Ex Ante Poverty Impact Assessment of Macroeconomic Policies:
A Case Study of Bangladesh

Mustafa K. Mujeri*

* Poverty Monitoring and Analysis Advisor, UNDP, Phnom Penh, Cambodia.

and International Development Research Centre, Ottawa
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I. Introduction

In many respects, Bangladesh provides a potentially instructive story of development. The country, with a relatively small and extremely vulnerable economy, is characterized by high population density, low resource base, recurrent natural disasters, and persistent socio-political instability. Despite such formidable constraints, Bangladesh has performed relatively well especially in recent years, showing that a country can achieve significant human and social development even at relatively low levels of per capita income.

Such ‘a quiet transition’ and ‘the silent ascent’ of the Bangladesh economy, which took place in sharp contrast to the widespread pessimism that persisted until the 1980s, points out that facilitating policies are important in achieving social and economic development; that success in ensuring ‘right’ incentives is crucial in creating positive responses even under extremely adverse situations.

1 In Bangladesh, an estimated 140 million people live in 148 thousand square kilometres giving a population density of 950 persons per square kilometre in 2005 which is highest in the world excluding city states like Singapore. Most of the country’s landscape, being low deltaic plains, is submerged by monsoon floods every year and the country experiences devastating floods including tidal surge and cyclones at regular intervals. For a review of initial adverse social and economic conditions facing the country, see Khan 1972, Rahman 1993, Islam 2003, Mujeri and Sen 2003. After Independence in 1971, the country was termed as a ‘basket case’ by the then US Secretary of State Henry Kissinger and it was observed: “If the problem of Bangladesh can be solved, there can be reasonable confidence that less difficult problems of development can be solved. It is in this sense that Bangladesh is to be regarded as a test case.” See, Faaland and Parkinson 1975, p.5. In this context, ‘agrarian pessimists’ highlighted the constraints of traditional production relations, ‘political pessimists’ forecasted persistent authoritarianism as the ultimate political fate, and the country was considered locked in a ‘below poverty level equilibrium trap’. See, Alamgir 1978, Januzi and Peach 1980, van Schendel 1981, de Vylder 1982, Franda 1982, Hartmann and Boyce 1983, Boyce 1987, Jansen 1987, Maniruzzaman 1987. The theme of economic pessimism, highlighting Bangladesh’s inability to make transition to modernity, continued to persist throughout the 1980s often from diverse theoretical considerations. See, Abdullah et.al 1991, Sobhan 1991a.

2 Even with a per capita GDP of US$ 380 in 2004 and an adult literacy rate below 50%, Bangladesh successfully reduced annual population growth rate from 2.9% in the 1970s to less than 1.5% in the late 1990s. The country also made impressive gains in reducing child and maternal mortality, improving the nutritional status of children, expanding primary education, and reducing gender disparity in all spheres of life. Through rapid expansion of micro credit and other grassroots efforts, Bangladesh vastly expanded the agency role of women as catalyst in social and economic development. During the 1990s, per capita income increased at a faster rate both due to declining rate of population growth and increasing rate of GDP growth. In short, Bangladesh started to show considerable promise and potential since the 1990s making it one of the ‘lead performers’ among the least developed countries. For details, see Stern 2002, Mujeri 2003a, Mujeri and Sen 2003. For an analysis of Bangladesh’s success in the comparative context of other low income countries, see Sen et.al. 2004.
Along with adverse initial conditions and bleak development prospects, widespread poverty plagued Bangladesh after its Independence in 1971; thereby making poverty reduction as the central goal of the country’s macroeconomic agenda. Poverty reduction, however, is still the major challenge facing Bangladesh despite adopting a more comprehensive and ‘all routes matter’ approach that recognizes the multi-dimensionality of poverty and the heterogeneity of the voices of the poor (see, GOB 2003).

On the economic front, one of the key elements of the country’s poverty reduction agenda is its emphasis on promotion of ‘pro-poor growth’ that would bring more equalizing growth with greater impact on poverty. Among others, the pursuit of such a strategy in Bangladesh requires a good understanding of the nature of impact of macroeconomic policies on the pace and pattern of economic growth. This is necessary since macro-policies have a profound impact on the way in which growth affects poverty.

In the above context, well-informed policy making is important since macroeconomic issues surrounding the concept of pro-poor growth in a country like Bangladesh are necessarily complex. The poverty impact of economic growth depends on the nature, strength, and other characteristics of the links that exist between growth and poverty in the country. Moreover, many of these links work through the dominant informal sector; they change over time; these are not direct and depend on what happens to inequality. For example, if income inequality does not rise or rises only modestly, a rapid growth results in faster poverty reduction. An important concern of the macroeconomic agenda in Bangladesh is, therefore, to identify the contents and design of macroeconomic policies that are appropriate for fostering pro-poor growth in the country.

In the past, ex ante poverty impact assessments (EPIAs) of macroeconomic policies have played a major role in sharpening the poverty focus of the policy regime in Bangladesh. An important example, in this respect, was the criticism, using the tools of EPIAs, of structural adjustment and associated stabilization policies undertaken under the Structural Adjustment Facility (SAF) and the Extended Structural Adjustment Facility (ESAF) of the World Bank and the IMF during the mid-1980s. These assessments, supported by large-scale failure of such policies to address key development challenges of poverty and development, led to substantial modifications in the design and implementation of reform programs in Bangladesh.

3 In 1973/74, the proportion of the country’s population living below the national poverty line was as high as 74%. See, Sen et. al. 2004. Along with meeting the challenge of reconstruction and recovery from the devastation of the Liberation War in 1971, the government quickly prepared the First Five Year Plan (1973-1978) with the primary aim of reducing poverty. See, Islam 1977.

4 For an analytical distinction between ordinary growth and pro-poor growth, see, Ravallion and Chen 2003, Ravallion 2004. One way of calculating the rate of pro-poor growth during a period is to take it as the average of the growth rates in per capita income observed for each of the initially poor households. There is significant empirical evidence showing that these two growth rates are different. See DFID 2004. For some empirical evidence from Bangladesh, see Sen et.al 2004.

5 For a review of the recent debate and empirical evidence on the interrelationships between economic growth, inequality and poverty, see Bruno et.al.1998, ADB 2000, White and Anderson 2001. For some empirical evidence from Bangladesh, see Mujeri 2003a.
At the same time, it is equally true that a significant potential of the EPIAs remains underutilized due to several weaknesses in the process, such as lack of appropriate tools and in-country capacity to perform credible EPIAs, inadequate participation of key stakeholders in the process, and weak research-policy linkages that preclude the generation, articulation and translation of EPIA results into operational policies. Moreover, in the absence of a comprehensive knowledge of the full range of actors who are involved and play the critical role in decision making, EPIA results remain inadequately linked with the existing dynamics of the country’s policy making process. Actions aimed at promoting comprehensive EPIAs of macroeconomic policies and placing their implications closer to the policy makers can, therefore, act as significant catalysts in creating a more pro-poor policy regime in Bangladesh.

I.1 Study Objectives and Methodology

The present study examines available tools and capacity to carry out ex ante poverty impact assessments of macroeconomic policies and their contribution to creating a pro-poor policy environment in Bangladesh. The aim is to identify the constraints that preclude the undertaking of a more comprehensive analysis of relevant issues including their effective utilization in policy making; and suggest measures to overcome such problems. It is expected that the knowledge gained from the study would help the policy makers to take steps toward making more informed and effective decisions and promote a more pro-poor policy environment in the country based on credible analysis of available options.6

A wide variety of methodologies were used to carry out the present study including descriptive analysis based on available knowledge, interviews with relevant stakeholders and review of related documents. In particular, three key issues were specifically covered within the methodological framework in order to bring out the role of EPIAs in macroeconomic policy making: (i) adequacy of existing tools in meeting policy demands; (ii) availability of institutional and human capacity to undertake credible EPIAs; and (iii) degree of participation and interaction among the ‘producers’ and the ‘consumers’ of EPIAs and the willingness and capability of the policy makers to formulate research-based macro-policies.

6 In addition to creating a pro-poor environment, the issues of ‘macroeconomics of poverty reduction’ have a special significance in Bangladesh. As is well-known, the NGOs and other grassroots organizations have made impressive contribution to the country’s fight against poverty through extending micro credit and other social development inputs, especially to women of assetless poor households, in the rural areas. The modest nature of such interventions has, however, not led to their graduation beyond the realm of part-time self-employment. So far, these efforts have created inadequate spill over impacts on income and asset enhancement of the poor thereby limiting the possibility of a ‘big push’. The ‘second generation’ micro finance issues, therefore, should focus on up scaling such activities for creating broad based growth opportunities in Bangladesh. This requires explicit emphasis on policies that strengthen both horizontal and vertical linkages of grassroots interventions in order to harness the development potential of the entire community, and not that of the members of the target groups alone. This will maximize the growth and poverty reduction impacts of both macro policies and micro actions. In other words, the compulsion for Bangladesh is to move beyond the narrow domain of micro-empowerment of the poor toward creating a broader space for their collective empowerment to enable them to play a broader agency role. For such transformations, supportive macro-policies are essential that will strengthen dual roles of micro-finance interventions combining both productive and protective elements with capacity to reduce deprivations as well as vulnerability to deprivations.
I.2 Structure of the Study

The study is organized in five sections. After the brief introduction of this section, a summary of the macroeconomic developments and poverty trends in the country is presented in Section II. This serves as the background to better understanding the context in which past policies evolved. In particular, the section relates broad macroeconomic changes with different phases of the policy regime identified from the country’s growth-history.

Using different policy regimes of the earlier section which provide the major ‘turning points’ in the country’s economic history, Section III examines the role of EPIAs as contributor to policy shifts at the macro-level. The section follows the logic of policy change in terms of three major instruments that are critical to influencing economic decisions: tools of analysis; capacities to develop, maintain and use the tools in support of the policy making process; and openness and elasticity of the policy regime to new ideas and policy innovations.

Section IV focuses on constraints as well as measures needed to overcome these constraints for creating an environment in which comprehensive EPIAs can be institutionalized and more effectively used in the country. The section also illustrates examples of EPIAs that successfully contributed to policy making in the past. Finally, Section V outlines the elements of a successful EPIA strategy in Bangladesh and provides the concluding observations.

II. Macroeconomic Performance and Poverty in Bangladesh

Despite adverse initial conditions and early pessimism, Bangladesh has performed relatively well in both social and economic fronts in recent years. In recognition, some observers termed Bangladesh as a ‘lead performer’ among the least developed countries and a ‘successful example’ of graduation from traditional society to modernity at a low level of per capita income (e.g. Stern 2002).

In this respect, one can identify a steady progress in various social development indicators in Bangladesh. As mentioned earlier, population growth rate declined rapidly since the 1970s along with child and maternal mortality rates and malnutrition among the children. Significant improvements took place in enrolments in primary and secondary schools; and the country successfully removed gender disparity at primary and junior secondary levels by the 1990s. The role of women in all walks of life also became increasingly visible; especially Bangladeshi women played the key role in the success of micro credit programs and rapid expansion of readymade garments exports.

The economic indicators also improved during the past decade. In addition to significant gains in terms of increasing per capita income, macroeconomic fundamentals steadily improved and showed greater stability. The economic success also led Bangladesh to overcome the phenomena of mass starvation and the threat of famine syndrome in the backdrop of endemic vulnerability to natural disasters. The production of rice, the staple

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7 For details on recent economic and social progress, see Mujeri and Sen 2003, Mujeri 2003a, Mujeri 2003b, Sen et.al 2004.
food, more than doubled from its post-Independence level and the country became nearly self-sufficient in food grains. Increased disaster preparedness and expanded capacity to implement lean-season targeted wage-employment and transfer programs enabled the country to provide minimum food entitlements to the poorest in times of crisis.

Bangladesh also successfully reduced its dependency on external assistance, through increased domestic resource mobilization supported by rapidly increasing export earnings and remittances by overseas workers. Higher economic growth also led to steady decline in income poverty during the 1990s compared with the marked instability in poverty trends of the earlier periods. In short, Bangladesh demonstrated considerable promise and potentials in both social and economic development in the 1990s notwithstanding the bleak predictions of the earlier years.

II.1 Trends in Economic Growth

Although overall growth performance of the Bangladesh economy is not spectacular compared with many of the Asia’s fast growing economies, a moderate growth acceleration took place in the 1990s (Table 1). The table shows that the country made good progress in increasing per capita income, particularly since the second half of the 1990s when its growth rate rose to 3.6% per year.

Higher growth of per capita income in the 1990s came from both declining population growth rate and increasing GDP growth rate. This, especially the remarkable and early demographic transition at a relatively low level of development, shows the country’s transition to a new phase of development.

Another significant achievement of the 1990s was the reduced fluctuations in annual economic growth. Large variations in yearly GDP growth rate and high fluctuations in economic performance, among others, was a significant factor that inhibited greater investment flow and reduced its productivity and return in Bangladesh. An important contributory factor to high variability and associated uncertainties was the country’s high vulnerability to natural disasters and similar unforeseen events.

By the 1990s, Bangladesh economy underwent several structural changes that reduced its susceptibility to such events. Agriculture became more resilient with the spread of dry-season irrigated crop production and rapid expansion of non-crop agriculture, especially fish and animal production; non-agricultural sectors gained more importance; price effects of external shocks reduced due to infrastructure and market developments resulting in greater spatial integration; and mitigation capacity in responding to natural disasters significantly improved. In short, the economy became more resilient having diversified sources of growth along with greater capacity to deal with short-term fluctuations.

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8 The aid-GDP ratio, which was around 10% in 1981/82, declined to less than 3% by 2000. In contrast, the export-GDP ratio increased from around 6% to 14% during the same period. The flow of overseas remittances also increased impressively reaching more than 5% of GDP by the end of the 1990s. See, Mujeri 2003a.

9 This can be seen from the decline in the coefficient of variation of yearly GDP growth rate from a high of 29.5% in the 1980s to only 8% in the 1990s. See Sen et.al. 2004.
The sectoral pattern of growth over the last two decades indicates that all three broad economic sectors (e.g. agriculture, industry and services) contributed to overall growth of the economy (Table 2). Annual growth rate of agricultural value added increased from 2.5% in the 1980s to 3.2% in the 1990s whereas similar increase was the highest by 1.2 percentage points for industrial value added followed by a 0.8 percentage point increase for value added in the services sector.

At a disaggregated level, several sub-sectors can be singled out which expanded rapidly during the 1990s. In agriculture, the growth rate of the crop and horticulture sub-sector, which is the major activity, actually declined (from 2.7% in the 1980s to 1.8% in the 1990s) and fishing emerged as the fastest growing sub-sector of agriculture. In case of industry, manufacturing experienced increased growth from 5.0% to 6.9% (from 4.9% to 7.0% for large and medium scale industries and from 5.2% to 6.8% for small scale industries). The construction sector also experienced higher growth in the past decade. In the services sector, wholesale and retail trade, hotel and restaurants, and financial intermediations experienced more rapid growth. It thus appears that some parts of all broad economic sectors got positive stimulus to emerge as rapidly growing activities in the 1990s.
II.2 Trends in Poverty and Inequality

Over the years, the incidence of poverty has been declining in Bangladesh. The income poverty trends based on Household Income and Expenditure Survey (HIES) data suggest that the progress in poverty reduction was faster during the 1990s compared with the 1980s. The changes in income poverty during the 1990s are summarized in Table 3. The figures show that, between 1991/92 and 2000, the national head-count index declined from 58.8% to 49.8% indicating a modest poverty reduction rate of one percentage point per year.

Table 3: Changes in Poverty and Inequality in the 1990s

<table>
<thead>
<tr>
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<th>1991/92</th>
<th>2000</th>
<th>Change per year</th>
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<tbody>
<tr>
<td><strong>Head-count Index</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National</td>
<td>58.8</td>
<td>49.8</td>
<td>-1.8</td>
</tr>
<tr>
<td>Urban</td>
<td>44.9</td>
<td>36.6</td>
<td>-2.2</td>
</tr>
<tr>
<td>Rural</td>
<td>61.2</td>
<td>53.0</td>
<td>-1.6</td>
</tr>
<tr>
<td><strong>Poverty Gap Index</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National</td>
<td>17.2</td>
<td>12.9</td>
<td>-2.9</td>
</tr>
<tr>
<td>Urban</td>
<td>12.0</td>
<td>9.5</td>
<td>-2.5</td>
</tr>
<tr>
<td>Rural</td>
<td>18.1</td>
<td>13.8</td>
<td>-2.8</td>
</tr>
<tr>
<td><strong>Squared Poverty Gap Index</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National</td>
<td>6.8</td>
<td>4.6</td>
<td>-3.8</td>
</tr>
<tr>
<td>Urban</td>
<td>4.4</td>
<td>3.4</td>
<td>-2.7</td>
</tr>
<tr>
<td>Rural</td>
<td>7.2</td>
<td>4.9</td>
<td>-3.8</td>
</tr>
<tr>
<td><strong>Gini Index of Income Inequality</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National</td>
<td>38.8</td>
<td>41.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Urban</td>
<td>39.8</td>
<td>45.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Rural</td>
<td>36.4</td>
<td>36.6</td>
<td>0.1</td>
</tr>
</tbody>
</table>


10 As in well-known, poverty is multi-dimensional, having both income and non-income dimensions. The discussion in this section is limited to trends in income poverty alone. This does not, however, understate the importance of non-income dimensions of poverty covering human and social capital, voices, power, participation and other dimensions of well-being. In reality, these two dimensions are closely linked and many of the non-income dimensions are strong determinants of income poverty. For a review of non-income dimensions, see BIDS 2001, Sen 2001, GOB 2003.

11 The household surveys conducted at different points in time are, however, not strictly comparable, and so are the derived poverty figures due to differences in survey techniques and data collection and other methodologies. For an analysis of problems in poverty comparisons till the 1980s, see Ravallion 1990, Hossain and Sen 1992. In order to avoid data inconsistency problems, poverty and inequality trends during the 1990s only have been examined in the following paragraphs.
A declining trend is observed for other poverty measures (e.g. poverty gap and squared poverty gap indexes) as well. The changes also show that the progress in reducing the head-count index has been better in the urban areas. The rural areas, on the other hand, displayed a better progress in reducing the depth and the severity of poverty, as captured by the poverty gap and the squared poverty gap indexes respectively. Overall, the faster pace of poverty reduction in the 1990s has been due to higher growth of income (consumption) during the period. The annual HIES-based per capita consumption expenditure growth at the national level was only 0.6% during the period 1983/84 and 1991/92 which rose to 2.7% between 1991/92 and 2000.

In addition to rural-urban variation, considerable regional diversity in poverty exists in Bangladesh (see, Sen and Mujeri 2002). Such regional variations in poverty levels are influenced by many factors, including uneven expansion of socio-economic opportunities and differences in incidence of natural disasters. The incidence of poverty tends to be high in disaster-prone areas. Poverty is also high for the landless, especially those who have agricultural wage labor as their principal occupation and for those who are engaged in marginal occupations and skills. Similarly, poverty and social deprivations are higher for the hill people of the Chittagong Hill Districts and the tribal population in other parts of the country.

Moreover, it is estimated that about one-third of the poor lives in ‘extreme poverty’, including those belonging to specific chronic poverty groups, such as the elderly poor, disabled people, destitute persons, socially marginalized ethnic groups, and those engaged in dying occupations. Considerable interface is also observed between persistence of chronic poverty and unfavorable agricultural environments, such as flood-prone, salinity-prone, river erosion-prone, and drought-prone areas. Multiple and overlapping vulnerabilities including long duration in poverty often spanning generations, adverse interplays between the vulnerable ecology and chronic social disadvantages, very high levels of consumption shortfalls and food insecurity characterize the lives of the extreme poor.12

As for inequality, the Gini coefficient rose considerably during the 1990s, with urban inequality rising faster than rural inequality (see Table 3). Although urban income inequality sharply increased in the 1990s, urban poverty declined faster than rural poverty due to higher growth in urban income relative to rural income. In rural areas, real per capita income increased at only 0.5% per year during the 1990s compared with a robust growth of 4.4% in urban areas (Mujeri 2003b). Nevertheless, rising inequality remains a major reason as to why the full potential of poverty reducing effects of accelerated growth of the 1990s was not translated into reality.13

At the disaggregated level, several sources have been identified, such as non-farm enterprises, salaried non-agricultural employment, transfers and remittances, and property income (land and housing) which have high inequality in Bangladesh and, in

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12 For example, the problem of ‘hungry poor’ is still a major concern in Bangladesh. According to some estimates, about 19% of rural households cannot afford “three full meals a day” while 10% of rural households subsist on “two meals” for some months of the year. For details on issues in chronic poverty, see Sen and Mujeri 2002, Sen and Hulmes 2004.

13 It has been observed that had the observed rate of growth between 1991/92 and 2000 been distribution-neutral, the head-count index would have fallen by 17 percentage points or almost twice the actual rate of poverty reduction achieved during the period. See World Bank 2002.
most cases, these income sources have become more unequal during the 1990s (see, Osmani et. al. 2003, Mujeri 2003a). From the macroeconomic point of view, the increasingly unequal nature of income from non-farm enterprises is a matter of concern since many of these activities, especially in the rural areas, are parts of the dynamic non-farm sector which are the major sources of employment and income of the poor.

In particular, the non-farm sector especially in rural areas experienced a more rapid expansion of relatively larger-scale enterprises during the 1990s that employ wage labor, rather than the low-earning self-employment activities primarily at the lower end of the productivity-scale of the earlier decades. As a result of these structural changes, the rural non-farm sector ‘lost’ much of its earlier capacity to generate more equitable income flows since the poor remained mostly excluded from these expanded activities. The major gainers were the relatively well-off groups who had better access to financial, human and other capital resources with greater ability to involve in more dynamic activities with higher returns.

A major implication of such transformations in Bangladesh is that, under the existing socio-economic conditions, growth opportunities even in dynamic sectors provide only limited scope of pursuing growth and equity objectives simultaneously within the growth pattern itself. This has several implications for macroeconomic policies in the country. Among others, it shows that the existing inequity in the distribution of physical, human and other resources and the economy’s structural characteristics are such that the success in bringing an equitable process of growth would depend more on pursuing ‘asset building’ policies for the poor to ensure their wider access to growth opportunities rather than manipulating the growth of different production sectors of the economy.

The above indicates that, for poverty reduction, an important element of the macroeconomic agenda is to ensure that, along with a higher level of economic performance, growth reaches the poor and expands their opportunities. This in turn requires that policies are in place to build requisite assets of the poor-- education, good health, access to inputs and markets, voices and power, and participation in decision making--that will enable them to capitalize on expanding opportunities of growth.

As the above suggests, a major concern of pro-poor macroeconomic framework in Bangladesh is to accommodate, along with sustained expansion of dynamic activities for accelerated growth, public policies and investments that address the underlying causes of rising inequality, such as uneven spread of economic and social opportunities, skewed distribution of financial and human capital, and growing disparities in access to both material and non-material dimensions of capabilities and well-being. In short, macroeconomic policies in Bangladesh should maximize growth as well as generate a ‘superior’ pattern of distribution across different forms of assets to ensure the poor’s more effective participation and gaining a greater share of growth benefits. Moreover, in view of the existence of significant heterogeneity among different poor groups especially between the poor and the poorest, such policies should also be well targeted to address the constraints of specific poor groups.

The brief review presented above points to an important element of Bangladesh’s macroeconomic agenda: ultimate poverty outcome of macroeconomic policies depends not just on whether the policies enhance growth but also on whether any negative effect in the resulting income distribution does not offset the positive effect of growth on poverty. If macroeconomic policies are able to reduce income inequality, or at least keep
it rising only modestly, then a faster economic growth will contribute to faster poverty reduction.\textsuperscript{14}

The above also brings out two important issues in Bangladesh’s macroeconomic policy agenda: (i) what is the scope that exists to pursue policies to ‘rectify’ income inequality without affecting the rate of economic growth; and (ii) what is the nature of impact of growth maximizing policies on poverty in the face of potentially widening income inequality with growth. Depending upon likely outcomes, growth maximizing policies could be emphasized as Bangladesh has relatively less initial inequality. This, however, does not undermine the importance of addressing inequality for which development of human capital, skill improvement and empowerment of the poor can provide effective vehicles for redistribution.

**II.3 Phases in Macroeconomic Policy Regime**

Broadly speaking, one can attribute Bangladesh’s past growth and poverty performance to changes in underlying allocative and distributive policies pursued by different governments that shifted both sectoral allocation of resources and ownership pattern of productive factors. Moreover, the impact of economic growth on poverty reduction and social development depended on several factors, such as initial conditions, development status in specific areas, socio-political conditions, nature of governance, and others. Sustained political commitment resulting in policy consistency over a relatively longer period of time also brought impressive achievements in certain areas.\textsuperscript{15} It is important, therefore, to review the country’s macroeconomic policy regimes in the light of its growth history.

Since the 1970s, socio-economic developments in Bangladesh were accompanied by significant changes in macroeconomic policies and political regimes. After Independence, the ‘experiment’ with the state-controlled economy was reversed with the change in political regime in 1975. This was followed by policies of deregulation and liberalization to create conducive environment for private sector-led development. Although the central thrust of the policy regime toward a market-oriented economy has not changed since the mid-1970s, the pace of implementation of reforms varied considerably during different periods.

\textsuperscript{14} This brings out the prime importance, in the context of Bangladesh, of identifying specific policy measures that can improve or at least arrest the deterioration of income inequality without adversely affecting economic growth. Analytical findings and empirical evidence are at best inconclusive on these issues. The empirical evidence from East Asian countries shows that countries with less initial inequality were able to realize higher growth but inequality also widened with growth. See Bruno et.al.1998, ADB 2000.

\textsuperscript{15} As emphasized in later paragraphs, one of the factors that explain Bangladesh’s significant social development at a relatively low level of income is the political commitment to the issue creating policy consistency across all types of political regime since Independence. Successive governments, irrespective of their ideological and political biases, emphasized on reducing population growth rate, investing in primary and girl’s education, improving primary health care, providing safe water and improved sanitation, and similar social concerns. Moreover, such concerns are universally appealing and ingrained in all cultures that ignite actions and result in adoption of behavior conducive to change.
The implementation pattern of reforms also varied over different sectors of the economy. The reforms were implemented rapidly in the trade sector resulting in significant reduction in tariff and non-tariff barriers. The deregulation in the industrial sector was slow and generated mixed outcomes. Despite the emergence of a dynamic and export-oriented readymade garments sector, the rest of the manufacturing activities (with a few exceptions like the pharmaceutical industry) suffered from deep-rooted governance, finance, infrastructure and other problems in the absence of wider reforms.

The deregulation in agriculture covered several policy changes, such as liberalization of the fertilizer and irrigation equipment markets, reforms in the public food grain distribution system, and elimination of subsidies on modern inputs. The overall impact of the policies was favorable that created significant positive impact on agricultural production and productivity. However, reforms in other areas, such as in the financial sector and in infrastructure policies, lagged behind creating serious deficiencies in the quality and quantity of much-needed services.

By relating macroeconomic policy changes with broad socio-economic outcomes, several distinct phases in Bangladesh’s growth-history can be identified. We refer here to four phases using policy-based periodization.

The first phase (1971-1982) can be termed as the period of ‘reconstruction and recovery amidst political turbulence’. During this period, the country achieved the pre-Independence levels of per capita GNP and other macroeconomic indicators, such as gross savings and gross investment as shares of GDP.

The subsequent period (1983-1989) was a period of ‘slow economic growth with growing macroeconomic instability’. The slow growth became increasingly unsustainable and the ensuing macroeconomic crisis led to undertaking of a range of stabilization measures. Although the reform measures were driven by balance-of-payments crisis and were a part of the conditionality related to the Extended Structural Adjustment Facility (ESAF) of the World Bank and the IMF, its implementation signalled a qualitatively new phase of development in Bangladesh.

The following three years (1990-1993) formed a period of transition. This was the time of ‘crisis-driven economic reforms and formation of favorable initial condition state’ both in

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16 The extent of liberalization can be seen in several indicators. The maximum tariff rate was reduced from a high of nearly 500% in 1989 to 37.5% in 2000. Similarly, four slabs of duty rates were introduced in 2000 in place of 24 in the 1980s and the number of items banned and/or restricted due to trade or non-trade reasons at the 4-digit Harmonized System (HS) code level was reduced from 315 in 1990 to 124 in 1997. The mean tariff on all products declined from 114% in 1989 to 22% in 1999. For details, see Mujeri 2002, 2003c.

17 Several areas of concern may be cited, such as difficulties in the power sector including huge ‘system loss’, supply constraints, and low reliability of the service creating frequent supply disruptions; inadequate, inefficient and expensive telecommunications network; inefficiencies and labor problems in the ports resulting in high shipping costs; poor governance and inefficiency in the banking sector as reflected in large incidence of non-performing loans (estimated at about 50% for public sector banks and 30% for private sector banks).

18 The analysis is adapted from Mujeri and Sen 2003. In Bangladesh, such a periodization using policy criterion also appears to be consistent with other possible criteria, such as periodization by crisis or periodization through identifying ‘structural breaks’ in aggregate and sectoral growth performance.
terms of improved economic fundamentals and attaining a ‘threshold level’ of human and other capital.

With necessary conditions for graduating into a higher level of economic growth in place, the subsequent period (1994-2005) exhibited much improved performance both in terms of economic growth and social development. Accordingly, the period may be characterized as the period of ‘higher economic growth and faster social development’. In short, better performance of this period was the outcome of the interactions between the improved ‘initial condition state’ created over the last three phases and policy and institutional changes during the 1990s toward more market-responsive and democratic policy regimes.

Macroeconomic performance in terms of some important indicators during the four phases is given in Table 4. The figures show that economic performance significantly varied over the four phases. In particular, building on favorable conditions of earlier periods, the period since 1994 experienced a more facilitating macroeconomic environment and recorded higher and more stable economic growth. The GDP growth averaged more than 5% per year during the period compared with around 4% of the earlier years.

### Table 4: Macroeconomic Indicators during Different Policy Regimes

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<tbody>
<tr>
<td>i. Average yearly growth (%) at constant 1984/85 prices</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>GDP</td>
<td>2.7</td>
<td>3.9</td>
<td>4.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1.5</td>
<td>1.5</td>
<td>3.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Industry</td>
<td>1.4</td>
<td>3.1</td>
<td>6.7</td>
<td>6.2</td>
</tr>
<tr>
<td>Services</td>
<td>4.0</td>
<td>5.7</td>
<td>4.7</td>
<td>6.3</td>
</tr>
<tr>
<td>Per capita GDP</td>
<td>0.1</td>
<td>1.8</td>
<td>2.3</td>
<td>3.6</td>
</tr>
<tr>
<td>ii. As % of GDP</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Gross investment</td>
<td>11.6</td>
<td>12.8</td>
<td>12.7</td>
<td>17.3</td>
</tr>
<tr>
<td>Gross domestic savings</td>
<td>1.6</td>
<td>2.4</td>
<td>4.9</td>
<td>8.1</td>
</tr>
<tr>
<td>Gross national savings</td>
<td>6.8</td>
<td>10.1</td>
<td>11.9</td>
<td>14.9</td>
</tr>
<tr>
<td>Exports</td>
<td>5.7</td>
<td>7.5</td>
<td>9.8</td>
<td>15.3</td>
</tr>
<tr>
<td>Imports</td>
<td>15.8</td>
<td>17.9</td>
<td>17.4</td>
<td>22.8</td>
</tr>
<tr>
<td>Current account balance</td>
<td>-1.4</td>
<td>-2.8</td>
<td>-1.2</td>
<td>-1.0</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>6.3</td>
<td>7.3</td>
<td>8.4</td>
<td>9.5</td>
</tr>
<tr>
<td>Overall budget balance</td>
<td>-6.9</td>
<td>-6.4</td>
<td>-5.3</td>
<td>-6.8</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>12.3</td>
<td>10.0</td>
<td>4.7</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Note: 1. Figures refer to the average of the period 1975-1982. Data for earlier years were not used as these showed wide fluctuations after the Independence War.

Source: Adapted from Mujeri and Sen 2003.

In terms of policy regime and socio-political developments, distinct characteristics of each of these periods can be identified. Some major characteristics of each period are given in Table 5. The first period ended with a high and unsustainable reliance on external assistance and the issue of ‘crisis of external dependence’ emerged as a major concern during the phase (Sobhan 1991a). The next period covering most of the 1980s witnessed the adoption of stabilization and structural adjustment programs of World Bank and IMF. However, in the absence of any comprehensive assessment of the country’s economic, political and social priorities and uneven distribution of adjustment
burdens on different socio-economic groups, the program did not provide any realistic policy framework that could be backed by strong social and political commitment.

The third period, though short and transitional, witnessed more conscious efforts toward implementing wide-ranging reforms to facilitate the creation of a more liberalized and responsible policy regime. Significant reforms in the external sector led to the emergence of a more outward-oriented economy along with positive trends in major macroeconomic indicators.\textsuperscript{19} The period since 1994 emerged as an era of higher economic growth and faster social development building on favorable conditions from earlier years and through pursuit of more prudent macroeconomic and other policies.

| Table 5: Major Characteristics of Bangladesh’s Policy Regime since Independence |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| **Political Framework**    |                             |                             |                             |
| -A very modest and 'disastrous’ beginning amidst uncertainties of a war-ravaged economy, including a famine in 1974. | -Authoritarianism and illegitimacy of governance. | -Transition to a parliamentary form of democracy. | -Continued political confrontation and uncertainties. |
| -Violent change of political power through military coup d’etat in 1975. | -Institutionalization of corruption and the rise of ‘crony capitalism’. | -Emerging signs of political instability and deterioration of governance. | -Deterioration of governance, especially corruption and law and order situation. |
|                             | -Decentralization and local governance initiatives. |                             | -Emergence of religious fundamentalism and resort to counter-terrorism measures. |
| **Macroeconomic Policy Framework/Achievements** |                             |                             |                             |
| -Economic nationalism emphasizing inward orientation with strong import control, nationalization of industries and financial institutions during the first half of the 1970s. | -Continued inward orientation. | -Key developmental role assigned to the private sector. | -Continued emphasis on private sector as the engine of economic growth. |
| -Partial liberalization and privatization measures since the second half of the 1970s along with increased inflow of concessional aid. | -Slow and fluctuating economic growth. | -Outward orientation with emphasis on trade liberalization. | -Favorable macroeconomic fundamentals. |
| -Restoration of the pre-Independence level of per capita GNP by the end of the period. | -Deteriorating macroeconomic stability with growing fiscal crisis. |                             | -Liberalization and outward orientation. |
|                             | -‘First wave’ of liberalization and privatization amidst unfavorable environment. |                             | -Emphasis on environmental conservation and sustainable development. |
| **Major Economic Developments** |                             |                             |                             |
| -Emphasis on green revolution as a part of the drive for national food self-sufficiency. | -Beginning of progressive expansion of irrigated dry season crop (rice) production. | -A move toward macroeconomic stability. | -In-country efforts of mainstreaming poverty reduction efforts and gender and other social development issues. |
| -Distribution of ‘political loans’ and early signs of crisis of development finance institutions. | -Massive debt default of financial institutions | -Beginning of more stable and higher economic growth. | -Emphasis on agriculture and rural development. |

\textsuperscript{19} The openness ratio, as measured by trade (merchandise exports and imports) to GDP ratio, increased from 20% to 28% between 1990 and 1995 compared with only one percentage point increase between 1985 and 1990. See Mujeri 2002.
<table>
<thead>
<tr>
<th>Major Social Developments</th>
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<tr>
<td>-Emergence of targeted employment programs for mitigating food insecurity during the lean seasons.</td>
<td>-Safety-nets programs as response to food insecurity and natural disasters.</td>
<td>-Emphasis on development of human capital.</td>
<td>-Reduced income poverty and child malnutrition.</td>
</tr>
<tr>
<td>-Emphasis on population control</td>
<td>-Emergence of NGOs as important conduits of development at the grassroots level.</td>
<td>-Expanded role of NGOs as major service providers and recognition of government organizations-NGOs collaborative framework.</td>
<td>-Impressive success in human development.</td>
</tr>
<tr>
<td></td>
<td>-Women’s empowerment under micro credit programs.</td>
<td></td>
<td>-Enhanced disaster management capacity.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>-Strong emphasis on NGOs in social and economic development.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-Continued emphasis on women’s empowerment.</td>
</tr>
</tbody>
</table>

A significant feature of the political economy and associated policy regime that emerges from the above review is the wide-ranging and rapid transformation that the macroeconomic policies underwent within a short period in the country’s economic history. One can also identify three important factors that fueled the process. First, shift in fundamental development philosophy from a democratic socialist system to a market-based economy through a violent political change in the 1970s. Second, wave of globalization that replaced the inward-looking import-substituting growth strategy with open, market-based and export-led growth as the universal framework for development of the poor countries. Third, emergence of economic crisis requiring urgent policy responses often ‘dictated’ by international financial institutions.

Within this significantly disjointed policy stream, one can identify several continuing themes of policy consistency as well, such as strong emphasis on favorable social development policy, grassroots mobilization, community interactions and women’s empowerment. These efforts, which are often under-rated in the conventional development discourse, along with progressive achievements in the economic front contributed to Bangladesh’s success in creating a more conducive environment for social development at a relatively low level of income. While compulsions and crisis might have played a major role in the evolution of the existing policy regime, an important issue which is relevant for the future is to identify the role and contribution of ex ante impact assessments in shaping the dynamics of policy change in Bangladesh.

### III. Role of Ex Ante Impact Assessments

As the previous section indicates, the past process of policy evolution in Bangladesh was influenced by a large number of economic and non-economic factors. Moreover, their relative importance varied significantly during different periods of time. In order to ensure credible policy making, however, one of the important factors that need to play a major role is ex ante impact assessments necessary to promote informed and conscious decision making using best available alternatives.

### III.1 Use of EPIAs in Policy Making in Bangladesh

In Bangladesh, with poverty reduction as the major concern, ex ante poverty impact assessments (EPIAs) can provide relevant methodologies to ascertain poverty
implications of macroeconomic and other policies. As a tool of policy analysis, EPIAs have significant advantages over ex-post or other forms of policy assessments. For example, EPIAs can be carried out using large economy-wide models that can show the likely effects of specific policies or changes in certain parameters on poverty. Moreover, counterfactual analysis associated with ex-ante assessments helps in evaluating alternative scenarios, such as what would have been the consequences in the absence of certain policy or in the presence of alternative policy. This provides a wider menu to the policy makers and helps make a choice based on consideration of plausible options. Despite such advantages, the use of EPIAs has been somewhat limited in policy making in Bangladesh.

In the present section, we shall examine the issue in terms of three elements of influencing policy through ex ante impact assessments: (i) tools and contents of analysis; (ii) in-country capacity to generate and disseminate credible analysis; and (iii) responsiveness of the policy regime to availability of assessment findings.

**Tools and Contents of Analysis**

While the availability of appropriate EPIA tool is no doubt important, its capacity to influence policy, and actual influence in practice, is difficult to measure especially in a country like Bangladesh. Many factors determine the receptivity of these tools and resulting contents of policy. For example, wide recognition of relevance and broad acceptability of a specific tool in policy making is important for making an impact on policy. This gives confidence among the policy makers about the adequacy and dependability of the contents along with assurance that required capacity exists to meet their demands. The building of such confidence requires deployment and use of analytical tools having valid and country-relevant technical specifications (such as, behavioral assumptions, market structures, and model closure rules), adequate structures to address dynamic and priority issues facing the policy makers, and sustained efforts to improve and up-date the tools to address emerging issues and prescribe credible options.

In the past, a wide variety of tools have been used in conducting EPIAs in Bangladesh. Similarly, assessment practices used wide-ranging methodologies covering different techniques in the policy formulation process. Within such a broad spectrum, EPIA tools covered both specific ‘state-of-the-art’ technologies (such as, general equilibrium models, partial equilibrium analyses and macro-econometric modeling) as well as analytical methods based on specific monitoring systems. With wide diversity, the process often resulted in different, and sometimes conflicting, conclusions and policy interpretations.

After Independence, EPIAs were carried out using simple tools mainly due to lack of data and the short-term compulsion of adopting policies to fill-in the policy vacuum of the newly emergent country. During the period, the policy formulation process at the macro-level was led by a team of highly qualified professionals working within the government.20 A distinguishing characteristic of the contents of EPIAs of the period was

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20 For example, the First Five Year Plan (1973-1978)--the comprehensive policy document to guide the development of the country--was prepared within a short period using a simple input-output framework adapted for the purpose. For an account of the assessments and the associated political economy of the period, see Islam 1977.
the interplay of both economic and social imperatives in economic policies. The main

driving force behind the approach was the dominant political thinking of the period of

moving toward a socialist economic system through pursuing a public sector led
development strategy and creating a state controlled distribution system.

The process, however, was marked by inherent contradictions. There was a lack of

political consensus on fundamental issues, such as the nature and limits to private

ownership of the means of production. The compulsion was to implement ‘hard
decisions’ for adopting policies and creating institutions needed for a democratic

transition to a socialist economy which the political leadership was not prepared to

implement. Moreover, the process was short-lived and was abandoned after the violent

political change in 1975.

A significant characteristic of the policy making process during the next decade was the
dominant role played by the external donors, particularly the World Bank and the IMF.

As a consequence, the role of domestic EPIAs significantly declined. The policies during

the period reflected policy based lending operations through the Import Program Credits
(IPCs), followed by Structural Adjustment Facility (SAF) of the World Bank and the

IMF.\textsuperscript{21}

Despite a declining role during the period, the technical and analytical tools of EPIAs at

the macro-level improved through two notable attempts. First, the technical framework of

the country’s Second Five Year Plan (1980-1985) was built around an input-output

model linked with a basic needs module to address poverty concerns. Second, an

applied general equilibrium model (AGEM) was developed to explore poverty and

distributional consequences of alternative growth policies across ten socio-economic

groups and guide resource allocations for the Third Five Year Plan (1985-1990) of

Bangladesh.\textsuperscript{22}

In contrast to the largely government-sponsored and donor-supported initiatives of the

earlier periods, both government and independent civil society efforts of developing

EPIA tools for policy analysis expanded in the 1990s. The government’s efforts were

largely directed toward formulating the Fourth Five Year Plan (1990-1995) and the Fifth

Five Year Plan (1998-2002) and other policy documents including the poverty reduction

strategy paper (I-PRSP).\textsuperscript{23} The Ministry of Finance also expanded its analytical

capability through developing tools for revenue forecasting and expenditure tracking.\textsuperscript{24}

\textsuperscript{21} The policy changes covered wide-ranging reforms involving import liberalization, removal of

restrictions on credit expansion, rationalization of the tax system, and reduction of food and

fertilizer subsidies. The Import Program Credit (IPC) of the World Bank covered several areas

including industrial restructuring, trade and industrial reforms, rationalization of tariff structure and

domestic resource mobilization issues. For a review of the structural adjustment programs, see


\textsuperscript{22} See PC 1980, Ahmad et.al.1985.

\textsuperscript{23} Bangladesh prepared its interim Poverty Reduction Strategy Paper (PRSP) in 2003 known as

The National Strategy for Economic Growth, Poverty Reduction and Social Development. See

GOB 2003.

\textsuperscript{24} A major shortcoming of the government-sponsored efforts may, however, be noted. The usual

practice of developing EPIA tools within the government sector is to appoint local/expatriate

consultants to do the technical work and related policy analysis. An obvious problem of the

approach is that the tools become non-operational after the targeted job under the project has
In the 1990s, the Micro Impacts of Macroeconomic and Adjustment Policies (MIMAP) made significant contribution to expanding the availability of ex ante poverty and social impact assessment tools in the country. The overall objective of the MIMAP program was very relevant to increasing analytical capacity building in the policy arena in a comprehensive manner. The program’s central objective was to strengthen in-country capacity of conducting policy-oriented research and promote informed policy making, especially related to poverty and development. The institutional arrangement in support of the objective was built through creating partnerships between the policy-driven needs of relevant government ministries/agencies and technical and analytical skills of research institutions.25

In short, MIMAP’s analytical tools covered two major areas of concern to the policy makers: first, a poverty monitoring system to provide regular and timely feedback on the state and process of poverty using multi-dimensional qualitative and quantitative indicators; and second, an analytical system to examine the poverty and distributional consequences of macroeconomic and adjustment policies for creating a pro-poor policy environment.

Several positive impacts of MIMAP-Bangladesh may be noted. The availability of poverty data through the poverty monitoring system at regular intervals without any significant time lag improved the quality and effectiveness of the EPIAs. Similarly, the development of a computable general equilibrium (CGE) model and a macro-econometric model of the Bangladesh economy expanded the domestic availability of credible tools for ex ante policy analysis in the country.26 During the 1990s, several ‘think-tanks’ also emerged in the civil society to conduct policy analysis and undertake the advocacy role in support of the pro-poor policy agenda. 27

**In-Country Capacity**

Of necessity, the ultimate objective of conducting EPIAs is to positively impact the country’s macroeconomic policies in advancing poverty reduction and other development goals. In addition to availability of adequate tools for conducting credible analysis, this depends on in-country capacity in several areas. These intermediate

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25The MIMAP-Bangladesh was supported by the International Development Research Centre (IDRC), Canada under its MIMAP program covering about 15 countries in Asia and Africa. From the government side, the relevant agencies were Planning Commission (in charge of policy making) and Bangladesh Bureau of Statistics (BBS, the national statistical organization responsible for collecting data for monitoring poverty and development) while the collaborating institutions were the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) followed by Bangladesh Institute of Development Studies (BIDS).


27 One notable institution is the Centre for Policy Dialogue (CPD) which, though more active in the arena of advocacy, also undertakes significant policy research on developmental issues facing the country. The Bangladesh Institute of Development Studies (BIDS), an autonomous institution established under the government initiative, is more involved in ex ante research in support of government’s policies and programs.
considerations often play an important role in building a research-friendly environment and furthering the dialogues to bring consensus and enhance the chances of adopting research-based policies. Such capacity covers several strategic areas, such as skilled, capable, trained, and experienced professionals to use and apply analytical tools; institutions with mandate and adequate resources to undertake needed activities; and nature and strength of linkages of researchers/institutions with policy makers.

In case of human skills, a critical mass of professionals with capability and education/training to use the existing EPIA tools exists in Bangladesh. The professionals covering different disciplines are, however, scattered in both government and non-government institutions including universities, research institutions, government agencies, and other civil society institutions. Nevertheless, inter-institutional collaboration (both formal and informal) often plays a leading role in meeting the lack or deficiency in the availability of specific skills in a particular institution at any point in time.

The number of institutions with mandate to conduct EPIAs has also increased over time, particularly in the private sector, during the 1990s. Such a mandate, however, is visible in actions of only a few agencies within the government. Usually, these agencies are directly involved in policy making. The case of the General Economics Division (GED) of the Planning Commission may be cited as an example. The GED is mandated to play the pivotal role in preparing different plans and policy documents including the poverty reduction strategy papers.

Although many other government agencies, such as the planning departments of the line ministries, also have similar mandates of conducting policy analysis in their own areas, these agencies perform very little EPIAs mainly due to lack of adequate technical and human skill and financial resource. In this respect, some of the specialized government and autonomous institutions have demonstrated increasing capacity and are better equipped to conduct EPIAs within their own domain.

As mentioned earlier, a noteworthy trend of the 1990s is the emergence of several private sector institutions with mandate to undertake research on macroeconomic issues. Although most of these institutions are yet to come up with a credible research and advocacy agenda, several such institutions have started to contribute significantly in enriching the policy debate.

28 The case of Bangladesh Institute of Development Studies (BIDS) may be cited as an example. As an autonomous policy-supporting research institution in the country, more than 85% of the professional staff has post-graduate degrees in different disciplines from USA, Canada, UK, Australia and other developed countries. Similarly, the pool of qualified professionals with exposure to a wide range of analytical tools is large in many other institutions, both inside and outside the government.

29 One may mention the cases of Research Division of the Bangladesh Bank (the central bank) and Finance Division in the Ministry of Finance within the government and a few autonomous institutions like BIDS, public universities and Bangladesh Institute of International and Strategic Studies (BIISS).

30 One notable instance is the case of Centre for Policy Dialogue (CPD) which, since the mid-1990s, has been playing a pioneering role in undertaking credible research in support of policy making. The approach followed by CPD is also innovative. The thrust of its effort is to conduct research through using the best available human skill and expertise in different institutions rather than depending solely on its in-house capacity. Such collaboration among researchers of different institutions mostly takes place on an informal basis in order to ensure flexibility. The CPD provides umbrella support to the researchers and acts as the dissemination and advocacy
Despite multiplicity of mandated institutions, a significant weakness that equally pervades the public and private sector institutions in Bangladesh is the lack of adequate resources earmarked and spent for research. The public sector institutions operate under strict budget constraints with practically no allocations for servicing/ updating analytical tools and meeting other expenses to ensure credible analysis. The private institutions also receive very little resources from domestic sources for research-related expenses. As a result, development of most of the EPIA tools in the country, in both public and private sector institutions, was externally-funded. As stated earlier, a common feature of donor-funded efforts, especially in public sector institutions, is the lack of sustainability. The inevitable outcome, in majority of cases, has been that the tools go out-of-use quickly on expiry of technical assistance or supporting projects.\(^{31}\)

In addition to availability of tools and required capacities, another important determinant of success of EPIAs to influence policy was the nature and strength of relationship between researchers and research institutions on the one hand and the policy making community, on the other. Numerous instances are available in Bangladesh which show that such relationships matter and can act as an important catalyst in determining the policy influence of research. Along with capacity, credibility, integrity, personal reputation and similar other attributes of the researcher, the capacity of the research institution both in terms of its present performance and past achievements, is important to infuse ‘additional weights’ to a research message for the policy makers.\(^{32}\)

In Bangladesh, one can identify several underlying factors that contribute to developing and flourishing of such relationships, starting from personal relationship and social contact to effective acquisition and use of ‘public relation tools’ by the researcher/research institution, such as personal capacity to interact with policy makers, efficacy of communication channels, skill in disseminating knowledge, and ability to engage with advocacy institutions and dominant coalitions. Obviously, such capacities do vary across researchers and institutions and a threshold level of acquisition of these attributes seems important for success.

\(^{31}\) Usually, donor-funded tools are developed for serving specific purpose with the support of expatriate experts and domestic consultants, mostly hired from outside the institution. In the absence of in-house capacity building, the tools become somewhat redundant to the normal work of the institution on the expiry of the project and departure of the outside experts. Many examples may be cited of such efforts where huge investments were wasted. During the 1980s, the applied general equilibrium model was developed in the Planning Commission to serve as technical framework for preparing the country’s five year plans. But, with no financial resources for regular maintenance and periodic updating of the data base, the tool soon became obsolete. The consultants also left and the tool became ‘dead’ within a period of five years.

\(^{32}\) In Bangladesh, research messages from institutions like BIDS or CPD necessarily carry additional ‘weights’ to the policy making community. Similarly, one can identify a group of researchers (mostly concentrated in Dhaka) who has succeeded, over the years, to develop and maintain a close relationship with the policy making community. Obviously, the success rate of translation of research outputs by this group into policies is higher than others.
Role of Participation

An important issue relating to EPIAs is the nature and extent of participation of researchers and other stakeholders in the policy making process itself. Moreover, the presence of well-defined and transparent institutional mechanism for such participation is important to make translation of research outcomes into policy easier.

In Bangladesh, the degree of such participation at the macroeconomic level was largely context-specific in the past depending upon the nature of crystallization of public opinion, both domestically and globally. For example, the participation of researchers in influencing policy decisions and adopting mitigating measures to reduce ‘social costs’ for the poor was deeper and more effective in case of structural adjustment policies of the 1980s. On the other hand, such participation was marginal, due to the presence of strong interest groups, on issues relating to ‘hard decisions’ of fundamental restructuring and reforms in distribution of resources and power within the society.

The researchers and the ‘coalitions for change’ also have shown variations in capacities, differences in opinions on specific issues, and above all, limited ability to master adequate human, organizational, financial and other resources to exert a threshold level of pressure on the policy makers to initiate a change. It has been observed that, when the civil society and the researchers/advocacy groups have voiced solidarity and unity on specific issues, the policy makers have often been forced to adopt related policies based on EPIAs. Moreover, in certain areas, such a process appears to have marked a ‘new beginning’ toward a process of developing real capacity and commitment to adopting research-based policies.

IV. Policy Making using EPIAs: Some Constraints and Possibilities

Although the above analysis points to a limited role of EPIAs in the country’s policy making process in the past, it also identifies several areas where research outcomes have made notable contributions with potential for larger roles. Three major routes are also identified through which EPIAs contributed to improved policy making in Bangladesh: (i) expanded policy capacities by improving the knowledge base of important actors within the community, developing new and prudent ideas, and improving capabilities of policy makers to communicate and take better decisions; (ii) broadened policy horizons through creating networking opportunities and stimulating meaningful dialogues and cross-fertilization across a wide range of stakeholders; and (iii) changed policy regimes by modifying existing policies and/or by re-designing existing policies.

33 This, in many instances, led to non-implementation/deferral and/or re-designing of certain components. For example, high social cost of the privatisation component led to its slow implementation and, in some cases, along with supportive packages (e.g. “golden handshake program”) and re-training components.

34 For instance, implementation of several environment-related policies owes much of its success to joint efforts of researchers, NGOs, advocacy groups, and the civil society. This is largely true for policies of mainstreaming of gender as well.
In this section, we shall examine two critical dimensions governing the entire process: first, characteristics of institutional dimension of the policy making process; and second, relevance of EPIAs and the nature and strength of underlying research-policy linkages. The section will also illustrate with examples from specific policy areas on how relevant EPIAs have succeeded in influencing policies in the country.

IV.1 Institutional Dimensions

For macroeconomic policies, several institutional dimensions are important in Bangladesh. The Planning Commission (under the Ministry of Planning) is responsible for preparing policy documents, such as the poverty reduction strategy papers, five year plans and annual development programs which provide the policies to be pursued and the guidelines for program/project formulation by various ministries/departments. The Ministry of Finance prepares the annual budget (covering the revenue budget and annual development program) within the medium-term policy framework given in plan or policy documents.

The quality and efficiency of the entire process including monitoring and analysis of development trends depends critically on collection and availability of credible macroeconomic and related data by the Bangladesh Bureau of Statistics (BBS), the national statistical organization under the Ministry of Planning. The line ministries and associated departments formulate sectoral policies in consistent with the macro guidelines and assume the responsibility of implementation. The planning departments of the line ministries play the key role in sectoral policy/program formulation and implementation along with their affiliated directorates/boards/agencies and their field units.

The Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning has the mandate to monitor and evaluate government programs/projects whereas the local administration (e.g. Deputy Commissioner at the district level) along with elected representatives and local government bodies are involved in the implementation process in varying degrees. A growing trend, moreover, is to involve and develop partnerships with the NGOs and other civil society organizations in the whole process. A considerable role is also played by the external development partners in policy formulation and implementation in view of the country’s significant ‘donor-dependency’ in development.

The broad picture that emerges from the above indicates that the underlying institutional structure of macro-policy framework is inherently complex in Bangladesh with shared responsibilities across a large number of institutions. From the policy perspective, four major weaknesses of the system may be noted.

First, the level of coordination that can be achieved within the system is low. Although the Planning Commission has the mandate to play the critical coordinating role, gradual erosion of its institutional capacity has made its position somewhat marginalized leading to deteriorating coordination at the macro level. In most cases, the scope of

35 In this respect, as in many other developing countries, the historical rivalry over control of key decision making between the Ministry of Finance and the Ministry of Planning is well-known. In
coordination is also limited since the mandate is mostly exercised over government agencies leaving aside the NGO and other non-government initiatives.\footnote{Although the government has created the NGO Affairs Bureau for ensuring overall coordination, its activities have so far remained limited mostly to providing registration and project clearance, permission to receive foreign funds, and similar other routine matters. The Association of Development Agencies in Bangladesh, the apex body of the NGOs, is also plagued with organizational problems and plays little role in coordination.}

Second, the lack of transparency and accountability is pervasive across the entire system. As a result, the policy making process is generally inefficient, time-consuming and largely ineffective. In addition, the system lacks necessary public discourse which is essential for ensuring transparency and accountability in decision making. Similarly, the absence of effective mechanisms for sharing information with the civil society and procedures for ensuring ‘open’ decisions makes the system unresponsive to address the changing needs of the economy and the society at large. A related constraint in ensuring accountability is the lack of availability of reliable and credible information in appropriate formats for use by the policy makers. As a result, the system fails to ensure a level-playing field where all concerned stakeholders can effectively participate on a well-informed basis.

Third, the system fails to provide required motivation and incentives to the stakeholders to promote credible policy making in an effective and sustained manner. In particular, the lack of functional motivation constrains efforts of moving forward the desired policy agenda and creating necessary awareness to generate collective actions among the constituencies.

Fourth, the lack of adequate reflection of the country’s unique characteristics in the policy process is an important constraint that makes the system less responsive to ground realities. The plurality and the complexity of the socio-political systems, exclusion of the poor and the disadvantaged sections of the population from the mainstream decision making process, inherent dynamics of and conflicts between traditional and modern sub-cultures in the transitional Bangladeshi society are some of the important factors that are not adequately captured in the policy environment.

Under the circumstances, a difficult challenge of the institutional structure has always been to deal with the reality of fragmented jurisdiction of government institutions. The ministries are comprised of a multitude of departments/agencies competing for resources, political attention and responsibility for implementing public policies. In many cases, individual departments are sub-divided into smaller units with competing interests and differing capacities in policy making.

In addition to the above formal structure, ‘intermediary institutions’ have often played important roles in changing policies in the country. Different professional bodies like associations and ‘lobbying groups’ (e.g. chamber of commerce and industry, employer’s association, trade unions, manufacturing and exporter’s associations) have often played the role of effective media for targeted policy changes. Similarly, task forces, committees, commissions and similar other recommending bodies formed by the
government at specific times along with defined terms of reference served as useful vehicles of policy change in the country.

With multi-level dimensions and complexity of the institutional culture, ensuring a greater role of EPIAs in policy making often requires action that promotes the specific issue within the institutional stream in a way to attract and ensure attention and participation of key policy makers.

**IV.2 Relevance of EPIAs**

While EPIAs are generally conceived as useful tools for policy makers to take informed decisions, one can identify two important factors that shaped the relevance and usefulness of specific EPIAs to the policy making community in Bangladesh. These are: how EPIAs were conducted and for what purpose. In this respect, several determinants were highlighted earlier, such as quality of research, effective interpretation and identification of feasible options and likely outcomes, participation of and consultation with relevant parties, and the nature of research-policy nexus. In this section, our aim is to illustrate some examples as to how EPIAs that are relevant have succeeded in influencing the policy environment in Bangladesh.

In Bangladesh, an obvious challenge of EPIAs is to address the priority issues related to poverty. In this respect, a major problem relates to the need to cover a large number of poverty-related issues. While reducing income poverty is important, simultaneous action is also needed to address non-income dimensions of poverty as well. With such a wide agenda, the policy makers' demands on EPIAs are necessarily high. Ensuring capacity to generate and disseminate policy-relevant research on such diverse issues is indeed a formidable challenge.

In practice, therefore, there has been an uneven flow of EPIA results in the policy arena over different aspects of poverty. The actual availability, which varied at different periods, was governed by both demand and supply factors. In contrast, two specific and relatively controversial policy areas can be identified, e.g. pro-poor growth and trade liberalization where persistent and significant EPIA efforts were directed in Bangladesh. The underlying issues were, and still remain, of great significance to the policy makers. We shall briefly illustrate as to how the EPIAs influenced policies in these two areas where a great deal of debate has persisted for long.

**Pro-Poor Growth**

One of the key strategic elements of Bangladesh’s anti-poverty agenda is to accelerate and expand the scope of ‘pro-poor economic growth’ that would increase the income and employment of the poor. In analytical terms, one may distinguish between growth and pro-poor growth as a situation where the latter is accompanied by public policies and investments that generate a superior pattern of income distribution compared with the former. There also exists empirical evidence showing that ‘ordinary growth’ and ‘pro-

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37 The other major elements cover human development, women’s advancement, social protection, and participatory governance. Within the macro-policy framework, these elements are considered essential to provide access for the poor to assets, enhance their voice, and improve other non-material dimensions of well-being including security, power and social inclusion. See GOB 2003.
poor growth’ are not the same (see, Ravallion and Chen 2003, DFID 2004, Ravallion 2004).

The pro-poor growth elements of the Bangladesh economy, given its structural characteristics and the profile of the poor, have necessarily focused on growth of the rural economy. This requires growth of agriculture and the rural non-farm sector; expansion of small and medium manufacturing enterprises; rural infrastructure development and similar activities that support labor-intensive growth of the economy (see Mujeri 2003a, 2003b). Along with identifying such thrusts, an important concern of EPIAs has been to assess the efficacy of this approach from longer-term growth prospects. For this, several issues came under ex ante assessments, such as: Could Bangladesh make the transition to a higher growth path by pursuing a ‘growth maximization’ strategy rather than a ‘pro-poor growth’ strategy? How do poverty reduction outcomes compare under the alternative strategies? Is there costly trade-off in terms of unexploited opportunities and social outcomes in the choice of strategies?

Ex ante assessment of these issues helped the policy makers to adopt a growth strategy on the basis of conscious consideration of available options rather than making the choice for a specific option as a ‘matter of faith’ (See Mujeri 2003b, Sen et.al. 2004). While the EPIA results pointed out the primacy of economic growth for income poverty reduction, these also highlighted the limited scope that exists in pursuing the pro-poor growth agenda within the country’s sectoral production structure. This points to the importance of pursuing ‘asset building’ policies for the poor as a component of pro-poor growth stance in Bangladesh.

The EPIAs also analyzed the adequacy of growth-maximizing policies within a decomposition framework which suggested some interesting mix of rural-urban policies.38 While urban growth policy with strong pro-poor elements was seen to bring greater benefits, growth-maximizing policy supported by wide ranging redistribution/targeted programs was considered more appropriate in rural areas.

The analysis traced back the faster rate of pro-poor growth in the 1990s to several policy areas (see Sen et.al. 2004). These covered favorable macro-policy environment; maintenance of stable macro-economic framework especially the pursuit of prudent fiscal and monetary policy; appropriate external sector policy; creation of fiscal space for pro-poor public expenditure; state support to technological progress in agriculture leading to productivity enhancement to help relax the constraints of inequitable production relations; success in vulnerability management and strengthening women’s agency role; and supportive policies for promoting ‘social entrepreneurship’ role of NGOs and civil society organizations.

These thrusts now form integral parts of the country’s macroeconomic policy agenda. New roles of EPIAs are also emerging as many of the present gains are not likely to be sustained using past policies under changed domestic and external circumstances in the future. In particular, poverty transition in Bangladesh in future would require policies that would bring deep-cutting structural change in the macro-economy with ability to support wide-ranging capability-enhancing measures that will help the poor to emerge as active agents of pro-poor growth.

38 For an exposition of the decomposition framework, see Kakwani 2000. For empirical results, see Mujeri 2003b.
**Trade Liberalization**

Despite controversies surrounding the impact of trade liberalization—and globalization in general—on poverty, Bangladesh substantially liberalized its external sector under the reform programs initiated since the 1980s. The principal aim of these reforms was to liberalize the external trade and foreign exchange regimes and to rationalize the trade regime by lowering tariff rates, phasing out quantitative restrictions, streamlining import procedures, introducing tax reforms and export promotion measures. As a result, the country’s global economic integration rapidly increased in the 1990s as indicated by higher trade to GDP ratio and other global integration measures (see Mujeri 2003c, Khondker and Mujeri 2006).

Hence it is not surprising to see that globalization, and trade liberalization in particular, became one of the most analyzed issues of ex ante assessments in Bangladesh, especially under MIMAP-Bangladesh. Using counterfactual simulation experiments with a computable general equilibrium (CGE) model of the Bangladesh economy, MIMAP assessments extensively analyzed the impact of various liberalization measures on poverty in support of policy making.

Before going into the policy aspects, it is useful to briefly describe the model to understand the context of the simulation results and derived policy conclusions. The basic model was a ‘standard’ static CGE model whose salient features are summarized in Table 6.

<table>
<thead>
<tr>
<th>Table 6: Salient Features of Bangladesh CGE Model</th>
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<tbody>
<tr>
<td>• Labor is mobile across producing activities.</td>
</tr>
<tr>
<td>• Capital is immobile and sector-specific.</td>
</tr>
<tr>
<td>• Primary factor supplies are exogenous and fixed.</td>
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<tr>
<td>• World prices of imports and exports are exogenous invoking the small country assumption.</td>
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<tr>
<td>• Current account balance (deficit) is fixed.</td>
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<tr>
<td>• Imports and domestically produced goods are imperfect substitutes.</td>
</tr>
<tr>
<td>• Outputs produced for domestic and export markets reflect differences in quality suggesting imperfect substitutability between them.</td>
</tr>
<tr>
<td>• Savings of domestic institutions adjust to equate to given investment.</td>
</tr>
<tr>
<td>• General price index acts as the numeraire.</td>
</tr>
<tr>
<td>• Excess demand conditions are satisfied.</td>
</tr>
</tbody>
</table>

Source: Khondker and Mujeri 2006

The model was calibrated to a social accounting matrix for 1995/96 having multi-sector, multi-factor and multi-household features (Table 7). In addition, other analytical procedures were used to explore specific issues. For example, a double-calibration general equilibrium methodology using the Ricardo-Viner specific-factor specification rather than the more usual Heckscher-Ohlin type fully mobile factor-model specification.

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was used to explore relative contribution of trade and other factors (including technical change) to changing relative wages of skilled and unskilled labor in Bangladesh.\textsuperscript{40}

### Table 7: Disaggregation of Bangladesh CGE Model

<table>
<thead>
<tr>
<th>Set</th>
<th>Description of elements</th>
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<tbody>
<tr>
<td><strong>Factors of production</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Labor (6)      | - Female: 3 categories according to skill level (low: grades 0-5; medium: grades 6-10; high: grades 11 and above)  
                 - Male: 3 categories according to skill level (low: grades 0-5; medium: grades 6-10; high: grades 11 and above)  
                 - 1 aggregated type only.                                                        |
| Capital (1)    |                                                                                       |
| **Institutions** |                                                                                       |
| Households (7) | - Rural agriculture: 3 categories according to land ownership (laborer household: 0-0.49 ha; small farmer: 0.50-2.49 ha; large farmer: more than 2.50 ha)  
                 - Rural non-farm: 1 category according to occupation.                              
                 - Urban: 3 categories according to level of education of household head (low skilled: grades 0-5; medium skilled: grades 6-10; professional: grades 11 and above)  
                 - Government  
                 - Rest of the world                                                                |
| Others (2)     |                                                                                       |
| **Activities** |                                                                                       |
| Agriculture (7)| - Crops non-traded: rice (aman and boro)  
                 - Crops traded: other grains and commercial crops  
                 - Non-crops non-traded: forestry  
                 - Non-crops traded: livestock and fish  
                 - Food processing traded: rice milling, atta and flour, other food and tobacco. |
| Industry (12)  |                                                                                       |
| Services (6)   | - Textiles traded: clothing, ready made garments, leather  
                 - Others traded: chemicals, fertilizer, petroleum products, machinery and miscellaneous industries.  
                 - Non-traded: construction, gas, trade services, social services, public administration, financial services and other services. |

Source: Khondker and Mujeri 2006.

The simulations using the general equilibrium framework examined the impact of various policy options facing the decision makers in Bangladesh such as trade liberalization and inflows of foreign capital on resource allocation, income distribution and poverty status of different household groups.\textsuperscript{41}

\textsuperscript{40} For details of the methodology which departs from traditional applied general equilibrium exercise, see Abrego and Whalley 2000. For details of the analysis in Bangladesh, see Khondker and Mujeri 2002, 2006.

\textsuperscript{41} It may be mentioned here that the implications for changes in poverty do not follow directly from the results of CGE model. The model generates changes in mean incomes of the representative household groups. The consequent estimates of changes in FGT poverty measures were estimated following a method suggested by Decaluwe et.al.1999. This involves an explicit assumption about the distribution of income for each seven household groups (Beta distribution) and postulate of a poverty line fixed in real terms for each household group though varying with endogenously-determined commodity prices.
The simulations provided several interesting findings on trade and tariff liberalization in Bangladesh. Three of the results are summarized below:\(^{42}\)

- The impact of revenue-neutral tariff elimination on important macroeconomic indicators (such as growth in real GDP, sectoral value added, consumption, exports, imports) is relatively small but results in differential sectoral outputs and resource allocations depending upon how the specifics of the policy are worked out. Similarly, depending upon specific channels through which liberalization affects the economy (e.g. rise in the level of foreign direct investment), quite different growth effects can result through accompanying reallocations of resources across sectors.

- The welfare effects (in terms of equivalent variations) depend on how the real consumption of a particular socio-economic group is affected as a result of the liberalization measure. In general, the overall results suggest that welfare impacts accrue more to better-off household groups compared with their less well-off counterparts.

- The changes in poverty status (in terms of FGT index) can be different for various socio-economic groups depending upon their nature of participation in economic activities and rural-urban locations. In particular, poverty status of less well-off household groups are seen to be more affected due to their high initial depth and severity of poverty since a small loss (gain) in real consumption can shift a significant portion of the population in these groups into (out of) poverty.

The policy conclusions drawn from the simulations emphasize that globalization experience in Bangladesh is mixed and, although the gains and losses are relatively small, these differ across various household groups. The interface of trade liberalization and poverty depends on the nature of functioning and characteristics of the channels through which liberalization effects are transmitted to the economy and to different household groups. The relative importance and strength of resulting impact-flows from different channels vary over policies and household groups creating differing net impacts on various groups (Mujeri 2002). In general, the dominant trend has been to accrue the benefit more to relatively well-off households with little gain for the extreme-poor households. The abilities to adjust, especially of the heterogeneous poor groups, are also different determined by their differential access and participation in socio-economic transactions.

Another important dimension of the policy framework, pointed out by these simulations, is the increasing ‘wage-divide’ between skilled and unskilled labor in Bangladesh. The process has significant poverty implications since unskilled workers in the rural areas form the largest poor group in the country. The decomposition analysis pointed out that skill-biased technical change is the most significant determinant of increase in wage inequality and the pro-poor development agenda needs to focus on providing education and upgrading the skill level of the relatively abundant unskilled labor in Bangladesh (Khondker and Mujeri 2006). The reduction of wage differential among skilled and unskilled labor can produce large positive income effect on the poor for which targeted

\(^{42}\) For elaboration on these and other results, see Khondker and Mujeri 2006, Mujeri and Khondker 2002.
policies of increasing the supply of skilled labor is necessary since higher economic
growth and associated technological change alone are not likely to be adequate to
ensure an enhanced supply of skilled labor (Eicher 1996).

The implications, as reflected in policies, highlighted that trade reforms have neither
readily nor necessarily benefited the poor in Bangladesh. The important agenda
identified for Bangladesh has been to effectively manage the liberalization process so as
to realize the opportunities in a more credible and equitable manner. In particular,
policies have been stressed for adjusting the quality, timing and scope of liberalization in
order to create effective links with several facilitating factors, such as strengthening of
local enterprises and infrastructure; development of human resources and technological
capabilities; and building domestic capacity and creating market access. Similarly,
policies have been advocated for enhancing the economy’s supply responsiveness,
especially the response capacity of the poor households and their ability to cope with
risk and uncertainty of a more liberalized economy. This, as the policy prescriptions
highlight, would require complementary policies for developing small and medium
enterprises and agro-based industries, improving access to the credit market, ensuring
labor market flexibility, investing in skill development, disseminating market and
technical information, and similar measures.

IV. 3 External Influence on Policy

In Bangladesh, external influence has often played the key role in breaking the status
quo and acted as the dominant force in bringing significant changes in macroeconomic
policies. The adoption of the Bank-Fund sponsored structural adjustment policies during
the mid-1980s shows the pervasive nature of external influence in the country’s policy
regime. The situation has remained largely unchanged after the structural adjustment
period although influencing methods have assumed different forms. A recent example of
such influence is the Bank-Fund’s “gate keeping function” in the case of the country’s
poverty reduction strategy paper.

The adoption of a historical perspective in understanding the role of external influence
on policies is important in Bangladesh. At the country level, change in the government in
1975 brought a different ideological cast covering a broad range of policy issues. This
led to significant openness to change and willingness to entertain new ideas along with
culmination of prominence of donor institutions (e.g. World Bank and IMF) in domestic
policy making. While, in subsequent years significant policy shift due to political change
was much less, an important source of policy change came from the practice of turning
to new sources for policy advice by different regimes. The practice brings in new players
into prominence both inside and outside the government as well as new ideas.

Along with the external factors, steps toward globalization and the rapid spread of
information technologies also generated profound impact on various sectors and regions
of Bangladesh. These changes manifest significant implications for specific policy
networks as well as impact on public policies even in areas that are not the focus of
attention.
IV.4 Strength of Research-Policy Links

In Bangladesh, like in any other country, the role of EPIAs in policy making is linked with the broader issue of how and to what extent research can and does actually influence policy. Measuring such impact is, however, a matter of controversy. In practice, it is difficult, for example, to conceptualize and measure the extent to which research can influence policy, identify decision makers to whom research outcomes should be addressed, and design a research that could lead to influencing the policy.

Moreover, the issues of quality of research, its ability to address the policy problem in a credible and timely manner, the nature of the policy making process, relative ‘weakness’ of the policy makers vis-à-vis the research community, political and social sensitiveness of policy issues, and the strength of communication and linkages between researchers and policy makers are important factors with bearings on research-policy linkages. 43 Most of these areas are virtually unexplored in Bangladesh thereby making it hard to draw any conclusions.

In terms of institutional process, an important issue that needs explicit action for strengthening research-policy links in Bangladesh is to remove the constraints that create and sustain the distance between the researchers and the policy makers as separate groups. This, among others, is a major bottleneck in undertaking research that timely fits with the demands for decisions by policy makers.44 More interactions and cross-fertilization between researchers and policy makers to better understand the policy priorities and valuable contribution that research can make to credible policy making can act as a powerful bridge to bring these two groups together to mutually benefit from each other.

One may also identify from the present review that the policy making process has not always followed a predictable pattern; unexpected events often dominated the course of policy history in Bangladesh. Such events, as we have seen, emerged as decisive at particular times to ensure serious consideration of alternatives to existing policies and adoption of new policies. 45

43 There has emerged a growing body of literature on the nature and extent of use of knowledge gained through research in policy making. There also exist several hypotheses regarding the use/under-use/non-use of research by the policy makers. The ‘two-community’ theory explains the phenomena as a symptom of cultural and behavioral gap between researchers and policy makers. A strong view also persists that research-policy link is not a direct one and research is only one of many sources of information for policy makers. In such a case, the policy-application of research is built on a gradual shift in conceptual thinking over time, which is the ‘enlightenment function’ of research. See, Weiss 1977, Caplan 1979, Sabatier and Jenkins-Smith 1993.

44 In the literature, often these groups are referred to as different communities, e.g. ‘knowledge producers’ and ‘knowledge consumers’. See, for instance, Weiss 1977, Caplan 1979.

45 For influencing policies, it is often important to move a specific alternative higher onto the agenda of the government and ensure that this is adopted as policy. In the literature, one explanation of failure to push up a research option runs around ‘garbage can’ model of decision making. The approach identifies three streams of activities that attempt to move alternatives higher on the agenda. These are: the problem stream, the policy stream, and the political stream. Similarly, opening of ‘policy windows’ such as budgets, government crises, international agreements, or other priority-setting exercises can create the opportunity for a new alternative to get serious consideration and quick decision. See, Kingdon 1984.
In Bangladesh, the presence of a wide range of actors in policy making makes it a complex process. The policy making community often includes political leaders such as ministers as well as senior government officials in relevant departments/agencies often influenced by the non-government sector such as NGOs, civil society organizations, labor or other interest groups. In many instances, the decision making process is also influenced by professional groups, think tanks, government/non-government policy/research institutions, policy units/centers, media and other vocal civic groups. Although there may exist considerable overlaps within these groups, one critical issue to ensuring research influence on policies often has been the ability to ensure the presence of multiple audiences, even with conflicting interests. This often helped in bringing the issue into the forefront of discussion and public debate resulting in some degree of crystallization around specific policy option.

V. Concluding Observations

From an operational perspective, influencing policies is the ultimate goal of conducting macroeconomic impact assessments. Obviously, the expectation in Bangladesh is that EPIAs would contribute to bringing a pro-poor orientation in the country’s macroeconomic framework with positive impact on poverty and other socio-economic problems. An important requirement for this to happen is the existence of strong research-policy links that would ensure the use of EPIA outcomes in actual formulation of macroeconomic policies, directly or indirectly.

As the study indicates, the analysis of policy relevance and effectiveness of EPIAs requires understanding of several underlying processes, such as how receptive is the macroeconomic policy agenda to research outcomes; what is the extent to which research can influence the processes, activities and actions underlying the policy making framework; in what ways research affects policy; and, finally, how to attribute or measure the influence of research on policy. Many of these issues are complex and beyond the scope of the present study. The purpose here has been to gain a deeper understanding of the EPIA process toward macroeconomic policy making in Bangladesh and provide inputs to creating a more informed policy making environment in the country.

Although the ultimate objective of conducting EPIAs is to have a clear impact on macroeconomic policy, a realistic assessment of the situation in Bangladesh indicates that such influence should not focus on measuring policy changes alone. Within the complex and nascent policy making environment of the country, the assessment of policy influence of research in unambiguous and measurable terms is difficult. A practical approach, therefore, needs to focus on intermediate influences which are often important for building policy capacity and furthering dialogues to bring consensus and enhance the chances of adoption of research-based policies. In Bangladesh, it is important to see the role of EPIAs from such a wider perspective.

The present review indicates that the capacity of EPIAs to influence policies and bring positive changes in the underlying policy environment depends, to a large extent, on the

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46 It has also been observed that the relative strength and power to influence policy of the same actor can vary with time. For instance, when like-minded individuals assume important positions in the government or as policy makers, certain think tanks or researchers assume greater currency and form a dominant coalition.
nature and strength of its relationship with the policy making process and the direct value that EPIAs can provide to the policy makers. Obviously, this is related to the broader issue of research-policy nexus that exists in the country. The reality, however, is that the relationship between research and policy making is still vaguely understood in Bangladesh. Nevertheless, building and strengthening such relationships will require specific actions to bridge the gaps.

A positive development in the above context is that the boundaries between researchers and policy makers are becoming increasingly permeable in Bangladesh, allowing acknowledged macroeconomic experts to move frequently between institutions both inside and outside the government (e.g. as advisors, consultants, contract employment and in similar other capacities). Such flexibilities are useful, although may not be of direct relevance to policy decisions, to generate significant and powerful influence over a longer period of time through altering perceptions, ideas and concepts of policy makers leading to improved policies in future.

In bringing EPIAs closer to policies, the role of intermediary institutions is important in Bangladesh. There are both public and private policy analysis and research institutions/centres, task forces, committees, think tanks, associations, and other groups who work for different targeted policy audiences. It is important to develop interactions and linkages with such ‘transmitting vehicles’ for ensuring effective dissemination and use of policy messages. Similarly, networks (both formal and informal), especially among and between researchers/research institutes and policy makers, act as an important means for disseminating policy messages. Often these networks act as useful sources of both knowledge and information sharing and creating direct policy impact.

Even within the realm of macroeconomic policy, the reality in Bangladesh is that there exist different institutions and actors dealing with specific set of policies. The government agencies and actors are different for designing and implementing specific policy (e.g. actors dealing with fiscal policy are different from those dealing with monetary or exchange rate policies) and interactions and communications among these actors are often thin and largely ineffective. A difficult challenge for EPIAs community is, therefore, to deal with fragmented jurisdiction within the government. Moreover, the ministries are comprised of a multitude of departments/agencies competing for resources, political attention and responsibility for implementing public policies. One may sometimes have to deal with smaller units of individual departments having competing interests and differing capacities in policy making.

In promoting specific agenda, it has been observed that advocacy coalitions covering various sections of the government and non-government actors sharing similar values and beliefs can become a powerful force in influencing policies in Bangladesh. In practice, it is seen that such coalitions may acquire some degree of stability and their preferred policies are unlikely to change easily if the coalitions are strong and powerful and the policies are built around their core beliefs or common interests. In such cases, an inherent conservatism toward maintaining the status quo has been the outcome, with some changes in policies of secondary importance in response to credible studies or compelling anecdotal evidence of the EPIAs.

Findings of the present study stresses that a strong determinant of relevance and usefulness of a particular research to the policy makers in Bangladesh is how EPIAs are conducted and for what purpose. In this respect, several factors are found important,
such as quality of research; completeness in terms of interpretation; analysis of available and feasible options; degree of participation and consultation among concerned stakeholders; and nature of research-policy nexus surrounding the particular issue.

The EPIAs that address emerging and/or important problems or challenges or fit the government’s requirements at particular (or crisis) moments are able to attract greater exposure and subsequent success in influencing policy. From this perspective, opening of ‘policy windows’ is important in Bangladesh that provides decisive opportunities. To become successful in influencing policy as a researcher, it is important to remain prepared to take advantage of policy windows, learn to create new windows and play the critical role of ‘policy entrepreneurs’.

Furthermore, the review indicates that if the majority of decision making is of a routine or incremental nature, the scope of applying research outcome becomes limited. Conversely, the big demand for, and the receptivity to, research in Bangladesh came when fundamental and new policy decisions were anticipated either due to change in political regime (e.g. mid-1970s) or as an outcome of other forces that create ‘defining moments’ (e.g. aftermath of the structural adjustment period).

Arguably, external forces have acted as one of the most important factors of policy change in the past in view of the country’s high dependence on external assistance. In recent years, Bangladesh has significantly reduced its aid-dependence through successful efforts of export promotion and domestic resource mobilization. While a commensurate decline in the country’s dependence on ‘policy advice’ from international financial institutions and the donor community is yet to take place, research is likely to gain more strength to emerge as a powerful tool of learning and effecting policy changes based on new evidence, new arguments, and new strategies leading to significant adjustments in the future policy regime of Bangladesh.
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