

Institutional Decline Stalling National Development

Dr Selim Raihan

Member, White Paper Committee 2024;
Professor, Department of Economics, University of Dhaka and
Executive Director, South Asian Network on Economic Modeling
(SANEM)

Symposium on
White Paper and Thereafter
Economic Management, Reforms and National Budget

Dhaka: Saturday, 18 January 2024

Core findings from the WP

- Manifestations of Systematic Institutional Failures in Bangladesh
 - Systematic failure within political institutions
 - Pervasive and interconnected corruption
 - Crony capitalism and state capture by a segment of business elites
 - Anti-reform coalition among political and business elites, and civil and military bureaucracy
- Why Systematic Institutional Failures?
 - The erosion of democratic institutions
 - Supremacy of 'pockets' of functional informal institutions over fragile formal institutions
 - Supremacy of the 'deals environment' over coordinated industrial policy
 - Ineffective regulation
 - Weak state capacity

Key Messages

1. Strengthening political institutions
2. Strengthening institutional governance
3. Combatting crony capitalism and state capture
4. Comprehensive reform in critical economic domains
5. Enhancing state capacity and public services
6. Promoting inclusive industrial policy

An update on the policy context and actions

- Formation of the White Paper Committee (Report submitted on 1 Dec 2024)
- Formation of the Task Force on “Re-strategising the Economy and Mobilizing Resources for Equitable and Sustainable Development” (Expected to be submitted on 20 Jan 2025)
- The Interim Government formed 11 Commissions:
 - Constitution Reform Commission (Report submitted on 15 Jan 2025)
 - Electoral System Reform Commission (Report submitted on 15 Jan 2025)
 - Police Administration Reform Commission (Report submitted on 15 Jan 2025)
 - Judiciary Reform Commission
 - Anti-Corruption Reform Commission (Report submitted on 15 Jan 2025)
 - Public Administration Reform Commission
 - Mass Media Reform Commission
 - Health Reform Commission
 - Labour Rights Reform Commission
 - Women Affairs Reform Commission
 - Local Government Reform Commission
- In addition, a Task Force is formed to reform the banking sector

Recommendations for the budget and beyond

1. Budgetary allocations for the proper implementation of the Commissions' and Task Forces' recommendations
2. Gradual expansion of the tax net, covering high-income earners, large corporations, and informal sectors. Budgetary provisions for enhancing capacity in the National Board of Revenue with respect to digitalization, enhancement of data analytics, and increase in field operations.
3. Allocate a more significant proportion to public health, education, and social protection, with a close focus on rural areas.
4. Upgrade banking regulation, in particular for state-owned banks. This will involve budgeting for independent audit mechanisms, enhancement of the supervisory capacity of Bangladesh Bank, and better recovery mechanisms for NPLs.
5. Allocate resources to digitize all aspects of public procurement and establish an Independent Procurement Authority that has auditing powers of review for all major contracts.
6. Provide budget support that targets the non-RMG sectors. The budget allocation also needs to solve sector-specific infrastructural problems.

Thank You



Scan here to download

White Paper on the State of Bangladesh Economy
Dissection of a Development Narrative