

STRUCTURAL AND ADMINISTRATIVE REFORM IN THE MANAGEMENT OF BANGLADESH RAILWAY

Musammet Ismat Ara Begum,

Deputy Director & Program Officer (JICA-PIU), Bangladesh Bank, Development Graduate from the Australian National University, Canberra, Australia.

Selina Akhter

Research Officer (Finance and Procurement), Directorate of Secondary and Higher Education, Bangladesh, Graduate from The Australian National University, Canberra, Australia.

ABSTRACT: *Bangladesh Railway sector requires huge reforms in every knock and corners of the sector. Presently, corruption, nepotism, politicisation, poor client service, mismanagement, lack of efficient and skilled employee are the main scenario of the Bangladesh railway system. To enhance the efficiency of the services huge reform in structure and administration of the service is required. This can be done by horizontal and vertical decentralisation. In addition, outsourcing and merit based recruitment, better incentives and result based budgeting for each sector will promote the efficient service of railways. However, corrupted management, trade and labour union and political parties may create resistance and delay the reform project implementation. The proposed reform may improve the management and structure of railway and ensure efficient service for the country.*

KEYWORDS: Bangladesh, Railway, management, reform, administration

INTRODUCTION

Public sector management reform to improve public sector and better service has become vital issue for contemporary public sector management. Reform is inter-related with thousands of public and political agents and issues; corruption, transparency, accountability, efficiency, equity, client satisfaction. International organizations like the World Bank, International Monetary Fund, and United Nations are working with different countries to reform their public services and sustainable development. Bangladesh is also taking different kind of reform and change in different sector to improve service and reduce corruption. In a report of United Nations Development titled 'Corruption and Good Governance' represented, bureaucratic corruption and inefficiency causes hundreds of millions of dollars worth of loss for unrealized investment and income in Bangladesh (*cited in* Jamil & Ahmed, 2006, p31). Bangladesh Railway (BR) is a crucial sector which demands huge reform in every knock and corner of this sector. It's a very popular sector of transport for passengers and freight in Bangladesh because of low cost and comfortable journey. However, the sector is one kind of government owned monopoly and corrupted from top to bottom and providing poor service. Lack of efficiency in management and corruption causes approximately \$ 1000 million loss to Bangladesh Railway every year. From fuel oil to Railway land, where is evidence of misuse, corruption, illegal occupation and poor management. Unhealthy trade unionism is also speeding on organized

corruption of this sector (The New Nation, 2012). Government, international organizations, political parties and civil societies are also reluctant to develop and reform this sector. This paper will propose some structural and administrative reform in Bangladesh Railway to increase its productivity and efficiency.

ANALYTICAL REVIEW

Structure and administration of any organization are inter-related with each other. Productivity and efficiency are dependent on these variables. Aucoin (1990) states that reestablish the primacy of government and managerial principles over bureaucracy have an effective impact on government structure for administering public affairs which is mentioned as public choice theory for public sector management (P.115). In this regard, Gregory (1999) shows that changes in public sector management have been driven from bureaucratic, rule-oriented approaches to result-oriented model for last two decades in New Zealand. Reform under these new institutional economics and public choice theory are sought to make public sector more efficient and accountable (p. 63). These reforms were followed in Australia, Britain, Sweden and several OECD countries later on in their public sector. Basically public choice theory is a study of political behavior from the viewpoint of public economics. In public sector, it focuses on the decentralization of power and management for efficiency, equity and expenditure with the understanding of clear distinction between the public service and corporate service. In line with this analysis, Bangladesh railway should be reformed with some structural and administrative issues for its' betterment.

Present Scenario of Bangladesh Railway

Bangladesh Railway is a large, influencing and state-owned enterprise with monopoly right in transportation of Bangladesh. It owns a large amount of land resource and shares around 20% passengers and 16% freight among all transport sectors in Bangladesh (cited in Rahman & Rahman, 2009, p 116). BR serves mainly for passenger and freight, beginning in the British period in this region and standing in same situation till now. It was relatively profitable and well managed public sector during the pre-independence period. After the independence of Bangladesh, BR remains the most neglected sector by the government. Lack of infrastructural development, government unwillingness and corruption has been affecting every parts and initiatives of BR. It had 2733 km of railways in 2001, compared with 2884 km in the early 1980s. Over the years the length of railways has declined and standard of service has deteriorated, which has promoted development of roads and highways (The economic intelligence unit, 2003).

Bangladesh Railway runs on deficit Government budget. In between two main services of BR, passenger transport system is most money losing part BR's service. Although, 83% of its' train-km devoted to providing passenger service. Passenger tariffs are fixed by the government which is less than the cost of providing the services. In fiscal year 04-05, BR's operating deficit was Tk. 2.5 billion (US\$ 41.9 milion) which was increased to Tk. 3.8 billion (US\$ 54.9 million) in fiscal year 06-07. Nearly 36% of BR's total operating expenditures supported by government

subsidy in the form of public service obligations for unprofitable passenger services, welfare grant for education, health services and operating expense subsidy (The World Bank, 2009, p 1).

Behind the scenario of non profitable entity, mismanagement, corruption, poor client service in Bangladesh Railway, some factors are working. Such as bureaucratic monopoly, lack of competition, no accountability to output and outcome, lack of efficient and skilled employee, politicization and trade unions. Bangladesh Railway is the one and only service in railway provided by the government. There is no other competition with the service. As a result, bureaucratic monopoly works in managerial activities. Again, the governance and organizational structure leads to inefficiencies and poor service delivery for its users. Necessities and purposes of different sectors like passenger and freight service, operation, infrastructure of railway varies. Economic and situational performances of the sectors are not same also. However, the budget distribution for different sector has no priority-based distribution. Absence of organizational structure for these sectors facilitates unaccountability in terms of their output and lack of clear measurement for input and output does not make question to get finance. The employees are flexible to move from one sector to another except within the engineering section, which loss their skill and use inefficiently. Staffs are overall less performance incentives. That's why turn over and lack of efficient employee is a common issue in this sector. In addition, recruitment in railway is highly politicized and corrupted. Nepotism and patronage works in third and fourth grade recruitment which is controlling by trade union and political power.

Again, lack of coordination between different sectors hinders strategic plan for the development of railway services and continuity in decision-making. Government administrative procedures and political interests also result long delays in decision making and unaccountability (The World Bank, 2009, p4). One reason is that most of the politicians owns road traffic business and don't want to develop the railway. On the other hand all kinds of transportation sector aids and cooperation has come from international organizations for national and regional roads and highways development as best practice for development. In the shadow of these situations, railway sector became poorly organized, accountability became weak, public program designed poorly and serving disappointingly. As a result corruption, bribery captured the whole sector. Manpower, technology and equipment became poorer day by day.

Proposals

To reform the railway service and use it efficiently, huge reform in all parts of the sector is required. The main reform required is in the structure and administration of the railway to improve efficiency, reduce corruption and provide satisfactory client service. This can be best done by decentralization. In decentralization of any sector, each part or politician is responsible for specific tasks and directly accountable for their actions (Fisman & Gatti, 2002, p328). The railway could be separated as per services, both horizontally and vertically. In a structural reform, horizontal separation on freight and passenger services and vertical separation of track infrastructure and train operation services are essential. These core separate entity would have separate business plan and set of activities to work in separate organizational structure. As a

result, each separate entity might be responsible for their task and directly accountable. Such kind of separation and management change may increase productivity of the whole sector. For example, in reform practice, Australia gained significant improvement in productivity from the separation of freight, passenger and operation in 1990. Freight customers benefitted from the productivity in terms of low rate prompt service which helped their annual growth by 8% compared with Canada (Owens, 2004, p285).

Recruitment

The separate entities may recruit their own employees, arrange training and other development initiatives by their own strategic plan and requirement. The recruitment process itself is criticized for politicization and strategies in public sector. Most African and many Asian countries, including Bangladesh, follow a recruitment process which is inherited from their colonial masters without any modernization in public sector. Pressure from donors is now changing the situation in developing countries to follow the process of developed world (Peters, 2010, p91). In this situation outsourcing, or third party process for recruitment of public servant, has become popular in many countries, where managements prefer outsourcing or third party to recruit their manpower and arrange proper training for the employees. Such kind of initiatives controls corruption, nepotism in recruitment and hires or recruits merit based employees. Separate entities of railway would go for their merit-based employee recruitment through outsourcing or third party. Therefore, human resource management of each sector would be concerned about proper work environment and BR should offer better incentives and career prospects and promotion based on their performance and efficiency. Phongpaicht and Piriyaangsan (1994) argue, in an economy, if officials of public sector are paid much less than people with similar training elsewhere, public sector will be attracted by bribery and misuse of power (*cited in* Tjiptoherijanto, 2010, p187). Tjiptoherijanto (2010) suggests, civil service pay should be set at least equal to pay for equivalent position in the private sector so that it is possible to serve without resorting to corruption (p187). Clark and Wilson (1961) have mentioned three types of incentives which could be offer by public sector for its employee – material, purposive and solidarity (*cited in* Peters, 2010, p101).

Budget

In addition, separate sectors need result-based budgeting. Budget distribution for the different sectors might be ensured on the basis of their performance and output. Carter (1994) argues that performance budget justifies missions, goals and objectives to get explanation, why the money is being spent. It is a way of resource allocation to achieve a specific objectives and measurement of results (p2). These performance and output should be measured in terms of efficiency, equity, equality and effectiveness. As a result, a competitive bureaucratic market model will be established among different sectors. Each sector would become concerned about their efficiency and output. The separate areas would be able to set their business plan and increase market share to enhance their output. Hence, separated sector might be accountable to the upward vertically for performance and management particularly.

Reform through separation of administration and structure in Bangladesh railway would create positive impact on its stakeholders directly. Because of the separation of different areas of

administrative and structure might be more active and productive. Human resources of railway would be able to work more efficiently in a better work environment and motivation. The organization may get the best person for work through the recruitment process, which would be free from the interference of political power and trade union of railway. However, some challenges may come from the management, the government, labour organization and political powers.

Challenges

Because of this reform, corrupted management of Bangladesh Railway might be affected mostly. In separation of different area and performance based budgeting, they will face challenge to do better. Accountability for performance to the authority and others will create another challenge for them. Corrupted management captures a big portion of railway budget by the name of repairing and maintenance, although there is budget deficit. Such kind of motives of the management may reduce through the implementation of the reform.

Therefore, the trade union and labour organizations in this sector might be affected by the reform and unable to create pressure on the recruitment process. Generally third and fourth grade recruitments are severely affected by nepotism, trade unions choice and so on. Such kind of recruitment helps to continue their unionization and make organizational power of them for future. Recruitment through third party or outsourcing may reduce their interference and organizational power.

Political powers might be affected also for the recruitment process. Political parties come to create governmental system in Bangladesh. They try to recruit the people from their political choice which would be affected through the reform proposal. Political change and transition in governmental process may create resistance and delay of the reform project implementation. In the political culture of Bangladesh, one project which is taken by a political party in his ruling period will be stopped by or delayed by the other political party who will come into power because of political intolerance. According to Samaratunge et al. (2008) in their studies, Sri Lanka and Bangladesh maintain a lower than expected level of economic growth and their civil services need significant improvement compared to international standards because of pluralist political system. Neither Bangladesh nor Sri Lanka enjoys a strong political leadership with a clear vision (p28). Separation of areas and performance based budgeting and incentives will promote the efficient service of the railway. As a result politically powerful people who owned road and traffic business will be affected.

CONCLUSION

To sum up, economic development of any country is depends on infrastructural facilities. Economy of a country can be positively changed and speed up of growth rate through infrastructural development, which is become smooth by the proper public sector management. The proposed reform for railway may improve the management and structure of railway and ensure efficient service for the country. Management of railway might be eager serve output and result based activities because of, performance oriented budget distribution. On the other

hand, the sectors would get efficient and meritorious employees to run. Because of incentives and career prospects into the organization, employees would be motivated to perform better and discourage corruption. However, we cannot afford to ignore the possibility of political opposition, which highlights the fact that public sector reform is always dependent on the political culture of the country and the political will of its leaders.

REFERENCES

- Aucoin, P (1990), 'Administrative reform in public management: Paradigms, principles, paradoxes and pendulums', *Governance: an international journal on policy administration*, vol-3, no.-2, pp 115-137.
- Carter, K (1994), 'The performance budget revisited: a report on state budget reform', National conference of state legislature, Denver, Colo 1994.
- Fisman, R & Gatti, R (2002), 'Decentralization and Corruption: Evidences across countries', *Journal of public economics*, vol 83, pp 325-345.
- Gregory, R (1999), 'Social Capital Theory and administrative reform: maintaining ethical probity in public service', *Public Administration Review*, vol-59, no.- 1, pp. 63-75.
- Jamil Gazi M & Ahmed M, (2006), 'Housing for low income people in Bangladesh: problems & prospects', *The cost & management*, vol- 34, No. – 5, pp 25-39.
- Master Plan for Bangladesh Railway, *Ministry of Railway*, People's Republic of Bangladesh.
- Owens, H. (2004), 'Rail reform strategies: the Australian experience', *Governance, regulation and privatization in the asia-pacific region*, vol – 12, pp 279 – 304.
- Peters, B. (2010), 'Recruiting public personnel', *The Politics of Bureaucracy: an introduction to comparative public administration*, Routhledge, 6th edition, pp 81-123.
- Rahman, R. K. & Rahman, Md. (2009), 'Service quality attributes affecting the satisfaction of railway passengers of selective route in south-western part of Bangladesh', *Theoretical and empirical researches in urban management in Bangladesh*, vol 3(120), pp 115-125.
- The World Bank, 2009, 'Bangladesh railway reform programmatic development policy credit', Sustainable Development Department, World Bank office, Dhaka, Bangladesh.
- The New Nation* 2012, 'Keeping Railway on track', 15 July.
- The economic intelligence unit*, (2003), Bangladesh: Transport and communications.
- Tjiptoherijanto, P. (2010), 'Bureaucratic reform in four southeast Asia countries', *Journal Kajian Wilayah*, vol-1, no- 2, pp 168-189.
- Schacter, M. (2000), 'Public sector reform in developing countries- Issues, lessons and future directions', *Canadian international development agency*, pp 1-15.
- Samaratunge, R. Alam, Q. & Teicher, J. (2008), 'The new public management reform in asia: a comparison in south and southeast asia', *International review of administrative science*, vol – 74(1), pp 26-46.
- Yadav, S. K., Choudhary, K. & Katal, S. (2012), 'Issues and reforms in Indian railway', *International journal of trade and commerce*, vol – 1, no. 1, pp106-125.