

# Independence Day Special

## Aid, Governance and Policy Ownership: Agendas for the Paris Aid Club

by Rehman Sobhan

THE Government of Bangladesh (GOB) is preparing itself for another Aid Consortium meeting in Paris in Mid-April. It should however be recognised that both the importance of aid as well as the agendas of aid donors have changed significantly in recent years. Much less aid is now available, particularly to South Asia, than before. It is interesting that on the occasion of President Clinton's visit to Dhaka the Government of Bangladesh did not seek more US aid but greater market access to the US economy and more private investment. It is not surprising that donor's now talk less of economic reforms and more about good governance and local ownership over policy reform. The question is: can donor's influence good governance any more than they could influence policy reform? It is argued here that they cannot because governance reform is a local process demanding political will within a country.

A recent World Bank study on Aid Effectiveness makes the sensible point that experience has shown that donor financing with strong conditionality but without strong domestic leadership and political support has generally failed to produce lasting change. 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.

The Bank's study goes on to argue that aid should be directed to countries with a strong track record of concrete performance behind domestically initiated reform. Such a change in aid strategy is, however, likely to favour China and Vietnam over countries such as Bangladesh, Sri Lanka or Nepal. Both China and Vietnam have carried out quite bold economic reforms opening up their economy to the influence of market forces. But neither China nor Vietnam, compared to Sri Lanka or Bangladesh or Nepal, has moved quite as far and fast on the road to a market economy. In both countries the state sector is still dominant and the state is the prime mover in the direction of the economy. World Bank aid is welcomed in both countries but its policy advice is not and is only offered when freely solicited by either country.

This lack of receptiveness to World Bank advice to accelerate the pace of market reforms in both China and Vietnam has done no harm to either economy who remain the fastest growing economies in the Asian region, and have emerged largely unscathed from the Asian financial crisis. Bangladesh's relatively weak development performance, compared to China and Vietnam is thus, not due to our weak commitment to reforms but lies in the weak outcomes from our patient acceptance of policy advise from our donors. By global standards Bangladesh has a good track record for policy reforms on lines advocated by the World Bank. Thus, the World Bank is now putting its emphasis on suggesting that poor governance lies at the root of poor outcomes from our long exposure over 20 years to their

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. Out of this reform process the need for aid can be articulated in a variety of areas from Tech-

nical Assistance (TA), to budget and balance of payments support offered for a finite period whilst revenue and export earnings capacities are built up. 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 policy ownership which would itself be a contradiction in terms.

The circumstances governing the assumption of local ownership will vary from region to region. Paradoxically, Bangladesh is a country with a strong potential for assuming ownership over our policy agendas. We have established a tradition of electoral democracy where free elections have ended regime change. Whilst the working of our parliamentary institutions leaves much to be desired 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 transparency from the government of the day. However, 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.

Bangladesh has a pro-active civil society manifest not just in the profusion and quality of its NGOs, some of which are world famous, but in the growth of civic activism. Finally our professional resources are comparable to any in the Third World so that our capacity to design our own reform agendas waits on the will of government to reduce their dependence on donor advise and on the part of donors to practise what they preach over policy ownership. Bangladesh has for two decades been inundated with expensive expatriate TA, usually of poor quality and with negligible use value due to lack of ownership.

The above observations need to be intensively investigated but they do indicate that the role of aid in moving Bangladesh towards better governance has been and is likely to be limited. Today, donors in Bangladesh command insuffi-

cient leverage to influence governance since external inflows in relation to GDP have declined to below 3 per cent. 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 inherently indigenous processes. Donors in Bangladesh and elsewhere lack the comparative advantage and

prescriptions for economic reform.

By the Bank's definition, governance in China and Vietnam must be better than in Bangladesh but so far no Bank document has argued this. Thus, there is no record of the World Bank inviting Chinese or Vietnamese experts to advise Bangladesh on why they were more successful than most South Asian countries in accelerating growth, or attracting FDI or reducing poverty in spite of their weaker record of opening up their economies. Today the World Bank has recognised that externally imposed reforms and projects yield poor results. The Bank accepts that promoting greater participation of stakeholders in project design and supervision is crucial to the success of the project and that there are already some case studies of best practise in Bangladesh and other DCs to prove this point. However the essence of participatory development is that this must derive from the domestic compulsions and political engagement of the government and be viable within the prevailing social configurations of the project area. To have a World Bank funded irrigation project in Bangladesh, where much effort has been mobilised to induct local beneficiaries into the design of the project, must be part of a broader institutional arrangement founded on the devolution of power and local political mobilisation of the stakeholders.

If there is no local commitment for either process or move to empower the poor in the face of resistance from local elite, a donor designed exercise around a particular project could degenerate into a form of tokenism where the prevailing local leadership builds a Potemkin facade to satisfy the donor's notions of participation. Such exercises may thus last as long as the aid officials and consultant's DSA budget permits them to stay in the field. The notion of donor-created islands of participation is thus not likely to be sustainable and could degenerate into one more failed project without a more substantive involvement through specific institutional arrangements by the recipient government to involve the local people.

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 DC in general and Bangladesh in particular. In the wake of this renovation in the Bank's approach to policy reforms conditional lending needs to be phased out. The Bank again recognises that conditionality is unlikely to bring lasting reform if there is no strong domestic movement for change. Thus, only when domestic constituencies are committed to reform, adjustment loans and foreign aid can help consolidate policy gains (italics mine).

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. Out of this reform process the need for aid can be articulated in a variety of areas from Tech-

nical Assistance (TA), to budget and balance of payments support offered for a finite period whilst revenue and export earnings capacities are built up. 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 policy ownership which would itself be a contradiction in terms.

The circumstances governing the assumption of local ownership will vary from region to region. Paradoxically, Bangladesh is a country with a strong potential for assuming ownership over our policy agendas. We have established a tradition of electoral democracy where free elections have ended regime change. Whilst the working of our parliamentary institutions leaves much to be desired 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 transparency from the government of the day. However, 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.

Bangladesh has a pro-active civil society manifest not just in the profusion and quality of its NGOs, some of which are world famous, but in the growth of civic activism. Finally our professional resources are comparable to any in the Third World so that our capacity to design our own reform agendas waits on the will of government to reduce their dependence on donor advise and on the part of donors to practise what they preach over policy ownership. Bangladesh has for two decades been inundated with expensive expatriate TA, usually of poor quality and with negligible use value due to lack of ownership.

The above observations need to be intensively investigated but they do indicate that the role of aid in moving Bangladesh towards better governance has been and is likely to be limited. Today, donors in Bangladesh command insuffi-

cient leverage to influence governance since external inflows in relation to GDP have declined to below 3 per cent. 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 inherently indigenous processes. Donors in Bangladesh and elsewhere lack the comparative advantage and

prescriptions for economic reform.

By the Bank's definition, governance in China and Vietnam must be better than in Bangladesh but so far no Bank document has argued this. Thus, there is no record of the World Bank inviting Chinese or Vietnamese experts to advise Bangladesh on why they were more successful than most South Asian countries in accelerating growth, or attracting FDI or reducing poverty in spite of their weaker record of opening up their economies. Today the World Bank has recognised that externally imposed reforms and projects yield poor results. The Bank accepts that promoting greater participation of stakeholders in project design and supervision is crucial to the success of the project and that there are already some case studies of best practise in Bangladesh and other DCs to prove this point. However the essence of participatory development is that this must derive from the domestic compulsions and political engagement of the government and be viable within the prevailing social configurations of the project area. To have a World Bank funded irrigation project in Bangladesh, where much effort has been mobilised to induct local beneficiaries into the design of the project, must be part of a broader institutional arrangement founded on the devolution of power and local political mobilisation of the stakeholders.

If there is no local commitment for either process or move to empower the poor in the face of resistance from local elite, a donor designed exercise around a particular project could degenerate into a form of tokenism where the prevailing local leadership builds a Potemkin facade to satisfy the donor's notions of participation. Such exercises may thus last as long as the aid officials and consultant's DSA budget permits them to stay in the field. The notion of donor-created islands of participation is thus not likely to be sustainable and could degenerate into one more failed project without a more substantive involvement through specific institutional arrangements by the recipient government to involve the local people.

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 DC in general and Bangladesh in particular. In the wake of this renovation in the Bank's approach to policy reforms conditional lending needs to be phased out. The Bank again recognises that conditionality is unlikely to bring lasting reform if there is no strong domestic movement for change. Thus, only when domestic constituencies are committed to reform, adjustment loans and foreign aid can help consolidate policy gains (italics mine).

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. Out of this reform process the need for aid can be articulated in a variety of areas from Tech-

nical Assistance (TA), to budget and balance of payments support offered for a finite period whilst revenue and export earnings capacities are built up. 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 policy ownership which would itself be a contradiction in terms.

The circumstances governing the assumption of local ownership will vary from region to region. Paradoxically, Bangladesh is a country with a strong potential for assuming ownership over our policy agendas. We have established a tradition of electoral democracy where free elections have ended regime change. Whilst the working of our parliamentary institutions leaves much to be desired 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 transparency from the government of the day. However, 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.

Bangladesh has a pro-active civil society manifest not just in the profusion and quality of its NGOs, some of which are world famous, but in the growth of civic activism. Finally our professional resources are comparable to any in the Third World so that our capacity to design our own reform agendas waits on the will of government to reduce their dependence on donor advise and on the part of donors to practise what they preach over policy ownership. Bangladesh has for two decades been inundated with expensive expatriate TA, usually of poor quality and with negligible use value due to lack of ownership.

The above observations need to be intensively investigated but they do indicate that the role of aid in moving Bangladesh towards better governance has been and is likely to be limited. Today, donors in Bangladesh command insuffi-

cient leverage to influence governance since external inflows in relation to GDP have declined to below 3 per cent. 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 inherently indigenous processes. Donors in Bangladesh and elsewhere lack the comparative advantage and

prescriptions for economic reform.

By the Bank's definition, governance in China and Vietnam must be better than in Bangladesh but so far no Bank document has argued this. Thus, there is no record of the World Bank inviting Chinese or Vietnamese experts to advise Bangladesh on why they were more successful than most South Asian countries in accelerating growth, or attracting FDI or reducing poverty in spite of their weaker record of opening up their economies. Today the World Bank has recognised that externally imposed reforms and projects yield poor results. The Bank accepts that promoting greater participation of stakeholders in project design and supervision is crucial to the success of the project and that there are already some case studies of best practise in Bangladesh and other DCs to prove this point. However the essence of participatory development is that this must derive from the domestic compulsions and political engagement of the government and be viable within the prevailing social configurations of the project area. To have a World Bank funded irrigation project in Bangladesh, where much effort has been mobilised to induct local beneficiaries into the design of the project, must be part of a broader institutional arrangement founded on the devolution of power and local political mobilisation of the stakeholders.

If there is no local commitment for either process or move to empower the poor in the face of resistance from local elite, a donor designed exercise around a particular project could degenerate into a form of tokenism where the prevailing local leadership builds a Potemkin facade to satisfy the donor's notions of participation. Such exercises may thus last as long as the aid officials and consultant's DSA budget permits them to stay in the field. The notion of donor-created islands of participation is thus not likely to be sustainable and could degenerate into one more failed project without a more substantive involvement through specific institutional arrangements by the recipient government to involve the local people.

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 DC in general and Bangladesh in particular. In the wake of this renovation in the Bank's approach to policy reforms conditional lending needs to be phased out. The Bank again recognises that conditionality is unlikely to bring lasting reform if there is no strong domestic movement for change. Thus, only when domestic constituencies are committed to reform, adjustment loans and foreign aid can help consolidate policy gains (italics mine).

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. Out of this reform process the need for aid can be articulated in a variety of areas from Tech-

nical Assistance (TA), to budget and balance of payments support offered for a finite period whilst revenue and export earnings capacities are built up. 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 policy ownership which would itself be a contradiction in terms.

The circumstances governing the assumption of local ownership will vary from region to region. Paradoxically, Bangladesh is a country with a strong potential for assuming ownership over our policy agendas. We have established a tradition of electoral democracy where free elections have ended regime change. Whilst the working of our parliamentary institutions leaves much to be desired 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 transparency from the government of the day. However, 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.

Bangladesh has a pro-active civil society manifest not just in the profusion and quality of its NGOs, some of which are world famous, but in the growth of civic activism. Finally our professional resources are comparable to any in the Third World so that our capacity to design our own reform agendas waits on the will of government to reduce their dependence on donor advise and on the part of donors to practise what they preach over policy ownership. Bangladesh has for two decades been inundated with expensive expatriate TA, usually of poor quality and with negligible use value due to lack of ownership.

The above observations need to be intensively investigated but they do indicate that the role of aid in moving Bangladesh towards better governance has been and is likely to be limited. Today, donors in Bangladesh command insuffi-

cient leverage to influence governance since external inflows in relation to GDP have declined to below 3 per cent. 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 inherently indigenous processes. Donors in Bangladesh and elsewhere lack the comparative advantage and

prescriptions for economic reform.

By the Bank's definition, governance in China and Vietnam must be better than in Bangladesh but so far no Bank document has argued this. Thus, there is no record of the World Bank inviting Chinese or Vietnamese experts to advise Bangladesh on why they were more successful than most South Asian countries in accelerating growth, or attracting FDI or reducing poverty in spite of their weaker record of opening up their economies. Today the World Bank has recognised that externally imposed reforms and projects yield poor results. The Bank accepts that promoting greater participation of stakeholders in project design and supervision is crucial to the success of the project and that there are already some case studies of best practise in Bangladesh and other DCs to prove this point. However the essence of participatory development is that this must derive from the domestic compulsions and political engagement of the government and be viable within the prevailing social configurations of the project area. To have a World Bank funded irrigation project in Bangladesh, where much effort has been mobilised to induct local beneficiaries into the design of the project, must be part of a broader institutional arrangement founded on the devolution of power and local political mobilisation of the stakeholders.

If there is no local commitment for either process or move to empower the poor in the face of resistance from local elite, a donor designed exercise around a particular project could degenerate into a form of tokenism where the prevailing local leadership builds a Potemkin facade to satisfy the donor's notions of participation. Such exercises may thus last as long as the aid officials and consultant's DSA budget permits them to stay in the field. The notion of donor-created islands of participation is thus not likely to be sustainable and could degenerate into one more failed project without a more substantive involvement through specific institutional arrangements by the recipient government to involve the local people.

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 DC in general and Bangladesh in particular. In the wake of this renovation in the Bank's approach to policy reforms conditional lending needs to be phased out. The Bank again recognises that conditionality is unlikely to bring lasting reform if there is no strong domestic movement for change. Thus, only when domestic constituencies are committed to reform, adjustment loans and foreign aid can help consolidate policy gains (italics mine).

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. Out of this reform process the need for aid can be articulated in a variety of areas from Tech-

nical Assistance (TA), to budget and balance of payments support offered for a finite period whilst revenue and export earnings capacities are built up. 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 policy ownership which would itself be a contradiction in terms.

The circumstances governing the assumption of local ownership will vary from region to region. Paradoxically, Bangladesh is a country with a strong potential for assuming ownership over our policy agendas. We have established a tradition of electoral democracy where free elections have ended regime change. Whilst the working of our parliamentary institutions leaves much to be desired 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 transparency from the government of the day. However, 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.

Bangladesh has a pro-active civil society manifest not just in the profusion and quality of its NGOs, some of which are world famous, but in the growth of civic activism. Finally our professional resources are comparable to any in the Third World so that our capacity to design our own reform agendas waits on the will of government to reduce their dependence on donor advise and on the part of donors to practise what they preach over policy ownership. Bangladesh has for two decades been inundated with expensive expatriate TA, usually of poor quality and with negligible use value due to lack of ownership.

The above observations need to be intensively investigated but they do indicate that the role of aid in moving Bangladesh towards better governance has been and is likely to be limited. Today,