

Independence Day Special

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

by Rehman Sobhan

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. The idea of holding consultations with civil society on the 28 March, 2000 prior to the meeting of the Bangladesh Aid Consortium in Paris in Mid-April is, thus, a positive step forward by the present government.

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 advice 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

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 practice 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 in 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 collusion 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's to reduce their dependence on donor advice 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, 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 inculcate the accumulation of social capital which remain inherently indigenous processes. Donors, in Bangladesh and elsewhere lack the comparative advantage and

cratic rule over this long period in Bangladesh and indeed in much of Asia, Africa and Latin America. So great was our dependence on aid during this earlier period that a collective decision by the principal donors to withhold aid to any of these military regimes, until free and fair elections, were held and a plural political system established, would have elicited instant compliance. Instead aid donors underwrote these autocracies, lavished them with economic aid and in the case of Pakistan, with military aid and thereby contributed to the destruction of democracy in both Pakistan and Bangladesh. Our autocratic rulers have traditionally curried favour with the donors by both serving their strategic agendas and uncritically accepting their policy advice, usually communicated through the World Bank who became the ideological mentor of successive military regimes in Pakistan and Bangladesh.

In this environment of tolerance for autocratic rulers, donors also tolerated conspicuous violations of human rights as well as pervasive corruption and mis-governance in the then

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. Such a vibrant professional community should be able to prove to our donors that to ensure aid effectiveness, Bangladesh needs to demonstrate the vision, commitment, domestic capacity and political maturity to take the country forward into the 21st century.

political experience in a specific country to influence such politically sensitive agendas.

In Bangladesh 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 dependence on aid, in quantitative terms, has visibly declined in Bangladesh during the 1990s, the dependence on policy advice from donors remains strong. 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 donors hold their political lifeline in their hands.

In the prevailing circumstances of Bangladesh, during the high tide of our dependence on aid, military regimes have ruled us in Pakistan from 1958 to 1971 and in Bangladesh from 1977 to 1989. The responsibility of the donors is not insignificant in perpetuating such auto-

mistaken belief that following the economic advice of the donors would yield the prosperity which would serve as a solvent for undemocratic rule. Appeals by civic organisations to the donors to exercise their influence on the donors to improve their human rights record often went unheeded. In this contemporary era of commitment to democracy it is hoped that the donors will at least use their remaining influence in Bangladesh to ensure that there will be no regression into autocratic rule. This could be ensured by taking a collective categorical decision that in Bangladesh and indeed in all regimes, if not everywhere then at least in South Asia, if a freely elected regime is overthrown by a military coup, all aid will be instantly suspended. Such a threat would be highly credible in South Asia and indeed many other countries throughout the world where donors still exercise a high degree of economic leverage. In their response to the recent military take over in Pakistan the donors have given ambiguous signals about how they will deal with military

regimes. So there is no clear message from the donors on how aid may be used to project or protect democracy in developing countries.

Are there any messages for Bangladesh in the above discussion on rethinking of aid policy? Hopefully, the experience of the past will encourage donors to recognise that in most countries but particularly in Asia, including Bangladesh, we should be left to design our own policy agendas and to thereby articulate our need for aid. Bangladesh, for example, 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.

In Bangladesh every demand for aid or TA could thus originate from within the country. We should prioritise our development agendas, design policies and programmes to realise these agendas by assuming responsibility for project preparation. We should in the process be able to articulate our own need for technical and programme assistance. Such programmes should be underwritten by macro and sectoral policies, which should articulate the need for aid at the macro and project level and define its form as to project or programme financing. Bangladesh should manage all such aid projects and assume full responsibility for coordinating

aid. The era of the World Bank or UNDP led donor consortium or aid group should 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. The idea of holding consultations with civil society on the 28 March, 2000 prior to the meeting of the Bangladesh Aid Consortium in Paris in Mid-April is, thus, a positive step forward by the Present Government. However, such an exercise would have been more credible had the GOB consulted with civil society in designing such a dialogue and jointly hosting it rather than to organise the consultation in partnership with the World Bank.

The World Bank, in the light of its new approach to aid and ownership would have been well advised to encourage the GOB along such a route. It is less clear why the GOB has gone back to Paris for the consortium meeting after hosting it in Dhaka in its first years in office. Whatever the GOB and the donors discuss in Paris needs to be shared with the parliament, the opposition and civil society so we are always better off holding such discussions in Dhaka. Donors remain hesitant, even today in carrying the issue of ownership to its logical conclusion. If donors were consistent in their positions they should resist the temptation to prepare country assistance strategy documents or grey cover reports on policy reform in Bangladesh, nor should they design projects or bring in consultants to design the TOR of a TA project. Donors should retain their right to evaluate proposals originating from the government of Bangladesh (GOB) or from within civil society rather than substitute their own policy intervention. Where such proposals appear credible they should support the initiatives of the GOB and civil society. Where there are policy disagreements, ideally donors should give the GOB the chance to implement its own domestically designed policies provided that these are soundly designed and enjoy domestic political support even if it varies from a donor's notion of policy correctness (PC). In this respect, 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. If the policy fails, donors may either seek a policy change closer to what donors deem to be PC or they may withdraw aid and let Bangladesh finance its own 'folies'. 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 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 agenda. 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. Such a vibrant professional community should be able to prove to our donors that to ensure aid effectiveness, Bangladesh needs to demonstrate the vision, commitment, domestic capacity and political maturity to take the country forward into the 21st century.

একটি তর্জনির ঐক্যে
একাত্তরে এসেছিলো স্বাধীনতা
সেদিনের অঙ্গীকারে
এগিয়ে চলেছি আমরা
দেশ ও জাতির অর্থনৈতিক মুক্তির লক্ষ্যে

আজ ২৬ মার্চ
শতাব্দীর প্রথম স্বাধীনতা ও জাতীয় দিবসে
দেশ বাসীর প্রতি রইলো
আমাদের শুভেচ্ছা



রূপালী ব্যাংক লিমিটেড

উত্তম সেবার নিশ্চয়তা

Building a Democratic State in Bangladesh

To suggest any easy way to do this would be pointless and false. The way lies in forging, once again, a unity between the intellectuals believing in real democracy with the common man.

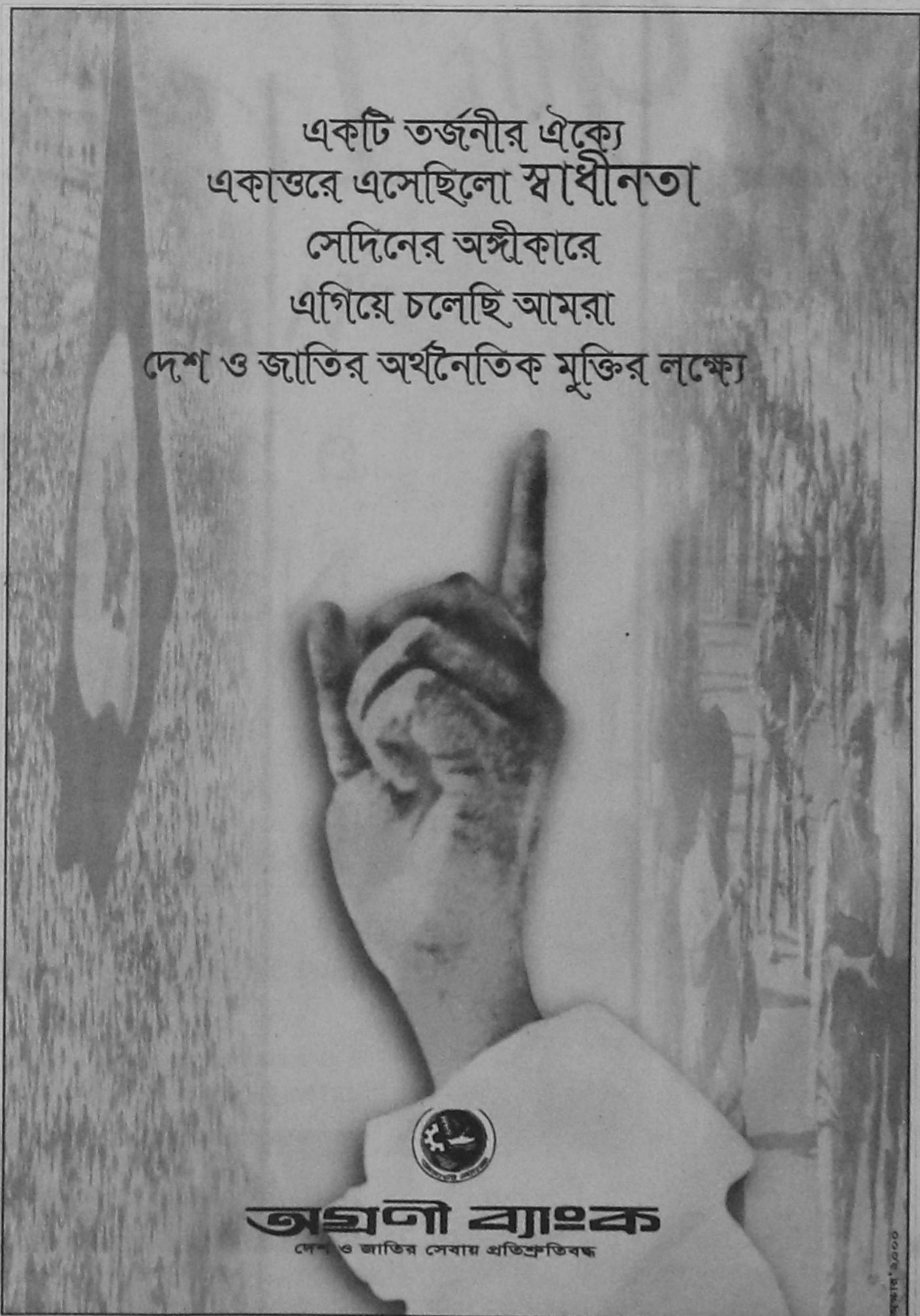
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up and try to achieve the objectives of democracy for which we have fought, collectively, for decades? The answer is obvious. Surrender is impossible, for to do so would mean nothing short of committing suicide, collectively speaking again. And yet the truth is that reforms will not do, and that what must be achieved is substantial change in the entire political and economic system. Democracy is not a matter of votes, any more than of whitewash.

The train of the state is moving in a direction contrary to what was defined as the goal of Bangladesh. The state was not fought for establishing another bureaucratic capitalist state replacing the larger one. The train must be stopped and obliged to run in the proper direction. To suggest any easy way

to do this would be pointless and false. The way lies in forging, once again, a unity between the intellectuals believing in real democracy with the common man. A temporary unity will not do, nor will spontaneous togetherness be enough; the unity must be sustained, indeed abiding, and based on very genuine ideological commitment, particularly on the part of the intellectuals. That unity will not be beyond politics, but it has to be inclusive of social and cultural movements.

Meanwhile let us make the apparently unimportant, but very necessary point, that the electronic media must be set free, allowing discussion on the national questions from diverse points of view. This should be done without further delay. We must know and understand before we act. This, however, is no substitute for the unity spoken of above.



তহবী ব্যাংক

দেশ ও জাতির সেবায় প্রতিশ্রুতিবদ্ধ