

Aid, Governance and Policy Ownership in Bangladesh

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Evolution in aid policy

I have been associated with the debate on aid and governance over 35 years. During this time the discourse on foreign aid has experienced some quite dramatic upheavals. My very first published work which appeared in 1966, on *Basic Democracies, Works Programme and Rural Development in East Pakistan*, addressed the theme of food aid to East Pakistan under the US PL 480 programme. The study addressed the political economy of aid and discussed how such aid was used as a form of political patronage to the rural elite of East Pakistan in order to perpetuate the political power of Field Marshall Ayub Khan the then President of Pakistan. Throughout the 1960's along with other Bangali economists I was involved in debates with Pakistan's principal aid donors over the misgovernance associated with foreign aid which was used to bolster the military regime of Ayub Khan whilst he denied the democratic aspirations of the Bangalis and freely abused the human rights of all Pakistanis. In 1971, I was involved with the Bangladesh liberation struggle and empowered as a Special Envoy by the newly proclaimed government of Bangladesh to organise a campaign to influence the principal aid donors of Pakistan that they should suspend aid to Pakistan until they ceased their genocide on the people of Bangladesh and accepted their right to self-rule. During my tenure as member of the first Bangladesh Planning Commission I was involved in a series of debates with the World Bank and other donors over the issue of ownership over Bangladesh's policy agendas. This debate and its outcome has been discussed in my book on the *Crisis of External Dependence: the Political Economy of Foreign Aid to Bangladesh*, published in 1982. I have continued to address issues relating to aid and governance since 1982 and find some satisfaction from the fact that the evolution in the aid debate has, in the 1990s, finally come to accept that ownership and governance are critical to the effectiveness of aid.

This autobiographical excursion is designed to establish that the issues of aid, governance and ownership are almost as old as aid itself as far as the aid recipients are concerned. However, aid donors took much longer to come to terms with the reality that aid was an intensely political process and could not be seen as exclusive to the promotion of development. It took a long while for donors to accept that effective utilisation of aid,

which derived from the political economy of foreign aid in a particular country, could influence the economic as well as political benefits of foreign aid.

It is argued that the same misconceptions which influenced aid policies in an earlier generation could still be influencing the aid discourse today. These misconceptions originated in the fallacious belief that donors could influence the effectiveness of aid by influencing the direction of policy in the developing countries (DCs). The resultant loss of ownership over their policy agendas, particularly during the decade of donor driven policy reforms in the 1980s, has led to the deaccumulation of domestic institutional capacity as well as the weakening and even the delegitimisation of the state. This has further aggravated the crisis of governance in many DCs, including Bangladesh.

Any attempt to improve the effectiveness of aid, thus, lies in a complete rethinking of not just the policy agenda's associated with aid but in the nature of the relationship between donor and recipient. Thus, the aid donors need to restore ownership to the aid recipients over the design of domestic policy just as aid recipients need to reclaim this ownership. To restore ownership over policy needs to take account of the nature of the aid relationship as it impinges on the political economy of the DCs which determines the distributive outcomes of policy. It is this dimension of political economy which appears to be missing from the contemporary donor-driven discourse on aid.

Aid and governance in Bangladesh

The World Bank today appears to be more willing encourage a more endogenous process of promoting policy reforms within the Third World. This is reflected in their approach to the **Poverty Reduction Strategy Paper (PRSP)** which is envisaged by the Bank to be designed as a purely indigenous process from each country, to prioritise poverty in the national development strategies. The World Bank is now emphasizing the issue of policy ownership as a critical ingredient in any move to promote better governance. This discovery of the importance of domestic ownership over policymaking did not emerge as a result of some flash of inspiration in the Bank but originated in the bitter harvest reaped by many Third World countries from their experience with reform. Studies, both in Bangladesh and globally, have established that the World Bank led reforms, may have had some positive effects in reform-exposed countries, but in general, have neither stimulated sustained growth or eradicated poverty.

The weak impact of reforms in Bangladesh and elsewhere is now being attributed to poor governance and lack of domestic ownership. As in much of the rest of the World this argument remains valid, though its advocacy, originating from our principal aid donors, remains self-serving and is designed to detract attention from the design flaws in the original reforms imposed on Bangladesh. However, attempting to evaluate the quality of governance in Bangladesh is, if anything, more difficult than evaluating the impact of reforms. Thus, to establish a link between institutional quality and growth in Bangladesh is highly problematic. Measuring the *strength of the rule of law* is as difficult as the comparative measure of corruption, introduced by *Transparency International*. It is difficult to assess whether, for example, the rule of law in Thailand was better established than in Bangladesh, in order to explain their consistently higher growth rates.

As far as a comparative assessment of bureaucratic quality is concerned it would be difficult to argue that Bangladesh's bureaucracy is less competent than that of Indonesia or Vietnam as to qualifications, systems of recruitment and career advancement. Bureaucratic quality thus appears to be measured by economic performance and can hardly serve as an explanatory variable for this economic performance.

A World Bank study has made the sensible point that experiences shows that *donor financing with strong conditionality but without strong domestic leadership and political support has generally failed to produce lasting change* (italics mine). This statement could certainly be written as an epitaph on the era of conditional aid offered to Bangladesh over the last two decades. There is no evidence that any government in Bangladesh has made strong political commitments to economic reforms or sought to build a political constituency behind their economic reforms.

Once the Bank and other donors embrace the proposition that *reforms depend mainly on domestic political and social factors*, the donors have to come to terms with the limited influence they can exercise over domestic policy agendas in the DCs. In the wake of this renovation in the Bank's approach to policy reforms conditional lending would need to be phased out. In such a context the donors can and indeed should do no more than suggest to the government of Bangladesh (GOB) that they need to get their act together, design reforms and commit themselves to the implementation of these reforms. The idea that they can

actually improve the governance of Bangladesh appear no more feasible than their belief that they could impose economic reforms in Bangladesh through external pressure.

Donors have, for too long, attempted to lead reforms in Bangladesh. This often follows in the wake of slow progress by a country in designing its own policy reforms. Donors tend to lose patience with the tardiness of the GOB and prefer to call in expatriate consultants but with a facade of local participation added on. Donors working in Bangladesh thus also need patience and self-discipline. They should not make the mistake of *promoting* ownership which would itself be a contradiction in terms.

In spite of many years of external dependence, Bangladesh remains a country with a strong potential for assuming ownership over its policy agendas. It is a country with a strong sense of nationalism and has established a tradition of electoral democracy where free elections in the 1990s have ended in periodic regime change. Unfortunately, a confrontational style of politics between the two dominant political parties remains a threat to the working of our parliamentary institutions. However, the prospect of electoral defeat, has established a measure of accountability on successive regimes in Bangladesh. The press is relatively free and lends itself to extracting a degree of accountability and transparency from the government of the day. Though Bangladesh's long exposure to autocracy and a tradition of bureaucratic concealment tends to be inimical to making public affairs more transparent. Both accountability and transparency need, however, to be extended to the private sector which tends to conceal a variety of misdeeds which are not exposed to the public or penalised in the market place because of their collusive association with the state and the imperfections of the market.

Under the prevailing circumstances of Bangladesh donor's need to be careful about how far they need to go in promoting better governance in Bangladesh. Today, donors in Bangladesh command insufficient leverage to influence governance since external inflows in relation to GDP have declined to below 3%. This has not prevented donors from seeking to influence not just economic policy but the promotion of transparency and even sound democratic practice in Bangladesh or to reach out to civil society to involve them in facilitating good governance. Unfortunately civil society itself is an elusive concept. Donors, in search of civil society in Bangladesh and other countries have often been tempted to use their aid to fabricate a civil society by using NGOs as a surrogate for this civil society. But a

sustainable civil society must ultimately depend on the spontaneous mobilisation of citizens to demand transparency and accountability from the GOB and to even seek more effective representation in parliament. Donors can do little to create such civic mobilisations or indeed to promote the accumulation of *social capital* which remains an inherently indigenous processes. Donors in Bangladesh and elsewhere lack the comparative advantage and political experience in a specific country to influence such politically sensitive agendas. They will thus have to come to terms with the reality that governance is a deeply indigenous process which remains sensitive to the nature of politics and the capacity of civil society to promote better governance.

Notwithstanding the declining share of aid in Bangladesh's development. Bangladesh's donors still retain a degree of political leverage over the GOB who feel they are sufficiently dependent on aid, even today, to make themselves receptive to considerable pressure from donors in the area of human rights and democratic governance. Whilst this receptiveness may amount to little more than lipservice no GOB can afford to ignore the concerns of the donors or reject their policy advise. The psychology of dependence on donors has become ingrained in the psyche of military, political and bureaucratic decision-makers in Bangladesh who remain firmly convinced, even today, that the goodwill of the donors is an important political resource in the domestic politics of Bangladesh.

Rethinking aid policy

Are there any messages for Bangladesh and its development partners in the above discussion on rethinking of aid policy? Hopefully, the experiences of the past will encourage donors to recognise that Bangladesh, should be left to design its own policy agendas and to demonstrate our capacity to implement these policies as a basis for accessing aid. Bangladesh, can call on the services of local professional resources, commands the institutional base, retains the political capacity and has an active civil society which invests it with the capability to assume ownership over its own destiny. Donors should thus resist the temptation of tantalising successive regimes in Bangladesh with offers of aid to embrace donor agendas, whether for structural adjustment reforms, good governance or even for alleviating poverty and promoting human development. Bangladesh, as a society, remains mature enough to decide what we want and what price we will pay for this. Donors remain at liberty to direct their aid to regimes which will target poverty and human development or even liberalise their trade

regime. It should, however, not drive these countries towards such agendas where they have little commitment or capacity to implement them and embrace such policies largely in order to access fungible aid resources.

The era of the World Bank or UNDP led donor consortium or aid group should also be formally terminated. All such mechanisms of aid coordination through meetings between government and donors should be located within and chaired by the host country. Ideally the Bangladesh government should include the political opposition and civil society organisations in its consultative process for designing policies and as participants in the aid group meeting.

As a concrete manifestation of promoting ownership Bangladesh's donors should advise the present GOB to go ahead and carry through the policy reforms recommended by a number of National Commissions they have set up in recent years, such as the Commission on Agricultural reforms. They should encourage the GOB to initiate public debate on these reforms, build a consensus behind them in parliament and implement them with a due sense of commitment. Where required, donors should offer to finance such reforms. If the policy fails, donors may either seek a policy change closer to what donors deem to be appropriate or they may withdraw aid and let Bangladesh finance its own 'follies'. However even where a particular donor decides that a policy is inappropriate and thus chooses to withhold aid, there should be some scope for a free market amongst donors, where the GOB can 'sell' its policy to another donor. In an open market for ideas the principal donors should not assume hegemonic postures in setting the policy agenda where all donors are expected to coordinate their strategy towards a particular country under the umbrella of the World Bank or the UNDP.

The argument in this paper emphasising the recapture of policy ownership in the DCs and particularly Bangladesh is premised on the belief, based on three decades of experience, that unless countries assume responsibility for their own destiny and commit themselves to transform the lives of their most deprived citizens, no policy reform or economic transformation is feasible and no donor can impose this on a country however weak they may be. This hypothesis remains a viable basis for aid policy in Bangladesh, because we have the capacity to take charge of our own affairs. Bangladesh has a wealth of skills to design policy as was demonstrated in the contribution of the 255 distinguished

professionals convened during the Interim Government of President Shahabuddin Ahmed in 1991 who prepared the 29 Task Force reports. These professionals and many others who have contributed to some of the policy reform commissions set up by the present regime, have demonstrated that they have the commitment as well as skills to enable Bangladesh to design its own policy agendas. Recently Centre for Policy Dialogue (CPD) mobilized around 160 eminent professionals from Bangladesh in 16 Task Forces to prepare policy briefs which could promote constructive debate during the election campaign last year. It is to be seen if better use can be made of these policy briefs than was done with the 29 Task Force reports. It is for the elected governments of Bangladesh to reach out to our own professionals and draw upon their talents to reclaim ownership over our future destiny. At the same time our professionals need not wait for the government to give them a call for discharging their own responsibilities to the nation. Our professionals should come together as part of civil society to prepare policy alternatives for the nation and to make successive governments accountable for their acts of omission as well as commission.

A vibrant professional community, working for civil society, should be able to both help the GOB as well as prove to the world that Bangladesh can draw upon its own resources to improve governance and ensure aid effectiveness. Bangladesh should recognise that in the final analysis it is not really the responsibility of our donors to restore ownership over our vision for the future but for us to reclaim it for ourselves through a demonstration of our commitment and capacity to realise this vision.