

# **POLICY INDEPENDENCE AND POLITICAL ACCOUNTABILITY**

**Professor Rehman Sobhan  
Chairman, Centre for Policy Dialogue**

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**Centre for Policy Dialogue**

**House 40/C, Road 11, Dhanmondi R/A, GPO Box 2129, Dhaka 1209**

**Tel: 9133199, 8124770; Fax: 8130951**

**Email: [rehman@citechco.net](mailto:rehman@citechco.net), Website: [www.cpd-bangladesh.org](http://www.cpd-bangladesh.org)**

## **POLICY INDEPENDENCE AND POLITICAL ACCOUNTABILITY**

For three decades Bangladesh has remained dependent on donors, both for aid and policy advice. In the last decade aid dependence has declined significantly but dependence on policy advice still remains incommensurately high. As a result, Bangladesh has been subjected to two decades of economic reforms which have been designed and untiringly promoted by the World Bank. The agenda of these reforms has not changed significantly over this period. The underlying philosophical premise of the reforms has been the need to downsize the role of the state in economic management whilst enhancing the role of the market in guiding economic choices. As a result of these reforms Bangladesh has today attained a largely liberalized import regime, a much reduced public sector, very limited input subsidies for the agricultural sector and in the area of manufacturing a much reduced public sector where virtually no new investment has taken place in the last 15 years. In the financial sector interest rates have been largely left to the banks, where the presence of the private sector has been substantially expanded and directed credit has been largely eliminated.

However, in the interim period, at least over the last decade, the World Bank's own philosophy has been undergoing some change starting from its President James Wolfensohn and percolating down to its World Development Report (WDR). The 2001 WDR on poverty was thus a rather different document from the 1990 document. The Bank is now much less categorical on the issues of import liberalization, privatization and de-subsidization and is willing to recognize that reforms in these areas may have created some problems for those affected by the reforms. How far this flexibility in the Bank's philosophical posture is reflected in the country strategies and programmes merits investigation.

This evolution in the World Bank's thinking reflects changes in the development discourse over the course of the 1990s. It is now increasingly recognized that neither economic growth nor poverty reduction may emerge as the inevitable outcome of the reform process. Indeed prolonged stagnation and the perpetuation of poverty appears to be more in evidence in many reforming countries throughout the Third World. The

contemporary development discourse, which seems to be inadequately reflected in the policy concerns of successive policymakers in Bangladesh, argues that poverty eradication should be prioritized over growth, that policy agendas should not be externally imposed but domestically designed as well as owned. Thus, the effective implementation of any reform package depends on the quality of governance, measured in terms of the accountability and transparency of the government and its commitment to democracy and human rights.

It may be argued that this shift in the development philosophy of the international agencies is likely to be of little consequence to the course of the development process in Bangladesh. The move towards establishing greater ownership over the reforms through the preparation of a *Poverty Reduction Strategy paper (PRSP)* reflects little more than a cosmetic change in the thinking of the Bank in Bangladesh or much of the Third World. PRSPs, as they have emerged in practice, have basically been built around the core of *structural adjustment reforms (SAR)* which have been imposed by the Bank on economically vulnerable countries across the world. These reforms have now been made more palatable by the emphasis on poverty reduction, captured in the commitment of more resources for human development and safety net programmes to protect the poor from the consequence of reforms. The new conditionality which is presented to all Third World Finance Ministers demands that they should come to the annual Aid Group consultations with a PRSP which incorporates all the Bank/IMF policy reforms they had already imposed on these countries over the last decade. It is interesting to note that the PRSP documents emerging out of Bangladesh, Sri Lanka, Nepal or Uganda, in spite of the claim that they are domestically 'owned', bear a remarkable resemblance to each other and to the SAR package of the World Bank.

It is not surprising that the PRSP process in many developing countries is being viewed with some cynicism by their Finance Ministers who see it as reflecting the face of the old World Bank decorated with a new brand of cosmetics. This may be quite contrary to the thinking of James Wolfensohn who remains generally committed to poverty eradication and redirecting the mission of the Bank. But there is a sizeable gap between Washington DC and the realities on the ground in Africa or Asia. Country programme managers who

are committed to a reform process put in place over the years remain reluctant to advise Finance Ministers that import liberalization is no longer an integral part of the Bank's mission in Bangladesh or that the Minister may pursue these agendas with greater flexibility in response to Bangladesh's circumstances. Nor have other, more ideologically driven organizations such as the IMF or bilateral donors such as the United States, readily come to terms with the limitations of the SAR reform experience.

As far as these more ideological donors are concerned, most Third World countries have not done enough in the way of reforms and more pressure should be put on them to carry through reforms which are in keeping with the philosophy of the *Washington Consensus*. World Bank operatives in the field are, thus, more keen to maintain common cause at the country level with such old allies in their relations with the Government, than to reconstruct their mission in keeping with the specific needs of the host country.

In Bangladesh today, we are therefore, caught up within a peculiar paradox. The lead agency attempting to influence our policy agendas now lacks the conviction to sustain its inherited strategies but remains uncomfortable about exposing itself to a genuine dialogue with domestic constituencies to promote a more creative agenda for change. Initiatives by the Bank to promote dialogue with civil society remain rather 'managed' exercises designed to seek validation for the Bank's policy agendas rather than to open their minds to fresh ideas emerging from a domestic policy discourse. It would be very rare to find reference in any Bank document to the policy recommendations emerging out of the 16 Task Forces convened by the Centre for Policy Dialogue prior to the 2001 elections even though this involved broad civil society involvement and the work of some of the leading professionals in Bangladesh.

Rather than giving priority to the voices emerging from within Bangladesh the Bank and other donors are introducing new elements into the development discourse extending from human rights, judicial reform, anti-corruption to local self-government. This is bundled together with the Bank's standard package of reforms, which is at least 20 years old. There is nothing wrong with emphasizing these new issues which touch on real problems facing Bangladesh. But these same governance-related issues are already being pushed by civil society who had put them on the table over a decade ago when the Bank

still believed that all we needed were pro-market economic reforms. The donors would, thus, be better advised to draw upon these civil society initiatives so that their 'new' policy advice would be seen to reflect domestic priorities rather than emerge as a donor driven agenda. Moreover, donors should keep in mind that they do not have much comparative advantage in advising on governance. After all, the problems of governance originate in the social dialectic of a country but most of these Bank's staff members have little experience either of Third World politics, society or administration. It should also be kept in mind that aid commitments to Bangladesh have remained stagnant for the last decade so that the share of aid in relation to both GDP and the development budget has steadily declined. This declining contribution of aid to our development effort has consequently reduced the leverage of the donors in enforcing change in our policy direction or influencing our governance.

The declining dependence on aid as well as the leverage of our donors on the policy agenda has done little to encourage successive regimes to initiate a more indigenous process of policy reform, drawing upon domestic expertise backed by a political consensus. In this respect the approach of successive regimes in Bangladesh is not significantly different from that of our donors. We are therefore left with a policy package which has already lost its political legitimacy at the global level and has largely failed to realize its primary mission, either in Bangladesh or in most countries, where it has been in operation. This hiatus in Bangladesh's policymaking process has left us in a state of limbo. Our policymaker, rather incongruously, still appear to trying to promote a reform agenda, before the country, which has gone out of fashion at the global level, in which policymakers themselves have grave misgiving, and which has done little to transform Bangladesh. We may simply look across the border to take note of the serious political difficulties faced by the BJP led coalition in pushing ahead with reforms in the face of resistance not just from its coalition partners but within the BJP party itself. Manmohan Singh, the pioneer of economic reforms in India, faced no less resistance, as Finance Minister, from within the Congress Party as his reforms began to generate political resistance.

This incapacity to restore sovereignty to Bangladesh's policymaking process has contributed to the erosion in the credibility and authority of the state. In the eyes of the public the state had some years ago surrendered its policymaking prerogative to the donors. Our Finance Ministers, as indeed in many Third World countries are seen to be more accountable to the donors than to parliament or the voters. Today, as the influence of the donors has eroded the state is seen to have lost its moorings, remains directionless and has limited capacity to deliver either on its own commitments to the electorate or to honour its obligations to its external partners. Such a rudderless state is progressively delegitimising itself in the eyes of its citizens, who mostly see the machinery of the state as part of the problem rather than the solution to their daily concerns.

If the Bangladesh state is to re-establish its legitimacy in the eyes of its citizen's it has to assume charge over its own policy agendas. Such an agenda must originate through both political dialogue in parliament with the opposition as well as across the country and with the citizen's of Bangladesh most likely to be affected or benefited by public policy. Such a policy agenda will then have to be implemented through effective governance. Our record in recent years suggests that the key issue is not just about good or bad policies or an owned or disowned policymaking process, but whether any policy, at all, can be implemented by the machinery of the state.

The donors now claim they want Bangladesh to own its own policies. They claim they want to see a PRSP emerge out of a genuine process of domestic consultation. This represents a significant departure from the approach of imposing policy reforms on dependent economies through the application of aid conditionalities. The World Bank, and other donors now recognize that unless reforms are domestically owned they are not likely to be effective. This new emphasis by the donors on ownership should be put to the test. The present draft of the PRSP should be exposed to intensive public debate across the country and in parliament. Creative inputs should be introduced into the document through this consultative process and donor driven elements of the PRSP should be rejected or modified if these prove unacceptable to the electorate. The litmus test for the donors would be their willingness to accept a PRSP which is genuinely owned by the citizen's and political parties of Bangladesh even if the donors disagree with some parts of the democratized PRSP.

Apart from a domestically owned PRSP the donors should encourage the government to make more use of the National Commissions set up by this government or even its predecessors, to suggest policy options for the country. Donors should demand of the government that they design policy drawing on domestic policy dialogues drawing on the recommendations of the particular Commissions as well as from civil society initiatives and secure political acceptance for such home-grown reforms. Such policy agendas should be given priority by the donors who should then forgo their habit of preparing their own policy advise through reports prepared by the donor's themselves. Most policy documents coming out of the World Bank rarely take cognizance of the recommendations of these National Commissions and prefer to present their own advise as if it emerges out of a policy vacuum in Bangladesh. This approach is encouraged by the GOB who remain much more receptive to donor advise than to ideas which emerge from domestic expertise.

Such a move to recapture ownership by our policymakers in Bangladesh should not, however, depend on the goodwill of donors. There is no point in our taking issue with the donors for pushing policy advise on the Bangladesh government if the government remains unwilling to contradict the donors or to invest greater attention on locally derived policy alternatives before them. It is for an elected government to decide that they are willing and able to take charge of the country's destiny by placing confidence in domestic expertise and encouraging domestic professionals and institutions to contribute to policymaking and to develop our own policy priorities. The economy is now much less dependent on aid and an elected government does not have to accept all the policy demands of the donors out of a sense of fiscal compulsion. But it is not enough for particular Ministers to assert such policy autonomy as a purely rhetorical exercise. A move to resume policy ownership has to be backed by domestic policy action, securing political support behind such action and a democratic mandate to implement these policies. Such clear evidence of policy leadership in Bangladesh would contribute to better governance and restore some of the legitimacy of the state in the eyes of those who have elected them to solve their myriad problems. Bangladesh's policymaking establishment needs to move forward from an era of aid dependence and accountability to donors towards an age of policy independence and political accountability to the people who remain the source of their power.