

How Khaleda Zia approached economic reforms in 2001-06



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As the World Bank's sector director for Poverty Reduction and Economic Management (PREM), I worked very closely on the reform programme in Bangladesh led by former Prime Minister Begum Khaleda Zia in 2001-06. As PREM sector director, I was responsible for managing policy-based lending operations, known as development support credit (DSC). I managed four such credits amounting to over \$1 billion, of which the first three were administered during 2003-2005. This lending, along with support from the IMF, was necessary to stabilise the balance of payments.

Below, I provide my analysis of how the reform programme was developed and implemented, and the major outcomes of the programme, with a view to demonstrating that substantial reforms can be implemented with good results under astute political leadership and a strong economic team.

To set the stage for the reforms, in early 2003, my vice-president and I called on Khaleda Zia at her office near the old Dhaka airport. She received us warmly and we had a one-hour conversation on the multiple economic challenges facing her government and the need for far-reaching reforms.

She listened intently as we described these issues and stated firmly that she was committed to implementing all necessary reforms. She said she would empower her finance minister, Saifur Rahman, and his team and provide all required political support. That was a stunning message and a clear signal of her delegated and inclusive management style, which is somewhat rare

in today's mostly autocratic global political leadership.

At the end of our meeting, her principal secretary, Dr Kamal Siddiqui, introduced me to her in Bangla, saying I was the leader of the World Bank's economic team and the senior-most Bangladeshi staff in Washington DC. She turned towards me and smilingly said, "I am delighted to meet you, and I hope you will keep an eye on our needs."

Since that meeting, there was no turning back. The Bangladesh core reform team was headed by Finance Minister Saifur Rahman and included Commerce Minister Amir Khasru Mahmud Chowdhury, Bangladesh Bank Governor Dr Fakhrudin Ahmed, Principal Secretary to the PM Dr Kamal Uddin Siddiqui, and Finance Secretary Zakir Ahmed Khan. This was, undoubtedly, an outstanding team of well-trained and seasoned policymakers. They combined academic excellence with sound administrative experience and political savviness—a rare combination these days.

The multi-year reform programme was far-reaching and was grounded in the government's own poverty reduction strategy paper. The reforms encompassed macroeconomic management, public finance, banking sector, trade policy, public enterprises, public financial management, procurement, public administration, and anti-corruption.

The reform programme was not only comprehensive, but also tough in many areas requiring careful political management. One such sensitive reform was the liberalisation of the exchange rate. In May 2004, I received a phone call from Finance Minister Saifur

Rahman, who said local Bangladeshi economists were strongly opposed to the liberalisation of the exchange rate as doing so would destabilise it. Since I believed that this reform was essential to support the expansion of exports, I suggested that I first talk with the Principal Secretary Kamal Bhai.

Kamal Bhai promised to brief the PM. I then called the finance minister and briefed him about my conversation with Kamal

commitment and delegated management style. Economic reforms are only meaningful if they yield results. The broad macroeconomic performance in the post-reform period is summarised in Table I. The evidence paints a remarkable picture of progress. GDP growth expanded by an average of 1.3 percentage points per year, fuelled by increases in private investment and exports. Private investment responded to the deregulation drive in trade

The macroeconomy was stable despite exchange rate liberalisation. Inflation rate increased owing to taka depreciation and an increase in demand from rising investment, exports and GDP growth. The nominal exchange rate moved from Tk 57.9 per US dollar in FY2003 to Tk 67.1 per dollar in FY2006, amounting to an average depreciation of five percent per year. This re-alignment of an overvalued exchange rate was a critical factor for the surge in exports, which also benefited from trade reforms. But unlike the fear expressed by critics, the exchange rate did not overshoot or destabilise, and inflation hovered around six to seven percent per year.

Fiscal performance also improved as total revenues grew modestly and there was a reduction in subsidies owing to performance improvements in SoEs, energy pricing adjustments, and better management of the power sector. The increase in fiscal space and cutback in subsidies allowed some modest improvements in spending on health, education and social protection.

There was solid improvement in the banking sector as deregulation raised the asset share of private banks and lowered the share of the corruption-infested public banks. The portfolio quality improved dramatically as gross NPLs fell sharply from 28 percent to 13 percent. The number of banks with NPL exceeding 10 percent fell substantially from 21 in 2003 to 12 in 2006.

Moving forward, the main lesson is that only comprehensive and sustained economic reforms hold the key to improved economic performance. A second message is that there is no alternative to a first-rate economic team working seamlessly under the guidance of a strong finance minister. A final message is that astute political leadership is the ultimate key to success. The example set by Begum Khaleda Zia through her uncompromising political support for the reform programme and delegation of responsibilities to a competent reform team seals her place as a core champion of economic reforms in Bangladesh.

REFORM OUTCOMES FY2001-FY2006

PERFORMANCE INDICATORS	PRE-REFORM FY2001-FY2003	POST-REFORM FY2004-FY2006
Average yearly real GDP growth rate (%)	5.0	6.3
Average inflation rate (%)	3.0	6.5
Investment rate (end of period % of GDP)	30.8	33.2
Average yearly export growth rate (%)	7.1	17.2
Exports (\$ billion, end of period)	6.5	10.4
Reserves (\$ billion, end of period)	2.5	3.5
Nominal exchange rate (Tk/\$)	57.9	67.1
Gross NPL end of period (%)	28.6	13.1
Revenue to GDP (end of period %)	10.3	10.7
Fiscal deficit (end of period % of GDP)	3.4	3.2
Debt to GDP (end of period %)	51.1	49.3
Poverty (UPL Headcount %)	48.9 (2000)	38.4 (2005)
Labour productivity (Tk 000, 1995-96 prices)	53.5	60.0

SOURCE: BANGLADESH BUREAU OF STATISTICS, BANGLADESH BANK, MINISTRY OF FINANCE

Bhai. The next day, Finance Secretary Zakir Bhai called to say the PM had approved. This is a strong testimony to Khaleda Zia's sound leadership. In similar tough situations involving banking, privatisation, and energy pricing reforms, the then PM again provided solid backing to her economic team. This was a remarkable demonstration of her reform

and investment. The surge in exports by 17.2 percent was truly remarkable. These laid the foundations for growth of employment and incomes. Average labour productivity expanded by 3.9 percent, supporting the rise in real wages and incomes. Poverty declined by an unprecedented 9.5 percentage points over the five years of 2000-2005.

Bring courts and legal aid closer to the people



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transport and food. After months of adjournments, Karim stopped attending. The case did not end. His participation did. "I did not lose in court," he says. "I lost on the road." Such attrition is common. Cases collapse because persistence requires resources that the poor do not have.

Theoretically, legal aid is supposed to fill this gap. In practice, it often

constitution also empowers the state to organise and expand subordinate courts to meet public necessity, and recent judicial reforms mean that there could be more of them in the future. But the scarcity of upazila-level courts persists. This is not a legal limitation; it is a policy choice.

Establishing magistrate and civil courts at the upazila level would not be revolutionary. It would be corrective. Litigants would spend less on travel and lose fewer working days. District courts would see

reduced congestion. Court-annexed mediation could operate where disputes arise, rather than as a distant procedural option. Most importantly, relocating legal aid services to the upazila level would widen access. Justice functions best when it is local, visible, and accountable.

Neighbouring countries have experimented with bringing justice closer to citizens through local courts and community-based dispute resolution mechanisms like Gram Nyayalayas, which are

mobile, village-level courts in India, established under the Gram Nyayalayas Act, 2008. Such models are not flawless, but they recognise a basic truth: justice that remains far away favours the powerful and exhausts the poor.

Bangladesh does not need sweeping new laws or ambitious declarations. It needs functional courts where disputes arise, and legal aid offices where poverty resides. A justice system that cannot be accessed cannot protect.



VISUAL: FREEPIK

Bangladesh's constitution promises equal legal protection for all, yet millions of citizens, especially in the rural areas, are left out of the justice process due to distance, delay, and exploitation. As courts and legal aid offices remain concentrated in district towns, pursuing justice becomes an unaffordable journey for many.

Take the case of Salma Begum (not her real name), clutching a folded bundle of papers at the Rangpur bus terminal. The documents include a police report, a legal aid certificate, and a handwritten list of dates she cannot read. Salma has been travelling since 4:00 am from her village to attend a hearing in a district court she never saw before. She knows that if she returns without progress, she will have to borrow money again.

For millions of Bangladeshis, this journey—physical, financial, and emotional—is what it takes to reach the justice system. The constitution promises equality before the law and protection of legal rights for all citizens. The state has enacted legal aid legislation to support those who cannot afford representation. Courts exist, judges are appointed, and reforms are regularly announced. Yet justice, for many, remains distant in the most literal sense.

and civil courts in Bangladesh have historically operated from district headquarters, even when they are formally assigned to serve individual upazilas. Legal aid offices are similarly concentrated in district towns. Abdul Karim (not his real name), a marginal

cannot. Shahana Akter (not her real name), a rural housewife seeking maintenance after abandonment, qualified for state-funded legal assistance. Her lawyer was free. Getting to court was not. Twice, she borrowed money to attend hearings that were postponed. The third time, she stayed home.

Legal aid in Bangladesh covers representation, not transport, accommodation, or lost income. When courts remain distant, legal aid becomes a partial promise—helpful to those who can reach the system, insufficient for those who cannot. Distance also breeds dependence. District courts are crowded, unfamiliar spaces for rural litigants, many of whom have limited literacy and little understanding of procedure. In this environment, informal intermediaries thrive. Many get scammed by brokers who are structural by-products of centralisation and thrive on exploiting confusion, delay, and distance.

The constitution, again, offers no barrier to judicial decentralisation. On the contrary, it encourages it. However, the right to protection of law weakens when remedies are physically distant. Commitments to social justice and non-discrimination cannot be fulfilled by a justice system concentrated in urban centres. The

AHQ, E in C's Branch, Works Directorate, Dhaka Cantonment					
Invitation for Tenders					
Military Engineer Services					
Dated: 06 January 2026					
1	Ministry/Division	Ministry of Defence			
2	Agency	Military Engineer Services			
3	Procuring entity name	E in C			
4	Procuring entity district	Dhaka			
5	Procurement method	Open Tendering Method (OTM)			
6	Budget and source of funds	GOB			
7	Development partners (if applicable)	None			
8	Project/programme name (if applicable)	Construction of Cancer Center at Dhaka CMH (2nd Phase)			
9	Selling of tender will commence from	15 January 2026 (During office hour).			
10	Selling of tender will close on	29 January 2026 (During office hour).			
11	Last date & time of submission of tender	01 February 2026 at 1200 hours.			
12	Date & time of opening of tender	01 February 2026 at 1230 hours.			
13	Name & address of the office(s)				
	- Selling tender document	Tender Selling & Information Centre at GE (Army) Central Dhaka & AHQ, E in C's Branch, Works Directorate, Dhaka Cantonment.			
	- Receiving tender document	Tender Selling & Information Centre at GE (Army) Central Dhaka			
	-Opening tender document	Tender Selling & Information Centre at GE (Army) Central Dhaka			
14	Eligibility of tenderer				
	a. MES enlisted contractors Class 'C' for Lot No. 15(a).				
	b. On receipt of DGFI clearance with others Department (equivalent classes) contractors may also apply for tender.				
	c. Contractors having experience in similar works with enlistment in other govt., semi, government & autonomous organization may also apply.				
	d. Having experience of similar work mentioned in Lot No. 15(a) amounting Tk. 2,60,00,000.00 in a single tender during last 05 (Five) years.				
15	Brief description of works				
Lot No.	Identification of Lot	Location	Price of tender document (non-refundable)	Tender Security in the form of Bank Draft/Pay Order in favour of AHQ, E in C's Branch, Works Directorate, Dhaka Cantt. (Taka)	Completion time in weeks/months
1	2	3	4	5	6
a.	Manufacture & Supply of furniture for Construction of Cancer Center at Dhaka CMH (2nd Phase) (GP-01)	Cancer Center Dhaka CMH	5000.00	11,20,000.00	12 (twelve) months
16	Name of official inviting tender	Director of Works			
17	Designation of official inviting tender	Director of Works			
18	Address of official inviting tender	Army Headquarters, E in C's Branch, Works Directorate, Dhaka Cantonment, Web address: www.army.mil.bd			
19	Contact details of official inviting tender	Tel No. 9832870, Fax No. 9832882 E-mail: wksdte@army.mil.bd			
20	The procuring entity reserves the right to accept or reject all tenders				

XEN E/M
For Director of Works
Works Directorate
Engineer in Chief's Branch
Dhaka Cantonment
Tel: Mili: 8711111 Ext: 2886
Civil: 9832886

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