

Governance gone bad

The problems of the Bangladesh agriculture input sector are an example of good governance gone bad. The solution is a functional governance model bringing together state, the private sector and civil society, writes *Fara Azmat, Ken Coghill and Quamrul Alam*.

Until the start of agricultural reforms in the late 1970s, the Bangladesh Agricultural Development Corporation (BADC), a state agency with branches all over the country, had a monopoly over the sales and distribution of agricultural inputs like fertiliser, irrigation equipment, pesticides and seeds. The reforms aimed to increase efficiency and production, lower prices, get more private sector involvement and reduce the budgetary burden of subsidy.

Over the next 15 years, agricultural inputs were privatised and delivered through a network of private sector dealers and Non Government Organisations (NGOs). However, despite an improved production and security, 'very poor' farmers were no better off because of lower prices and a rise in the cost of agricultural inputs. The situation was made worse by unscrupulous private suppliers selling low quality, underweight inputs, sometimes at higher prices, which fostered distrust between the farmers and the traders. This is still the main reason the private sector is distrusted. Although the reforms have seen grain production increase and access to agricultural inputs by farmers improve, private sector-led development is inhibited by:

- **Lack of good governance.** Low levels of corporate social responsibility, measured by corruption, regulatory quality and rule of law. The issues of corporate social responsibility related to the sale of low quality, underweight inputs sometimes at higher prices with occasional artificial crisis has emerged as a major problem.
- **The reforms have not been able to create an integrated market structure** as they have focused only on supply-side factors without considering all the market forces.
- **Misleading information and lack of access to market information** by both the farmers and traders on price trends, a poorly developed transport system, the behaviour of middlemen, no consumer information organisation and a poorly functioning redress mechanism are hindering the development of genuine entrepreneurship in this sector.
- **Many small traders focused on short-term** profiteering have emerged, with little or no experience of the open economy.
- **Small-scale poor and semi-illiterate farmers** ignorant of their rights and access to complaint mechanisms.
- **Lack of access to credit and infrastructure facilities.**

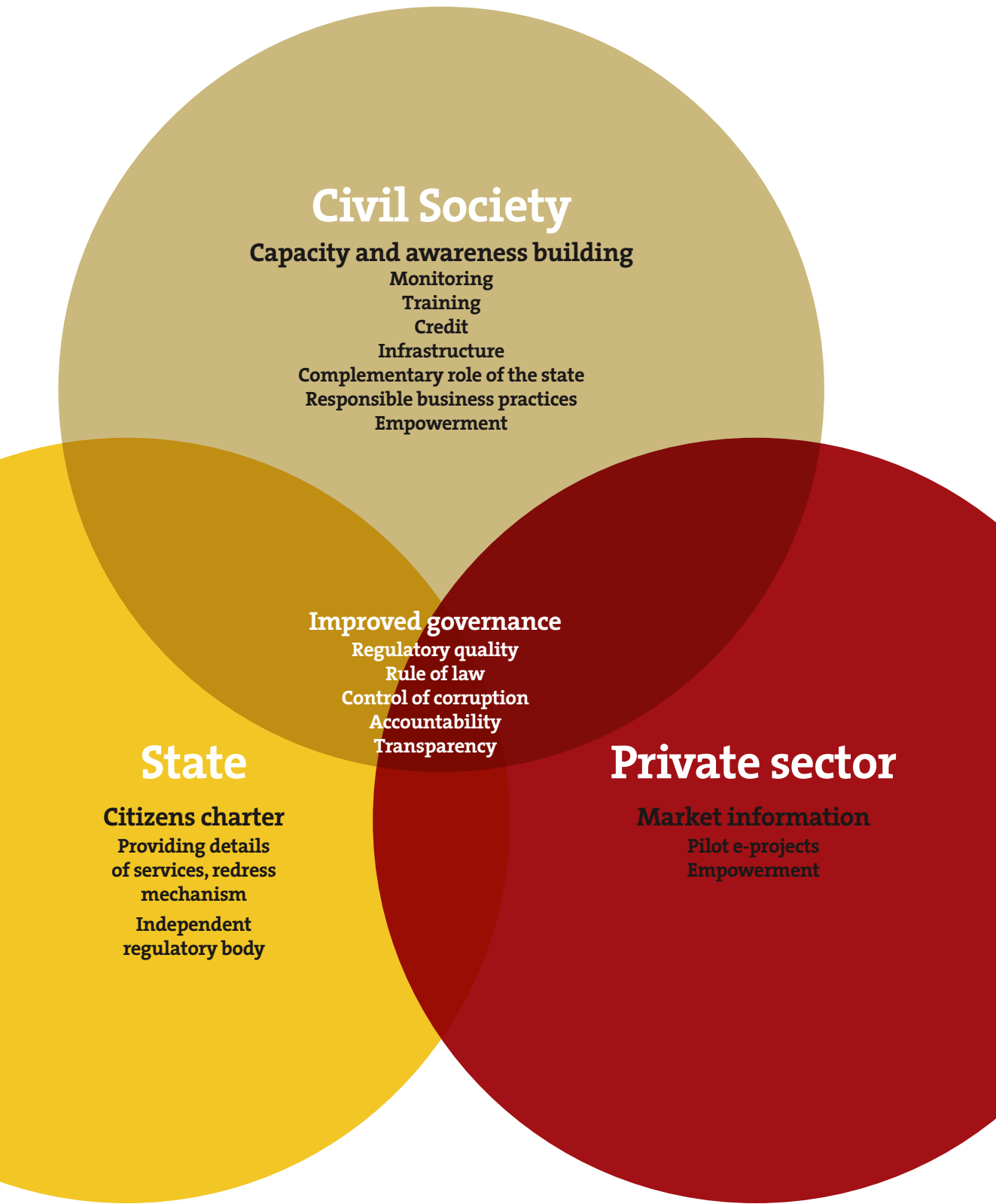


Figure 1: Proposed integrated governance model for sustainable private sector led development

CONCEPTUAL INTEGRATED GOVERNANCE MODEL: A KEY TO A SUSTAINABLE PRIVATE SECTOR LED DEVELOPMENT.

As shown in figure 1 (previous page), to improve governance we propose an integration of the three key spheres of governance: that is, the state, the private sector and civil society, including the donor agencies.

As far as the state is concerned, community support for its involvement in certain activities is strong, something quite understandable in light of the long and strong tradition of state authority and administration. Meanwhile media, independent think-tanks and academics are becoming increasingly effective in exposing corrupt acts, increasing public opinion and awareness in the process. However, the private sector has not been able to develop quality entrepreneurs due to a poor governance framework and the agriculture sector is fragmented as farmers are not organised enough to create pressure, negotiate or bargain.

A CITIZENS' CHARTER

The citizens' charter, first introduced in UK in 1991, had the main objectives of improving service quality by making the public sector accountable and giving citizens an avenue for complaint. The integrated model will improve governance issues by establishing a citizens' charter providing market information, capacity and awareness building that will ultimately deliver greater responsiveness, quality and effective service.

Seminars or workshops organised jointly by the state, the private sector and civil society could bring farmers, traders and state agencies and NGOs together for a dialogue and consensus on achievable standards and roles. An independent regulatory body would act as a watchdog and remain at arm's length of state agencies to avoid conflicts of interest.

The citizens' charter would aim to:

- Promote transparency, accountability and responsiveness of the agencies
- Provide services to farmers and other consumers
- Provide a simple mechanism for complaints
- Help control corruption and effective regulation
- Establish a trusted relationship between the service provider and its users
- Empower service providers and users through improved access to information.

The state, with the help of the private sector, NGOs and donors, could take up practical steps to increase access to market information by setting up pilot e-projects in each village through non-internet channels like mobiles, TV and radio. This could provide

farmers with information on credit and other related services available in that area and how to file complaints. The access to information about market conditions, weather conditions etc would result in more informed decision-making by farmers and make private traders more accountable.

This area's lack of funds and trained human resources provides an opportunity for NGOs and donor agencies to step into the breach. The NGOs could share much of the role of the state in providing training to the private sector and farmers about the role of the citizens' charter, business ethics, responsible business practices and initiating awareness campaigns against corruption and the need to comply with the law. The NGOs could also serve as advocates for the poor farmers.

In addition, the donor agencies can also play a role in promoting good governance by pursuing for themselves greater transparency, accountability, control of corruption and establishment of the rule of law. The proposed integrated model of establishing the citizens' charter, providing market information, capacity and awareness building needs to have a co-ordinated effort and commitment of all the main players including the donors.

Three decades of market reforms in Bangladesh have been hindered by a lack of good governance and poorly integrated market structure and failure to take significant land reforms. In addition, a lack of information, capacity and awareness building and a lack of credit and infrastructure facilities have also played a role.

Our integrated governance model linking state, the private sector and civil society would improve good governance through a citizens' charter. In addition to the state, the private sector and civil society, the model also stresses the need for the donors to help build capacity of all three spheres of governance and also improve governance issues.

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