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Editorial Notes

The outreach of development is to build human resources and enlarge human choices: to create a safe and secure environment where citizens can live with access to basic social services and with dignity and equality. Until recently, the critical links between governance and human development were not sufficiently understood. It is now accepted that economic problem goes hand in hand with social and political factors rooted in governance. Despite some achievement of macro-economic-stability over the decade and growth in rural areas through NGOs and CBOs, Bangladesh is facing a crisis of governance that, if left unchecked, could halt the country's democratic process and economic and social well being of its teeming millions. The signs of crisis are prevalent in political demonstrations and strikes/hartal, poor law and order, pervasive corruption, weakness of the institutions and powerful individuals-creating opportunities for rent seeking and illegal extortion. The capacity of the government and public administration to deliver the most basic goods is further weakened by endemic corruption. Institutional decay is evident in civil service that is heavily politicized and is compounded by a reluctance to impose discipline for fear of retaliation from powerful staff associations, and in a judiciary that fails to deliver social justice to all. The poor corporate governance does prevail in capital market too. Even most companies listed in stock exchange pay inadequate attention to following the "rules of business" and full disclosure of information, and demonstrate lack of corporate social norms and responsibility.

Most of the articles in this issue deal with the specific issues in the field having implications on how to improve governance in those fields by reforming the policy and strengthening the institutions involved. The first article documented the volatility process of the Dhaka Stock Exchange (DSE) index empirically in pre-crash and post-crash period highlighting the stylized facts of volatility model, shallowness of our stock market and providing implications for portfolio-manager. While assessing the credit need of and credit allocation to farmers by RAKUB, the second article focussed on significant determinants of credit allocation and computed gini index of concentration revealing that credit allocation is discriminatory against small farmers. The third article examined a socio-economic profile of rural women in farm and non-farm activities and effects of significant socio-economic factors on household income characterizing the existent nature of rural labor market. The fourth article investigated empirically growth factors and obstacles to Small Business Enterprises (SBEs) revealing policy implications for excelling the growth and development of SBEs. As a note, the fifth one revealed the author's views on the diversification of financial products and potentiality of diversifying product base in commercial bank to be launched under the same or separate legal entity as a means for addressing non-performing loans (NPLs).

Bangladesh has emerged by now as one of the most poorly governed countries in the world, with exclusion of the voiceless majority and lack of accountability, political instability, lack of government effectiveness, poor regulatory quality, poor rule of law and poor control of corruption as revealed by Kaufmann et. al., 2002. The systems of governance have become unresponsive and irrelevant to the needs and concerns of people. Achieving pro-poor growth in Interim Poverty Reduction Strategy Paper (I-PRSP) requires pursuit of economic policy reforms and a strengthening of institutions for overall governance to improve the investment climate and the ability of the poor to participate in the growth process. The four core strategies -investment in primary education, institutional reforms, mobilizing saving and investment and public-private partnership-lie behind the East Asian economic miracle and are still relevant for and required to be tailored to the circumstances of Bangladesh. The correct lesson Bangladesh could learn from East Asia Crisis is not to forgo the many advantages of openness in this age of globalization. Rather, trade liberalization must be combined more effectively with regulations on short-term capital movements. Transparency, absence of politicization and the prudential regulation must exist in the financial sector. If liberalization is properly sequenced and "hot flows" carefully managed, globalization can be beneficial to all—Poor and Rich, East and West, North and South. Lessons from People's Republic of China (PRC) are helpful. The PRC was busy developing a solid civil service system and a strong banking and financial framework. Additionally, the PRC is gradually freeing its domestic economy from monopolistic practices and distortion. Learning from this experience, policy-makers of Bangladesh must realize that building markets and institutions of governance takes time.

However, without regional cooperation and mutually beneficial competition, South Asia including Bangladesh cannot expect to meet the challenges of the next millennium. There is much to be gained from technical cooperation within the region. Globalization has many benefits, but there are also some dangers. Bangladesh can avoid these inherent pitfalls while emulating the East Asian miracle if it remains cautious, fosters mutual cooperation, and distributes economic advances equitably.