# ENTREPRENEURSHIP AS A KEY TO YOUTH EMPLOYMENT



## The vicious impact of bureaucracy in business

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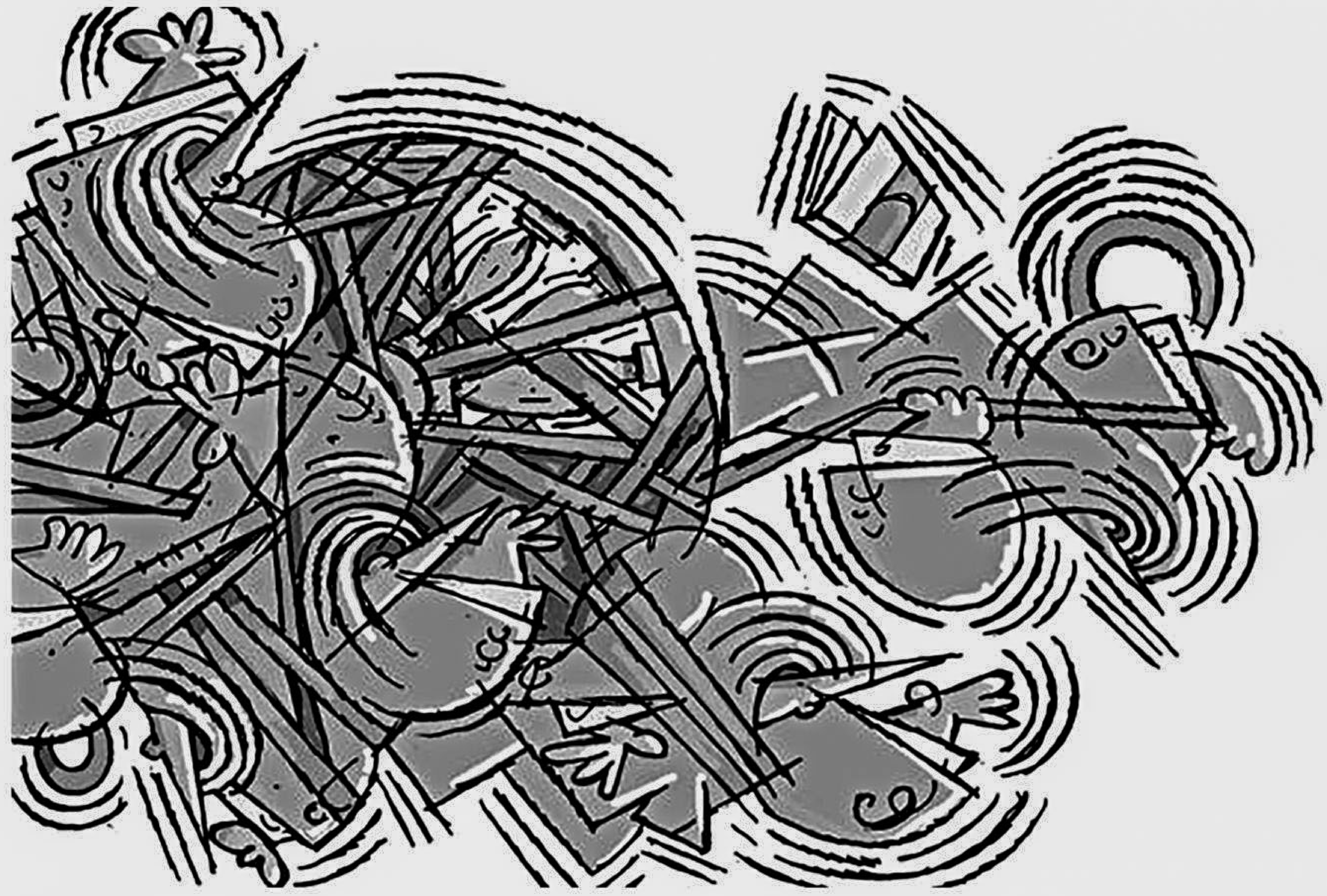

In the early 1990s, India dismantled the License Raj—the all-pervasive regime of bureaucratic "permission-ism". The Raj lasted for 40 years when India's average growth couldn't exceed even a number as low as 3 percent—which some economists derisively termed as "Hindu growth"—a satirical connotation to mean the plain and simple life of a Hindu saint. The country entered a new era of growth and dynamism since then, evidencing more than 6 percent growth for the subsequent decades. Simply, ripping up the red tapes described what modern India is right now.

In the latest "Doing Business Index 2019," constructed by the World Bank, Bangladesh secured the lowest possible position in South Asia. India tops it ensuring the least bureaucratic business environment in the region. Not a few years ago was India's ranking more than 120—now it's only 77 out of 190 nations included in the WB study. The lower the ranking, the lower the bureaucratic tangles of doing businesses in the country. If we proceed serially for South Asia, the ranking for Bhutan turns out to be 81, Sri Lanka 100, Nepal 110, Pakistan 136, Maldives 139, Afghanistan 167, and Myanmar 171. And the ranking for Bangladesh is as low as 176. Actually, this is not only the poorest ranking in South Asia, but also one of the lowest positions in the world.

There are only 14 countries below Bangladesh and most of them are torn by civil war, terrorism, racial discrimination, sectarian violence, and ethnic cleansing. Those countries such as Syria, Chad, Congo, Libya, South Sudan, Eritrea, Somalia and the like are in no way comparable to a stable country like Bangladesh. Simply, within the space of the normal countries, Bangladesh's position is the lowest in the ease of doing business—thanks to its all-pervasive bureaucracy and unfriendly business policies. It's a shame. And it's a threat to all future prospects of business in the country. If the nation can still manage the second highest growth figure of the region just close to India's, Bangladesh wouldn't have been far below the double-digit growth had the country removed the stumbling blocks of bureaucracy from the path of doing businesses. Red tapism is killing the potentials of the economy.

When internally disturbed countries such as Benin, Zimbabwe, Sudan, Ethiopia, Burundi, Angola, and Liberia lie above Bangladesh in the ranking, the claim that there must have remained some defects in Bangladesh's bureaucracy can't be ruled out. It's rusty and most of its characteristics are deeply stained—and thus hard to remove. When retired bureaucrats are placed at the top positions of major institutions, bureaucracy is reenergised and revitalised by design, deserting any hope of reforms or innovations. That practice is at the root of Bangladesh's ingrained bureaucracy which remains sluggish and backward-looking mainly due to the government's rehabilitation practice of retired bureaucrats. This vicious circle must be broken to make institutions more dynamic and innovative—the way China, India and South Korea have carried out their pro-market reforms and they succeeded in accelerating business.

It can't be argued that retired bureaucrats are less meritorious. It's not a question of simply merit or talent. Rather, it's a question of professional habits, attitudes, and outlook. A retired bureaucrat is habitually a person of compliance of rules and regulations without asking its effectiveness to economic outcome and business expansion. A man with a professional habit of wholesale compliance is subconsciously reluctant to confront existing rules and regulations no matter how outdated they are. He or she is less likely to confront existing circulars—more likely to ask what the rule is and less likely to ask why. And a man, who is afraid of asking why or how, whether the rule is good or bad for the newer reality of the business world, can't be a reformist either.

Designing reforms also require deep-rooted academic backgrounds, theoretical knowledge, and expertise——most of which are lacking in bureaucracy because of its grooming process. Bureaucrats are subject to frequent transfers between various ministries, making them jacks of all trades and masters of none. That doesn't happen for academics or other professional practitioners who are selectively placed in the leading positions of most institutions in the developed, western world. This makes a big difference in policymaking and dynamism in those countries. The answer to the question of why India was able to make commendable strides forward in the doing business index lies in how the regime placed knowledgeable experts in leading most of its financial institutions instead of deploying unquestioning retired bureaucrats.

In contrast, regimes in Bangladesh look for retired public servants with administrative footprints of dutifulness and sometimes partisan loyalty, but no track records of innovations or advocacy to crown most top positions of its institutions supportive to businesses. And that paid off mercilessly by dumping the country in the lowest segment of the doing business index for ages particularly since the early 1990s—a time during which when most of our neighbouring countries stepped up in the same index. Alarmingly, the upper positions of other lower-growth nations such as Pakistan and Afghanistan invariably warn us that our institutional leaderships must be changed.

Private investment is the leading component of business expansion in any country. The share of private investment in Bangladesh's GDP remained stubbornly stagnant at 22 percent for a decade prior to 2015. Recently it has marginally inched up to 23 percent. The main reason why Bangladesh's investment ratio has edged up from 26 percent to 30 percent is the increment in the government part of investment that rose from 4 percent to 7 percent in the last 10 years. But that is not necessarily a good sign because higher public investment is likely to crowd out some segments of private investment. So, the main point of business expansion is to boost private investment including FDI. The government appointed a retired bureaucrat to head the country's Board of Investment (BOI) which couldn't boost neither private investment nor FDI considerably. FDI remained as low as one percent of GDP for years since the late 2000s.

During its performance, BOI gradually turned anaemic and eventually succumbed to death quite naturally in the mid-2010s. Bangladesh Investment Development Authority (BIDA) was born from the ashes of BOI. But again, the government chose to appoint a retired bureaucrat to make the leader of BIDA. Initially, its leader vowed to achieve Bangladesh's ranking in the doing business index at 100 or even below, but no improvements took place practically. Rather, a country like Afghanistan jumped above Bangladesh in the index. These institutions require massive reforms and retired public servants are not likely to be aggressive reformers for sure. This is historically true for the whole subcontinent that still drags the legacy of the outmoded bureaucracy which originated from the dire need of the British rulers to harness benefits from Colonial India for centuries. The British themselves transformed its bureaucracy to move in tandem with the modern world, and so did Australia or Canada. But Bangladesh didn't.

When key institutions—covering the tasks of central banking, private and public bank management, the capital market, investment promotion, public-private partnership, strategic development goals, insurance marketing, and infrastructure financing—are headed by mostly retired bureaucrats, expecting for a gradually easing business environment turns out to be simply an absurdity.

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