

**Understanding Donors' Guided Governance Reforms**

**Bangladesh: A Case of Governance  
Paradox**

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## AUTHOR'S DECLARATION

I the undersigned Kazi Mohammad Mahbobor Rahman hereby declare that I am the sole author of this thesis. To the best of my knowledge, this thesis contains no material previously published by any other person except where due acknowledgement has been made. This thesis contains no material which has been accepted as part of the requirements of any other academic degree or non-degree program, in English or in any other language.

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## ABSTRACT

This study is about the impact of the implementation of governance reforms agenda initiated under PRSP on governance apparatus and governance performance of Bangladesh, which substantiates that Bangladesh is a case of governance paradox. Bangladesh implemented governance reforms required for the IMF-WB guided Poverty Reduction Strategy Paper (PRSP). Studying three PRSP documents and exploring the governance performance in the Worldwide Governance Indicators (WGI) as the empirical strategy, the findings substantiate how Bangladesh a case of governance paradox. The findings suggest that Bangladesh implemented bounteous reforms required for PRSP which changed the governance apparatus; but in spite of these reforms implementation, the country's performance in WGI was declining compared to the previous performance in 1996/1998 or the average performance of South Asian countries. Although, the quality of governance was improving poorly in 2011 in some dimensions compared to the base (2002) or beginning year (2003) of the PRSP implementation and compared to the average performance of low-income countries, it is not an improvement at all. Because the governance performance of Bangladesh is in the lower percentile ranks in most of the dimensions. Therefore, this investigation illuminates us challenging the existing theoretical knowledge of policy study that massive governance reforms do not necessarily bring greater quality improvement in the governance performance, and that is why Bangladesh is a case of governance paradox.

Key Words: Bangladesh, Governance, Governance Paradox, Governance Performance, Governance Reforms, Poverty Reduction Strategy Papers (PRSP), Worldwide Governance Indicators (WGI)

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## LIST OF ABBREVIATIONS

<b>ADS</b>	Alternate Dispute Resolution
<b>BTV</b>	Bangladesh Television
<b>BWIs</b>	Breton Woods Institutions
<b>C &amp; AG</b>	Controller and Auditor General
<b>CAS</b>	Country Assistance Strategy
<b>CPI</b>	Corruption Perception Index
<b>HIPC</b>	Enhanced Heavily Indebted Poor Countries
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>IMF</b>	International Monetary Fund
<b>LAN</b>	Local area network
<b>MDGs</b>	Millennium Development Goals
<b>MPs</b>	Member of Parliament
<b>MTBF</b>	Medium Term Budgetary Framework
<b>NGO</b>	Non-Governmental Organizations
<b>NSAPR II</b>	National Strategy for Accelerated Poverty Reduction II
<b>PFP</b>	Policy Framework Paper
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>SAP</b>	Structural Adjustment Policy
<b>SDGs</b>	SAARC Development Goals
<b>SPD</b>	Strengthening Parliamentary Democracy (SPD)
<b>UNDP</b>	United Nations Development Programme
<b>WB</b>	World Bank
<b>WGI</b>	Worldwide Governance Indicators

## INTRODUCTION

Governance is a multi-dimensional concept<sup>1</sup> which is the key to democratization. It leads to development and poverty reduction. Bangladesh is an emerging democracy where “almost one third of the population live below the poverty line” (Rural Poverty in Bangladesh 2014). To reduce poverty, Bangladesh started policy reforms to promote good governance after the independence. International donor agencies especially two Breton Woods Institutions (BWIs)- World Bank (WB) and International Monetary Fund (IMF) were involved in Bangladesh’s reforms initiatives from the very beginning of the independence. In 1980s, both of these BWIs underscored on the Structural Adjustment Policy (SAP) (Bhattacharya & Titumir 2001). At the end of the last century, WB and IMF abandoned SAP and started PRSP as a long-term and comprehensive policy reform plan for the promotion of governance in developing countries.

As a requirement of the condition to loan, the government of Bangladesh prepared its Interim PRSP, full PRSP and revised PRSP in 2003, 2005 and 2009 respectively that was supervised and approved by BWIs. The Bangladesh PRSP planned to reform laws and rules, and established several independent institutions which include the establishing of the effective parliamentary committees, independent judicial system, modernization of civil and police service; establishing effective planning and budgeting system by ensuring an active and independent role of the Comptroller and Auditor General office, introducing the effective and well-specified public procurement rules and guidelines, effective local government institutions, establishing an Independent Information Commission, Independent Human Rights Commission, Independent

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<sup>1</sup> For the detail see Jeff Huther and Anwar Shah (Marcg 1998, 2).

anti-corruption Commission and the Office of Ombudsman<sup>2</sup> (Government of Bangladesh: Interim Poverty Reduction Strategy Paper March 2003; Government of Bangladesh October 16, 2005; Government of Bangladesh December 2009).

After almost one decade of PRSP implementation, Bangladesh achieved successful social progress including the pro-poor economic growth (World Bank 2013). But in the governance indicators, Bangladesh's achievements seems to be miserable, insignificant or, declining. According to the Transparency International report, "Bangladesh has descended on the Corruption Perception Index (CPI) from its earlier rank at 16th to 14th this year" (Bangladesh's CPI ranking dips. 2014). Human Rights Watch reported "Bangladesh Tumbled backward [on] human rights [in] 2013" ("World Report 2014: Bangladesh." 2014).

In this backdrop, this is very interesting to understand the impact of PRSP on governance related policy reforms to change the governance apparatus and its subsequent effects on the quality of governance comparing it before and after the PRSP implementation.

For last four decades, governance reforms in Bangladesh have received much attention of the policy discourse. To understand the governance reforms of Bangladesh, the researchers discuss the problems of the implementation (Mollah, 2014), corruption measures (Parnini, 2011), administrative reforms (Sarker, 2004), governance dimensions and challenges (Roy, 2005), the goals of PRSP and "pro-poor" issues (Aminuzzaman, 2007). But most works focus on the normative<sup>3</sup> understanding of governance problems and implementation. While some focus on

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<sup>2</sup> For the detail see different PRSP papers such as "*Bangladesh: A National Strategy for Economic Growth and Poverty Reduction and Social Development*" (Government of Bangladesh March 2003), "*Bangladesh: Unlocking the Potential: National Strategy for Accelerated Poverty Reduction*" (Government of Bangladesh October 16, 2005) and "*Steps Towards Change: National Strategy for Accelerated Poverty Reduction II (FY 2009-11)*" (Government of Bangladesh December 2009)

<sup>3</sup> Problem identification without empirical study and policy advice.

policy advice, none address the impact of the PRSP program on the policy reforms to bring changes in the governance apparatus, and the improvement of the quality of governance as a result of these reforms implementation.

To explore the above-mentioned research gap, this research addresses to examine the following question: *How much has the PRSP initiative impacted the governance promotion of Bangladesh?* The secondary research question is: *What changes occurred in the governance apparatus of Bangladesh for PRSP initiative and how much has the quality of governance improved due to these changes?*

The findings of this research is that after the adoption of PRSP, Bangladesh has implemented several policy reforms to change the governance apparatus for the quality improvement of the governance; but the successful implementation of these reforms has contributed to only meagre improvement in some dimensions and declining in some other dimensions of the quality of governance.

These findings generate a new intellectual challenge to the existing policy knowledge illuminating the scholarship about how the donors' guided policy reforms make Bangladesh a case of a governance paradox. The Sixth Five Year Plan of Bangladesh states "Bangladesh as a development paradox" (Government of Bangladesh July 2011). Because "[t]he coexistence of poor governance as measured by this approach with good progress with most development indicators in Bangladesh has led many to think of Bangladesh as a development paradox" (Government of Bangladesh July 2011)<sup>4</sup>. However, the findings of this thesis suggest that Bangladesh is not only a case of the development paradox but also a case of the governance paradox. Because the

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<sup>4</sup> In the Sixth Five Year Plan, approach was used to mean the approach of the governance measurement including WGI.

synchronicity of poor performance in governance indicators measured by WGI with ample successes in the implementation of the policy reforms required for the governance promotion has directed many people to rethink Bangladesh as a case of governance paradox. Similarly, based on the proposition of the correlation between governance performance and the development success, one can also rethink Bangladesh as a development paradox. This study is about how Bangladesh can be considered as a case of a governance paradox under the BWIs (WB and IMF) initiated PRSP implementation.

This is a noteworthy study to policy makers and researchers to understand a local phenomenon through the global policy lens which contributes to the empirical and scientific understanding of the impact of governance promotion initiated by two most powerful donors-WB and IMF in a specific and-long term policy project-PRSP. For Bangladesh, it enhances the pragmatic idea of policy makers to understand the impact of the implementation of donors' guided governance reforms. The comparative study of Bangladesh with South Asian and low-income countries facilitates the understanding of the reality of the donors initiated governance promotion programs in both Bangladesh and South Asian and low-income countries. Finally, it contributes to a global understanding of the impact of donors policy in the governance reforms in the peripheral recipients. Most importantly, this investigation poses a new challenge to the existing literature of the policy scholarship about the debate on the importance of the donors driven policy reform in a particular local context.

### ***Empirical Strategy***

After the description of the research puzzle and research question, this section explaining the empirical strategy of the exploration of the research question. In this research, the independent variable is the PRSP initiative. There are two dependent variables: number of

reforms incorporated in the governance apparatus and the quality improvement of governance resulting from these reforms.

There was a long list of policy reforms from judicial reform to budgetary reform in the PRSP plan. This research investigates what are the policy reforms Bangladesh incorporated following the PRSP guidelines in the governance apparatus. To this end, it studies published documents especially three PRSP documents- the Interim PRSP, full PRSP, and revised PRSP to find out the specific reforms that Bangladesh implemented. Data was also drawn from the online archives of the Ministry of Planning, the Planning Commission, reports and working papers of the Centre for Policy Dialogue and the published books and articles.

To investigate the outcome of the implementation, this research examines the governance performance reflected in different indicators. Although there are several hundred indicators<sup>5</sup> of measuring the impact of the quality of governance, this research measures the upward and downward trends in the quality of governance based on six issues of Worldwide Governance Indicators (“World Report 2014: Bangladesh.” 2014) including: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and the control of corruption. Based on these indicators, the score and percentile ranks Bangladesh achieved as a country has been examined and compared the ‘base year of the PRSP making process’ (2002) with ‘the end year of the PRSP implementation’ (2011). Since Bangladesh approved Interim PRSP in 2003, this investigation considers 2002 as the base year. Because 2002 was linked to the Fifth Five Year Plan which reflects the governance performance before the PRSP implementation. Similarly, since the PRSP implementation ended in 2011, it is considered as the end year of PRSP implementation.

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<sup>5</sup> Kaufmann, Kraay, and Zoido-Lobaton (Daniel Kaufmann, Aart Kray and Pablo Zoidi-Lobaton 2014) said that there is a “wide variety of cross-country indicators shed light on the various dimensions of governance” and they recognize several hundred such indicators”.

However, for comprehensive understanding of the performance before the implementation of the reforms and after the implementation, the analysis considers the whole WGI scale from 1996 to 2013. Because it is better to use WGI for a longer period than a shorter period approximately a decade to compare a single country governance performance score over the period or the comparison among different countries based on income or region (Daniel Kaufmann Aart Kraay Massimo Mastruzzi 2014)<sup>6</sup>. In addition, the range of time series is extended from 1996 to 2013 (the WGI published in 2014) because the data used in this investigation are collected from WGI which started to be published in 1996 and the last report was published in 2014 (based on 2013). In this case, before 2003, seven years of governance performance and after the implementation in 2011, two years of performance have also been analyzed. Moreover, the percentile rank achieved in 2013 is also analyzed compared to 2002 to understand the latest governance improvement in Bangladesh. The governance performance in 1996 and some case in 1998 are compared with the performance of 2013 for greater understanding of what was the governance performance at the beginning and the end of the WGI publication.

This study also makes a comparative study among the beginning year of PRSP (2003), middle year (2007) and the ending year (2011). Thus, the findings can provide evidence of how the governance promotion convoluted around the time series from 2003 to 2011 during the PRSP implementation.

The WGI, prepared by Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi (Daniel Kaufmann Aart Kraay Massimo Mastruzzi 2014) are used to measure the governance performance in the score ranging from -2.5 to +2.5 and in percentile rank ranging from 0 to 100 where “higher

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<sup>6</sup> In most cases the year to year change of governance performance in WGI is too small compare to margin of error. For the detail see Daniel Kaufmann Aart Kraay Massimo Mastruzzi (2014).

values corresponding to better governance” (Daniel Kaufmann Aart Kraay Massimo Mastruzzi 2014)<sup>7</sup>. Although there are several other local and global governance measurement scales such as Corruption Perception Index (CPI), Human Rights Watch Report, Freedom House Report; but these scales of measurement are not used to cross justify the performance level in WGI or test the integrity of the WGI. Only WGI is used because it is a widely accepted and legitimate way to understand the level and the quality of governance and employing this scale the ordinal level of measurement is also possible and it facilitates the comparison of the quality of governance over the years and across the region and income. In addition, for the time constraint, other governance measurement scales are not used in this investigation.

This investigation also compares the governance improvement of Bangladesh with average governance performance of the South Asian countries and the low-income countries to understand the level of improvement of governance performance with the regional basis and the income basis. Because these countries were also implemented or, are implementing the PRSP following BWIs’ guidelines to promote governance for poverty reduction. In this case, only the base year (2002) and the ending year (2011) are compared and analyzed considering the standard error.

### ***Limitations of this Research***

The primary limitation of this research is the use of a single governance measuring scale: WGI. The reason for using single measurement scale is explained in the earlier section of the empirical strategy. In addition, this research did not compare the result found in the investigation using WGI with independently developed measurement scale such as public opinion polls. Some governance theories advocates to assess the gauge of the elite measurements comparing their

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<sup>7</sup> For the detail see (Daniel Kaufmann, Aart Kraay, Massimo Mastruzzi 2013)



findings with “independently generated measurements including mass public opinion polls” (Norris 2013, 7). For the limited time of this thesis writing, it was not possible to take such a comprehensive approach to the comparison. In case of the theoretical framework, this investigation did not consider the theory of metagovernance and policy instruments which are also relevant to this study. This is to emphasize the importance of a single theoretical focus developed by Daniel Kaufmann, Aart Kraay, Massimo Mastruzzi (2013).

After the above explanation of the introductory discussion including the empirical strategy and the limitations of the investigation, the subsequent chapters explain the theoretical framework, research findings and the assessment. The Chapter one reviews the detail of the policy literature on governance, good governance and governance reforms in the Bangladeshi and the global context to operationalize the concepts. The second Chapter focuses on three PRSP papers to understand the policy agendas for governance reforms. The third Chapter describes the findings which explores the impact of the PRSP strategy on the governance apparatus and the quality improvement of governance. Chapter four provides an overall assessment of the program and lights on possible causes which can influence the impact on the donors driven policy reforms from outside. Finally, the paper concludes on the findings of this research project presenting a new puzzle to the academic community.

## CHAPTER 1: THEORETICAL ANALYSIS

This research first begins with the discussion and analysis of the existing literature on governance, good governance, and governance reforms initiatives both from local –the Bangladeshi context and the global context. This is to operationalize the idea of governance, good governance or quality development of governance and to trace out the existing research gap in the governance reforms studies. Thus a concrete and specific conceptualization would be possible to understand the research theme of this study which is significant for the investigation. The first section of this chapter maps the operationalization of the concepts, and the next section devotes to identify the research gap in the existing literature.

### **1.1 The Concept of Governance and Good Governance**

Conceptualization begins in this study with the understanding of the concept of governance. The word governance is not a recent invention of intellectuals; it traces back to the medieval time when medieval poet Geoffrey Chaucer wrote ‘*the gouernance of hous and lond*’ [the governance of house and land] (Bevir 2012). Although the development of the idea of governance traced back to few centuries, “still the term has not as yet acquired a meaning that is universally accepted” (Khan 2013, 41)<sup>8</sup>. Khan (Khan 2013, 41) adds “that is why the term has been labeled [labelled] as confusing (Pierre and Peters, 2000:14); not clear (Smouts, 1998, 81); and not precise (Senarclens, 1998, 92)”. However, Bevir (2012) argues that “[s]ince 1980s the word governance has become ubiquitous” (Bevir 2012, 1).

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<sup>8</sup> See also Parnini (2009, 22). Similarly she said that intellectuals are not agreed on the core meaning and the content of good governance.

Although the term is confusing, unclear or imprecise, intellectuals and researchers are not in relax mode; they are working to develop the concept in their ways. For instance, Siddiqui (1996) starts from the dictionary meaning of governance. The dictionary meaning of governance as Siddiqui mentions “act, manner, fact or function of governing; sway, control” (Siddiqui 1996, 16). According to him Governance “is nothing more than a set of strategic political and administrative arrangements required to facilitate the realization of certain desirable economic and social goals” (Siddiqui 1996, 171). Bevir (2012) makes a clear idea than Siddiqui. To Bevir, the concept of governance is different than the concept of government<sup>9</sup> because the later focuses more on social practices and activities than on the state and institutions. Even, Bevir (2012, 15) argues that government transformed into governance. Bevir (2012, 1) clarifies governance defining it as “all processes of governing, whether undertaken by a government, market or network, whether over a family, tribe, formal or informal organization, or territory, and whether through laws, norms and power, or language”.

Thus, the conceptualization of governance is very difficult based on these definitions. Because sometimes the concept is used to refer specific notion and sometimes comprehensive notion. But what is the position of the existing theories of governance to conceptualize the idea of governance.

There is no concrete theoretical framework to understand this concept of governance. However, Enroth (2013), Dowding (2013) (2013), Bevir (2013) discusses about Policy Network Theory, Rational Choice Theory and Interpretive theory respectively identifying them governance theories. Correspondingly, Robert K. Christensen and Mary Tschirhart (2013) Organization

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<sup>9</sup> Even Bevir (2012, 15) in his short note argues that government transformed into governance.

Theory, Peters (Peters 2013) Institutional Theory, Esmark (Esmark 2013) Systems Theory, Jessop (2013) Metagovernance, Sellers (Sellers 2013) State Society Relations, Gales (Gales 2013) Policy Instruments and Governance, Pomerantz (Pomerantz 2013) Development Theory and Norris (Norris 2013) Measuring Governance theory discuss them calling the theories of governance. These theories are more or less discuss on governance challenging the traditional idea of the state.

These theories also suggest the dissimilarities among scholars to theoretically frame the idea of governance. In addition, most of these theories either developed in other discipline or still not acceptable to the academic communities as well flourished governance theories. Because these theories, in fact, were developed in the social sciences of the 20<sup>th</sup> century to extend the comprehension of society and politics (Bevir 2013). Therefore, these theories are not helpful to frame the concept, even, this research project is not accepting them to frame the governance concept.

In the conceptualization of governance, another problem is the interchangeable use of governance and good governance. Bevir defines good governance as “a mantra in current discussions of aid and development, although what counts as good governance is still a matter of contentious debate” (Bevir 2012, 4). To him, the narrow definition of good governance include “competitive elections, clear lines of accountability, and the rule of law” (Bevir 2012, 105) while the comprehensive definition include “pluralism, respect for human rights and a broad base of political participation” (Bevir 2012, 105).

Intellectuals are not only making the difference between the notion of governance and the government but also sometimes between the governance and good governance. This is for the dissonance among the scholars about what is good or, bad governance. To overcome the complexities, it is better to use the idea of *governance promotion* through which one can explain

the good and bad level of governance. In this case, Bevir idea of *new governance* can also be helpful. His idea of the new governance denotes to “the rise of new processes of governing that are hybrid and multi-jurisdictional with plural stakeholders working together in networks” (Bevir 2012, 5).

To understand the idea of governance, this research considers the changing social, political and international contexts as it is designed by Bevir (2012). Therefore, the idea of governance here is very comprehensive which include non-governmental national organizations and international intergovernmental organizations as the stakeholders in producing policies, practices of governance and to identify the problems based on the new trends and circumstances and solution provision based on a broad understanding and consensus of these stakeholders. This comprehensive idea will facilitate this research to include the BWIs as the valid and undebatable stakeholders in the governance promotion process.

Daniel Kaufmann, Aart Kraay, Massimo Mastruzzi (2013) define governance which more or less include Bevir (Bevir 2012, 105) above mentioned narrow and comprehensive idea of good governance. The governance measurement scale- WGI, is also based on this concept of governance. In a broad sense, governance notion in the PRSP also similar to this notion<sup>10</sup>. They define governance as the “traditions and institutions by which authority in a country is exercised” (Daniel Kaufmann, Aart Kraay, Massimo Mastruzzi 2013). According to them, this definition include:

1. The process of selection, monitoring, and replacement
2. The effective capacity of the government in formulating and implementing sound policies;

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<sup>10</sup> See Parnini (2009, 23), where she mentions the policy agenda what Bangladesh PRSP includes to improve governance.

3. And the state and citizens' respect to the institutional mechanism which rule the socio-economic relations between the state and citizens.

To measure the quality of governance, they build the idea of governance with six dimensions. Each of the above categories has two dimensions where the process of selection, monitoring and replacement can be measured through (i) the voice and accountability (ii) and the political stability and the absence of violence. The effective capacity of government can be gauge through (iii) the government effectiveness and (iv) regulatory quality. Finally, (v) the rule of law and (vi) the control of corruption reflect the state and the citizen's respect to the institutional mechanism (Daniel Kaufmann, Aart Kraay, Massimo Mastruzzi 2013, 4)<sup>11</sup>.

Although there is extensive debate on the number of indicators and their defining concept, This research operationalizes the concept of good governance as it is designed by Daniel Kaufmann, Aart Kraay, Massimo Mastruzzi (2013) in WGI methodology. In this investigation, the notion of governance, good governance and the quality improvement of governance are used to indicate the governance concept explained in the WGI methodology.

## ***1.2 Existing literature on the Governance Reforms from Local and Global Perspectives***

After the operationalization of the concept, this research focuses to understand the research gap. To this end, it reviews the existing literature on the impact of the policy reforms initiative required for governance promotion from local and global context.

There were thousands of efforts throughout the world to improve the quality of governance. Some of these reforms were successful, and some were unsuccessful. Intellectuals work to assess

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<sup>11</sup> For the detail see Appendix-1: The WGI measure six broad dimensions of governance

major reform initiatives and make valuable observations. For instance, Goetz (2009) studies the cases of Brazil, Karnataka and Andhra Pradesh of India and Uganda. She argues “prospects for governance reforms and the institutional changes they imply will depend on the way politics in a particular context shapes elite investment in clientelist systems” (Goetz 2009, 19).

Manor (2009) studies four reforms cases of two Indian states: Karnataka and Andhra Pradesh. He states that among these four, three were considerably successful, and one were partially successful with some difficulties. Manor (2009, 38-39) identifies three causes which make the governance reforms difficult, one of them is how reforms impact on the significant interest of the potent group (Manor 2009, 45). Robinson (2009) investigating the governance reforms of Uganda states that the success of Uganda’s earliest governance reforms was for the political commitment and donor support. Schneider (2009) studies federalism and tax reforms of Brazil. According him, the federalism reform was succeeded, and tax reform was failed. He states the success was for a “new pact around public finances and federal relations” (93). Levy (2009) (Levy 2009) works on African countries. The central message of Levy’s study is “governance reformers must find a middle ground between the bipolar moods that have for decades plagued developmental theory and practice”(116).

Unlike to the above debate among intellectuals about the impact of governance reforms, the Bangladeshi intellectuals, researcher, NGO officials and experts in most cases involved in the debate to find out the problems of governance and their solution. The donors’ driven policy reforms initiatives for governance promotion generated the new trend in the debate. For instance, Sobhan (1993) discusses the failure of the country to establish representative institutions. He also discribes the significant role of foreign aid in the development process and the quality of governance of Bangladesh. Siddiqui (1996), discusses fifty unpleasant essays to describe the governance related

bureaucratic reforms without any theoretical calisthenics. He also discusses the donors' concern on the good governance of developing countries which lacks "unanimity among the donors on the definition of good governance" (Siddiqui 1996, 15). Parnini (2009, 42) argues "superficial poverty reduction strategy in Bangladesh can neither improve governance system nor reduce poverty". Khan (2013) discusses administrative reforms in Bangladesh, Hong Kong, Malaysia, and Singapore. He discusses on the existing problems of the civil service of Bangladesh such as politicization and corruption. He also explicates the role of four international donors in the civil service reform in Bangladesh (Khan 1998, 123-141).

But the question is: what is the limitation of the existing literature on the governance of Bangladesh? They are prioritised on specific sector primarily civil service reforms (see Khan 2009), donor's problem (Siddiqui 2006), donors perception and the conditionality imposition (Parnini 2009), country's failure to establish democratic institutions and the external dependence (Sobhan 1993); but the scholars did not underscore on the empirical understanding of the donors' initiated governance reforms especially the impact of PRSP on the governance promotion.

This investigation operationalizes the idea of governance considering the concept designed by Daniel Kaufmann, Aart Kraay, Massimo Mastruzzi (2013) to overcome this research gap in Bangladesh. In this regard, it studies three PRSPs prepared by the Government of Bangladesh to understand the impact of the PRSP initiative to change the governance apparatus through identifying the policy agenda and the implemented policy initiatives for governance reforms. To understand the impact of the implementation of these reforms on the quality improvement of the governance it studies the score and percentile ranks of the governance performance of Bangladesh over almost a decade in WGI scale and compare it to average performance of South Asian and low-income countries.





## CHAPTER 2: POLICY REFORMS AGENDA FOR GOVERNANCE PROMOTION: FROM I-PRSP TO REVISED PRSP

Bangladesh achieved independence through a bloody war with West Pakistan on 16 December 1971. The external dependence of Bangladesh started before independence, and that is in 1960s (Sobhan 1993, 223). After the post-liberation, the international donors were involved in civil service reform initiative at the end of 1970s and the International Bank for Reconstruction and Development (IBRD) involved in 1979 to do a training needs survey of some training institutions (Khan 1998, 124). However, the policy making process of Bangladesh is under BWIs comprehensive guidelines for the preparation of Policy Framework Paper (PFP) in 1980s which was replaced by Country Assistance Strategy (CAS) process in 1992, afterwards, CAS was replaced again by PFP and finally, PFP by Poverty Reduction Strategy Paper (PRSP) (D. S. Parnini 2009, 49). A WB statistics suggests that from December 1971 to June 1991 Bangladesh received the commitment for \$17.4 billion from aid donors as grants or loans (Sobhan 1993, 224). Parnini (2009, 30) mentions that till June 2006, it was amounted approximately to \$44.83 billion. These grants and loans were conditioned on several socio-economic and political reforms.

The WB and IMF both work together in imposing conditionalities for macroeconomic policy reforms. At the end of 1990s, the BWIs' (IMF & WB) loans provision conditional on macroeconomic reforms turned into the full-fledged governance reforms. In the same period, BWIs took an initiative to offer debt relief facilities to the forty heavily indebted countries named Enhanced Heavily Indebted Poor Countries (HIPC) and BWIs recommends HIPC to prepare PRSP which include BWIs advice intended to support SAP policy reform agenda in order to qualify for this debt relief facility (Rehman Sobhan & M M Akash 2007, 1). In 1999, a comprehensive review of the HIPC initiative was conducted by BWIs and as part of the process, a clear international

consensus was developed that “debt relief must be part of a comprehensive poverty reduction strategy comprised of a range of policies aimed at improved social programmes, good governance and widely shared economic growth” (Rehman Sobhan & M M Akash 2007, 2). Subsequently, to facilitate this consensus, the governments approved a joint World Bank-IMF paper which links the PRSP and HIPC.

So what is PRSP? To introduce PRSP, Sobhan and Akash quoted from Brian A., G. Belt, and MI Plant, (2000). This is basically the definition given by IMF. PRSP is defined by IMF as “a road map prepared by countries themselves to help them better target public policies in support of poverty reduction” (Rehman Sobhan & M M Akash 2007, 9-10). In common, PRSPs were prepared following the neoliberal economic model which is based on the Washington Consensus. All PRSPs are in general a three-year period plan, and most of the countries revised it after three years of implementation. There were three essential elements of all PRSPs in general and all ideal PRSPs should follow five basic principles. According to Sobhan and Akash, WB and IMF provide different policy advice to their domestic partners to frame the PRSP. WB provides “policy inputs in the areas of poverty assessments, designing of sectorial strategies, institutional reforms and social safety net policies” (Rehman Sobhan & M M Akash 2007, 12). On the other hand, according to them, IMF suggests in the area of “macroeconomics, exchange rate and tax policies” (Rehman Sobhan & M M Akash 2007). However, Sobhan and Akash citing Brian and Klugman (2002) (Brian, A. and J. klugman 2002) mention that both of these institutions advised on some common areas: fiscal management, budget transparency, and tax custom administration” (Rehman Sobhan & M M Akash 2007, 12).

The Government of Bangladesh completed its Fifth Five Year Plan in 2002. But in order to receive loans or assistance from BWIs, and to change the development strategy for poverty

reduction at the earliest possible time, the Government of Bangladesh started the preparation of its' Interim PRSP in December 16, 2000. An eleven member Task Force led by the Secretary of Economic Relations Division was formed to supervise the preparation process. From 2003 to 2011, the Government of Bangladesh prepared six PRSP documents (see the Box).

Box 1: Six PRSPs prepared by the Government of Bangladesh

1. Interim PRSP or I-PRSP titled as *Bangladesh: A Strategy for Economic Growth, Poverty Reduction and Social Development* (Government of Bangladesh, March 2003)
2. First draft of the PRSP titled as *Unlocking the Potential: National Strategy for Accelerated Poverty Reduction* (Government of Bangladesh, September, 2004)
3. First full PRSP titled as *Unlocking the Potential: National Strategy for Accelerated Poverty Reduction* (Government of Bangladesh October 16, 2005)
4. Revised PRSP approved by the Caretaker Government titled “*Moving Ahead: National Strategy for Accelerated Poverty Reduction II (FY 2009- 11)*” (Government of Bangladesh October 2008)
5. Revised PRSP titled as *Steps Towards Change: National Strategy for Accelerated Poverty Reduction II (FY 2009-11)* (Government of Bangladesh December 2009).
6. Sixth Five Year Plan titled *Sixth Five Year Plan (FY 2011-2015): Accelerating Growth and Reducing Poverty* (Government of Bangladesh July 2011).

Among the above mentioned six PRSPs, this research considers I-PRSP (Government of Bangladesh March 2003), First final PRSP (The Government of Bangladesh November, 2005) and the revised PRSP (The Government of Bangladesh December 2009) for discussion and analysis. Since the draft PRSP was later turned into final PRSP and the Sixth Five Year Plan is still continuing and it is not exclusively considered as a PRSP strategy, these policy plans are not included in this research<sup>12</sup>. Similarly, the PRSP prepared by the short term Caretaker Government which was later replaced by another paper prepared by elected government is also not considered for the study.

<sup>12</sup> IMF titled the sixth Five Year Plan “Bangladesh Poverty Reduction Strategy Paper” (International Monetary Fund March 2013). Therefore, this research identifies it as a PRSP paper.

What were the governance agendas in all these three PRSPs of Bangladesh? All these three PRSPs continuously added the new policy agenda and implemented the previous agenda required to improve governance. The I-PRSP identifies the promotion of good governance (pillar-2) as one of the strategies of poverty reduction. To promote good governance, the important medium-term strategies of I-PRSP are summarised in the following box.

Box 2: Policy agenda for governance promotion included in the Interim PRSP

1. Establishing the effective and strong parliamentary committees specially, the Public Account Committee and Public Estimate and Undertaking Committees,
2. Establishing an active and effective C & AG accountable to the national Parliament,
3. Initiation of judicial reforms to separate judiciary from executive and founding Judicial Service Commission, Judicial Pay Commission,
4. Setting up of an office of Ombudsman, an independent Anti-Corruption Commission,
5. Quality development of public purchase and procurement system,
6. Ensuring the unobstructed flow of information,
7. Guaranteeing the independence of mass media
8. Institutionalisation of the merit-based system of recruitment process promotion in the civil service.

Source: *The Government of Bangladesh (March 2003, 64-66)*

The full PRSP listed the priorities of governance promotion in detail. In the full PRSP, the supporting strategies II was the initiative of the promotion of good governance in the roadmap to accelerate poverty reduction. The Matrix eighteen titled *the good governance* mentions the major actions that were planned to implement which are also summarised in the following box.

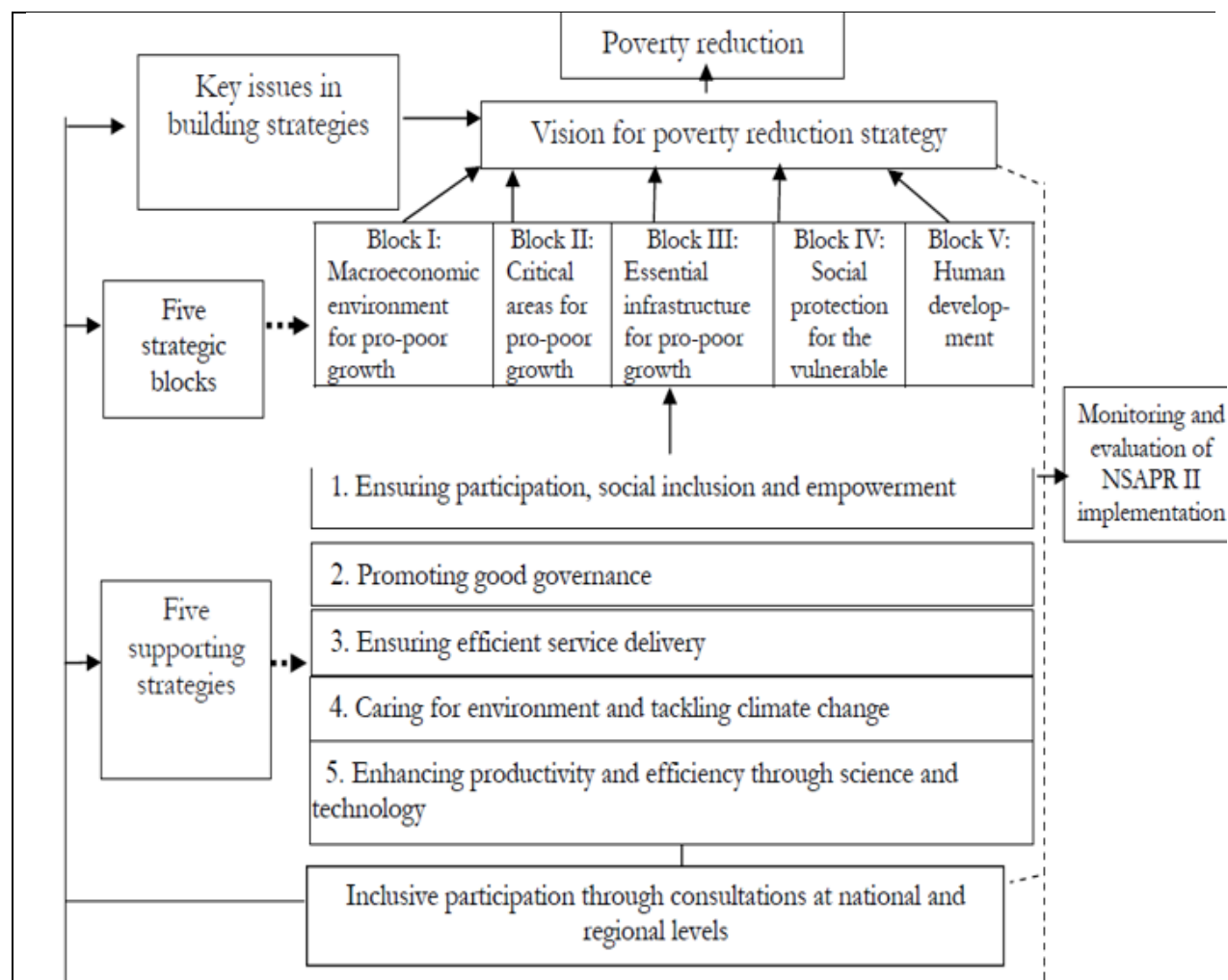
Box: 3 Policy agenda for governance promotion included in the full PRSP

1. Monitoring the progress of the implementation of Medium Term Budgetary Framework (MTBF) and the expansion of the MTBF to more ministries
2. Conducting election of Upazila Parishad,
3. Preparation for the comprehensive Local Government Act
4. Ensuring the credibility of the Anti-Corruption Commission,
5. Quality improvement of the procurement process,
6. Introduction of online tendering process,
7. Promotion of the use of e-governance
8. Comprehensive and effective separation of judiciary,
9. Introduction of the independent public prosecution
10. Ensuring Safe Homes service for women,
11. Setting up the Human Rights Commission
12. Approving the Right to Information Act
13. Promoting the standards of the electronic and print media
14. Ensuring the women access to the Govt. Legal Aid Fund,
15. Appointing women in government high positions,
16. Implementation of the women rights related international agreements,
17. Removing the reservations from CEDWA implementation,
18. Introduction of the uniform family code,
19. Amending the Family Court Ordinance 1985,
20. Implementation of Dowry Prohibition Act effectively

*Source: Government of Bangladesh (October 16, 2005)*

The revised PRSP or NSAPR II underscore on the Election Manifesto of Awami League, with a vision to make Bangladesh as the middle-income country by 2021. This comprehensive paper focused on five strategic blocks and five supporting strategies as the roadmap for pro-poor economic growth and accelerated poverty reduction. Among the supporting strategies, the NSAPR II significantly emphasized the promotion of good governance. For the continuity of the past policy plan, this revised PRSP considers with due emphasize the SAARC Development Goals (SDGs) as well as the Millennium Development Goals (MDGs) in framing the policies and strategies.

Figure 1: Poverty Reduction Strategy Framework



Source: Government of Bangladesh (December 2009, 4)

The revised PRSP mentions eighteen policy matrices and among them the fifteenth policy matrices were the promotion of good governance. This policy matrices identified ten strategic goals with key targets and NSAPR II policy agenda. These policy matrices set sector wise policy agenda to achieve the vision.

Box 4: Policy agenda for governance promotion included in the Revised PRSP

1. Formation of some standing committees and Public Account Committees of Parliament headed by opposition MPs,
2. Arranging debate on Annual Audit Report of C & AG in the Parliament,
3. Recruiting women in the parliamentary staff (50%),
4. Founding legal framework of the right to information,
5. Introduction of the public hearing system,
6. Increasing the accountability of MPs through the introduction of town-hall style open forum and constituency-based interface,
7. Establishing more independent media,
8. Giving more authority to the government-owned media-Bangladesh Television (BTV) and Bangladesh Betar (radio).
9. Introduction of the merit-based recruitment system,
10. Quota introduction for women, backwarded regions and indigenous people,
11. Provision of training for professional development,
12. Absorption of e-governance at all levels,
13. Introduction of award based on the performance, innovation, and quality,
14. The Introduction of the code of conduct to stop sexual harassment.
15. Appoint a court ombudsman,
16. Establishing a research cell to support Judicial Service Commission
17. Reinforce the Alternate Dispute Resolution (ADS),
18. Establishment of the investigation cell under the Attorney General,
19. Establishment of an Independent Police Complaints Authority,
20. Introduction of the nationwide network of criminal cases to develop legal and judicial system,
21. Modification of the law applying agencies.
22. Giving more authority to the local bodies,
23. Making legal framework for e-governance
24. Founding a third generation wireless for the promotion of the e-governance,
25. Elimination of legal and procedural limitation of fighting against corruption,
26. Establishment of the Human Rights Commission,
27. Establishment of the Child Rights Commission,
28. Establishment of the office of Ombudsman,
29. Introduction of a new terrestrial information TV channel,
30. Establish Citizen's Charters in all government offices

*Source: Government of Bangladesh December 2009 (December 2009)<sup>13</sup>*

The above summaries of three PRSPs- IPRSP, full PRSP and Revised PRSP in three boxes suggest that the Government of Bangladesh has taken a huge number of policy reforms initiatives to

<sup>13</sup> This section mentions several important policy agenda of the revised PRSP.



promote governance in Bangladesh. These initiatives were to reform every sector of governance ranging from the parliamentary system to judicial system and from the central government to local government and from administrative service to police service. The most striking and new feature of this reform initiative was the introduction of e-governance. The above discussion provides evidence that from 2002 to 2011, the whole governance apparatus was under the severe supervision of BWIs for governance reforms.

## CHAPTER-3: IMPACT OF THE PRSP INITIATIVE ON THE GOVERNANCE REFORMS AND THE QUALITY OF GOVERNANCE

The research proposal of this investigation expected that the findings will substantiate the argument that after the BWI's PRSP initiative, the Government of Bangladesh, has implemented enormous policy reforms to promote good governance and the successful implementation of these reforms has improved the quality of governance. This section examines what happened empirically. *What changes occurred in the governance apparatus of Bangladesh for BWIs' PRSP initiative and how much has the quality of governance improved due to these changes?* The following first section analyses the impact of the PRSP initiative on the governance apparatus and the next section analyses the impact of PRSP implementation on the improvement of the governance performance of Bangladesh.

### ***3.1 Impact of the PRSP Initiative: The Implementation of the Governance Reforms Required for the PRSP Initiative***

It is notable here that the governance reforms in Bangladesh is not only started after the PRSP initiatives. It was started under the umbrella of the Structural Adjustment of BWIs which started in 1980s. Therefore, to begin the investigation of the number of reforms implemented for the PRSP initiative, this research focuses to understand reforms initiative in the governance apparatus of the Bangladesh which had already been completed after the completion of the Fifth Five Year Plan and before the start of the PRSP strategy. It is very difficult to identify the complete separation in the reforms process because most of the reforms process in Bangladesh were initiated in the incremental model. Consequently, one can argue how this paper separates the reforms initiatives

initiated under the previous fifth '*Five Year Plan*' and the PRSP strategy. This paper ignores this argument considering the actions taken after and before the PRSP's start.

Bangladesh started the implementation of the PRSP strategy when its governance apparatus was framed based on several institutions and laws required for the promotion of good governance. When the government of Bangladesh started to implement PRSP, the major actions which the government of Bangladesh had already taken include: promulgation of government order for the separation of the audit and accounting functions and establishing the Chief Account Officer in all Ministry and Division offices; publication of the Gazette notifications to activate Ombudsman Act 1980, preparation of the draft to determine the power and functions and the appointment mode of the Ombudsman; the bill to establish National Human Rights Commission and the separation of the judiciary from executive was under the consideration of the Cabinet; Speedy Trial Act was approved and the Acid Control Act and Acid Offense Curbing Act were legislated to develop the law and order situation; elections in major city corporations and several Paurasabhas were conducted to strengthen local government; imposition of embargo on the recruitment in the administration to reduce the size of the administration; introduction of the merit-based system of promotion; and the establishment of a Career Planning Cell in the Ministry of Establishment (Government of Bangladesh March 2003, 64-66).

After the implementation of the 1-PRSP and before the beginning of the implementation of the final PRSP, Bangladesh made several success stories in the area of governance related policy reforms implementation. 'The Matrix eighteen' titled *the good governance* mentions the actions taken or underway which is considered here as the successful reforms completed by the government after the completion of the I-PRSP. These actions were: introduction of MTBF, delivering authority to several ministries to prepare their own budgets to increase the

implementation capacity of the government; completion of the building of a large number of Union Parishad Complex, promotion of the UP secretary, giving out a new tax timetable for UP, direct allocation from ADP to Pourashavas and block budget to UP and founding of Gram Sarkar, Upazila and Zila Parishads to strengthen local governance; operationalization of the ACC, establishment of a wing in the Ministry of Establishment for the career planning and the training, founding the Energy Regulatory Commission and Telecommunication Regulatory Commission, Approval of the Bangladesh Telecommunication Regulation Act 2001, Delegation of the financial and administrative autonomy to the companies working under Petro Bangla to enhance the anticorruption measures and increase accountability and transparency; Enacting Speedy Trial Act 2002 and Acid Offenses Act 2002, establishment of nine Speedy Trial Tribunals, the Rapid Action Battalion, New recruitment of the Police force (12959 polices), formation of the committees to review the criminal justice reform, Police Regulation of Bengal to update Jail code, construction of two new central jails and thirty-four district jails has taken into consideration, establishment of five correctional and rehabilitation centre for children and six Safe Homes for women convicts in order to reform criminal justice system and to increase the access of the poor to the justice; formation of the Parliamentary Committees, separating accounting functions from audit functions and approval of Tax Ombudsman bill to enhance accountability and transparency; establishment of MIS database, founding the road and bridge management and maintenance system, preparation of the rural road Master Plan, building of the container and container terminal, building of Power Station and the dramatic reduction of system loss in the power sector to support sectoral governance; National Policy or National Action to promote women's participation in the economic activities, introduction of social protection schemes such as VGF, FSVGD, Widow and Age old Allowance for disadvantaged women, making mandatory the writing of mother's name along with

father's name in all official documents, preparation of the policy for women migrant workers, ensuring equal wage to female, Approval of Acid Attack Crime Repression Act 2002, Acid Control Act 2002, Nari Nirjatan Daman Ain 2000 and 2003, the endorsement (ratification) of the SAARC Convention of Combating Trafficking in Women and Children for Prostitution and the introduction of the Camera trial to promote governance, law and justice and gender-related issues (Government of Bangladesh October 16, 2005, 327-337).

After one year of the publication of the draft of the full PRSP and three years of I-PRSP implementation, a WB official report (World Bank November 2005) also mentioned that the government established the Independent Anti-corruption Commission and the Judicial Service Commission (World Bank November 2005, 12-13).

The reader can realize the successes of the PRSP implementation from the description of the revised PRSP- NSAPR II. The revised NSAPR II mentions the major action which has already taken include: establishment of the Bangladesh Institute of Parliamentary Studies, Approval of Parliament Secretariat Act 1994, Parliamentary committees headed by MPs, Establishment of the Local area network (LAN), introduction of the Citizen's Charter, separation of lower criminal judiciary from executive, introduction of Alternative Dispute Resolution system, reform of the fund transfer and budgeting process to enhance the local governments, opening the website for Local Government Division, formation of anticorruption committees in all districts, ratification of Universal Declaration of Human Rights and promulgation of national Human Rights Commission and approval of community radio system (Government of Bangladesh December 2009). The major ongoing actions which the revised PRSP mentions are: Strengthening Parliamentary Democracy (SPD) project, amendment of the Rules of Procedures, Right to information Act, comprehensive career plan for the civil service, performance appraisal system, judges training and the appointment

of the judicial officers, founding public information booth in the Supreme Court, building of the Union Parishad complex, training of the local government staff, founding of the Local Government Commission, passing the ICT policy and continuing awareness creation against corruption (Government of Bangladesh December 2009).

The above discussion provides evidence that the government of Bangladesh implemented a large number of policy reforms initiative essential to improve governance. These reforms implementation were very comprehensive and all-inclusive ranging from administrative reforms to judicial reforms and from parliamentary reforms to economic liberalism. It established several important institutions necessary to institutionalize the provision of the quality governance. These institutions include:

1. Establishment of the Independent Anti–corruption Commission
2. Establishment of the Independent Judiciary
3. Establishment of the Independent Human Rights Commission
4. The construction of the National Information Commission

Therefore, the study suggests that BWIs reforms initiative that started under SAP and comprehensively started under PRSP was highly successful in implementing policy reforms to change the existing traditional governance apparatus.

### ***3.2 Impact of the PRSP Implementation and the Improvement of the Quality of Governance: Reflection in the Worldwide Governance Indicators (WGI)***

The above section suggests that the policy reforms implementation was successful to change the governance apparatus. But the question is what happened in the quality improvement of the

impact of this successful implementation of the governance reforms. The following study focuses to investigate the rest of the part of the research question to understand the empirical impact of these copious changes of a traditional governance apparatus. This chapter investigates the impact of the reforms initiative on the quality development based on the time series ranging from 1996 to 2013. However, the specific focus is the base year (2002), starting year (2003), and the ending year (2011). It also studies the impact of the reforms on the quality improvement compared to other South Asian countries and low-income countries.

### **3.2.1 Improvement of the Quality of Governance: Time Series from 1996 to 2013**

At the beginning of the investigation of the impact of the reforms, this research studies the score and percentile ranks of Bangladesh as a country in the WGI ranking. Six broad dimensions of governance are used here to understand the impact of the policy reforms among 215<sup>14</sup> countries from 1996 to 2013. These are voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, the rule of law and control of corruption.

#### **3.2.1.1 Voice and Accountability**

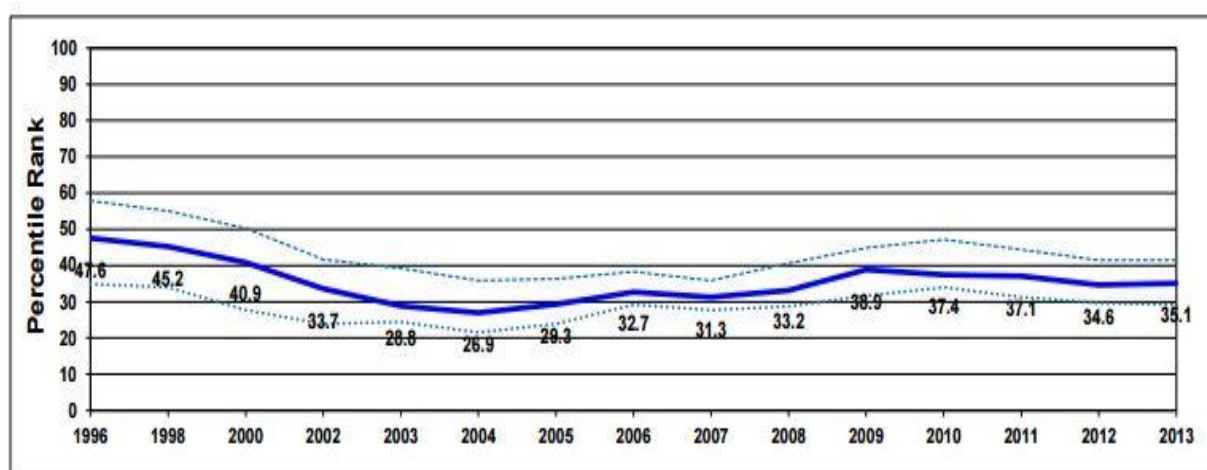
The *Voice and Accountability* is the first dimension in WGI. In this indicator, the following time series graph shows that the performance of Bangladesh was better before 2002, before the start of the PRSP implementation. In 1996, it was almost in the position to cross the second quartile. But in 2013, after one year of the whole period of PRSP implementation, the percentile rank was much lower than the percentile rank before the beginning of the PRSP process Bangladesh achieved on the scale. In 2013, the percentile rank was approximately 35.1 which is

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<sup>14</sup> The number of countries are not always the same in every year. The report on the data collected for the governance performance in 2013 (published in 2014), the WGI index published the report on 215 countries.

more than ten points lower than the position (47.6) achieved in 1996. However, the percentile rank is better in 2011 (37.1) and 2013 (35.1) than the rank in 2002 (33.7), the year before the start of the PRSP process. So, based on the time series graph, it can be argued that PRSP contributed to improve the governance performance from 33.7 to 37.1 percentile rank. But it is lower than 1996.

Figure 2: Percentile Ranks of Bangladesh (1996-2013) in the aggregate indicator of Voice and Accountability



Source: Daniel Kaufmann, Aart Kray and Pablo Zoidi-Lobaton (2014)

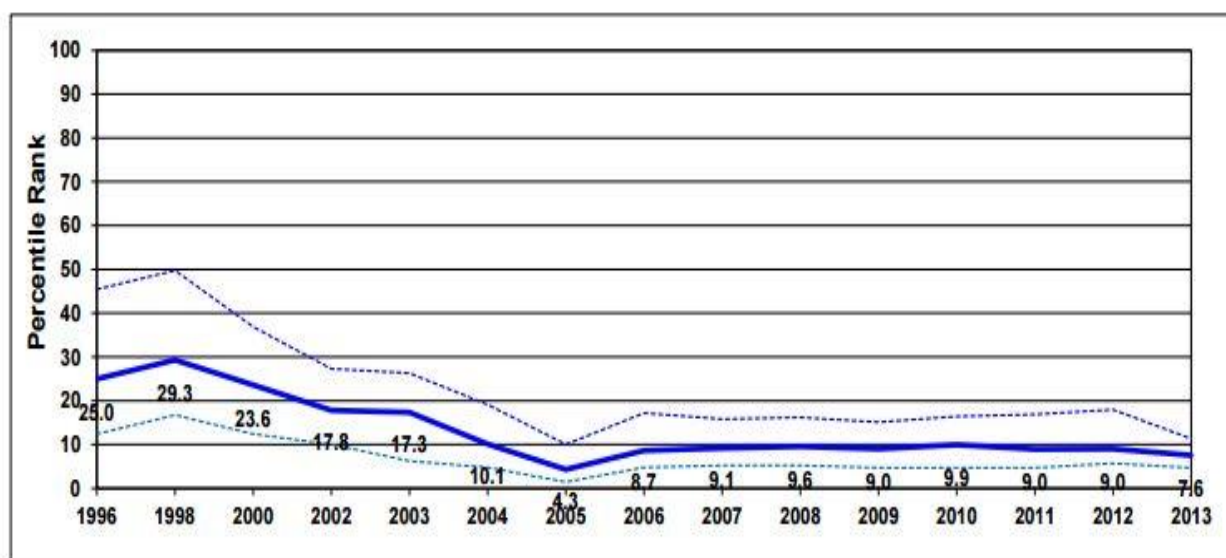
### 3.2.1.2 Political Stability and the Absence of Violence

In contrast to the governance performance in the voice and accountability indicator, the performance of the indicator of political stability and the absence of violence is much worse. In 2002, the percentile rank was 17.8 while the percentile rank in 2013 is almost ten points less than the previous beginning year. In terms of the performance in 1996, the performance in 2013 is profoundly lower. In 1996, the percentile rank was 25.0. However, in 1998 it increased. From 2002 to 2011, the percentile rank declined from 17.8 to 9.0. Even, in this indicator, the percentile rank decreases from 1996 (25.0) to 2013 (7.6). The interesting point is that in this indicator, there is a



high correlation between the governance policy reforms implementation and the gradual decrease of the quality of governance. However, in 2005 the performance decreased to a greater extent while the policy reforms implementation was momentous than all other years.

Figure 3: Percentile Ranks of Bangladesh (1996-2013) in the aggregate indicator of Political Stability and the Absence of Violence



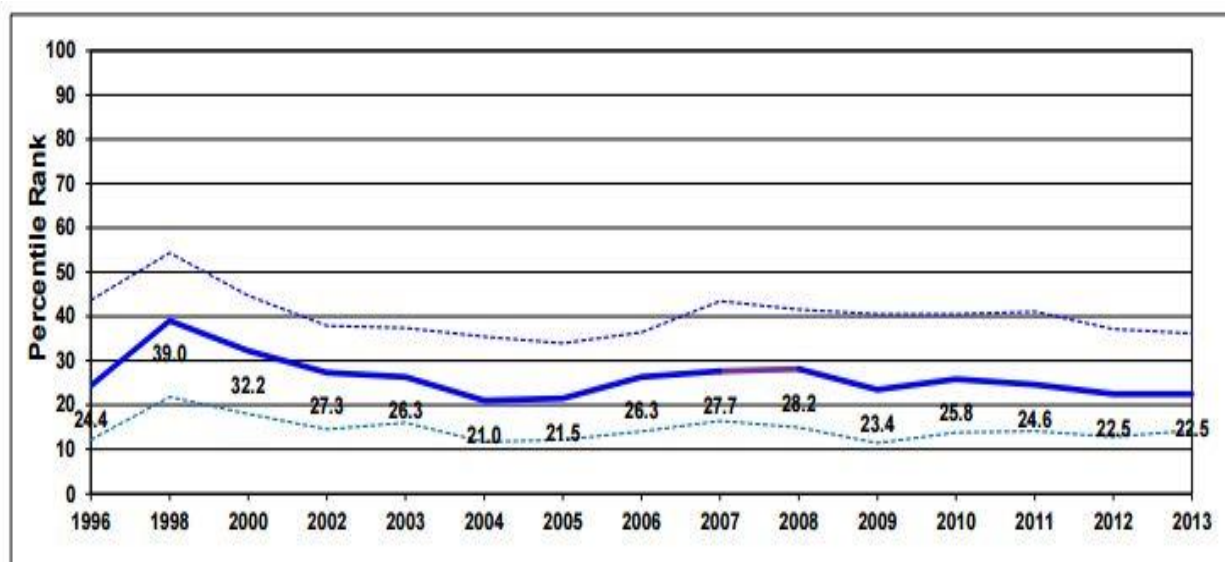
Source: Daniel Kaufmann, Aart Kray and Pablo Zoidi-Lobaton (2014)

### 3.2.1.3 Government Effectiveness

The performance of Bangladesh in this indicator was also declining except in 2008. In this year, it was approximately 0.3 increased than the base year 2002. Afterward, the trend is similar to other indicators that are declining. In 2002, the percentile rank was 27.3 while, in 2013, it was 22.5. In 2011, the rank declined to 24.6 from 27.3 of 2002. So the investigation suggests that except 2008 and 2007 (although ranks are much lower than 1998), the governance performance for the BWIs

PRSP governance reforms initiative implementation declined gradually. From 2007 to 2008, there was a military-backed non-party caretaker government in power.

Figure 4: Percentile Ranks of Bangladesh (1996-2013) in the aggregate indicator of Government Effectiveness

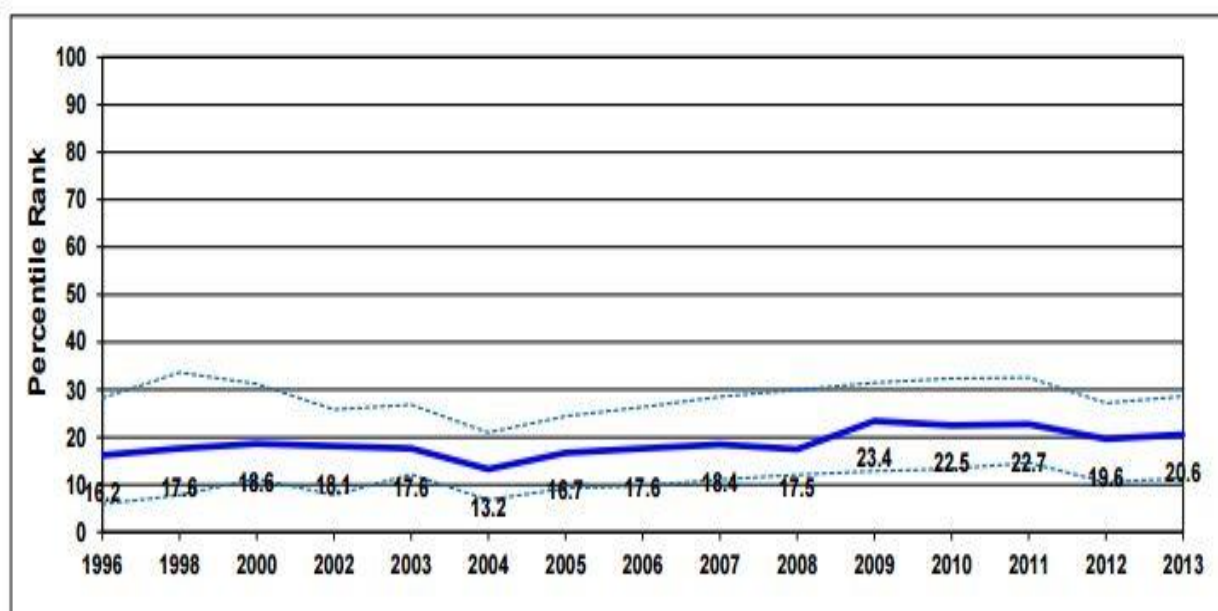


Source: Daniel Kaufmann, Aart Kray and Pablo Zoidi-Lobaton (2014)

### 3.2.1.4 Regulatory Quality

The performance in this indicator is significantly exceptional. The percentile rank in each year of the PRSP implementation was gradually increasing except 2004. In 2002, the percentile rank was 16.1 while, in 2011 and 2013, it was 22.7 and 20.6 respectively. In this indicator, the performance was increasing. Even, this is the only indicator, where the percentile rank was increasing gradually from 1996. So, this investigation positively substantiates that there is a positive correlation between regulatory quality improvement and the implementation of the governance policy reforms.

Figure 5: Percentile Ranks of Bangladesh (1996-2013) in the aggregate indicator of Regulatory Quality

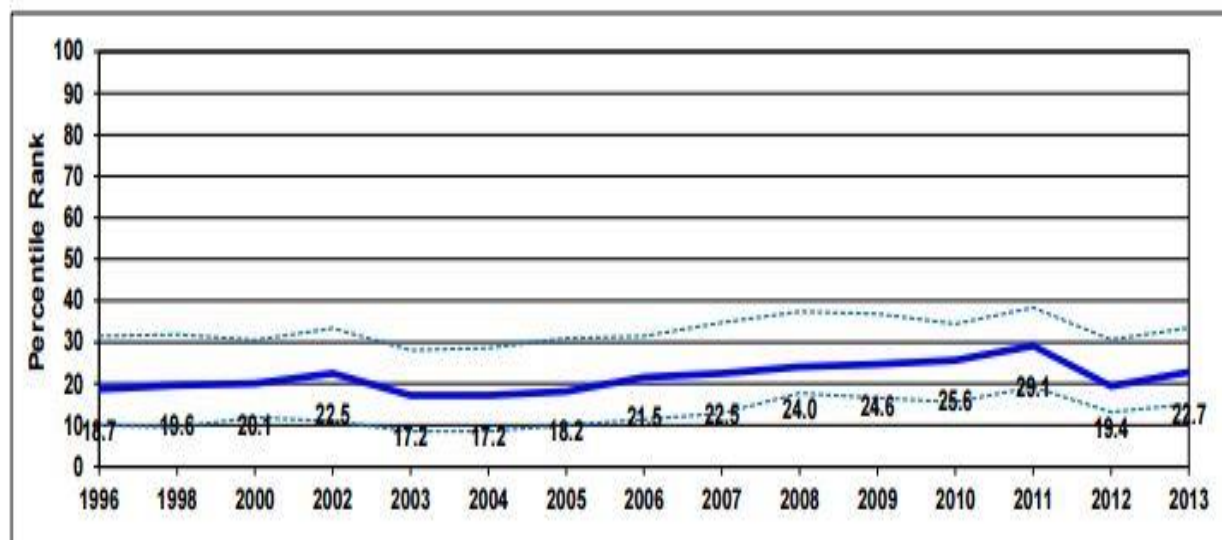


Source: Daniel Kaufmann, Aart Kray and Pablo Zoidi-Lobaton (2014)

### 3.2.1.5 Rule of Law

In this governance dimension, the percentile rank of Bangladesh was also increasing after 2007 compare to the base year. Although it was continuously declining for few years till 2006. In 2011, Bangladesh achieved the highest point during the PRSP implementation period. Compared to 2002 (22.5), it increased in 2011 (29.1). However, after 2011, it was also again declining. The percentile rank in 2013 was 22.7 which is almost similar to the base year 2002 (22.5). Therefore, the investigation also suggests that there is no relation between governance reforms implementation and the quality development of the governance especially in the category of the rule of law. Or, there is somehow positive relation.

Figure 6: Percentile Ranks of Bangladesh (1996-2013) in the aggregate indicator of Rule of Law

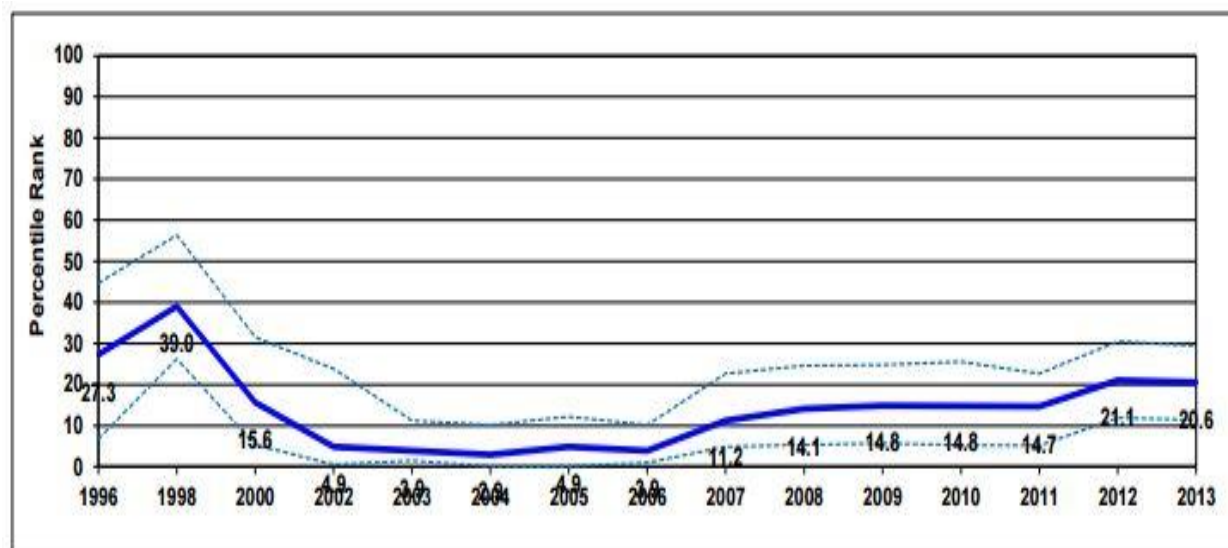


Source: Daniel Kaufmann, Aart Kray and Pablo Zoidi-Lobaton (2014)

### 3.2.1.6 Control of Corruption

In this category, the quality of governance is improving. In the base year, the rank was very low that was 4.9. In 2013, it increased almost to four times. The score Bangladesh achieved in 2013 was 20.6. However, this is also very low compared to 1998. Just three years before the base year, the score was 39.0 when the government was implementing *Five Year Plan*. In 2011, the percentile rank was 14.7. Considering the base year, the governance performance to control corruption was also increasing as the government was implementing the PRSP guided governance reforms. Therefore, the correlation between reforms implementation and the quality development of the governance is also positive.

Figure 7: Percentile Ranks of Bangladesh (1996-2013) in the aggregate indicator of Control of Corruption



Source: Daniel Kaufmann, Aart Kray and Pablo Zoidi-Lobaton (2014)

After the above discussion on the governance performance in different governance dimensions, the investigation suggests a mix correlation between governance policy reforms implementation and the quality improvement of the governance. Considering the base year, this study suggests that the impact of the governance reforms implementation is positive in four dimensions and negative in two dimensions. In other two dimensions, sometimes there is the positive impact, and sometimes there is a negative impact on the governance promotion. But in terms of 1996, the performance was declining in most of the dimensions.

### 3.2.2 Improvement of the Quality of Governance: Time Series (Beginning Year, Middle Year and End Year)

In another way, if this study compares among several specific years to examine the quality improvement of governance performance in 2003 (beginning year), 2007 (middle year) and

2011(end year) it would be clearer how the performance convoluted around the PRSP implementation process. Since the government of Bangladesh completed the Fifth Five Year Plan in 2002 and it started to work based on the interim PRSP from the earliest of 2003, this investigation considers 2003 as the beginning year of the PRSP implementation, 2007 as the middle year of the whole PRSP implementation process, and 2011, the last year of the comprehensive PRSP implementation.

Table 1: Governance Score and Percentile Ranks of Bangladesh in 2003, 2008 and 2011 in the WGI index

Indicator	Country	Year	Number of Sources	Governance Score (-2.5 to +2.5)	Percentile Rank (0 to 100)	Standard Error
<b>Voice and Accountability</b>	Bangladesh	2003	8	-0.63	28.85	0.17
		2007	14	-0.54	31.25	0.12
		2011	15	-0.32	37.09	0.11
<b>Political Stability and Absence of Violence/Terrorism</b>	Bangladesh	2003	5	-1.14	17.31	0.29
		2007	7	-1.50	9.13	0.24
		2011	8	-1.39	8.96	0.24
<b>Government Effectiveness</b>	Bangladesh	2003	7	-0.71	26.34	0.15
		2007	10	-0.68	27.67	0.18
		2011	10	-0.76	24.64	0.19
<b>Regulatory Quality</b>	Bangladesh	2003	8	-0.92	17.65	0.18
		2007	10	-0.91	18.45	0.18
		2011	11	-0.80	22.75	0.16
<b>Rule of Law</b>	Bangladesh	2003	10	-1.02	17.22	0.17
		2007	15	-0.83	22.49	0.15
		2011	16	-0.71	29.11	0.13
<b>Control of Corruption</b>	Bangladesh	2003	7	-1.33	3.90	0.18
		2007	12	-1.05	11.17	0.17
		2011	14	-1.05	14.69	0.16

Source: Daniel Kaufmann, Aart Kray and Pablo Zoidi-Lobaton (2014)

The above table shows that Bangladesh's scores were improving in some dimensions and decreasing in some dimensions. In the case of government effectiveness, from 2003 to 2007, the

score increased. But it decreased in 2011. Most importantly, this table shows this is a very poor improvement in all governance dimensions. Therefore, Bangladesh is an example of a governance paradox where a huge policy reforms implementation towards good governance promotion contributed to the poor improvement of the quality of governance. However, in the meantime, this country achieved momentous socio-economic development. It is also another governance paradox that in spite of the poor performance, policy reforms implementation of governance promotion can contribute to the development. To substantiate this statement one can argue that Bangladesh substantially achieved MDGs, which was the basic consideration in taking PRSP policy initiatives.

### **3.2.3 Improvement of the Quality of Governance: Comparison with Average Performance of South Asian Countries**

The South Asian countries also endorsed the PRSP. Among the South Asian countries, Sri Lanka was the first PRSP followers, and it started to exercise PRSP in 1998. Bangladesh and Nepal started in 2000 and Pakistan followed it in 2001 (Rehman Sobhan & M M Akash 2007). Pakistan, Sri Lanka and Nepal incorporate their PRSPs in the previous Five Year Plans while Bangladesh's PRSP replaced its Five Year Plan (Rehman Sobhan & M M Akash 2007). Compared to other South Asian countries Maldives, Bhutan and Afghanistan started PRSP in late. Afghanistan endorsed PRSP in 2008, Maldives in 2006 and Bhutan in 2010. India has declined to prepare PRSP. But it includes poverty reduction strategy in its 10<sup>th</sup> Five Year Plan, and (Rehman Sobhan & M M Akash 2007, 25).

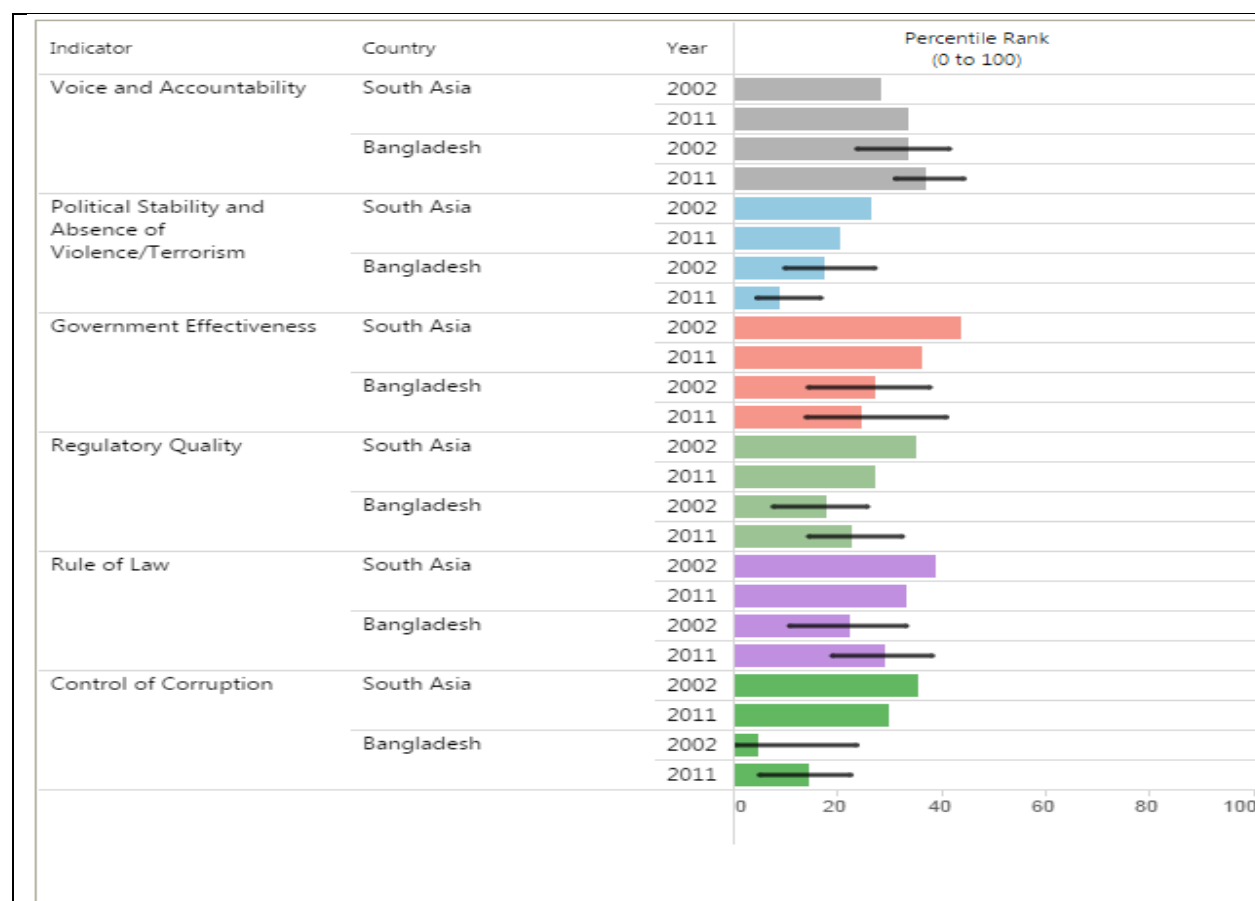
The most common feature of these four PRSPs is their emphasis on the importance of the good governance in the alleviation of poverty (Rehman Sobhan & M M Akash 2007, 33). There are

some differences in their agenda towards good governance. However, these countries are more or less in common, focused on decentralization and local governance, anti-corruption measures, enhancing judicial system and civil service reforms, etc. (Rehman Sobhan & M M Akash 2007, 39- 40).

In spite of the sharing agenda to promote good governance under PRSP, the comparison between governance performance of Bangladesh and the average performance of South Asian countries suggests puzzling results. In all governance dimensions, the percentile ranks of Bangladesh in the base year were lower than the average performance of South Asian countries except in the voice and accountability dimension. In this category, the percentile rank of Bangladesh was 34 while the average percentile rank of other South Asian countries was 28. However, in all other dimensions such as in the political stability and absence of violence Bangladesh 18 and South Asia 27, government effectiveness Bangladesh 27 and South Asia 44, in regulatory quality Bangladesh 18 and South Asia 35, in Control of Corruption Bangladesh 5 and South Asia 36 position were ranked in the percentile ranking of the WGI. In 2011, the end year of PRSP completion, Bangladesh was ranked as 37, 9, 25, 23, 29, 15 respectively in voice and accountability, political stability and the absence of violence, government effectiveness, and regulatory quality, rule of law and control of corruption.



Figure 8: Average Percentile Rank of South Asian countries in 2002 and 2011



Source: Daniel Kaufmann, Aart Kray and Pablo Zoidi-Lobaton (2014)

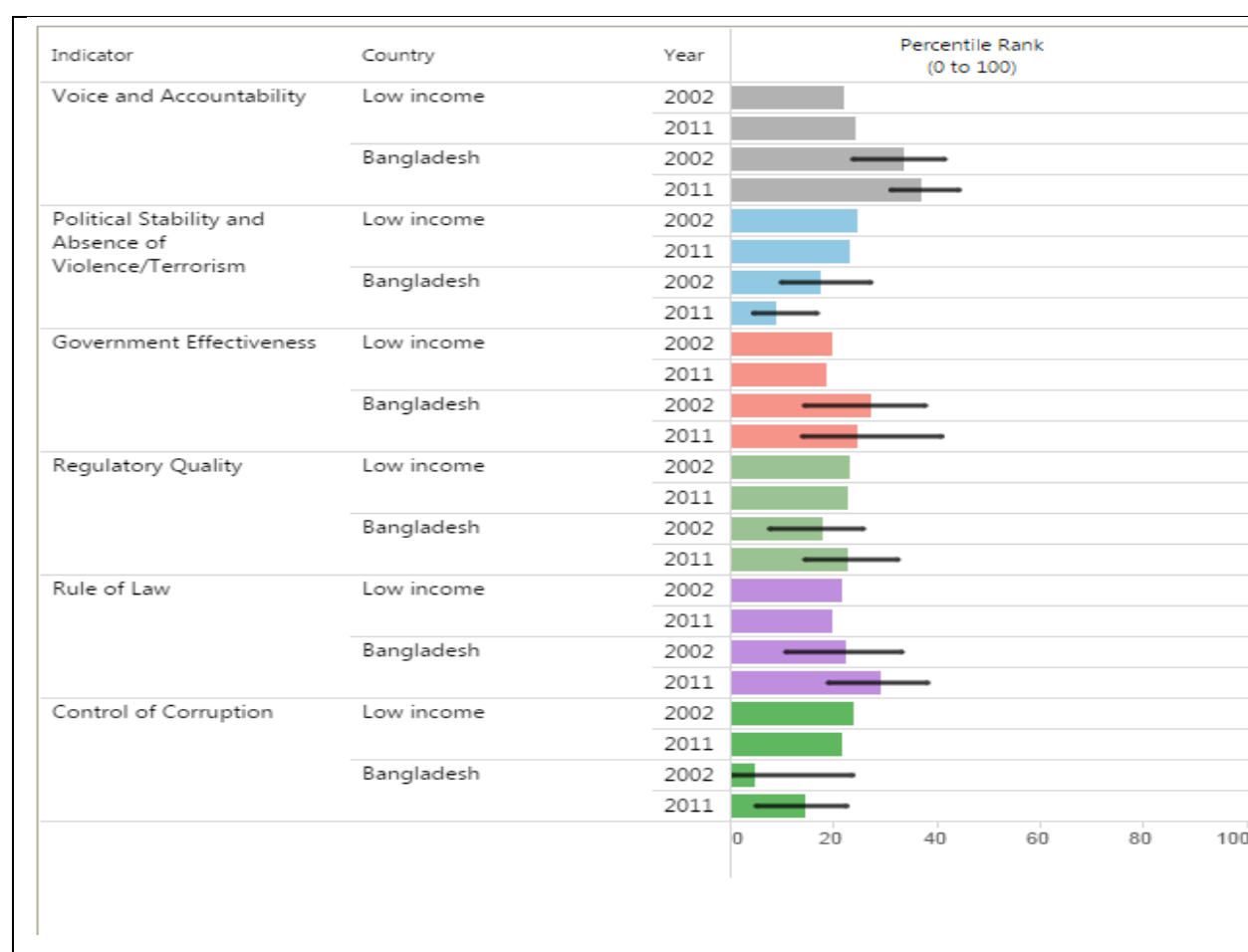
In contrast to Bangladesh, the average of South Asian countries percentile ranks was in the above-mentioned dimensions 34, 21, 37, 27, 33, and 30 respectively. Therefore, this investigation suggests that except the voice and accountability, in all other categories Bangladesh's position improved poorly compare to other South Asian countries.

### 3.2.4 Improvement of the quality of Governance: Comparison with the average performance of low-income countries

Similar to Bangladesh, most of the low-income countries adopted PRSP as a policy strategy to reduce poverty and to improve governance. Although there are some dissimilarities in the contents

and the strategies among the PRSPs of all low-income countries, to understand the governance performance of Bangladesh, this investigation compares the Bangladesh's position with the average performance of low-income countries. In 2002, in voice and accountability, political stability and the absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption, the percentile ranks of Bangladesh were 34, 18, 27, 18, 22 and 5 respectively. On the other hand, the low-income countries average percentile ranks were 22, 25, 20, 23, 22 and 24 respectively.

Figure 9: Comparison of Bangladesh with low-income countries in 2002 and 2011



Source: Daniel Kaufmann, Aart Kray and Pablo Zoidi-Lobaton (2014)

Compared to low-income countries' performance, in 2011 at the end of the PRSP implementation, the performance of Bangladesh was poorer than low-income countries in political stability and absence of violence and corruption control dimensions. However, in the case of the voice and the accountability and Government effectiveness dimensions, Bangladesh performed well. In the category of regulatory quality, the performance of Bangladesh and the other low-income countries are at the same quartile. The Bangladesh's positions were 37, 9, 25, 23, 29 and 15 respectively. While, the low-income countries average percentile ranks were 24, 23, 19, 23, 20 and 22. Therefore, the above analysis substantiates that PRSP implementation improved the quality of the governance performance of Bangladesh in some cases, and some cases it was decreased. However, the above figure also reflects the very poor governance performance at the quartile ranks. This finding illuminates us arguing that gigantic governance reforms do not bring greater quality improvement in the governance performance, and that is why Bangladesh is a case of governance paradox.

## CHAPTER 4: ASSESSMENT OF THE PROGRAM

There are extensive works on the success and failure of the governance reforms program. However, according to Polidano (2001) “most governance reforms fail” (Goetz 2009, 1). The above study also substantiates that the governance reforms have somehow failed in Bangladesh under PRSP project, or the project did not achieve as it was expected compared to its position in the percentile ranks. Because reforms bring little success compared to the base year, but they do not bring success compared to the governance performance in 1996 or, 1998 in most of the dimensions. Similarly, the governance improvement of Bangladesh is in the lower percentile ranks than the average performance of South Asian countries in most of the governance dimensions. In spite of the necessary initiatives to implement the required governance conditions such as the establishment of the Independence of the Judiciary, Independent anti-corruption Commission, Independent Human Rights Commission, procurement policy etc. the outcome of the implementation has failed to reach the target. Because the positions in the lower quartile in most of the dimensions do not reflect the expected success. However, in some cases, it was only a meagre improvement. So it can be argued that the governance reforms were successful to bring amazing change in the governance apparatus and failed to achieve the goal of this reform i.e. improving the quality of governance as it was expected. The present study based on the WGI scale substantiates that the quality of governance finally did not improve as it was expected before the reforms.

The interesting case in PRSP implementation in Bangladesh that on the one hand, Bangladesh has successfully reduced poverty rate after the PRSP implementation and its achievements in socio-economic sectors is in some cases amazed the world. On the other hand, the quality improvement

of the governance is not satisfactory and sometimes it is unexpected while, its performance in governance reforms implementation is highly noticeable. Therefore, this study, unexpectedly challenge the existing widely acceptable knowledge to the academic community about the high correlation between governance reforms and governance improvement with the poverty reduction and successful socio-economic development. Therefore, Bangladesh, again a case study of how a country can achieve successful socio-economic developments without a successful quality development of the governance promotion. Similarly, it poses the challenge to the attention of the academics and researchers that in spite of the successful governance reforms implementation, a country could not achieve a better quality of governance.

It is fifty percent failure. Because PRSP was successful to change the governance apparatus required for the improved governance performance and fifty percent failure to bring a noticeable improvement. However, in case of governance performance, it is highly disappointing.

What are the reasons for this fifty percent failure? In different case assessment, Goetz (2009, 1) argues that governance reforms fail because they threaten the existing power relations.

It is the common trend in developing countries to condemn the donors for the failure, or poor performance of a program. However, in case of PRSP, there may be some other reasons which are also responsible for the fifty percent success or, failure of the PRSP. For BWIs pressure, the Government of Bangladesh was bound to implement the reforms initiative. But they manipulated the implemented reforms or they managed governance apparatus to continue their previous influence and use the apparatus for their own interest that is in Goetz's (2009) words "the governance reforms threatens the existing power relations". The donor's imposition of governance reforms conditionalities without considering socio-economic governance of the recipient is one reason for the failure. But the successive governments corrupt the governance system in the

following ways: manipulating the appointment process of the independent institutions, changing the laws in way to stay in power, paralyzing the whole democratic system through a managed election, controlling the recruitment process in a way that the person who is loyal to them can be recruited in the agencies in many cases, and finally, the lack of the democratic orientation of the people.

Therefore, governance reforms can be fully successful when society is prepared for the reforms and prepared to receive the advantages of the reforms. Similarly, successive governments must have the good intention to bring success not only to implement donors' conditions but also to change the quality of governance.

## CONCLUSION

The investigation of this research clearly provides evidence that the governance reforms under PRSP initiative guided by BWIs impacted on both the governance apparatus and the quality promotion of governance. It also suggests that the governance reforms initiative and the quality improvement of governance is correlated with each other. But the amazing finding is that the correlation is very poor where the successful reforms implementation results into poor governance performance which is challenging the existing theoretical knowledge of policy study that ‘successful reforms brings successful quality improvement of governance and the significant poverty reduction’. In Bangladeshi case, the new puzzle from this study is that governance reforms can bring successful change in governance apparatus, but it cannot always bring successful quality improvement of the governance. However, a successful governance changes in the governance apparatus can bring significant poverty reduction that Bangladesh has already achieved. That is why Bangladesh is a case of governance paradox. This puzzle can be solved if the politicians, policy experts, international bureaucrats of BWIs and local political and non-political policy makers bring their attention to change the society to make it a democracy of liberal orientation with sound electoral process, ensuring non-partisan recruitment in civil, police and judicial administration, non-corrupt appointment process of the independent bodies and finally, the implementation process and institutional functioning is overseen by both BWIs and government. In this regard, a new research should be conducted to be illuminated why a donors initiated policy reforms for governance promotion can be successful to change governance apparatus but unsuccessful or less successful to improve the quality of governance.

## APPENDIX

### Appendix: Six broad dimensions of governance of the WGI measure

#### What are the 6 dimensions of governance measured by the Worldwide Governance Indicators?

The WGI measure six broad dimensions of governance:

- 1. Voice and Accountability (VA)** – capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
- 2. Political Stability and Absence of Violence/Terrorism (PV)** – capturing perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism.
- 3. Government Effectiveness (GE)** – capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
- 4. Regulatory Quality (RQ)** – capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
- 5. Rule of Law (RL)** – capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
- 6. Control of Corruption (CC)** – capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

Source: Worldwide Governance Indicators, accessed June 04, 2015

<http://info.worldbank.org/governance/wgi/index.aspx#faq-2>



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