



## The imperative for governance and institutional reforms

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The inevitable downfall of the autocratic Hasina regime has ushered in a new era of hope for modernising the Bangladeshi system of governance and institutions. Hats off to the youth and community of citizens at large for bringing about this much needed change. The present euphoria, though, must not be wasted in a quest for revenge and retribution. The demand for justice against killings, corruption and all other forms of wrong- doing is understandable. And all efforts must be made to bring the culprits to justice through the rule of law. Yet, the universally accepted principle of “innocent until proven guilty” should be the norm.

At the same time, this opportune moment for bringing about much needed governance and institutional reforms cannot be lost. While the regime change is in early days, the reform

process must start now as the road ahead is long, arduous and uncertain. As the saying goes “hit the iron while it is hot”.

### Broad-based process

Many commentators have pointed out that reforms of governance and institutions cannot be done in isolation by a select group of individuals. A broad-based consultative process is necessary. In particular, the political group is the most important stakeholder to ensure the sustainability of these reforms. So, it is heartening to see that Prof Yunus, in his capacity as the Chief Advisor (CA), has started the process of political consultation. This process should be as inclusive as feasible.

While the CA cannot practically talk to everybody who has an opinion on the subject, one way to broaden this consultation is to let people voice their opinions through the media. In this spirit, I offer some ideas based on my long experience as a global development economist with hands-on experience in working on all South Asian countries as a former Director of Economic Management of the South Asia Region for the World Bank. In that capacity, my responsibilities encompassed macroeconomic management, poverty reduction and public sector management.

While the reform list is long, priorities have to be set to recognize capacity constraints and ensure implementation. For analytical convenience, I list my suggested governance and institutional reform priorities under three broad headings: Social governance; political governance; and economic governance.

### Social governance reforms

I put social governance on top because this is the area that has the most impacts on people’s lives. Bangladesh needs to ensure a constitutional set up and associated institutions of law, order and justice that ensures all citizens five fundamental rights: The Right to Life; the Right to Livelihood and Property; the Right to Religion; the Right to Speak; and the Right to Justice. If these can be assured, I believe more than half the battle is won. The details of what these Rights entail in terms of specific policies, laws, regulations and institutional arrangements can be worked out through debate and discussions.

## Political governance reforms

In my opinion the core objective of political governance reforms must be to establish a pluralistic, democratic and accountable governance system. To secure this, some fundamental reforms of the present political governance are necessary.

*Party democracy:* Family inheritance-based leadership must give way to competitive, democratically elected leadership within political parties. There should be term limits on party leadership (maximum two terms); head of government must automatically relinquish party presidency; and party finances and source of funding must be disclosed.

*Periodicity of national elections:* There should be national elections every 4 years.

*Term limit on head of government:* No person can become head of government for more than two terms.

*Rebalancing of authority between head of state and head of government:* The head of state should be directly elected with responsibility for defence, public accounts, and autonomous bodies. Other ways of rebalancing the authority are possible but the basic principle of avoiding an all-powerful head of government must be adopted.

*Proper parliamentary democracy:* Winner takes all approach to parliamentary elections must be replaced by a system of proportional representation, which is the dominant form of pluralistic democracy globally. There are different approaches to how proportional representation is implemented in practice, but this should guarantee participation of all political parties in the parliament consistent with their share of popular votes. Crossover voting on specific issues should be allowed without any prejudice.

*Dual-chamber parliament:* A system of upper house and lower house, as is prevalent in many pluralistic democracies globally, should be adopted. Specific ways of how this will function can be worked out by learning from the experience of good country experiences.

*Decentralisation to local level governments (LGIs):* This is of fundamental importance for ensuring a truly pluralistic democratic governance. The present system of LGIs is a mockery

of decentralisation where LGIs have very little responsibility, weak capacity, weak finances and zero accountability. They basically function under the patronage of the national government of the day. The Constitution should mandate an elected system of LGIs with defined responsibilities and sources of funding. I have written a lot on the subject including a book on Making Dhaka Livable (University Press Limited 2005), which is as relevant today as it was then since nothing much has happened.

*Caretaker government and election commission:* Reform of the Elections Commission is important and must be done but I have little comfort that even with best commissioners and autonomy, a reformed Election Commission will be fully effective in conducting truly impartial elections when an incumbent government remains in the seat. So, the best recourse would be to reinstate in the Constitution the provision for caretaker government to conduct elections while establishing an autonomous and powerful national election commission.

*Separation of the judiciary from the executive:* Granting full autonomy to the judiciary and ensuring its complete separation from the executive branch of the government is of paramount importance for the effective functioning of a truly pluralistic democracy. All judicial officers from magistrate to the Chief Justice of the Supreme Court must be outside the control of the executive branch. Global good practice on how this separation is achieved varies by countries. One suggested approach is that a Judicial Governance Council (JGC) may be established comprising of a retired chief justice of the Supreme Court as chair, one active judge each from the current Supreme Court and the High Court, the Head of the Law Department of Dhaka University, and a respected civil society representative. The JGC Council should prepare a list of eligible candidates for each position and provide it to the Attorney General (AG). The AG prepares the final list for the approval of the President. Promotion, transfers and removals should go through the same process.

## Economic Governance Reforms

The subject of corruption is vast. In my view, there are two major approaches to tackling corruption on a sustainable basis: Establishing sound core economic institutions and undertaking broad-based deregulation that removes the sources and incentives for corruption. I will briefly talk here about reforms of a few core institutions and write a separate piece on deregulation to reduce corruption.

*An autonomous Bangladesh Bank (BB):* This is my pet subject, and I have been writing about it over the past 22 years. In 2003 when I was the Director of Economic Management for South Asia at the World Bank, I negotiated a series of budget support operations with the Bangladesh government team led by the late former Finance Minister Saifur Rahman, Dr Fakhruddin Ahmed was the governor of BB, and Mr. Zakir Ahmad Khan was the Finance Secretary. One of the conditions I suggested for tranche release was to ensure the autonomy of BB. One morning I received a call at my home in Washington DC from Minister Saifur Rahman who jokingly said, “Sadiq, are you trying to convert Fakhruddin into Alan Greenspan?” The basic message was that it was too radical an idea at that time, although Minister Rahman gave Dr Fakhruddin adequate space to function effectively.

But my views have not changed. Globally, the evidence is clear. Countries that have an autonomous central bank have a much better record on inflation management than countries where the central bank is under the control of the finance ministry. The depoliticization of the banking sector and associated reduction in banking corruption are also best addressed through an independent BB. Independence of BB obviously has major implications for the upgrading of the quality of BB management consisting of the Governor, the Deputy Governors and the BB Board.

*An autonomous tax authority:* The reform of the NBR is a critical governance improvement and anti-corruption reform. There are two aspects of this reform. First, there is a need to separate the tax planning and tax policy from tax collection. Tax planning and policy can be a separate wing of the Ministry of Finance. And second, the tax collection should be the responsibility of an autonomous Tax Service Authority (TSA) with professional staff, instead of civil servants, and the head of the TSA appointed on a fixed term basis with the approval of the President. The tax system itself needs wholesale changes; several research colleagues and I have written a lot on this subject that can be drawn upon.

*Reform of the land and property market:* Land based corruption is pervasive in Bangladesh. Rajuk along with Police and NBR rank high on the list of corrupt public service institutions. Land reforms involve digitization of land records, digitization of land/property transactions, sharply cutting the cost of land/property transactions to avoid under-reporting of these transactions and thereby eliminating a major source of so-called black money and requiring the use of settlement lawyers for these transactions with all payments through cheques.

*Autonomy to public universities:* The government control over public universities is yet another source of political and financial corruption. Giving autonomy to public universities is one way to address this problem. A Council for Higher Education (CHE) may be established chaired by the Minister of Education, three distinguished academicians and two eminent representatives from the private sector to appoint Vice Chancellors (VC) of public universities based on well-established selection criteria. A candidate with known political party affiliation should be automatically barred. The government should have no say in the appointments of university staff or day to day management of these entities.

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