The objective of this paper is to examine the mobile phone licensing regime in Bangladesh. It especially focuses on how politics of accumulation and lobbying deviated the policy makers from the standard procedures followed worldwide in making public policies including licensing of mobile phone services. We conducted an empirical study to explore the issues. Our empirical findings suggest that the government of Bangladesh cared little in following the standard policy making process. Rather accumulation motive, lobbying and personal choice led the government to issue initial licences (mobile phone as well as land phone licences) to the elite/personally connected person(s) without much thought. The public interest has been seldom taken into account in the licensing process since the first cellular licence was allowed monopoly for more than 5 years. Significant improvement, however is being observed in subsequent issuance of mobile phone licences although personal lobbying, and corruption, impacted the procedure at times.

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INTRODUCTION

The Bangladesh Telegraph and Telephone Board (BTTB) was the sole telecom service provider before 1989 and has continued to be the dominant operator since 1989. The telecom sector was characterized by low tele-density, long waiting period for connection, low level of investment, limited capability to meet the growing telecom demand, poor service quality, inefficiency\(^1\) and high tariff (Khan, 2003). The tele-density (total fixed and mobile) of the country was 1.32% in 2002, well behind most of its neighbors in Southern Asia [e.g. India 5.20%, Maldives 25.11%, Nepal 1.5%, Pakistan 3.35%, Sri Lanka 9.58%]). The situation is even worse in the countryside (OECD, 2004). In the backdrop of the aforesaid telecommunications scenarios (inefficiency and inability to meet customers demand) Bangladesh opened up its telecom market for private sector investment by awarding one cellular mobile license in 1989 and two landline phone licences (Bangladesh Rural Telecom Authority, BTRA and Sheba Telecom Pvt. Ltd) in 1989 and 1991 respectively. The BTRA and Sheba were licensed to provide services in 199 sub-districts (upazilla) in the northern part of the country and 195 sub-districts in the south respectively (Bhuiyan, 2004), in competition with the BTTB (Camp & Anderson, 2001).

Although Bangladesh was the first country in South Asia to allow private participation in the telecommunications sector in late eighties, it took a long time to establish a telecom regulator (Bangladesh Enterprise Institute, 2003b). The telecom regulator was established in April 2001, almost a decade after the sector was first opened up in 1989. In the absence of telecom regulator, BTTB had been regulating the sector (along with its functions as the state-owned telecom operator) until the regulatory role were transferred to the Ministry of Posts and Telecommunications (MOPT) in 1995. The Telegraph Act of 1885 in tandem with The Wireless Act of 1933 had been the only governing tools until the National Telecommunications Policy (NTP 98) was enacted in 1998 (Bangladesh Enterprise Institute, 2003a). In 2001, Bangladesh Telecommunications Act 2001 (BTA) was passed replacing both the Telegraph Act, 1885 and the Wireless Act, 1933. Under the BTA, Bangladesh Telecom Regulatory Commission (BTRC) was formed and started functioning since 31 January 2002 (Khan, 2003). Presently, the role of the MOPT, BTTB and BTRC are clearly assigned: Policy matters are vested with the MOPT, telecom services are provided and the systems of operation are maintained by the BTTB and other private operators, while the regulatory functions (including issuing licences for different telecommunications services) are assigned to the BTRC (Farooq, 2003).

The remainder of the paper is organized as follows: section 2 outlines the research methodology employed. Section 3 examines the licensing regime of mobile phone service in Bangladesh (starting from the first mobile phone license awarding), Section 4 provides an overview of the standard public policy making, including how far the standard policy process was followed by the telecom authority of Bangladesh in granting mobile phone licences in Bangladesh, Section 5 analyses how politics, personal relationship and power has been used and/or misused in telecom licensing for primitive accumulation in Bangladesh. Section 6 summarizes our conclusions.

RESEARCH APPROACH AND DATA SOURCES

This empirical study uses both primary and secondary data. The primary data were collected through face to face interviews conducted in the months of August to October, 2008. A semi-structured questionnaire was used in conducting the interview. A total of 30 persons (including ex-

\(^1\) One indicator of inefficiency in the telephone system is the low rate of successful calls. The rate of successful calls in Bangladesh is two per ten calls in comparison to nine in EU, eight in China and six in India and Pakistan
telecommunications minister, ex-T & T secretary, ex-BTTB chairman, business leaders, NGO personality, civil society member, one telecom analyst and one telecom reporter in a daily newspaper) were interviewed to learn about the influencing factors and level of transparency in awarding the licences. On average, each interview lasted for about an hour. The interviews were open ended but guided by a set of relevant questions prepared in advance. The officials, and other respondents were selected from the list of officials, business houses, civil society, newspaper and NGO personalities who were once directly or indirectly involved in T & T policy making or who has interest in public policy making and monitors telecommunications policy making and implementation in Bangladesh. In brief, a purposive sampling was used. For the secondary data, the study relied on published documents, newspapers, unpublished materials, court rulings and e-sources.

MOBILE PHONE LICENSING IN BANGLADESH

The liberalization of the telecommunications sector started in 1989. The first mobile phone licence was granted to Bangladesh Telecom Ltd (BTL) in 1989 which launched cellular phone service in 1991("Hutchison Telecom Bangladesh Ltd. Vs. BD Telegraph & Telephone Board & Ors, Writ petition no 1321/1994 and civil petition for leave to appeal no. 300/1995," 1996). The BTL formed a Joint Venture (JV) with Hutchison Telecommunication Ltd, a foreign company, and changed its name as Hutchison Bangladesh Telecom Ltd (HBTL)².

The sector was further opened for competition during 1989-1996 by awarding three more mobile phone licences to GrameenPhone (GP), Aktel, Sheba Telecom(now Banglalink, and Aktel, (ITU, 2000). State-owned mobile phone service provider Teletalk Bangladesh Ltd (TBL) launched its service in 2005. Bangladesh issued the sixth mobile phone licence to Warid telecom in 2005

In awarding telecommunications licences, different methods are used in different countries. The methods are broadly divided in two groups: (1) market-based mechanism (such as auction) and (2) administrative tender procedure (or “beauty contest”). In issuing licences, the government typically determines how many licences will be issued.

In a beauty contest (BC), the government invites bidders to submit business plans. After submission of their plans, the government officials examine these business plans following pre-announced criteria. Licences are then awarded (by government) at a fixed price to companies whose business plans are found most acceptable. By contrast, in auction methods (AU), licences are allocated to the bidders who bid most and the auctions closes when all bidders except the leading bidders withdraw (Borgers & Dustmann, 2003).

Some countries follow hybrid approach where the license giving authority resorts to both beauty contest and auction. For example, the government of a country may first decide the number and size of licences by bureaucratic methods and then choose the potential operators and the prices of licences using auction methods. Italy adopted a hybrid approach (BC+AU), using a beauty contest first, followed by an auction (i.e. the bidders had to submit the company documentation, technical and commercial plans first; only bidders who were considered satisfactory in the first stage were admitted to the auction stage). This method thus included an element of a beauty contest in its first stage. In reality, most countries follow bureaucratic methods (beauty contest) in ascertaining the number and size of licences. The most popular way of awarding these licences were beauty contests and simultaneous ascending auctions (where all licences are offered simultaneously) (Borgers & Dustmann, 2003).

Both auction and beauty contest methods have relative benefits and demerits. In the case of awarding licences through administrative procedures (or BC), the government (or the regulator)

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has to establish how (and on what criteria) to grant licences. The administrative attribution process has a number of drawbacks such as room for administrative abuse, selection of wrong candidate due to information asymmetry, imperfect regulation (results when regulators are captured by private interest lobbying- also known as ‘regulatory capture’), inefficient appropriation of scarcity rents, regulatory arbitrariness and lack of incentive for optimum spectrum usage (Gruber, 2001, 2005).

The benefit of awarding licences through auction is that it is more transparent that other methods of administrative allocation. Once the auction rules are set, there is much less scope for regulatory arbitrariness. It also ensures efficient assignment of spectrum to the firm that values it most. A well-designed auction is much faster to conclude than a ‘beauty contest’. From a public policy perspective, a well designed auction is considered more desirable as it helps ensure awarding spectrum to the most qualified bidder(s) (Gruber, 2005).

In the early years of mobile phone services, licences were typically awarded on a first-come first-served basis, if not automatically, to the incumbent fixed line telecom operator. A few countries granted a second license, either through auctions or through administrative attribution process such as ‘beauty contests’ or comparative hearings (Gruber, 2004).

**Awarding of the First Mobile Phone License and Two Fixed Licences - No transparency**

Bangladesh was the first South Asian country to open its mobile phone sector unilaterally (Bangladesh Enterprise Institute, 2003b). The first mobile cellular operator was awarded to Bangladesh Telecom (Pvt) Limited (BTL) in 1989 to operate mobile phone services for 20 years.

**How the License was Granted**

The owner of the BTL Shajad Ali had a personal connection with the then president Ershad when Ershad was an army official. Shajad Ali, a former local agent of Motorola in Bangladesh and a supplier to Bangladesh Army had developed a relationship with the ex-army official (later president). When Ershad became the president of the country, the owner of the BTL made an application (in 1989) to the President to issue him a mobile phone services licence (Interviewee-1, 19 August, Interviewee 3, 25 August, 2008). On receipt of the unsolicited bid, the then president made positive remarks on his application asking BTTB to take the unspecified necessary actions to issue a license (Interviewee 7, Interviewee-1, 2008). On President’s positive remarks and being convinced by the BTL, the then telecommunications minister and BTTB chairman worked together and made necessary ground work to issue him a license. Though the minister of the day mentioned that there was no corruption and intervention involved, other interviewees did unspecifically mentioned that political intervention and corrupt practices were followed in the licence awarding process.

In 1989, BTTB, entered into an agreement with the BTL, permitting BTL to operate several telecommunications systems including Cellular Mobile Telephone Service in the private sector under section 4(1) of the Telegraph Act, 1885. The license was ultimately issued on 25.3.90 by the BTTB on empowerment by the Government. The issuance of the first mobile license and the two fixed licences (during 1989-1991) lacked complete transparency (Silva & Khan, 2003). Regarding the license awarding process, one interviewee observed, “it was absolute kickback that helped convinced the government to issue the first mobile phone license to BTL/Hutchison Ltd” (Interviewee 8, 7 September, 2008). Another interviewee observed that, ‘the private company who was issued the first license was handpicked’ (Interviewee 6, 25th August, 2008). In this regard, two officials stated that, ‘the personal connection and relationship helped the first proposer to get the mobile phone license’ (Interviewee 4, 27 October, Interviewee 7, 19 October, 2008). One business leader observed that “the only motivating factor for the policy makers was the raw (bribe)

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3 Hutchison Telecom Bangladesh Ltd Vs BD Telegraph & Telephone Board & Ors, Writ petition no. 1321/1994 and Civil petition for leave to appeal no. 300/1995
money that it got in licensing the first mobile phone license” (Interviewee 10, 29 October, Interviewee 15, 24 September 2008). No auction or competitive bidding process was followed in issuing this license (Interviewee 1, 19 August, Interviewee 2, 11 September, Interviewee 3 25 August 2008). Awarding a licence on personal approach became possible in Bangladesh where government is very much approachable and ‘it government) does listen, it does respond, and it does act’ (Kochanek, 1993:234).

It is interesting to note that the license issued to the BTL authorized it to operate five different telecom services namely Radio Trunking, Cellular Radio Telephone (fixed and mobile), Riverine Radio Telecommunications Network and Paging services (a type of unified licensing) which was unprecedented and a rarity at that time. It was an exception rather than a rule (Interviewee 7, 19 October, Interviewee 4, 27 October, 2008). The licence was issued for 20 years and the licensee was required to pay 10% of its revenue at an interval of every three months to the BTTB as rental charges. Moreover, the license was issued without any auction or following any formal administrative process. BTL later renamed is as HBTL after it had taken Hutchison as its JV partner. It launched mobile to mobile service in January 1991 as it did not get Public Switched Telecom Network (PSTN) connection from the BTTB until 2nd August, 1993 (Civil Petition for Leave to Appeal No. 300 of 1995, Bangladesh). Without PSTN connection, a person having a mobile telephone could communicate with another person holding a mobile phone. PSTN connection was necessary to facilitate communication between a mobile (cellular) phone holder and a non-cellular telephone holder.

After the fall of Ershad regime in December, 1990, Bangladeshi partner of HBTL Shajad Ali left the country (remained fugitive) as he was an accomplice of the deposed president. HBTL could not progress much as its one local partner was away and it failed to access to BTTB’s network. All these developments made Hutchison less interested to run business in Bangladesh. With the regime change in 1991, a stalwart of the party in power and his relatives (close to the government) influenced the local JV partner of HBTL to sell his mobile phone license to them (Interviewee, 3 25 August, 2008). The changed political situation and the little progress in its ability to provide mobile phone services due to non-cooperation from the BTTB influenced the local partner as well as the foreign partner of the HBTL to sell their (HBTL’s) mobile telecom operation segment to the aforesaid businessman turned politician Morshed Khan who owned Pacific Bangladesh Telecom Ltd (PBTL) (Interviewee 3, 25 August 2008, Interviewee 4, 27 October, 2008, Interviewee 7, 19 October, 2008). PBTL after acquiring the license from HBTL, started their operation in 1993 in the brand name City Cell (Lane, Sweet, Lewin, Sephton, & Petini, 2006).

It appears from the discussion that, Bangladesh followed neither auction mechanism nor administrative attribution procedures (the ‘beauty contest) in awarding the first mobile phone licences. Although licence awarding process to the BTL looked similar to the “beauty contests”, in reality it was not. No administrative tender was held to issue the license as is usually done under ‘beauty contests’. The policy maker in the ministry of telecommunications of the day also confirmed that only one firm (namely BTL) approached the government for a mobile phone licence. So the government did not feel it necessary to make the licence issue process public (interviewee 1, 19 August 2008).

Neither the BTTB nor the MOPT did follow the standard formalities (such as submission of business plan, evaluation of the submissions using pre-announced criteria) that are typically followed in assigning licences through administrative procedures. There were no pre-announced criteria to evaluate the submissions of the interested applicants (Interviewee 7, 19 October, Interviewee 2, 11 September, Interviewee 3, 25 August, Interviewee 4, 27 October 2008). For the opacity in issuing licences, the granting of the first mobile phone licence as well as the issuing of fixed licences to BTRA and Sheba still remains as an example of a non-transparent and questionable public policy practices in Bangladesh. Overall, it seems the government did not have any policy in market entry of private firms.

4 BTTB gave PSTN connection on 3rd August, 1993.
Although Bangladesh opened up its mobile phone sector in 1989 unilaterally, it was not a well thought and planned movement. There was no regulator when the country first liberalized the sector. No evidence has been found of any committee or forum formed to formulate/ national telecommunications policy/license awarding guidelines, discuss the issue with policy makers in the cabinet or establish a regulator. It has been observed that it was absolutely an unthought of opening for private sector participation with a view to benefiting a private firm who had had good rapport with the policy maker of the day (Interviewee 15, 24 September, Interviewee 9, and 29 October 2008).

So it could be argued that Bangladesh’s initial opening up of the sector was not a conscious/deliberate decision. It could rather be treated as an induced unilateral liberalization which emerged due to the lobbying of an individual entrepreneur who wanted to have monopoly in this business and induced the government to open the sector for a single supplier. This limited liberalization (to only one operator) was not a success. The monopoly operator (PBTL) failed to make any marked development in expanding telecommunications services in Bangladesh. As a result, Bangladesh did not experience any significant growth in total connections until around 1998 (Silva & Khan, 2003) when more licences were awarded.

**Subsequent Licensing Regime (1997-2006)**

Compared to the scenario in the first period, the most significant achievement of the licensing regime in the second period was the creation of guidelines to be followed in issuing licences for the first time. Under these guidelines, the government of Bangladesh formally announced the bidding process for the licensing of three additional cellular operators in mid 1995 (Richardson, Ramirez, & Haq, 2000). In 1996, three mobile phone licences were issued. These were: Telecom Malaysia Bangladesh Limited (TMIB), Sheba Telecom and GP Ltd. This guidelines under which bidding for issuance of licences were held had some deficiencies such as the licensing guidelines were not made available on BTRC website or publicly. Although the guidelines defined conditions to apply for a licence, and duration of licences, it did not include transparent criteria for evaluating and choosing successful applicants for a licence. So there was scope for executive authority of the government to influence/manipulate the licence issuance process. Also there was no independent regulatory body till then. The inevitable result was that the license awarding process to these companies could not rise above criticism. Of these licensees, GP Ltd did not qualify in the initial bid evaluation. It is observed – “Grameenphone was not among the original successful bidders who took part in the tender process and got shortlisted on financial and technical evaluation” (Interviewee 3, 25 August, 2008). It has been revealed by a respondent that Dr. Yunus (who subsequently won Nobel prize for Peace) had lobbied the government of the day for the GP’s license (Interviewee 11, 20 October 2008). The interview findings gives ground in Sullivan’s terms (2007:84), “Yunus put his personal power and prestige on the line in a one-on-one meeting with Hasina, who had already selected two licences, leaving out Grameenphone”. It is noted that Yunus had Pitroda (tipped to be first CEO of WorldTel) meet with government officials to lobby on Grameen’s behalf (Sullivan, 2007). Lobbying and undue influence got their way in subsequent licensing decisions. A declaration was made that 1 million BTTB Mobile phone (0.25 million in the first phase) connections will be given to the people in a bid to ease the high mobile phone tariff situation to some extent (as mobile phone tariff was very high before the launching of mobile phone by state-owned BTTB mobile operator), by offering lower call rate (Government of the People’s Republic of Bangladesh, 2006-07; Rahman, 2005; The Daily Star, 2005). It took about three (3) years to launch the state-owned mobile firm, Teletalk Bangladesh Limited (TBL). Indeed, TBL was licensed after its third attempt. The first two attempts got frustrated by key ministry officials who were influenced by private operators and biased to them. Procurement of necessary equipment for Teletalk Ltd was also deliberately delayed by some ministry officials who were benefited by private operators. The ministry officials made deliberate delay with a view to benefiting the private operators. TBL ultimately launched its operation in March, 2005 although licensing and procurement process had started much earlier in 2001-02 (Interviewee 5, 27 August 2008).
In December, 2005, Warid Telecom was awarded the 6th license for mobile telecommunications on payment of a US$50 million license acquisition fee (Hasan, 2007). It was an unsolicited bid as no auction and competitive bidding process was followed in awarding the license. Policy makers being pleased with bribed money issued the license to Warid through an administrative order. One ex-state minister divulged to the Anti Corruption Commission (ACC) of Bangladesh that he had negotiated the kickback with Warid Telecom and the booty was shared by political leaders and relatives of ministers. Warid Telecom spent US 1.42 million as a kickback to get fast track frequency allocation (Yusuf & Alam, 2008). This extra-economic method of earning personal gain namely kickbacks/bribery (by abusing power) by political stalwarts of the party in power is tantamount to primitive accumulation.

Recent Phenomenon

In the last 2 years, telecom licensing and revenue sharing arrangements have been made transparent through adoption of specific policy guidelines. These policies are made public and available on BTRC website. In 2007, BTRC formulated International Long Distance Telecommunications Policy (ILDTS) to granting licences through competitive bidding process. The policy detailed the license awarding procedure. The objective of framing the policy is ‘to avoid pressure or influence from the illegal but very powerful VoIP lobbies. It aims at facilitating, liberalising and legitimising ILDTS including VoIP. The policy is primarily focused on providing affordable communication means to people... encouraging local entrepreneurs, encouraging new technologies to grow and ensuring due earning of revenue for the government’ (Khan, 2007).

Following the licence awarding procedure as stipulated in the ILDTS Policy, 2007, BTRC recently awarded three international gateway (IG) services licences (with 51.75% revenue sharing) to Novotel Limited, Mir Telecom and Bangla Trac Communications Ltd through open auction for the first time in the country’s telecom sector. These local companies have won bids to set up international gateways to handle international phone calls to and from Bangladesh. This will end the monopoly of state-run BTTB on international phone calls (New Age, 2008; The Daily Star, 2008). BTRC also granted an Interconnection Exchange (ICX) Services License through auction (held on 20-21 Feb. 2008) to two firms namely M & H Telecom and Getco Telecommunications Ltd. Similarly, Mango Teleservices got an International Internet Gateway (IIG) Services License through an auction.

PUBLIC POLICY MAKING PROCESS

Kingdon (1995:3) notes, ‘Public policy making can be considered to be a set of processes, including at least (1) the setting of the agenda, (2) the specification of alternatives from which a choice is to be made (3) an authoritative choice among those specified alternatives (as in a legislative vote or a presidential decision), and (4) the implementation of the decision’.

In making public policy, not all issues appear on the governmental agenda for action. Important policy actors pay serious attention to some issues while ignoring others. The economic, social and political interests of policy actors determine the role they play.

Agenda Setting

Agenda is the list of subjects or problems to which government officials and people around government pay serious attention at any given time. Agenda setting is about the recognition of a problem on the part of the government (Howlett & Ramesh, 2003). This is the most critical step because if a problem is not well defined, and if the public, the media and policymakers cannot be persuaded about its significance, it may go unresolved, even if society continues to suffer the ill effects. The problem must rise high enough on the agenda so that it attracts government attention to be acted on (Kraft & Furlong, 2007). In setting agenda, the first step is to recognize problems (Kingdon, 2003). Kingdon (2003) mentions the intersection of three largely independent sets of
activities namely: problems, politics and visible participants that flow through society. When these three streams converge, they create opportunities to consider certain issues.

**Problem recognition**

Problems are defined as conditions that the people in and around government come to believe that they should do something to change. Pressing problems set agendas by themselves. On the contrary some problems may also fade from agenda for different reasons\(^5\) such as crises go away or people become accustomed to a condition (Kingdon, 2003). Personal ideology and values has a bearing on how a problem is defined or even if the individual considers a condition to be a problem at all (Kraft & Furlong, 2007).

**Politics**

Developments in the political sphere (e.g. new administration in power, and new ideological distribution in the parliament) are powerful agenda setters. For example, a new administration may change agenda(s) of the immediate past government and set its own agendas on the basis of its priorities and election promises. In public policy making the actual policy choice is a political one, bound by institutions and made by political actors, often in response to political pressures (Howlett & Ramesh, 2003). In a developing economy, policy setting is a way to distribute patronage and create vote banks.

**Visible Participants**

Visible clusters of actors are those who receive wide press and public attention such as Prime Minister, Members of Parliament and celebrities. The chances of a subject to go up the agenda are enhanced if that subject gets pushed by the visible actors (Kraft & Furlong, 2007).

**Specification of alternatives**

At this stage, proposed courses of action is developed to help resolve a public problem. A list of potential policy alternatives are continually being studied and advocated as part of the policy stream. In advocating new policies to be implemented, evaluation of policies is done against the prevailing standards for policy acceptance (such as economic cost, social and political acceptability, effectiveness in solving the problem).

**Authoritative choice from among the alternatives**

At this stage, the alternative (or a list of subjects ‘known as decision agenda’ that are moving into position for an authoritative decision such as legislative enactment, or presidential approval is set) that actually gets serious consideration are determined.

In the stage of policy legitimation and implementation, proposed new policies or list of subjects incorporated in the decision agenda are given a legal force. Legitimation may be done through passing a law/resolution in the parliament or city council. Policy legitimation flows from several conditions such as the action is consistent with the constitution or existing law, it has popular support and compatible with the values and political culture of the country. Legitimation may also follow a process of debate among political actors from different parties and debate that involves all major interest and a full and open airing of the issues, concerns and oppositions (Kraft & Furlong, 2007). Once policies are given a legal force, executive branches implement most public policies.

**Public Policy and Mobile Phone Licensing in Bangladesh**

The liberalization of the telecom sector was an important policy decision of the government. In adopting the liberalization policy, Bangladesh did not follow the steps in public policy making such as agenda setting, decision agenda, policy formulation and policy legitimation. Opening up the

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sector for private sector investment was not included in any policy agenda of the government (Interviewee-1, 19 August 2008, Interviewee 2, 11 September, 2008).

Neither a National Telecommunications Policy nor any guidelines delineating license awarding procedure were devised before the sector was opened in 1989 and subsequent licences were issued in 1996. Important stakeholders such as line ministry (ministry of commerce) were not even consulted in opening up the sector unilaterally (Interviewee 16, 07 October 2008).

Indeed, there was no policy or guidelines at all while the sector was opened in 1989-1996. No public consultation on draft regulatory and licensing guidelines for issuing licences was held before the subsequent formulation of National Telecommunications Policy, 1998. The National Telecommunications policy, 1998 and The Bangladesh Telecommunications Act, 2001 were formulated and enacted long after the issuance of four mobile phone licences and two land phone licences in 1989 and 1996. To encouraging the development of local businesses and enterprises in the telecom sector and provide low cost international telephone services using modern technology, BTRC enacted the International Long Distance Telecommunication Services (ILDTS) Policy, 2007 in 2007 (BTRC 2009).

In issuing subsequent licences (i.e. after the first license had been issued in 1989), in 1996-2006, initially the then BTTB and later BTRC followed a formal bidding process despite large confusions about the transparency of the selection process. The license awarding process has been always questionable. For instance, GP was not originally on the list of successful bidders. GP was included in the successful bidders list under personal influence and lobby of its founder Prof Yunus. Telenor would not succeed in getting GP licence without professor Yunus’s support (Prasso, 2006). Yunus used his personal influence on the line in a one-on-one meeting Hasina (the prime minister of the day), in winning the GP license (Sullivan, 2007:84). Warid’s license was issued without any transparent and competitive bidding process.

The awarding of different telecom services such as IGW, IX, IIG and ICX in 2007-08 has been done in a transparent way following the license awarding procedure stated in the ILDTS Policy, 2007. Invitation for application to grant licences for IGW, ICX and Call centres (including application form, documents to be enclosed and licensing guidelines) were made public on BTRC’s websites and newspapers. ILDTS Policy 2007 was adopted after consultation with industry people, ministry officials, sector specialists, political and social actors (Interviewee 13, 14 October 2008).

It is thus evident that liberalization of the cellular mobile phone sector and the resultant issuance of mobile phone licences between 1989-1996 were done without formal adoption, and legitimation of any specific public policy. The licence awarding procedure was non-transparent and it was influenced by political actors, kickbacks and personal influence. The scenario however, improved significantly in recent time. Since 2007, 3 IGW licences, 2 ICX licences and one International Internet Gateway (IIG) licence have been awarded through public auction and a transparent bidding process.

PRIMITIVE ACCUMULATION THROUGH ABUSE OF POLITICAL POWER

Policy making in a weak state is often influenced by a primitive accumulation motive. Primitive accumulation is not the result of capitalist mode of production, rather its starting point (Marx, 1976). Moore (2004p.90) (2004) has defined it as “the methods by which an emerging bourgeoisie accumulates its first stock of capital in the midst of a disappearing mode of production”. Primitive

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6 Telecommunications Act 2001 have provisions that details conditions, and procedure of getting licences, renewal and cancellation of the same. It also contains provisions regarding spectrum management, interconnection and tariffs and charges.
accumulation can take different forms (such as corruption) and it can be done through market mechanism or non-market forces such as coercion, abuse of power etc. Against the backdrop of limited fiscal resources (Tk.69740 budgetary resources in 2005), political accumulation in Bangladesh does not revolve around fiscal measures. The limited amount of budgetary resource leads the politicians and the bureaucrats (who have power to use and abuse) to carving out different form of accumulation (off-budget resources) to accumulate wealth. This form of accumulation is possible through the abuse of power, coercion and muscle (Titumir, 2007). In Bangladesh few bidding for licence, permits and leases can take place as per the rule of the government because of the involvement and undue influence of the members of the ruling party or of persons who have access to the government as Kochanak (1993:233) pointed out, ‘Collectively through business associations, and individually through personal connections, business enjoys a variety of direct formal and informal channels of access to government decision makers’. Exploiting the socio-economic conditions of Bangladesh, powerful actors among the policy makers used the primitive accumulation as the source of wealth creation.

The policy makers in Bangladesh did not follow the standard procedure of licensing i.e. either auction or any other set criteria in issuing license. No bidding took place in this case because of the indirect involvement and influence of the powerful clique of the government of the day in the process. The license was issued on a private application without following any pre-established and transparent standard license awarding procedure to fulfil their accumulation motive. No invitation for application to grant license for mobile phone service was made either on BTRC website or through any print media in the issuance of first mobile license as well as Warid licence. However, GP, AKTEL and Sheba licences were issued (by Ministry of Post and Telecommunications) through competitive bidding where bidders had to submit information on the solvency of their partners and their experience in building cellular networks (Sullivan, 2007 p.82). The ministry considered the following criterion when reviewing the applicants: technical capabilities, past experience, charge rate, how the customer will benefit and management skills. A company's willingness to share profit revenue with the government were also considered (Mobile Phone News, 1995).

Earning financial and other benefits through tendering and licensing represents 'non-market primitive accumulation'. Some policy makers and politically connected actors are accustomed to earn money through primitive accumulation. Political influence as well as personal connections provides favourable environment in acquiring business licences in a resource poor country Bangladesh. Decision-making in Bangladesh "involves a high degree of particularism, meaning decisions involve a very low level of generality and are tailored to suit the needs of an individual or firm" (Kochanek, 1993:234). Against this backdrop, it appears that the decision of awarding the first mobile licence to BTL in the most non-transparent way was tailored to meet the needs of the BTL owner as well as to benefit the decision makers earn personal benefit. The interview findings suggest that the BTL owner used his personal and political connection in getting the license. Similarly, the then telecommunications minister and the BTTB chairman seem to have benefited somehow (financial or non-financial) by awarding the license. In sum, the licensing of the first mobile phone license was issued (in the most opaque way without proper auction or administrative procedure) through a resource dependent syndicate of politicians, bureaucrats and business man (i.e. the owner of BTL) where the policy makers and bureaucrats captured resources/payoffs through granting of licence (in this case, mobile phone licence) in the most non-transparent way.

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7 Classical methods of primitive accumulation required much state activity that was kept secret.
8 TK is Bangladesh currency. The exchange rate between TK and US dollar is Tk.69 = 1USD (approximately).
9 Although several interviewees observed that it was absolute kickback that led to the thoughtless opening up of the market in 1989, no one was able to confirm how much bribery was given or at all given. The writer could not confirm the observations of the interviewees.
10 No one however, could confirm about the benefits that were offered to the concerned policy makers and actors.
Extracting resources by using the official and political power in granting licence can be termed as the current patterns of primitive accumulation/modern primitive accumulation.11

Monopoly for Five Years

In both mobile and private land phone business, government allowed first licensee to run monopoly for few years. For example, PBTL (City Cell) was allowed to run a monopoly of about 5 years in the mobile phone sector while the private landline phone operator WorldTel was licensed to run a monopoly in the capital. WorldTel was awarded a four year exclusive build-own-operate license in 2001 to provide fixed-line telephones in Dhaka for undisclosed fee (Silva & Khan, 2003). The monopoly of the WorldTel ended after a court asked the BTTB to end WorldTel Bangladesh's monopoly on fixed line services in the capital (Hossain, 2005). The monopoly hampered consumers' interests and contravened the telecom regulator’s efforts to introduce greater competition. Awarding monopoly to some operators for specified period naturally raises questions regarding transparency in telecom licensing and motives of telecom liberalization12. A business leader articulated the reason of providing monopoly to private operators in his words “allowing Pacific Bangladesh Telecom Limited (PBTL) (by Citycell brand) to run monopoly for five years in the mobile phone sector was a political manipulation. Citycell owner was close to the party in power to influence the government to allow him run a monopoly. It was the lust for illegal money that convinced policy makers to allow Citycell enjoy monopoly” (Interviewee 9, 29 October 2008).

A high official of former Bangladesh Telephone and Telegraph Board observed ‘for the first time in the world, monopoly in the cellular mobile phone was given for five years in the hands of the private sector. The monopoly service provider PBTL was privately negotiated and came into picture in the most non-transparent way’ (Interviewee 6, 25 August, 2008). Sullivan observed, (2007 p. 54), “PBTL was using its government connections to extend its monopoly on cellular operations”. The minister for telecommunications however, denied allegations of taking any benefit in awarding the monopoly provision by arguing, “No one came forward to launch mobile phone service in 1989. So we issued the license who approached us first for a licence. At that time, cellular mobile phone was unknown and untested venture. Its success was unsure. So we gave monopoly to the Citycell (who, in essence became the first operator to provide success in the event of BTL’s handing over license to PBTL) to help it recover its investment” (Interviewee 1, 19th August, 2008).

Table 1 about here

Licensing is an important area where Government can positively influence outcomes by awarding licences through transparent bidding/auction process and requiring quality of service thresholds for the operators. Unfortunately, that did not happen in Bangladesh due to policy makers’ accumulation motives. Recently, BTRC relaxed the PSTN licensing system through adoption of market-based license awarding system such as through auction. There are now no restrictions on the number of operators. It is expected that not restricting number of operators will promote private sector participation and the efficient firms will survive in the market (Eusuf & Toufique, 2007; Grameen Phone, 2006).

11 The ‘primitive’ forms of accumulation demonstrated by Third World elites, including corruption, are frequently not productive because the wealth gained in these processes is not attachable to ‘freed’ labour, or employable labour, or available means of production.

12 Providing monopoly resulted in no clout on the demand side as well as lack of transparency with regard to the rates being charged by the monopoly provider.
CONCLUSION

The cellular mobile phone licensing regime has been a history of lobbying, undue influence stemming from personal relationship, corruption and misuse of power. Politics and primitive accumulation motive of policy makers has been the driving force in unconscious and thoughtless liberalization of the sector. There is no evidence to suggest that any market entry policy existed when licences were first issued in 1989. In the absence of any policy and licensing guidelines, initial licences (to BTL, BRTA and Sheba) were issued on an ad-hoc basis with varying terms and conditions. Licensing to Worldtel was granted for an unknown fee. The issuing of these licences lacked complete transparency. Norms of standard public policy making process has been mostly ignored in taking liberalization decision and issuing telecom licences. However, marked improvement is being observed in the recent licensing regime. Since 2007 the Bangladesh Telecom Regulatory Commission (telecom regulator) under a non-partisan caretaker government has been pursuing a transparent licensing policy in issuing IGW, WIMAX and ICX licences. Some IGX and ICX licences have been awarded through a transparent auction process. It signifies an important indication that the licensing regime was relatively more questionable and non-transparent during the regime of political governments perhaps, due to the conspicuous and unholy alliance between the important policy actors and the private sector that used the issuance of licences to satisfy their lust for private interest.
Table 1: Interview findings about the transparency, and integrity in awarding mobile phone licences

<table>
<thead>
<tr>
<th>Influencers/influencing factors</th>
<th>1st cellular mobile phone licence</th>
<th>Subsequent five cellular mobile licences</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Specific license awarding procedure followed</td>
<td>29</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Political influence</td>
<td>10</td>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td>Lobbying and personal connection</td>
<td>25</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>Kickback</td>
<td>29</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Pressure from external actors</td>
<td>0</td>
<td>30</td>
<td>2</td>
</tr>
</tbody>
</table>

(Source: Compiled by authors from interview findings)
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