weak democratic accountability, the commitment to and capacity for self-correction of the incumbent regime to address issues of governance will need more rigorous evaluation. In the absence of such a commitment, contradictions between the state and the drivers of change may emerge as one of the key challenges for the future. This will render the journey to the developed country status much more problematic, exposing a society faced with widening social

disparities as well as growing inner contradictions, to mounting dangers of social and political instability. It is hoped that the chapters presented in this volume will encourage further debate on such challenges confronting Bangladesh in the days ahead.

REHMAN SOBHAN
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