

Vital reforms ignored!

Bangladesh's democracy needs to be stabilised. There are countries which have achieved economic growth under autocratic rule. However, given Bangladesh's history and culture, the autocratic route cannot succeed here. Bangladesh has to follow the democratic route to economic growth.

NAZRUL ISLAM

IN his interview published in the *Daily Star* of November 18, Sirajul Islam Chowdhury, Professor Emeritus of Dhaka University, has urged reduction of the government tenure from 5 years (as it is now) to 4 years. This is a vital electoral reform that the caretaker government missed introducing during the interim period that it got since 1/11. This missing out is unfortunate, because this very simple and easy-to-implement reform could have had a very significant positive effect on the country's politics.

Given Bangladesh's culture of political intolerance, a 5 year term is simply too long! The parties losing in elections simply cannot accept sitting out of power for such a long period.

This is demonstrated once more by the current stalemate. It is clear that one reason why BNP and its allies are reluctant to accept general elections on December 18 is the fear that they may lose, and thereby be forced to be out of power for five long years.

Even if parties are forced to accept an electoral loss and concede to the formation of a government by opponent parties, they soon become restless, and by the third year of the new government, they invariably start a movement demanding mid-term elections.

To enforce this demand they boycott the Parliament, thus making it dysfunctional, and resort to street agitation, including continuous hartals. The coun-

try has already witnessed such behaviour several times since the restoration of democracy in 1991. It is disheartening that the country seems to be headed toward a repeat of this pattern.

Yet, a reduction of the term of the government could have significantly undercut the rationale for rejecting election results or for un-parliamentary methods of changing government. There is a crucial psychological difference between a five-year and a four-year period.

While the former seems to be never-ending, the end of the second seems just around corner. Therefore, a four-year term could have taken away much of the steam that otherwise accumulates behind rejection of the election result, and from street agitation to topple the government ahead of its term.

Since January 11 of 2007, the country has witnessed many artificial and untenable efforts to change the political landscape. Much of it was destined to be, and has now proved to be, useless and counterproductive. Instead of channeling reform efforts along the erroneous "minus-two" and other such formulas, the authorities should have followed the institutional approach toward political stability and adopted the suggestions that emerge from this approach, including the suggestion for reduction of the government tenure.

It is unfortunate that this suggestion did not catch the attention of the authorities, including the Election Commission, even though it was tabled by many quite



Don't forget us in the reforms!

some time ago. This author himself made the suggestion repeatedly (see his articles in *Samaj Nirikkhan* of May 1997, *Daily Star* of April 9, 1998 and November 9, 1999, and also the full length article in the *Journal of Social Studies* No. 93 of 2001).

The idea was also supported by such eminent persons as Mr. Fazle Hasan Abed (see *Daily Star* of April 9, 1999) and Prof. Rehman Sobhan (see *Daily Star* of December 9, 1999). It is nice to see that now Prof. Sirajul Islam Chowdhury has also added his voice to this suggestion. Perhaps others will express their support for this reform.

It is probably too late to adopt this measure during this round of reform. But, experience may ultimately force the nation to adopt it. However, the nation could have avoided unnecessary costs, both economic and otherwise, had this measure been taken.

Now that the reins of the country are to be handed over to political parties again, the acceptance of reduction of the term will depend on their attitude toward it. Can it be hoped that they will accept such a reduction? Apparently not, because the

government will think that it is curtailing its own term!

However, recall that huge stockpiling of nuclear arsenals by both the US and the former USSR led to Mutually Assured Destruction (MAD), which prevented an outbreak of World War III!

Perhaps our political parties will also see the MAD element in their inclinations not to accept defeat and not to tolerate a government by opponent parties and, thus, will ultimately accept a compromise allowing reduction of the term!

However, there is another institutional reform that can make acceptance easier. This involves a switch from the "winner takes all (WTA)" mode of representation to "proportional representation (PR)." WTA aggravates instability, whereas the PR system can promote stability.

For example, between 1991 and 1996, BNP increased its vote share from 30.81 to 33.61 percent; yet, because of the WTA system, its number of seats decreased from 140 to 116. More dramatically, between 1996 and 2001 AL's vote share increased from 37.44 to 40.13%, and yet its number of seats collapsed from 146 to

62! This illustrates two disturbing features.

The first is the fact of amplification: Under WTA, relatively small changes in vote shares can lead to very large changes in the number of seats. The second and more striking aspect is reversal: The outcome in terms of number of seats often moves in the opposite direction to that of the outcome in terms of vote share.

Thus, the WTA system not only amplifies the impact of small changes in vote shares, it does so in such a violent manner that even the direction of the outcome sometimes gets reversed!

By contrast, the PR system rules out any reversal; as it guarantees that the outcome in terms of number of seats will move in the same direction as do vote shares. Second, the PR system also rules out amplification.

The changes in the number of seats will be exactly proportional to the changes in vote shares. Through this stabilising influence, the PR system can also provide more predictability of the outcomes, and this helps everybody to adjust their expectations and actions.

In the context of Bangladesh, this means that rival political camps can be sure of continued robust presence in the national parliament. This assured aspect of election outcomes may force into the consciousness of opposing political camps the fact that neither will be able to marginalise (let alone annihilate) the other.

Accordingly, they may become more agreeable to sharing of power, sequentially, depending on election results, and also contemporaneously, within the framework of the parliament, through its various committees, as provided by the Constitution.

Thus, the opposing political camps may, willingly or even unwillingly, accept the necessity of cohabitation and cooperation rather than engage in a fight to the death. The entire dynamic of Bangladesh politics may, therefore, change for the better.

There are numerous other beneficial effects of a switch from the WTA to the PR system in the context of Bangladesh, and interested readers may see my article presented at the Harvard conference on "Bangladesh in the 21st Century," held in June. For earlier suggestion for the PR system, readers may see the author's above-mentioned *Journal of Social Studies* article.

Is it conceivable that political parties will ever agree to a switch from the WTA to the PR system? It is interesting that, in personal communications with the author, several leaders from both the Awami League and BNP have voiced their support for such a switch, indicating that the more thoughtful ones of both sides of Bangladesh's political divide see the merit of the proposal. This is encouraging. With some more advocacy and explaining perhaps the political parties will actually see that it is in their own interest to accept a switch from WTA to the PR system.

In conclusion, Bangladesh's democracy needs to be stabilised. There are countries which have achieved economic growth under autocratic rule. However, given Bangladesh's history and culture, the autocratic route cannot succeed here. Bangladesh has to follow the democratic route to economic growth.

The question is how Bangladesh democracy can be made stable. The last two years' experience has shown that artificial measures targeting individual politicians will not work. What is needed is an institutional approach, an approach that is impersonal and hence impartial and democratic.

Reduction of the government term and a switch from WTA to PR system are the two most potent institutional reform measures that Bangladesh can adopt to stabilise her democracy. The sooner the country accepts these two measures the better it will be for all.

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Emerging priorities

We need to develop a long-term "national vision 2020" with detailed analysis and practical roadmap for policy development and implementation, including a comprehensive private sector development strategy, through extensive dialogue with civil society members, business chambers, non-government organisations, and other stakeholders.

SAMIR ASAF

BANGLADESH is no longer the marginal, poverty-ridden basket-case on the global economic stage as it perhaps was three decades ago. It is the 9th largest country in the world in terms of population, and the 58th largest economy in the world in terms of nominal GDP.

After a decade of consistent mid-single digit economic growth, Bangladesh can achieve a higher growth path and become a prosperous middle-income nation by 2016 by sustaining and accelerating its growth momentum, significantly reducing the incidence of poverty, and delivering better living standards for all its citizens.

However, political turmoil, poor governance, a weak banking sector, and unreliable power supply are major drags on growth.

The emerging priorities for the next elected government are quite clear: maintain political stability, and ensure macroeconomic stability through coherent and coordinated fiscal, monetary, trade, and exchange rate policies; focus on pro-poor growth, contain inflation, support private sector led economic growth by providing an enabling investment climate, attain a judicious balance between unbridled free-market capitalism and prudent regulatory oversight; support vulnerable groups through targeted programs, improve Annual Development Program implementation capacity to support the real sector, reduce dependence on foreign donor support, and exploit the public-private partnership model to inject greater dynamism into national and economic governance.

Small and medium enterprises (SMEs)

need comprehensive support. Intelligent business-friendly policy-making and improved efficiencies in the service delivery mechanism of public institutions must be coupled with private sector driven growth with the government as facilitator.

To attract foreign investment, the "Bangladesh" brand should be promoted by the Board of Investment's newly approved Invest Bangladesh wing.

Going forward, enhancement in infrastructure and utility services provision relating to energy supply, water supply, road transportation, and communication are important elements to contribute to national efficiency, competitiveness, and productivity.

The recently developed energy infrastructure development master plan needs to be revised. Additional measures ought to be taken to contain population growth. Urban congestion should be alleviated through long-term planning and tactical actions.

With a growing service sector, which now contributes more than 52% to the country's GDP, people resources need more focus through a new human resource development ministry. Focus on skills development and universal education should be ensured through the newly formed National Skills Development Council. Annual remittances can potentially exceed \$30 billion by 2016.

The financial sector in the country, although not destabilised by the global financial turmoil, requires progressive enhancement in governance. We need to embark upon a new financial sector adjustment project to qualitatively enhance the policy regime, and improve the depth, stability, resilience, transpar-

ency and integration between the capital market, money market, banking, and insurance sectors.

Key priorities include strengthening the foreign exchange and government debt markets, and improving the financial position of the state-owned banks. It is also necessary to improve the functioning of the Bangladesh Bank and the Securities and Exchange Commission as regulators of the banking sector and capital market institutions respectively.

Notwithstanding the recent progress, Bangladesh ranks near the bottom of Transparency International's corruption perceptions index; interest rate spreads exceed regional averages; and the World Bank estimates that power outages significantly reduce total factor productivity growth in manufacturing.

We need to develop a long-term "national vision 2020" with detailed analysis and practical roadmap for policy development and implementation, including a comprehensive private sector development strategy, through extensive dialogue with civil society members, business chambers, non-government organisations, and other stakeholders.

The PRSP II needs to be revised through a process of greater public-private partnership and civil society participation, and endorsed by the elected parliament through exhaustive debate.

Particularly since no formal assessment has been carried out by the caretaker government on the successes and failures of the first PRSP, and the limited public consultative process undertaken in its formulation. The PRSP II envisages a heavily foreign aid dependent economic plan, an assumption that is not tenable given the likelihood of lower levels of donor support in the future.

We need to enhance national competitiveness by eliminating infrastructure bottlenecks, and simplifying regulation. Bangladesh has dropped in the level of national competitiveness in the World Economic Forum Global Competitiveness Index from 107th place in 2007-08 to 111th in 2008-09. The country also slipped in the International Finance Corporation's

Doing Business report 2009 (104th in 2008, and 110th in 2009).

Unfortunately, enhancing the level of national competitiveness has not featured in serious measure in the National Strategy for Accelerated Poverty Reduction.

The proposed competition act needs to be carefully reviewed before approval, since it appears to be overly restrictive on businesses, and confers undue authorities to the proposed competition commission.

According to the Joint Rivers Commission, India has been diverting more than the mutually agreed quantum of water from the Ganges river through Farakka during several months of this fiscal year. Since early 1970s, the Farakka Barrage has caused more than \$10 billion of economic damage to the agricultural sector in the southwest region of Bangladesh. Therefore, we must mobilise national commitment for putting pressure on the Indian government to refrain from trans-boundary river water diversions.

The government should embark upon an investment climate improvement initiative with the objective of enhancing investor confidence.

The government should carry out a comprehensive reform of its public administration. In the current structure, only 6% of approx. 200,000 government employees are Class I officers. This ratio needs to be significantly increased.

The government should encourage the business community to pursue ethical business practices, fundamentals of corporate governance, and environmentally conscious industrialisation. We should ensure "e-commerce" as a viable electronic transaction processing medium for businesses and consumers. The National Productivity Organisation needs to be made effective under the Ministry of Industries.

The government should continue the functioning of the Bangladesh Better Business Forum (BBBF) and enhance its effectiveness through a stronger BBBF secretariat. The Regulatory Reforms Commission should be a permanent body, as in the UK, Japan, and Korea.

Boards of major public institutions



Use the money wisely.

ought to be reconstituted, bringing in private sector members with specialised subject-matter expertise. The Privatisation Commission should accelerate the transfer of target public corporations to the private sector. Respective ministries should implement the Right to Information Act. The Comptroller and Auditor General's Office should expand its enterprise-wide audit initiative across all public institutions.

On the economic front, the government needs to renew its momentum on the structural reform agenda. Macroeconomic policies should continue to be in line with external stability. The government should ensure that greater independence is provided to Bangladesh Bank. The Board of Directors of Bangladesh Bank needs to be made more effective.

Adjustments in monetary policy are recommended to rein-in inflationary pressures. The government's management of explicit and implicit contingent liabilities needs to be strengthened. In the medium-term, increased revenue is crucial to allow fiscal policy to return to a lower deficit path. The Medium-Term Budgetary Framework should cover all 42 ministries for the upcoming FY 2009-10 budget.

The next national budget for fiscal 2009-

2010 must eliminate incoherent aspects of tax policy, and streamline the tax process by enhancing the institutional capacity of the National Board of Revenue. Given the country's exceptionally low tax receipts, revenue mobilisation and expenditure rationalisation are key.

Outward orientation and trade liberalisation should be continued. The government should actively pursue our trading partners, particularly India, to eliminate non-tariff barriers for Bangladeshi goods. The Bangladesh Bureau of Statistics should be made independent and operationally autonomous.

Economic policies that are deficient in fundamental ways and need to be updated include the PRSP II, Industrial Policy, Import Policy, Export Policy, SME policy, and Investment Board Act. The government should redefine "thrust sector" in the new industrial policy. The Ministries of Industries, Finance, and Commerce should, in a coordinated manner, encourage diversification of industry and exports, and formulate a national policy on "industrial cluster development," both within and outside Special Economic Zones.

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The language of business people

NURY VITACHI

I used to wonder what it would be like to work for a billionaire. Then I met three people who did -- or at least, they did until last month, when two of them were sacked.

Having talked to them, I now realise that one can receive the same level of excitement and job satisfaction by simply staking oneself to the ground next to a large sign saying: "Human Trampoline. Have a go. Wear spiked shoes if you like."

Billionaires are tough to work for. They make you slave 24 hours a day, seven days a week, but if you are lucky, you get a

reward: you are allowed to live.

One of the biggest problems is that none of them speak English. They speak their own language, called Tycoonese. Anyone who is thinking of going to work for a business mogul will need this useful phrasebook:

Tycoonese: We have a small problem.
Translation: You have a huge problem.
Tycoonese: I want you to revise some paperwork.

Translation: I need you to set up a massive network of nominee companies to hide something.

Tycoonese: I want you to be flexible in your thinking.

Translation: Switch off your con-

science and put it in the bin.

Tycoonese: You'll adjust to my style of working very quickly.

Translation: I own you.
Tycoonese: We always go by the book.
Translation: We have lawyers looking for loopholes on a full-time basis.

Tycoonese: Our business is going through a paradigm shift.

Translation: We need to hide some mistakes and launder some money.

Tycoonese: I want to emphasise that we value ethics above everything.

Translation: I am talking rubbish to get it out of the way so that we move on to some rule-bending.

Tycoonese: What I prize most is our

reputation.

Translation: What I prize most is not getting caught.

Tycoonese: As you know, our company name is a byword for being above reproach.

Translation: Amazingly, no one has caught us yet.

Tycoonese: I want you to feel you can say anything to me.

Translation: I want you to feel you can say anything to me as long as it is exactly what I want to hear.

Tycoonese: My staff are intensely loyal to me.

Translation: My staff are terrified of me.

Tycoonese: I have gone beyond the

stage where making money is the key aim.

Translation: We both know I am talking rubbish, but you would be wise to nod anyway.

Tycoonese: Let's put on our marketing hats.

Translation: I need you to sell some toxic investments.

Tycoonese: I'd like your buy-in on this.

Translation: I need someone to blame if this goes belly-up and you have been chosen.

Tycoonese: You should have been more pro-active.

Translation: I have decided to blame you for my bad decisions.

Tycoonese: We are going to leverage

our resources.

Translation: You will be doing the work of six from now on.

Tycoonese: I want you to interpret the financial model for me.

Translation: I can't use Excel.

I asked a money-manager friend who works for one of Asia's richest (as in "most unpleasant") men how he coped with it.

He said: "It's very stressful, but there's one Tycoonese phrase I really like: 'I put a little something extra in your paycheck.' The word 'little' is Tycoonese for 'massive'."

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