
Available from Deakin Research Online:

http://hdl.handle.net/10536/DRO/DU:30006195

Reproduced with the kind permission of the copyright owner.

Copyright: © 2005, Monash University
Integrated Governance: A Possible Solution for a Sustainable Private Sector led Development in Bangladesh?

Fara Azmat a, Ken Coghill and Quamrul Alam
Department of Management, Monash university
a E-mail: fara.azmat@buseco.monash.edu.au

ABSTRACT
In the quest for ‘good governance’, the developing countries have embarked on ambitious NPM style market-oriented reform policies mainly advocated by international development agencies (IDA) over the last two decades. Bangladesh has been pursuing decades of market-oriented reforms advocated by IDAs with the prime objectives of achieving an efficient, cost effective service delivery through increased involvement of the private sector. The shift towards marketisation has led to a complex, horizontal and networked structure of partnerships between state and non state actors. The private sector and NGOs are now delivering goods and services which were once the exclusive domain of the state. These changes have however, not been associated with changes in institutional arrangements, safeguards and regulation required to support the private sector led development, which is not sustained independently of the context in which it operates. Using the agriculture input sector as an exemplar, this paper explores the constraints of sustainable private sector led development. The paper argues that the main impediment to private sector led development in this sector centre on lack of good governance. In addition, lack of an integrated market structure, market information, capacity and awareness building are other factors that are inhibiting the private sector led development. We argue that a functional governance model is required in Bangladesh that engages the state, civil society and the private sector to work effectively in a participatory approach to deal with the constraints of private sector led development and for improving good governance.
INTRODUCTION

Good governance has been an agenda advocating pro-market reforms i.e. redirecting the role of the state from ‘rowing’ to ‘steering’ and including private sector and non governmental organizations (NGOs) as various forms of partnership in public governance (Brinkerhoff, 2003). As a result, the traditional notion of governance has changed from being synonymous with government to encompass the integration of public, private and civil society organizations (Azmat and Coghill, 2005). The outcome of the market-based reforms in the developing countries imposed by external aid agencies mainly the World Bank and the IMF through their structural adjustment programs linked with conditionalities has been mixed and ranges from considerable success to disappointment (World Bank, 2002). In developing countries the term ‘good governance’ has emerged in response to the concerns over aid ineffectiveness and the pervasive effects of corruption and is increasingly used among the donors as both objective and a condition of the development assistance strategy (Santiso, 2003).

As the state is popularly viewed as having a major responsibility for socioeconomic development in the South Asian countries, UN Report, 2001 argues that the western approach for a leaner, meaner and market friendly state in South Asian countries may be given lip service: the state apparatus has not been downsized and emaciated as happened in parts of the West (United Nations, 2001). Bangladesh has been pursuing decades of market-oriented reforms, supported by IDAs with the prime objectives of achieving an efficient, cost effective service delivery through the increased involvement of the private sector. In implementing the market oriented approach, the external pressure played a more significant role than self propelling activities of market forces and the power of the rationality of the market. This paper assesses the private sector led development in Bangladesh as a result of the market-based reforms which have been ongoing for about three decades. Agriculture sector is particularly interesting to analyse as it is one of the important sector of the economy and has also experienced pervasive reforms in input distribution side. The agricultural input sector which is predominantly associated with the farmers most of whom are poor, marginalized and not literate enough, provides an extreme case of difficulties associated with the implementation of reforms due to the presence of anti-market bias. The utilization of the agriculture sector is therefore a useful basis for examining and highlighting the constraints of the private sector led development in other sectors as well.
This paper draws upon the findings of an exploratory study\(^1\) conducted by one of the authors during 2003-2004 investigating the perception of the key stakeholders regarding the ability of the market-based reforms undertaken in the agriculture input sector to achieve the expected outcomes. The findings of this study are used in this paper to explore the constraints of private sector led development in this sector.

The paper commences with a brief account of the agriculture sector and the market-based reforms that have changed the state dominated agricultural input management system to a hybrid system followed by a review of the impact of the reforms highlighting the problems. The second section identifies and discusses the main constraints of private sector led development in this sector. Section three proposes the conceptual integrated governance model based on the identified problems and a discussion on how the model can overcome the problems faced in the input sector.

**CHANGING ROLE OF THE STATE IN AGRICULTURE SECTOR: PERSPECTIVE ON THE MARKET–BASED REFORMS**

As common with other developing countries Bangladesh has a large population, low per capita income, and an agrarian economy. Agriculture sector is vital not only for overall economic development and food security, but also for stable social and political conditions. Although the share of agriculture in GDP is gradually declining (40% in the 70s), agriculture still plays a very important role in the economic growth of the country in terms of its contribution to GDP (23 % in 2003), foreign earnings (10%), employment (63%) and is also related to the development of other sectors of the country through the supply of raw materials and demand linkages (Ministry of Finance, 2003).

Bangladesh has increasingly moved towards a market-based economy since the mid 1970s as a result of implementing structural adjustment programs, introducing macroeconomic reforms and privatising state owned enterprises with direct support from the World Bank and the IMF.

---

\(^1\) The exploratory study had both quantitative and qualitative components investigating the perception of the key stakeholders on the performance of market-based reforms in agriculture input sector. A total of 154 surveys were conducted with public officials, private entrepreneurs and farmers. 16 semi-structured interviews were conducted with donor agencies and the senior bureaucrats involved with the reform policies.
The reforms have been most pervasive in the agricultural input sector resulting in a shift away from a state dominated system to a networked system. Until the agricultural reforms that started in the late 1970s, the Bangladesh Agricultural Development Corporation (BADC), a state agency with branches all over the country had the monopoly of sales and distribution of agricultural inputs i.e. fertilizer, irrigation equipments, pesticides, and seeds to farmers. By the early 1990s, agricultural input delivery services had been privatized and these inputs are now being delivered to the farmers through a network of private sector dealers and in some case NGOs (Ahmed, Haggblade and Chowdhury, 2000). The reform policies involved reductions in subsidies and increased private sector involvement in sales and distribution of agricultural inputs through liberalization, deregulation and privatization.

**Review of the Reform Measures**

The reforms were undertaken with the aim to increase efficiency of the input delivery system, increase access by farmers to inputs at a reasonable price, to allow increased involvement of the private sector, increase food production and decrease the budgetary burden of subsidy. It was expected that these benefits would ‘trickle down’ and lead to improved food security, crop sector profitability and socioeconomic conditions of the farmers.

As a result of the reforms, a new management structure has evolved with multiple actors who operate in a complex and networked structure of partnerships. The private sector and NGOs are now delivering agricultural inputs i.e. fertilizers, seeds, pesticides and irrigation equipment which were once the exclusive domain of the state. The reforms in the agriculture input sector have been successful to some extent in creating the necessary platform of a market in which non state actors are playing a productive role and reducing the burden of the state; the concept of market in terms of creating some awareness among people to view the market as alternative service delivery mechanism; institutional changes; distribution networks; and the necessary infrastructure (Azmat and Coghill, 2005). Despite the changes in inbound input distribution side of governance structure, there have not been enough changes in outbound demand system, institutional arrangements, safeguards and regulation to support the private sector led development as discussed later.

While the research institutes i.e. Bangladesh Agriculture Research Institute (BARI), Bangladesh Rice Research Institute (BRRI) have contributed to increasing agricultural
production by releasing high yielding varieties, the reforms in this sector also had a significant impact in increasing agricultural performance and productivity. Despite flooding and the natural calamities, which are a regular phenomenon adversely affecting agricultural production, Bangladesh has been successful in achieving self-sufficiency in food grain production in a span of less than three decades. Ahmed (1995) argues that without the market reforms, the country would have reverted to the historical situation of regular food crisis and high prices. The increased agricultural production has also led to improved food security conditions. The reforms have also led to the gradual withdrawal of subsidy and easy access to agricultural inputs.

Although agricultural production and food security conditions have improved, studies have found that there has been no significant impact on socioeconomic conditions of the ‘very poor’ farmers (Bhattacharya and Titumir, 2001). This has been due to both lower prices for agricultural produce and the rise in the cost of agricultural production due to increased prices of agricultural inputs. The situation is made worse by the recent trend of sale of contaminated underweight inputs. Private suppliers do not accept responsibility for the social impact of their actions i.e. they demonstrate low levels of corporate social responsibility by selling low quality, underweight inputs². These poor quality inputs decrease the yields, affect the micro-nutrient component of the soil, adversely affecting the health of the soil and its productivity, leading to loss of soil fertility and biodiversity (SAPRIN, 2002:124). This is not only having a significant adverse impact on agricultural yields, it is also creating a relationship of distrust between the farmers and the traders. This might be one of the reasons that even after decades of market-based reforms the private sector has not been able to earn the public trust which is evident through the prevailing anti-market bias³ in this sector. Low levels of Corporate Social

---

² The results of the exploratory study have reported that the quality of the inputs, providing underweight and sale of the inputs sometimes at higher prices have been a problem. A large number of farmers (63.2%) think that the quality of the inputs is not of a higher quality compared to the previous state administered system. Recently, the sale of contaminated agricultural inputs has become quite common in Bangladesh. There are reports in local newspapers that dealers were selling contaminated agricultural inputs i.e. fertilizer mixed with cement granules, low quality seeds and pesticides. (The Independent, 14-2-04). In addition, the incidence of providing less weight is not only common for agricultural inputs but almost in all the commodities

³ According to the findings of the study, a majority of the participants supported the involvement of state in all the activities i.e. regulation, extension, providing information and research in agriculture sector.
Responsibility (CSR) practised by suppliers, leading to the sale of the contaminated agricultural inputs, are among the major problems faced by the agricultural input market in Bangladesh and the underlying reasons for this problem mainly centre on governance issues.

In addition, lack of market information by the farmers on price trends, the poorly developed transport system, the existence of middlemen who help the farmers to sell their produces but also exploit both the farmers and the buyers by profiteering and the lack of awareness among the farmers of their rights are other factors that are creating an unfavourable system for the farmers, preventing them from realizing the benefits of increased production.

**CONSTRAINTS OF PRIVATE SECTOR LED DEVELOPMENT**

According to UN Report (2001), in most of the cases the retreat of state from the social area and the weakening of the state institutes have not allowed people to benefit mainly due to lack of a stable and suitable environment (UN Report, 2001). There is growing evidence about the positive relationship between stable and credible business environment and the performance of the reform policies. Brunetti, Kisunko and Weder (1998) argue that a business environment with “incredible” rules such as unclear property rights, policy surprises and reversals, uncertain contract enforcement and high corruption leads to lower investment and growth. A stable and credible business environment is very much related with good governance.

Lack of good governance has been an endemic problem in Bangladesh having far reaching adverse effect on every sector of the economy including agriculture sector. The six indicators recognized as the most effective measurement tools of ‘good governance’ across the world are voice and accountability; political stability and absence of violence; government effectiveness; regulatory quality; rule of law and control of corruption (Kaufmann, Kraay and Lobaton, 2003). Table-1 shows the relative position of Bangladesh in terms of its good governance indicators among other countries of the region where Bangladesh ranks lowest in all the indicators except Voice and accountability and Political Stability.

Table:1: Governance Indicators 2002: Selected Countries in the Asian Region (Percentiles rank)
<table>
<thead>
<tr>
<th>Country</th>
<th>Accountability</th>
<th>Stability</th>
<th>Effectiveness</th>
<th>Quality of Law</th>
<th>Corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>65.7</td>
<td>91.9</td>
<td>100.0</td>
<td>99.5</td>
<td>93.3</td>
</tr>
<tr>
<td>Malaysia</td>
<td>42.4</td>
<td>61.6</td>
<td>80.9</td>
<td>68.6</td>
<td>69.6</td>
</tr>
<tr>
<td>Thailand</td>
<td>57.1</td>
<td>62.7</td>
<td>64.9</td>
<td>65.5</td>
<td>62.4</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>48.0</td>
<td>20.5</td>
<td>59.8</td>
<td>58.8</td>
<td>60.8</td>
</tr>
<tr>
<td>Vietnam</td>
<td>10.6</td>
<td>61.1</td>
<td>48.5</td>
<td>25.3</td>
<td>44.8</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>29.3</td>
<td>26.5</td>
<td>35.1</td>
<td>13.9</td>
<td>26.3</td>
</tr>
</tbody>
</table>


Although the reforms have facilitated the increased food grain production, reduced subsidy and increased access to inputs by farmers, findings of this study suggest that, the following market failures are inhibiting the private sector led development in this sector following the reforms:

- Lack of good governance as measured by control of corruption, regulatory quality and rule of law are the main factors contributing to the problems of low level of CSR in this sector. The issues of CSR related with the sale of low quality, underweight inputs sometimes at higher prices with occasional artificial crisis has emerged as a major problem threatening the success and sustainability of private sector led development in this sector.

- The reforms have not been able to create an integrated market structure as they were one-sided and focused only on supply side factors without considering all the market forces.

- Lack of access to adequate market information, institutional capacities and lack of awareness among the traders and the farmers of responsible business practices and rights respectively are hindering the development of a genuine entrepreneurship in this sector.
In addition, lack of access to credit and infrastructure facilities are other major constraints in the development of the private sector. Also no significant reforms in land ownership are impeding the introduction of modern mechanization.

These main constraints impeding private sector led development in this sector are discussed below.

**Lack of Good Governance**
Among the six good governance indicators, the results of the study suggest that the lack of the following indicators have contributed to the problem of low corporate social responsibility in this sector associated with the sale of low quality underweight inputs at higher prices.

**Control of Corruption:** In Bangladesh corruption not only has negative effects on economic growth but also has far reaching social, political and ethical implications. As the indicators of governance are mutually reinforcing and supporting, lack of effective regulatory quality, accountability and rule of law have been the main impediments to the control of corruption. The lack of control of corruption in Bangladesh leads to lack of rule of law, government effectiveness, and accountability which in turn undermine regulatory quality, thus contributing to a vicious cycle of poor governance.

According to Khan, Bangladesh is characterized by a patron-client network where state officials as patrons within these networks lack the power to enforce and protect rights and property. This gives rise to different clientelist groups who then organize their own challenges on rights which have important implications for breeding corruption (Khan, 2000). According to World Bank (2005), this type of patron-client relationship presents myriad opportunities for granting benefits to and redistributing resources towards favoured groups. In Bangladesh this has resulted in weak enforcement of sanctions, the poor functioning of the judiciary and the legal system impeding fairness in the functioning of society. Although there have been significant efforts to combat corruption and improve governance at national and international level, much still remains to be done.

**Regulatory Quality:** In order to be socially responsible, business needs a stable and strong regulatory framework, which enforces compliance with the standards affecting both the
quality and fair trading. Minogue (2002) argues that although regulation involves a simple set of questions i.e. what are the institutions of rule making, who are rule makers, how rules are implemented and by whom and the forms that compliance and accountability take but in relation to the governance and policy processes of most developing countries these are questions to which there is frequently no clear answers. This stands true for Bangladesh agriculture sector as most of the farmers and even the private traders are not aware of the existing rules and sanctions enforcing compliance.

There are regulatory frameworks for agricultural inputs. The legal and regulatory arrangements as specified in Fertilizer, Seeds and Pesticides Ordinance spell out penalty and fines for misbranding and selling adulterated inputs. The regulatory framework includes functioning of monitoring committees at both national and local level with elected representatives to monitor the distribution of agricultural inputs. Despite these regulatory arrangements, there are incidences of the sale of low quality underweight inputs which indicate that the regulatory steps taken by the government are not working adequately.

Sanctions which play a vital role to encourage, enforce and underpin compliance where the informal mechanisms are not adequate, are not being effectively implemented as private entrepreneurs are able to circumvent them through irregular, illegal payments (Azmat and Coghill, 2005). The effective enforcement of sanctions is also being compromised by the failure of capacity building by government agencies which are inadequate to perform the random quality checking of the inputs. Findings of this study suggest that lack of capacity building on the part of the state is one of the major factors that are contributing to the weak regulatory quality. The lack of capacity is mainly due to lack of adequate fund, trained staff, equipment and infrastructure. In addition, public officials are poorly paid, they do not have any incentive and are not motivated to carry on their jobs efficiently.

With the recent advancement in technology and globalization, there is an urgent need to review the existing rules and legislations to eliminate confusion between various regulatory authorities, clear delineation of responsibilities and also to make rules up to date, simple and consistent with recent developments. In some cases, the fines and punishments for adulteration and misbranding which were consistent with the time period in which they were enacted have become nominal and non significant in the present context and need to be reviewed to provide
disincentives for any socially irresponsible behaviour. The present environment therefore offers opportunities for businesses to behave unethically.

**Rule of Law:** According to Kaufmann, Kraay & Lobaton (2003), rule of law is the extent to which people have confidence in and abide by rules. These include the effectiveness and predictability of the judiciary and the enforceability of contracts. Due to the close link between good governance indicators, the establishment of accountability is critically important for the establishment of the rule of law and also for controlling corruption. Findings from this exploratory study suggest that in Bangladesh, the lack of the proper enforcement of the rules and regulations, and unpredictability of judiciary is a major problem in doing business/farming. This reflects the fact that people do not have much confidence in nor do they want to abide by rules, mainly due to lack of accountability and prevalence of corruption. Also the weak policing enables extortionists to increase the cost of doing business. Sbragia (2000) argues that the rule of law and well defined legal and judicial mechanism for resolving conflicts among parties are essential for a market economy. Bangladesh unfortunately does not have an effective and strong judiciary and the enforceability of contracts is a problem. The efficiency of the legal environment is further decreased as the courts are understaffed lacking basic infrastructure necessities i.e. telephone, email which lead to delays and backlogs. In addition to the integrity of the lower courts which is in question, for common people justice system is hardly accessible and affordable (Delwar, 2005).

As the indicators of governance are mutually reinforcing and supportive effective regulation, cannot be enforced without accountability, rule of law and control of corruption. The lack of these governance indicators are contributing to low levels of corporate social responsibility in Bangladesh.

**Integrated Market Structure**

The reforms in the input sector have focused only on the supply side without considering all the market forces. While there have been significant changes in the input supply system, the outbound side of market mechanisms remains unchanged. The market operates via a well synchronized value chain, increasing efficiency and creating value output for the owners. However, the structure of the agricultural market remains fragmented with many actors and is dominated by intermediaries. Institutions have not been created and the existing regulatory
framework has not been effective in ensuring the quality of the inputs. As mentioned, the capacity of the state agencies to monitor and regulate remains severely constrained due to lack of funds, skilled human resources and logistics.

Although agricultural production has increased significantly, it has not benefited the farmers. The farmers do not have adequate access to market information and also to the market to sell their produces. Mostly they have to rely on middlemen to sell the produce from their farms or homes without going to the market. Although the role of the middlemen in the present context remains indispensable as they compensate for the transport problems faced by the farmers, it is now well established that they not only exploit the farmers but also the consumers with higher prices (Agriculture Sector Review, 2004). Mostly farmers do not have the bargaining or negotiating power as they do not have any organised association / cooperative for marketing their produce. This explains the large differential between farm gate prices and wholesale/retail prices (Agriculture Sector Review, 2004). As there has not been any significant improvement in the well-being of the farmers nor savings to be invested in large scale agricultural production, elaborate market mechanisms have not emerged.

**Market Information**

Khanna and Palepu (1997) argue that in emerging markets, buyers and seller usually suffer from a severe dearth of information for three reasons: underdeveloped communications infrastructure; usually no mechanism to confirm the claim made by the sellers; and finally, consumers do not have a redress mechanism. This particularly applies in the case of Bangladesh. Misleading information and lack of access to market information by both the farmers and traders on price trends, the poorly developed transport system, the behaviour of middlemen, no consumer-information organization and a poorly functioning redress mechanism – all these are creating an unfavourable system for both the farmers and traders, preventing them from realizing the benefits of the reforms.

According to the Pacific Council on International Policy (2002), in developing countries where problems of low connectivity and human resource development (including low ICT literacy) are severe, creativity and careful planning can develop specific applications, services and information that can be delivered in a targeted, useful way to identifiable audiences. It is also argued the emergence of very low cost wireless networks and access devices can help
bridge infrastructure gaps in rural areas, linking the informal economy to established markets and providing distribution channels and transaction platforms (Prahalad and Hammond, 2003). Although the telecom and ICT facilities in Bangladesh remain poor, the "Village Phone", concept developed jointly by Grameen Telecom & Grameen Bank- has proved to be extremely successful not only in linking the rural population with the rest of the world but also in having a positive socio-economic impact. With the existing mobile technology successfully introduced in Bangladesh and non internet aspects i.e. radio and TV, Bangladesh can start with pilot e-projects of village kiosks to provide access to market information, with the help of NGOs, the private sector and the donors and based on its success, this project can be replicated in other districts.

Lack of Awareness
Market-based reforms in the agriculture sector have resulted in the emergence of many small traders who are involved with the trading of agricultural inputs. Most of them have no previous experience, lack expertise and are not efficient and competent enough to take advantage of the open economy. In most cases they are not aware of the importance of building a good reputation, positive image and trusted relationship with the farmers - essential for their profitability and survival in the long term. They seem to have a primary focus on earning profits in the short term, ignoring the issue of responsible behaviour. The business environment with the absence of weak regulatory sanctions, poor institutional safeguards and prevalence of corruption doesn’t constrain them from behaving irresponsibly.

Bhattacharya and Shankar (2004) argue that consumers are important stakeholder groups who are susceptible to a company’s CSR initiatives and this positive link to consumer patronage is spurring companies to be more socially responsible. Like in other developing countries the consumer pressure is weak in Bangladesh and is even weaker in the agriculture sector which is predominantly associated with small, poor and semi-illiterate farmers who are not even aware of their rights. In many cases, the farmers are ignorant of the redress process and even if they are aware, they find it to be complex, time consuming and expensive. Also there seems to be a lack of an organised forum through which farmers could take up these issues. Civil society, particularly the NGOs, can contribute to the visibility of CSR, and increase farmers' and societal awareness and expectations. Although the media has been active as a watchdog,
there is a need to further expose the wrongdoings of both the public and private sectors, build awareness among consumers and create pressure for resolving the issues related to CSR.

As the reforms were only focused on supply side they have not been able to create an integrated market structure. Although agricultural production has increased it has failed to have a significant impact on the well-being and savings of the farmers required for investing in large scale production. The access to market is not easy for the farmers which has made the intermediaries or the 'middle men' very important. This problem is further compounded by the lack of market information and lack of awareness among the farmers. The reforms have increased the access to inputs but ensuring their quality, weight and price in some cases has emerged as a problem. In the absence of effective regulatory mechanisms, rule of law and prevalence of corruption the private traders feel less constrained to abide by law and engage in unethical practices. There also seems to be lack of awareness among the private sector regarding the importance of responsible business practices to create a relationship of trust between the stakeholders for their long term benefit. In addition, there are problems like lack of credit, market information, complementary role of the government and all these factors have been responsible for the lack of development of genuine private entrepreneurship.

CONCEPTUAL INTEGRATED GOVERNANCE MODEL: A POSSIBLE SOLUTION TO A SUSTAINABLE PRIVATE SECTOR LED DEVELOPMENT?

As shown in Figure 1, the model proposes an integrated participatory approach between the three key spheres of governance i.e. the state, the private sector and civil society. In addition, the model also includes the donor agencies as one of the key actors. The role of the donors in influencing domestic policies through conditionality remains significant despite the fact that the share of external aid in development programs has been declining. In addition to advocating a market oriented approach, the donors have also involved themselves with the prime objective of improving governance issues and creating an enabling environment conducive to private sector led development. The donor agencies have also increasingly become involved with partnerships with various NGOs to channel their funds to deliver goods and services to the target population. The preference for NGOs as partners is also due to the realization that compared to the private sector and the state, NGOs are in a better
position to possess local knowledge, address rural poverty, understand local needs and priorities, and practice consultative management (Huque, 2004).

Although the market-based reforms have been ongoing for about three decades, the private sector and the state have been seen as adversarial forces until recently. The findings of the study show that there remains a support for the involvement of the state in various activities by the general population. This anti-market bias can be explained by the long and strong tradition of state authority and administration, the failure of the state to fully delegate authority, and also the irresponsible business practices of the private sector that have failed to create a positive image as a substitute of the state.

Civil society in Bangladesh is emerging. In addition to the world renowned NGOs like Grameen Bank, BRAC, the media is becoming increasingly effective in exposing corrupt acts, creating public opinion and awareness. The independent think tanks and academics are also playing a contributory and advocacy role in the development of policies. The NGOs have been successful in creating the necessary platform for targeting the poor population through their various micro-credit and poverty alleviation programs, which has been not possible on the part of the state. Despite the fact that Bangladeshi NGOs are portrayed as success stories and are used as models or exemplars for other countries, it is argued that the government-NGO partnership to enhance human development and social empowerment in rural areas has not been effective enough to achieve its goals (Huque, 2004). The challenge for the government therefore is to rethink the partnership, overcome its drawbacks and take advantage of their platform for effective service delivery.

The private sector has not been able to develop as genuine entrepreneurs due to the constraints which mainly centre on governance issues. The market in the agriculture sector remains fragmented. The farmers are not organized enough to create pressure, negotiate or bargain. The development of the private sector is also constrained due to their lack of awareness and market information.

Keeping the main constraints of private sector development in view, the main purpose of the integrated model is to improve governance issues through establishing a citizens charter, providing market information, capacity and awareness building. As the top down
bureaucratic approach has failed, the model proposes a bottom up approach involving all the stakeholders. Rather than working separately the model proposes the key players to have an integrated partnership arrangement to complement each other. The following section discusses how the key players can act in an integrated partnership arrangement to provide citizens charter, market information and capacity building.

**Citizens Charter**

The citizens charter which was first introduced in UK in 1991 had the main objectives of improving service quality, to make the public sector accountable and also allow the citizens the opportunity to complain. As the charter has been successful in its objectives, both the developed (France, Canada) and developing countries (India, Malaysia) have established citizens charters in line of the British model under different names but essentially the same purpose. The model in Figure 1 proposes the establishment of a Citizens’ charter in Bangladesh for greater responsiveness, quality and effectiveness of services.

Seminars or workshops could be organized jointly by the state, the private sector and civil society to bring all the stakeholders i.e. the farmers, the traders, the state agencies, NGOs on the same platform, to have a dialogue and reach a consensus on the measurable standards of services provided by different actors. Based on consensus, a citizens’ charter could be established with the details of services provided by each of the actors, how to obtain the service, consumer grievances, redress mechanisms in case of services not meeting the expectations, and the information about the performance of each actor/ partners. The government could review the existing rules and laws to make it more up-to-date and simple so that they are understood by all. An independent regulatory body can act as a watchdog to effectively enforce and monitor the functioning of the charter. The regulatory body needs to be an independent entity and maintain an arms length with state agencies to avoid conflict of interest. Although it is challenging, Bangladesh has recently started to have these independent regulatory bodies i.e. anti-corruption commission, Bangladesh telecom, etc. .

As the setting up of an independent regulatory entity is time consuming, key actors can be designated to act as watchdogs in the transition period and provide a system of checks and balances to expose any acts of corruption, wrongdoings, and incidents relating to the failure to enforce sanctions, demanding transparency and establishing rule of law. However to be effective, this system of checks and balances needs to have a sincere commitment from the
political leadership and also from the private sector and civil society. As the citizens’ charter is a new concept, the state, the media and the NGOs could work together an awareness campaign for its wide publicity through leaflets, banners, posters and information seminars. There is also a need for the proper training and orientation of the employees responsible for the implementation of the charter.

The proper implementation of the citizens’ charter will have a multitude of effects: i) it will promote transparency, accountability and responsiveness of the agencies providing services to the farmers and other consumers, ii) provide simple redress mechanisms to deal with complaints, iii) positive impact on controlling corruption and effective regulation iv) establish a trusted relationship between the service provider and its users and iv) finally it will lead to empowerment and awareness for both service providers and users through improved access to information.

**Market Information**

The lack of access to market information has been one of the major factors that are impeding the development of the private sector. Although Bangladesh lacks the necessary technological, infrastructural, legal and human capacities, it can still introduce e-government practices tailored to suit the needs of the rural characteristics of low level of illiteracy, low buying power, inadequate infrastructure, power and telecommunication by re-engineering the existing infrastructure rather than waiting for massive investments and perfect technological advancements. The state with the help of the private sector, NGOs and donors could take up practical steps to increase access to market information by setting up pilot e-projects in each village through non internet aspects as, mobiles, TV and radio as to provide i). commodity marketing information service i.e. prices, quality and quantity requirement in surrounding areas ii). extension services/advices, like use of pesticides, fertilizers, seeds, new technology, advice on farming best practices iii) weather information iv) services information– the availability of services in the area i.e. credit facilities, labour supply and demand and v). public grievances redress regarding complaints for substandard inputs, crisis or price hikes of inputs.

*Figure 1: Proposed Integrated Governance Model for Sustainable Private sector Led Development.*
Setting up a project like this could complement the citizens’ charter, having multitude advantages. It would not only help the farmers to bypass intermediaries, deal directly with end users and get better sale prices of their products, it could also ensure their access to extension services regarding the use of inputs and new technologies. The farmers could also get information on credit & other related services available in that area, file complaints for poor quality inputs, price hikes etc. The access to information about market conditions, available extension and other services, weather conditions, would all lead towards a more informed decision making, empowerment of the farmers and help make the private traders accountable to their stakeholders. This would ultimately help in the creation of an integrated market structure.
Capacity & Awareness Building

The capacity of the state to undertake the responsibilities of effective monitoring remains severely constrained due to lack of funds, trained human resources and logistics. Findings of this study have also indicated that in most of the cases the capacity of the private sector is also severely constrained in terms of lack of access to funds, necessary infrastructural facilities to undertake investment. This is the area where NGOs and the donor agencies can provide assistance to both state agencies and the private sector with training, resources and infrastructure facilities. The donors could play a significant role to help build the regulatory and institutional capacities of the state, civil society and the private sector in terms of providing them with training, access to information and resources. In addition, the donors also need to be more actively involved in the development of infrastructure facilities. This capacity building would lead to more effective monitoring and regulatory capacity of the state.

The NGOs could share much of the role of the state in providing training to the private sector and farmers about the role of the citizens' charter, business ethics, responsible business practices and initiating awareness campaign against corruption and the need to comply with law. The NGOs could also serve as advocates for the poor farmers who are being cheated and have no power or voice and help in enforcement of the rules and regulations which are already in place. Although the state, the private sector and NGOs are working together in making credit more accessible to the farmers and the private traders, this needs to be more coordinated and done on a larger scale.

The partnership and relationship between state, market and civil society needs to be complementary. Kernaghan (2005) argues that the culture in public organizations tends to focus on accountability upwards rather than on the horizontal thinking and commitment that are required for effective integrated service delivery. Finding of this study have indicated that the role of the state in complementing the private sector needs to be more facilitative. Therefore there is a need to change the organizational culture of the state agencies to make them more participative, cooperative and information sharing. The donor agencies and the NGOs can play an effective role in the capacity building of the state through providing training and resources.
In addition, the donor agencies can also play a role in promoting good governance by pursuing greater transparency, accountability, control of corruption and establishment of the rule of law. Hodge (2004), argues that both the World Bank and Asian Development Bank have not included actions for improving accountability and have made little formal reference to reducing the effects of corruption in their respective Private Sector Strategies (PSD) for developing countries. In the same time there also seems to be a need for the donors to be more transparent and accountable themselves, as institutions such as World Bank and ADB are now regularly accused of being secretive, unaccountable and ineffective (Woods, 2001).

The proposed integrated model of establishing citizens’ charter, providing market information, capacity and awareness building needs to have a coordinated effort and commitment of all the main players including the donors. The role of all the players are crucial in the effective implementation of the model, leading to improved governance and creating a business environment supporting a sustainable private sector led development in this sector.

**CONCLUSION**

Bangladesh has been attempting market-oriented development approaches for more than three decades. The reforms have been successful to some extent but they have not lived up to their expectations. This paper has examined the changes in the role of the government and the main constraints on private sector led development following the market-based reforms in the agriculture sector. Lack of: good governance; creation of an integrated market structure; access to market information; capacity and awareness building, have been the major constraints on the development of the private sector. In addition, the lack of credit and infrastructure facilities and failure to take significant land reforms are other constraints.

The paper proposes an integrated governance model linking state, private sector and civil society as a possible solution for the constraints faced by the private sector. The integrated and participatory relationship between the key players could improve governance issues by establishing a citizens’ charter, providing market information, capacity and awareness building. In addition to the state, the private sector and civil society, the model also stresses the need for the donors to help build capacity of all the three spheres of governance and also in improving governance issues. We argue that unless the issues of governance, access to market
information, creation of awareness and capacity building of the three spheres are addressed, a sustainable private sector led development will remain a far cry. A functional governance model is required in Bangladesh that engages the state, civil society and the private sector to work together effectively and co-operatively in a participatory approach.

REFERENCES
Ministry of Finance (2003) Bangladesh Economic Survey,