The impact of socio-economic reforms on governance: The Bangladesh experience

Sajal K Palit

Abstract

This paper reviews the significant reforms initiated in the early 1980s as a part of structural adjustment by the government of Bangladesh in industry, agriculture and human resource development sectors to overcome severe shortages in foreign exchange, low savings rate, high unemployment, high poverty level and sluggish rate of export growth. In the industry sector, important policy changes have been introduced for a diversified industrial base led by the private sector. These included specific measures to encourage private sector investment by liberalising sanctions and controls; introducing export oriented investment incentives; improving efficiency of public sector industrial enterprises through denationalisation, financial restructuring and improvements in pricing policies.

It is found that, in the agricultural sector, several positive measures such as lifting restrictions on the imports of irrigation equipment and subsidies; liberalizing the importation of seeds and encouraging the privatization process have yielded significant results in reducing poverty, generating employment and higher productivity. The study also found that Bangladesh performed well above other Asian countries in terms of women economic participation that ranked 18 out of 58 countries surveyed worldwide, while the ranks of other notably country’s are India (53), USA (19), Japan (33) and Australia (15). The paper discusses the reasons why Bangladesh is now ahead of many Asian countries including India - an emerging global economy, on most social indicators such as, gender parity in primary and secondary education, infant mortality rates, child immunization rates, access to good drinking water and sanitation. The paper discusses the findings of WB and IMF in relation to Bangladesh government’s poor performance in relation to combating corruption and law enforcing institutional governance, which is of major concern for the socio-economic development of the country.

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Introduction

A favourable political environment is very essential to the speed and effectiveness of the economic reform process as rapid achievement of the goals of economic liberalisation depends upon the sequential implementation of a range of interrelated policy measures. Bangladesh had reached the second phase of political consensus on reforms in the 1990s and the first stage of convergence on reform policies. Since liberation in 1971, Bangladesh has been struggling due to: persistent shortages of foreign exchange, poor infrastructure, inefficient public sector and poor governance. To overcome these shortages, Bangladesh pursued a policy of saving foreign exchange. Until the early 1980s, the country followed a strategy of restricting imports and massively protecting domestic industries. The economy continued to have a chronically low savings rate, poor mobilisation of domestic resources and a sluggish rate of export growth. This pushed the country to a no choice point for reviewing business and corporate level strategies and the implementation of structural and economic policy reforms. The government initiated major policy reforms in the early 1980s within the policy framework of the Extended Fund Facility and Structural Adjustment Lending of the IMF and the World Bank. Reforms under structural adjustment were activated through a set of comprehensive economic policies (Messkoub, 1992). The government acted directly to restructure taxation and social provision; intervened in markets to change pricing behaviour, and to create a favourable climate for investment and growth. The pace of reform has been reflected particularly in key sectors including agriculture, industry and external trade. In the industrial sector, important policy changes have been introduced with a view to developing a broader and more diversified industrial base led by the private sector. These included measures: (i) to encourage private sector investment by liberalising sanctions and controls of investment, improving the import regime, and introducing investment and export incentives, and (ii) to improve the efficiency of public sector industrial enterprises through denationalisation, financial restructuring and improvements in pricing policies.
In the export, import and foreign investment sectors, there has been a steady reduction in tariffs. The government adopted a flexible exchange rate policy. The currency has been made convertible and restrictions on the remittances of dividends, royalties, and repatriation of capital have been lifted. The value added tax (VAT) has replaced the sales tax on imports and a number of other excise duties. Interest rates have been deregulated and currently interest rates for small industry and exports compare favourably with those for agriculture. Other aspects of structural reforms have been the streamlining and consolidation of public enterprises and the privatisation of some of these commercial institutions and reduction in size of several public enterprises. According to the latest research done by the European Union (EU), Bangladesh’s export to the EU countries surged by 166% during 1999-2003 period (Financial Times, Sept. 2005). Bangladesh was followed by China with 85% and Pakistan around 80%. Public policy with regard to agricultural sector has undergone significant changes especially in relation to pricing of agricultural inputs. Subsidies for key inputs such as irrigation, chemical fertilizers, and pesticides have been withdrawn. Given the importance of agricultural sector, it is important to consider the impact of some of these changes on resource use, equity and the rural environment (Alauddin & Tisdell, 1995).

The objective of this paper is to present a comprehensive review of the evolution of strategic policies, particular analysis of agricultural and industrial reforms, policy implementation stages and efficient uses of human resources for the economic development of Bangladesh. It is found that impressive progress on gender disparity issues particularly in primary and secondary education, and female economic participation have been achieved despite of economic difficulties and rampant corruption at all level. The paper analysed the findings in comparison with other South Asian countries. The paper also presents ethics related indices prepared from 2004 Executive Opinion Survey questions of the World Economic Forum on bribery, corruption and corporate ethics.

**Agricultural Reforms**

Agriculture is one of the largest sectors of Bangladesh economy. Combined contribution of all the sub-sectors such as crop, livestock, forestry and fisheries was around 24% of GDP in 2002-03 (Bangladesh Economic Review, 2003). Since agriculture is the mainstay of the economy, besides reducing poverty, it contributes significantly to ensure food security for a vast
population together with improving their standard of living and enhancing employment opportunities. Being the prime contributor to the economy, the agricultural sector has experienced pronounced and visible reforms in its policies as a part of structural adjustment policy. Restrictions on the imports of minor irrigation equipment have been withdrawn and import duties on small diesel engines have been abolished. Subsidies have been withdrawn and Bangladesh Agricultural Development Corporation (BADC) has no longer been procuring and distributing minor irrigation equipment. The importation of seed has been liberalised and the private sector is being encouraged. The subsidies on fertilisers have been removed. The government has also reduced the food subsidy. Just after the devastating famine in 1974, following the advice of US Agency for Development (USAID), the government of Bangladesh started in 1976 the process of deregulation and market reform (Harriss & Crow, 1992).

The prime responsibilities of the BADC were to supply, install, operate, repair and the maintenance of low lift pumps (LLPs), deep tubewells (DTWs) and shallow tubewells (STWs) etc. Bangladesh Water Development Board (BWDB) pioneered the development of DTWs and large-scale gravity irrigation systems. Bangladesh achieved outstanding success in food production due to efficient uses of high yielding varieties of seeds, irrigation and fertiliser technologies and financial supports to needy farmers on a credit or cash basis and at subsidised prices through the BADC, BWDB, and Bangladesh Krishi (Agriculture) Bank. Bangladesh within a short time of agricultural reforms became a self-reliant country in food grains and vegetables. A major policy shift regarding the distribution of irrigation equipment occurred in 1979-80, when the government began selling off DTWs and LLPs to cooperatives and to private individuals/groups instead of supplying them on a rental basis. The World Bank advised the Government of Bangladesh for the privatisation of the program. The policy shift aimed to: (i) increase irrigation coverage per machine, (ii) reduce the cost of irrigation, (iii) improved maintenance by owners of machines, and (iv) reduce the cost of management on the part of the BADC. The government provided credit to the private importers and distributors of STW sets and withdrew subsidies on the sales of STWs by the BADC. In 1988-89, the Agriculture Sector Review Mission of the Food and Agricultural Organisation (FAO) and United Nations Development Programme (UNDP) advocated a policy for complete privatisation of the irrigation sector by: (i) removing all import duties and sale taxes on all irrigation equipment, (ii) abolishing the standardisation requirements of diesel engines, (iii) withdrawing tubewell siting
restrictions, (iv) reducing the subsidy on DTWs, (v) continuing the rental programme for DTWs, (vi) giving increased credit to poor farmers for hand and treadle pumps.

In 1989, the fertiliser market was deregulated and the private sector was allowed to purchase fertiliser from the factory directly. With the objective of early attainment of self-sufficiency in agricultural sector, the government of Bangladesh had stressed the adoption of seed-fertiliser-water irrigation technology and adopted policies to encourage this. For the development of agriculture and for achieving the target of crop production with success, innovative programmes have been undertaken for intensive seasonal crop production, strengthening activities of agricultural extension at field level and other R & D activates through different Departments/Directorates/Institutions and International Agencies. Several leading research Institutes such as, Bangladesh Agricultural Research Institute (BARI), Bangladesh Rice Research Institute (BRRI), Bangladesh Institute of Nuclear Agriculture (BINA) and Bangladesh Agricultural University have been pursuing research for better quality seeds, pesticides and fertilisers for increased agricultural productions. Import of high nutrient content of fertilisers is being encouraged and farmers are also being motivated to use such high yielding seeds and fertilisers. Foreign investment in fertilisers is also invited and significant incentives are being offered.

**Industrial Reforms**

The role of the industry sector, specially manufacturing, is indispensable for enhancing economic growth. The industrial sector accounts for 15.91% of GDP in 2002-2003. The government is committed to make the industry sector competitive in both the deregulated domestic and international market. The vision of industrialisation is to ensure the manufacturing sector contributes 25% of GDP by 2010. Export-orientation is the principal feature of industrial reform. Currently, permission of the Government is not required to establish industries except those in the reserved sectors such as, defence related equipment and products, production of nuclear power, security printing and minting and reserved forest areas. Besides the local textile sector, government incentive has been introduced for the leather and jute sectors and recently extended to other export sectors such as, frozen food, agro-based products, vegetables and fruits, bi-cycle and light engineering etc.. Quantum Index of Production (QIP) is an important tool for measuring production of goods of manufacturing industries. Table -1 shows a consistent

Table 1: Quantum Index of Production for Medium to Large-scale Industries

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium to large scale industries</td>
<td>173.5</td>
<td>179.3</td>
<td>195.94</td>
<td>204.17</td>
<td>214.3</td>
<td>228.4</td>
<td>236.1</td>
<td>249.7</td>
</tr>
</tbody>
</table>


State owned enterprises (SOEs) still play a major role in industry, power, gas, transport, communications and service sectors of Bangladesh economy. Though privatisation of public enterprises in line with the government’s economic reforms are well in progress, the total contribution of these enterprises is still substantial in GDP, value addition, employment generation and revenue earnings. Six major industrial SOEs are: Bangladesh Textile Mills Corporation (BTMC), Bangladesh Steel and Engineering Corporation (BSEC), Bangladesh Sugar and Food Industries Corporation (BSFIC), Bangladesh Chemical Industries Corporation (BCIC), Bangladesh Forest Industries Development Corporation (BFIDC) and Bangladesh Jute Mills Corporation (BJMC).

The recently adopted industrial policy included seventeen new industries in the list of thrust sectors which enjoy certain privileges, such as cash incentives for exports, tax rebates and concessions in utility tariffs and interests on loans (Industrial Policy, 2005). Readymade garments, light engineering, pharmaceuticals, optical frame, cold roll (CR) coil, herbal medicine, furniture and handicrafts are among the new entrants that raised the number of thrust sectors from the present 16 to 33. The policy envisages that the contribution of the industrial sector to GDP is expected to increase from the current 16% to 40% in the next decade. The policy has announced increases in fiscal and financial incentives for agro-based industries and women entrepreneurs, and made special offers for establishing exclusive economic zones. Apart from Adamjee Jute Mills, eight SOEs under the Bangladesh Chemical Industries Corporation have so far been shut down recently as a
part of economical reforms through privatization of industrial sector. The poverty reduction and faster industrialization programs of the government have been gaining momentum due to liberalized industrial and investment policies pursued by the government.

Policy Developments

The Government of Bangladesh formulated its interim poverty reduction strategy paper, called the National Strategy for Economic Growth, Poverty Reduction and Social Development (NSEGPRSD), which seeks to reduce by half the incidence of income poverty by 2015. A great deal of compelling evidence suggests that the decline in poverty is primarily attributable to growth. However, the data on ‘income-poverty’ does not capture trends in ‘human poverty’, which reflects deprivation in other dimensions of the quality of life (ADB, 2004). Based on this more inclusive metric, Bangladesh is ranked above India and Pakistan for human development which is discussed in the later part of the paper. Though Bangladesh lags behind in reducing income poverty, it is one of the few countries on track for reducing human poverty and is likely to achieve the target for enrolment in primary education, and access to improved water sources, female secondary enrolment and reduction of infant mortality rates. The Government has increasingly recognized that providing basic social services such as access to education, health care, potable water, and sanitation is a key to poverty reduction.

The NSEGPRSD and the government’s prepared a full poverty reduction strategy by the end of 2004 that provided the basis for obtaining assistance from IMF and the World Bank’s Development Support Credit. Underpinning the NSEGPRSD as a medium-term (FY2004-FY2006) macroeconomic framework that seeks to raise economic growth to 6.5% and bring down inflation to 4.0% (FY2006), as well as would contain the fiscal deficit to under 5% of GDP during the period. To help achieve these goals, the government has embarked on a program of reform measures aimed at maintaining macroeconomic stability while addressing structural constraints on faster economic growth. These include (i) further fiscal reforms involving a sustained revenue effort and a shift in spending toward infrastructure and human capital formation, (ii) reform the banking sector using the suitable IT technology for faster customer services and to bring down the high cost of funding investment, (iii) reform of SOEs
to reduce their burden on the budget and enhance the role of private sector-led growth, and (iv) trade reforms to improve competitiveness. Table 2 shows major economic indicators for a period of five years from 2001-2005 (Economic assessment, 2005). It is confirmed from the data (Table 2) that gross domestic investment and GDP growth have been growing steadily, which proves that the latest economic reforms are yielding positive results for reducing unemployment and poverty.

### Table 2. Major Economic Indicators, Bangladesh, 2001-2005, %

<table>
<thead>
<tr>
<th>Item</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (a)</td>
<td>5.3</td>
<td>4.4</td>
<td>5.3</td>
<td>5.7</td>
<td>6.0</td>
</tr>
<tr>
<td>Gross domestic investment/GDP</td>
<td>23.1</td>
<td>23.1</td>
<td>23.2</td>
<td>24.3</td>
<td>25.1</td>
</tr>
<tr>
<td>Inflation rate (consumer price index)</td>
<td>1.9</td>
<td>2.8</td>
<td>4.4</td>
<td>4.7</td>
<td>4.2</td>
</tr>
<tr>
<td>Money supply (M2) growth</td>
<td>16.6</td>
<td>13.1</td>
<td>15.6</td>
<td>15.9</td>
<td>15.2</td>
</tr>
<tr>
<td>Fiscal balance/GDP</td>
<td>-5.0</td>
<td>-4.6</td>
<td>-4.2</td>
<td>-4.8</td>
<td>-4.5</td>
</tr>
<tr>
<td>Merchandise export growth</td>
<td>12.6</td>
<td>-7.6</td>
<td>9.5</td>
<td>13.5</td>
<td>11.0</td>
</tr>
<tr>
<td>Merchandise import growth</td>
<td>11.4</td>
<td>-8.7</td>
<td>13.0</td>
<td>17.5</td>
<td>15.0</td>
</tr>
<tr>
<td>Current account balance/GDP</td>
<td>-2.3</td>
<td>0.4</td>
<td>0.5</td>
<td>0.0</td>
<td>-1.5</td>
</tr>
<tr>
<td>Debt service ratio (b)</td>
<td>6.6</td>
<td>6.3</td>
<td>5.6</td>
<td>5.3</td>
<td>5.6</td>
</tr>
</tbody>
</table>

* a Based on constant 1995/96 market prices. b Represents the ratio of debt service on medium- and long-term loans to total foreign exchange earnings from exports of goods and non-factor services plus worker remittances. Sources: Bangladesh Bureau of Statistics; Bangladesh Bank; Export Promotion Bureau; Ministry of Finance; staff estimates.

### Human Development and Gender Disparity

The World Economic Forum 2004 engaged in a comprehensive study to assess the current size of the gender gap by measuring the extent to which women in 58 countries have achieved equality with men in five critical areas: economic participation, economic opportunity, political empowerment, educational attainment, and health & well-being. Countries that do not capitalize on the full potential of one half of their societies are misallocating their human resources and undermining their competitive potential. Consolidating publicly available data from international organizations, national statistics and unique survey data from the World Economic Forum’s Executive Opinion Survey, the study assesses the status accorded to women in a broad range of countries. Table 3 shows the ranks of several developed and developing countries for comparison with Bangladesh.
While the rankings speak for themselves, they both confirm many commonly held beliefs, on the one hand, and dispel some prevailing myths, on the other. In the United States, for example, the low rank of 46 for economic opportunity appears to corroborate the much-discussed ‘glass ceiling’. And while American women have generally high levels of economic participation, they also appear to be subject to a lack of opportunity for advancement in their careers. Given China’s labour policies, it will probably not surprise many that China ranks high in economic participation (9), but falls close to the bottom of the rankings in education (46) and political empowerment (40). With an overall rank of 33, the Chinese government’s much publicized gender equality objective still falls far short of expectations. Nonetheless, China remains the highest-ranking nation in Asia, followed by Japan (38). The Russian Federation (31) shows similar results to those of China, boosted in the rankings by a high economic participation (3), but compromised by low political empowerment (47) and health & well being (57).

Table 3. The Gender Gap Rankings (World Economic Forum: 2004)

<table>
<thead>
<tr>
<th>Country</th>
<th>Overall rank</th>
<th>Overall Score</th>
<th>Economic Participation</th>
<th>Economic Opportunity</th>
<th>Political empowerment</th>
<th>Educational attainment</th>
<th>Health and well-being</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>1</td>
<td>5.53</td>
<td>5</td>
<td>12</td>
<td>8</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Norway</td>
<td>2</td>
<td>5.39</td>
<td>13</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Australia</td>
<td>10</td>
<td>4.61</td>
<td>15</td>
<td>25</td>
<td>22</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>USA</td>
<td>17</td>
<td>4.40</td>
<td>19</td>
<td>46</td>
<td>19</td>
<td>8</td>
<td>42</td>
</tr>
<tr>
<td>China</td>
<td>33</td>
<td>4.01</td>
<td>9</td>
<td>23</td>
<td>40</td>
<td>46</td>
<td>36</td>
</tr>
<tr>
<td>Japan</td>
<td>38</td>
<td>3.75</td>
<td>33</td>
<td>52</td>
<td>54</td>
<td>26</td>
<td>3</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>39</td>
<td>3.74</td>
<td>18</td>
<td>53</td>
<td>42</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Malaysia</td>
<td>40</td>
<td>3.70</td>
<td>40</td>
<td>36</td>
<td>51</td>
<td>32</td>
<td>15</td>
</tr>
<tr>
<td>Indonesia</td>
<td>46</td>
<td>3.5</td>
<td>29</td>
<td>24</td>
<td>46</td>
<td>53</td>
<td>29</td>
</tr>
<tr>
<td>India</td>
<td>53</td>
<td>3.27</td>
<td>54</td>
<td>35</td>
<td>24</td>
<td>57</td>
<td>34</td>
</tr>
<tr>
<td>Pakistan</td>
<td>56</td>
<td>2.90</td>
<td>53</td>
<td>54</td>
<td>37</td>
<td>58</td>
<td>33</td>
</tr>
</tbody>
</table>

All scores are reported on a scale of 1 to 7, with 7 representing maximum gender equality.

Out of the seven predominantly Muslim nations covered by the study, Bangladesh (39) in overall ranking achieved the top position that was followed by Malaysia (40), then Indonesia (46), while Jordan (55), Pakistan (56), Turkey (57) and Egypt (58) occupied the bottom four ranks. There is little doubt that traditional, deeply conservative attitudes regarding the role of women have made their integration into the world of public decision-making extremely difficult. In recent times however, some progress has evidently been made. Bangladesh performs quite well on economic participation (18), Malaysia on health and well being (15), Indonesia on
economic opportunity (24) and Turkey on economic participation (22), no doubt reflecting the economic freedoms that are increasingly available to women in Islamic countries. Since 90% of Bangladeshis are Muslim, purdah is a traditional Islamic norm that prevents women from doing work outside the home and restricts the movement of women as a symbol of status. Purdah has contradictory implications for the wellbeing of women who work in agricultural fields and manufacturing industries.

Basically all the first three five year plans had focused on poverty alleviation. The country’s fourth five year plan (1990-95) was the first plan that paid special attention to the gender issue in development and aimed to lessen gender discrimination in all socio-economic activities. Since the launch of the Millennium Development Goals (MDGs) at the Millennium Summit in New York in September 2000, the MDGs have become the most widely accepted yardstick of development efforts by governments, donors, and NGOs (United Nations 2000). Almost all the countries in the world including Bangladesh, have committed themselves to attaining the targets embodied in the Millennium Declaration by 2015. School-based administrative data show Bangladesh as having made impressive gains in reducing gender disparities in primary and secondary schooling - one of the MDGs. The ratio of females to males in primary schools has steadily increased from about 83% in 1991 to 96% in 2000 itself. At the secondary level, thanks largely to the Bangladesh Female Secondary Stipend Program (FSSS), there are already more girls enrolled than boys. Bangladesh Ministry of Education statistics indicated that, of the 7.7 million children enrolled in secondary schools in 2000, 4 million were female, implying a ratio of females to males of 112%. It is an outstanding achievement that Bangladesh, being one of the poorest countries in the world, with a per capita gross national income of only US$1,770 (in PPP terms) in 2002 is the only country in South Asia other than Sri Lanka to have achieved parity in male and female enrolments not just at the primary level but also at the secondary level.

These achievements represent extraordinary progress for a country that, until recently, was frequently derided as an “international basket case.” Indeed, a recent article by Dreze (2004) suggests that Bangladesh is now ahead of India and Pakistan on most social indicators. Bangladesh has lower infant and maternal mortality rates, higher child immunization rates, better access to improved water sources and sanitation, and higher primary enrolment rates than India,
which is an emerging global economy. As noted earlier, Bangladesh has eliminated the gender gap not only in primary education but also in secondary education, while India still has a significant gender gap at both levels. Dreze admits that “Bangladesh is no paradise of human development but social indicators are improving quite rapidly not just for a privileged elite but also for the population at large.” On the other hand, Dreze contends, “in India, social progress is slower and less broad-based, despite much faster economic growth. This is one indication, among many others, that India’s development strategy is fundamentally distorted and lop-sided.”

The extraordinary progress in improving social indicators in Bangladesh relative to the progress made by India most possibly have to do with the fact that public expenditure on health as a proportion of GDP is almost twice as high in Bangladesh (1.5%) as in India (0.9%). This was not always so. In 1990, Bangladesh spent only 0.7% of its GDP on health – less than what India spent (0.9%) (UNDP, 2004). It is also remarkable to note that public spending on health in Bangladesh increased sharply during the 1990s, while India experienced stagnation in public spending on health in relation to GDP growth. Additionally, there is an important difference between Bangladesh and India in the composition of public spending on education. While Bangladesh spends 45.1% of its total public expenditure on education at the pre-primary and primary level, the relevant figure for India is 38.4%. At the other extreme, India spends 20.3% of its total public spending on education at the tertiary level, in contrast to Bangladesh’s 11.1% (UNDP, 2004). Thus, the rapid growth of public spending on education and health in Bangladesh combined with its better balance of educational spending across the primary and tertiary sectors in comparison with other sub-continent countries are likely to be the important factors in explaining the significant progress the country has made in its social indicators during the 1990s.

Another factor that is likely to be important in explaining Bangladesh’s relative success in attaining positive social outcomes is the work of its NGOs. Bangladesh may well be the world’s leader in using NGOs as vehicles of development. NGOs are involved in virtually every activity in the country – relief and rehabilitation, poverty alleviation, health, education, social protection, and environmental protection, to name a few. A villager in Bangladesh can send his or her child to an NGO school, have family planning and basic health services delivered by an
NGO health worker, obtain micro-credit financing from a choice of several NGO banks, sell milk and other dairy products to an NGO dairy cooperative, and make a telephone call on an NGO telephone. Likewise, many of the family planning programs of the 1970s and 1980s, which set the stage for the subsequent decline in child mortality, were primarily delivered through NGOs. And several studies suggest that micro-credit programs, which were pioneered by one of the best-known NGOs in the world – the Grameen Bank, have had a significant effect on reducing poverty, especially among females. NGOs in Bangladesh differ from NGOs in other developing countries. Several of these organizations have become very large, very professional, and they have become a model for others. Bangladesh, one of the poorest countries in the world and the last place you would have expected this to happen, has really become a leader in showing what the voluntary sector can do (Smillie, 1998).

**Governance and Corruption**

Traditionally, national governance and corruption challenges have been seen as a) particularly daunting in the poorer countries, with the richer world viewed as example or benchmark, b) anchored within a legalistic framework and focused on the quality of formal institutions, c) a problem of the public sector, and d) divorced from global governance or security issues, which are regarded as separate fields.

It was assumed that corruption could be more broadly construed as attempts to exert undue influence in order to privatize public policy and appropriate the provision of public services for private purposes. In order to assess the relative importance of legal and illegal forms of corruption, in which many in the corporate and public sectors in both rich and emerging countries appear to be involved, an empirical analysis of the data emerging from 2004 Executive Opinion Survey (EOS) of the World Economic Forum was carried out (Kaufmann, 2004). To construct ethics indices, each relevant individual governance question in the EOS was mapped to one index. Each set of input questions was averaged to create the respective ethics index. The theoretical range of each index is from 0 to 100, reflecting the average percentage of firms in each country reporting a satisfactory situation on the particular ethics-related EOS question.
Table 4. Corporate and public ethics indices

<table>
<thead>
<tr>
<th>Countries</th>
<th>Corporate Illegal Corruption Component (CICC)</th>
<th>Corporate legal Corruption Component (CLCC)</th>
<th>Corporate Ethics Index (CEI)</th>
<th>Public Sector Ethics Index (PSEI)</th>
<th>Judicial/Legal Effectiveness Index (JLEI)</th>
<th>Corporate Governance Index (CGI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>92</td>
<td>50.3</td>
<td>71.1</td>
<td>78.6</td>
<td>89.0</td>
<td>88.4</td>
</tr>
<tr>
<td>Singapore</td>
<td>93.3</td>
<td>72.6</td>
<td>83.0</td>
<td>92.7</td>
<td>89.9</td>
<td>80.9</td>
</tr>
<tr>
<td>Malaysia</td>
<td>66.8</td>
<td>47.1</td>
<td>56.9</td>
<td>58.6</td>
<td>77.5</td>
<td>66.7</td>
</tr>
<tr>
<td>China</td>
<td>43.6</td>
<td>49.4</td>
<td>46.5</td>
<td>42.1</td>
<td>42</td>
<td>35.3</td>
</tr>
<tr>
<td>India</td>
<td>39.4</td>
<td>29.8</td>
<td>34.6</td>
<td>31.7</td>
<td>59.9</td>
<td>55.4</td>
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<tr>
<td>Indonesia</td>
<td>38.2</td>
<td>42.4</td>
<td>40.3</td>
<td>47.3</td>
<td>39.9</td>
<td>44.7</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>35.7</td>
<td>23.9</td>
<td>29.8</td>
<td>20.2</td>
<td>38.5</td>
<td>43.8</td>
</tr>
<tr>
<td>Pakistan</td>
<td>22.1</td>
<td>23.5</td>
<td>22.8</td>
<td>10.3</td>
<td>4.8</td>
<td>31.3</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>12.3</td>
<td>18.9</td>
<td>15.6</td>
<td>9.0</td>
<td>12.6</td>
<td>24.3</td>
</tr>
<tr>
<td>USA</td>
<td>84</td>
<td>30.8</td>
<td>57.4</td>
<td>70.1</td>
<td>83.7</td>
<td>89.8</td>
</tr>
<tr>
<td>Sweden</td>
<td>93.9</td>
<td>60.0</td>
<td>77.0</td>
<td>84.0</td>
<td>93.2</td>
<td>92.6</td>
</tr>
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</table>

Table 4 presents some of the countries ethics related indices for comparison. The indices were constructed from the various specific EOS questions on bribery, legal corruption and corporate ethics, which provide the empirical backbone to one’s conviction that many rich countries also have some problems with ethics and corruption.

These data from the firms and its analysis are significant for identifying the real obstacles facing the business community, since it is found that governance and corruption issues constitute key constraints to investment and business, and are particularly significant in assessing a country’s overall competitiveness. BD News (Rahman, 2005) reported that although the government of Bangladesh already hiked the fuel price and took some steps to reform tax structure after the national budget according to the prescription of WB and IMF, Bangladesh’s performance in combating corruption remained very poor. Wolfowitz, President of the World Bank expressed serious concern for high scale corruption at all levels and failure to establish good governance, which are hindering economic development, reduction of poverty and unemployment in Bangladesh.

Impact of the economic reforms and future steps

The reform activities have led to several major successes as mentioned earlier. The overall budget deficit has been reduced, the inflation rate has fallen, foreign reserves have steadily increased, and female literacy and work participation rates have increased. But the reform
agenda failed to make a significant impact in relation to economic growth, infrastructure development and poverty alleviation. This is due to the fact that in spite of recent economic reforms, the growth of FDI remained almost stagnant. Several foreign companies have left the country by selling their enterprises. Unless administration is made accountable, transparent, and efficient and corruption is rooted out through strict administrative reforms, foreign and domestic private investments will not improve. It is found that a very small section of population is taking the advantage of the economic reforms due to corrupt administrative procedures and as a result economic disparity has been rising. Since imports are increasing due to government’s economic liberalization but exports are not expanding accordingly, balance of payment is deteriorating. To reduce poverty and increase employment, present economic reform policies should implement the following steps:

- Further liberalization of trade through attractive incentives, fair and transparent corporate governance for FDI to achieve competitive advantage over other Asian countries particularly over other Indian sub-continent countries.
- Further privatization of public enterprises
- Development of social sectors such as, education and health.
- Further deregulation of financial and labour markets.
- Reducing budget deficit by controlling public spending and strict implementation of taxation program
- Introducing necessary changes in the institutional framework and administrative procedures.
- Improvement of the productivity and quality of the products to offset the balance of payment problem.
- Introducing appropriate pricing and resource allocation policies to safeguard poor village farmers for their development.
- Establishing stable democratic process through central and local governments for sustainable development.

**Conclusion**

This paper performed a comprehensive review of the evolution of structural and economic policy reforms particularly in the areas of agriculture, industry, female participation in social
development, corruption and corporate governance, and their effectiveness with regard to poverty alleviation, reducing unemployment, improving literacy and numeric skills especially for the female population and GDP growth. It is found that the reform policies have already achieved good results in some areas. Bangladesh’s exports to EU countries in the period between 1999 and 2003 surged forward by 166% while China, the fastest growing global economy, recorded an increase of only 85 %. Agricultural reforms commenced in early 1980s made Bangladesh self-sufficient in food grains production. Privatization of public enterprises in line with the government’s economic policy reforms is well underway and showing some positive results in terms of GDP growth and poverty alleviation.

It is also found from the data (ADB, 2004) that ‘income poverty’ does not capture trends in ‘human poverty’, which reflects deprivation in other dimensions of the quality of life. Bangladesh has achieved significant progress in reducing human poverty though target rate for reducing income poverty has not been achieved. The possible reasons are high corruption at all levels, lack of accountability and transparency in the corporate governance, and poor infrastructure development.

World Economic Forum’s Executive Opinion Survey found that Bangladesh managed to reduce gender disparity reasonably well (Table 3). Bangladesh has made outstanding progress on female economic participation (world ranking – 18) when compared with better economies such as, Japan (33), Malaysia (40) and India (54). Bangladesh also achieved gender parity in terms of primary and secondary female to male student’s enrolment ratios - one of the MDGs. The study also recorded high scale corruption and poor corporate governance (Table 4) which are major concerns for the economic development of Bangladesh. There should be systematic and concerted efforts by government agencies, business enterprises and civil society groups to overcome these concerns and establish a comprehensive and transparent governance mechanism as a tool to achieve improved performance in all spheres of socio-economic activities.
References


Industrial policy marks 17 new thrust sectors,


World Bank. 2005. Attaining the millennium development goals in Bangladesh: How likely and what will it take to reduce poverty, child mortality and malnutrition, gender disparities, and to increase school enrolment and completion?
http://www.mdgbangla.org/workshop/bids_worldbank/documents/WB_Final_Bdesh_MD

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Limited impact Despite their widespread use on the international stage, economic sanctions are largely ineffective in achieving their objectives. According to leading empirical analyses, between 1915 and 2006, comprehensive sanctions were successful, at best, just 30 percent of the time. What’s more, data has shown that the longer sanctions are in place, the less likely they are to be effective, as the targeted state tends to adapt to its new economic circumstances instead of changing its behaviour. Bangladesh’s experience also shows that it is possible to make rapid initial progress in many social development indicators by creating awareness through successful social mobilization campaigns and by reaping the gains from affordable low-cost solutions. Further progress, however, will require increased public social spending and improved quality of public service delivery. Citation. Mahmud, Wahiduddin; Ahmed, Sadiq; Mahajan, Sandeep. 2008. Economic Reforms, Growth, and Governance : The Political Economy Aspects of Bangladesh's Development Surprise. Commission on Growth and Develop 3 The economic impact of ageing. 3.1 Implications for potential growth. Population ageing stemming from increases in life expectancy and low fertility rates has the potential to exert downward pressure on all components of potential growth. The advantage of this model is that it allows an evaluation of the impact that population ageing will have on a large set of macroeconomic variables in a general equilibrium framework, as well as an assessment of the implications of various kinds of pension reform (which will be discussed in Section 4).