

Problems of Economic Development in Bangladesh

THE economic situation in Bangladesh is grave. The country has the dubious distinction of being one of the poorest ones. With a population of over 115 million in an area of only 144,000 square kilometres, it is also one of the most densely populated countries in the world (approximately 800 persons per square kilometre). The estimated doubling time of the population is 32 years. In 1990, adult literacy was 35.3 per cent.

Average life expectancy is just 52 years. Merely 45 per cent of the population has access to health services. One of the most disturbing fact is that the daily caloric intake has declined from 91 per cent of the recommended minimum requirement in 1965 to 85 per cent in 1988. There was only 1 physician per 6,166 persons; 1 hospital bed per 3,233 persons; and an infant mortality rate of 9.8 per cent. In 1990, even before reaching the age of five, approximately 870,000 children were dying per year and there were 12.6 million malnourished children under five.

Clearly the major economic problem in Bangladesh is not the "business cycle" condition but suboptimal "poverty trap" equilibrium.

In 1990, the per capita income was US\$ 210. Gross Domestic Product (GDP) in was US\$ 22.8 billion. The annual growth rate of GDP during 1980-90 was only 4.3 per cent. The distribution of GDP in 1990 was as follow: agriculture 38 per cent, industry 15 per cent (manufacturing 9 per cent); and, services 46 per cent.

Bangladesh's balance of payments and reserve position in figures: Current account balance (before official transfers) \$ 1.5 billion deficit; current account balance (after official transfers) \$ 775 million deficit; net workers remittance \$ 761 million; gross international reserves \$660 million which was equivalent 1.9 months in months of import coverage.

For Bangladesh, total debt, as a percentage of exports, increased from 34.6 in 1980 to 44.2 in 1990 and, as a percentage of GNP, increased from 31.3 in 1980 to 53.8 in 1990. Total debt services, as a percentage of exports, increased from 23.2 in 1980 to 25.4 in 1990. Interest payments, as a percentage of exports, increased from 6.4 in 1980 to 7.7 in 1990. The terms of external public borrowing were as follows: Commitment \$ 1.3 billion; average interest rate 2 per cent; average maturity 34 years; and, average grace period 9 years.

Bangladesh's annual average population growth during 1980-90 was 2.3 per cent. In 1990, crude birth rate was 40 per 1,000; crude death rate was 14 per 1,000; 47 per cent of all women were in the childbearing age; total fertility rate was 4.6 per cent.

The above statistical survey of the existing economic condi-

tions reveals the depth of economic misery in Bangladesh.

Bangladesh is still an agricultural country. Although the share of agriculture has shrunk and the service sector has grown in recent years, agriculture plays a vital role in the economy. The main industry, jute processing, is dependent on jute, the principal cash crop. In recent years, the garment textile production has increased.

Investors, both domestic and foreign, have been reluctant to investment in productive endeavours in Bangladesh. No doubt political insecurity and frequent dusk to dawn strikes have been responsible for the gloomy investment climate. Unless capital has confidence in the sustainability of long-term projects, businesses are unlikely to invest in the expansion of productivity capacity, despite monopoly rates of profit. Capital has been unwilling to bear the risk of investing in Bangladesh. Though official statistics for capital flight do not exist, it is not unreasonable to believe that considerable capital flight has taken place, particularly during the Ershad regime.

Nevertheless, there has not been any substantial improvement in the industrial share of the output.

Investors, both domestic and foreign, have been reluctant to investment in productive endeavours in Bangladesh. No doubt political insecurity and frequent dusk to dawn strikes have been responsible for the gloomy investment climate. Unless capital has confidence in the sustainability of long-term projects, businesses are unlikely to invest in the expansion of productivity capacity, despite monopoly rates of profit. Capital has been unwilling to bear the risk of investing in Bangladesh. Though official statistics for capital flight do not exist, it is not unreasonable to believe that considerable capital flight has taken place, particularly during the notorious Ershad regime.

In Bangladesh, savings, as percentage of national income, is chronically low. Overall budget deficit has continued to increase. The government relies on foreign official development assistance for financing both its expenditure and development projects. As a result, Bangladesh is highly dependent on external financing. Servicing the debt is placing a burden on the economy. Interest payments continues to grow at a high rate.

Although Bangladesh did not experience hyperinflation, inflation is a serious problem. The central bank has followed an expansionary monetary policy. Moreover, the financial condition of the commercial banking system, in terms of capital adequacy, asset quality, liquidity, profitability, and bank management, is very poor. Imprudent lending has harmed the economy and penalized productive businesses. The nationalized banks and development financial institutes virtually subsidize the ruling class.

Bangladesh has a trade deficit. Bangladesh needs to diversify its exports from traditional items (such as raw jute and jute goods, fish and frozen

by Tanweer Akram

food, leather, tea) to non-traditional items. In recent years, garment textile exports have performed well, however, the industry needs to diversify and widen its market.

A look at the balance of payments statement reveals

that Bangladesh can finance its imports due to foreign official assistance. Foreign portfolio

invested. An "overvalued" currency is detrimental to exports but steady depreciation also contributes to inflationary pressure. Moreover, the correlation of currency depreciation to the improvement of the nation's export competitiveness is tenuous. The competitiveness of Bangladeshi export commodities depends not only on the exchange rate but also on productivity and product quality.

Bangladesh will continue to suffer.

Bangladesh must do away with the discretionary state intervention. The state apparatus has been the instrument for accumulation of wealth for private benefit without productive endeavour. State interventions has failed to produce economic growth. The existing policies have encouraged rent-seeking activities.

Bangladesh's economic reforms should be based on the following: (i) price decontrol; (ii) macroeconomic stability; and, (iii) liberal trade regime. Prices reflect relative scarcity and convey information. Government control of the prices distort the economy and give wrong signals to producers and consumers. Price decontrol will allow resources to be allocated more efficiently. Prudent macroeconomic policies, particularly sound money, is necessary to create the environment for the confidence for long-term investors. A relatively open trading regime will allow Bangladesh to take advantage of the global economy.

In essence, Bangladesh must take bold steps encourage economic progress. In order to enhance economic growth, policymakers should not hesitate to rely on market-oriented principles.

and short-term investment in Bangladesh is virtually nil.

The central bank controls the exchange rate in Bangladesh. The official exchange rate (s) in Bangladesh is close to the market rates; nevertheless, informal markets in foreign exchange exists due to the controls imposed by the authorities. Recently, although the import lobby in Bangladesh favours an overvalued exchange rate, the currency in Bangladesh has been depre-

ciated. The miserable economic condition in the country shows the need for policies that stimulate growth. Without economic growth, the people of

Balance sheet of Human Development—Developing Countries

PROGRESS	DEPRIVATION
LIFE EXPECTANCY	
Average life expectancy increased by over one-third during the past three decades; 23 countries have achieved a life expectancy of 70 years and more.	Of the 300 million people above the age of 60, only 20% have any form of income security.
HEALTH AND SANITATION	
In the developing world, more than 70% of the population has access to health services.	About 17 million people die every year from infectious and parasitic diseases, such as diarrhoea, malaria and tuberculosis.
Nearly 60% of the population has access to sanitation.	More than 80% of the 12-13 million HIV-infected people are in the developing world, and the cumulative direct and indirect cost of AIDS during the past decade was around \$30 billion.
FOOD AND NUTRITION	
Between 1965 and 1990, the number of countries that met their daily per capita calorie requirements doubled—from about 25 to 50.	Some 800 million people still do not get enough food.
EDUCATION	
Primary school enrolment increased in the past two decades—from less than 70% to well over 80%. In the same period, secondary enrolment almost doubled—from less than 25% to 40%.	Nearly one billion people—35% of the adult population—are still illiterate, and the drop-out rate at the primary level is still as high as 30%.
INCOME AND POVERTY	
In South and East Asia, where two-thirds of the developing world's population live, the GNP growth averaged more than 7% a year during the 1980s.	Almost one-third of the total population, or 1.3 billion people, are in absolute poverty.
CHILDREN	
During the past 30 years, infant and under-five mortality rates were more than halved.	Each day, 34,000 young children still die from malnutrition and disease.
The secondary enrolment ratio for girls increased from around 17% in 1970 to 36% in 1990.	Two-thirds of illiterates are women.
HUMAN SECURITY	
With the end of the cold war, developing countries no longer have to serve as proxies for superpower rivalry, and in 1990, about 380,000 refugees returned to their homelands in Asia, Africa and Latin America.	Internal conflicts afflict some 60 countries, and about 35 million people are refugees or internally displaced.
ENVIRONMENT	
The percentage of rural families with access to safe water has increased from less than 10% to almost 60% during the past two decades.	More than 850 million people live in areas that are in various stages of desertification.
Source: Human Development Report 1993, UNDP	

Source: Human Development Report 1993, UNDP

Need for 'Rurban' Approach

by Rashed Mahmud Titumir



Is it the magic of 'megapolis'?

more than doubled from 1975 levels of 33.5 million to some 74.3 million.

Like the others in the Third World, Bangladesh has experienced rapid and wholesale growth in her urban population during the last few decades.

Out of the country's total population of 110 million, the urban population stands at more than 22 million. By the year 2000, urban population is estimated to double, if the present growth rate of 5.8 per cent continues.

What is more striking is that the urban poor constitutes almost 50 per cent of the total urban population.

Statistics and indicators highlight the extreme nature of the phenomenon — indeed the figures are so dramatic that we feel sheltered to grasp them.

What is important is to underline the urgency of tackling the alarming growth of the urban population here and now. Specifically, the question is whether we can make a practical and efficient job of striking a balance between rural and urban development process, which can be termed as 'urban (rural-urban) approach'. It may be somewhat unconventional, but it is important to note that a very close and practical interest in urban development is entirely compatible with that of rural development.

Since the monumental growth of the urban population is to a considerable extent attributed to mass migration of rural residents due to push factors, effort is needed to discourage such migration. It is now

well recognised that this can be achieved only through more balanced and effective development of the rural areas, to provide adequate employment opportunities and other amenities for the rural population.

To cope with the situation, particular emphasis is needed to combining rural development strategies with policies designed to promote the growth of small towns and other urban centres.

Measures to reduce growth of large cities, in the experts' view, should not include direct control on in-migration. A more practical strategy would be, according to them, to eliminate the discriminations and distortions that favour big cities, to promote investment in social and physical infrastructure of small urban centres and in rural development.

Indeed, public policies need to be restructured, through a combination of three-pronged development strategies.

These are a programme of balanced development, aimed at encouraging settlement in small and intermediate cities and at the economic development of rural areas, while simultaneously improving employment and living conditions in large cities.

Therefore, it is an urgent need to reexamine the scope and adequacy of the present policy regime relating to this monumental crisis.

Unless the compatible strategy is chosen and consequently implemented, it will be virtually impossible to think of any sustainability.

Better Deal for Char People

by M Khan

poorest people—over half of whom are children.

Most char dwellers are illiterate and for most children there are very few schools to attend. Through the CDP, RDRS is tackling this lack of basic education which bars the self-improvement of many poor people.

One important way a group can support its members is by pooling their meagre savings. Although most families merely survive from day to day even very small but regular savings begin to create opportunity to

enable their members to set up new ways of earning a living.

By June 1993, the groups had a total savings of 812,028 taka. Male groups accumulate larger savings (Taka 456,364) than female groups (Taka 355,664).

These savings are put immediately to work. Matched with loans from the project, group members begin new activities. Rearing an animal such as a cow, goat or sheep or buying few hens is one way the poor can earn a little income. Others

may buy a small boat or rickshaw. Each group has, on average 4,738 taka invested in such projects and the people taking loans pay back a small sum regularly which can be reinvested for sale later, buying one or two goats or sheep, or even small trades such as a country boat or rickshaw.

The project also works to improve the harsh environment where the char people live. Since sandbars are low-lying and flood-prone, one way is to raise the ground by earth digging. 8 raised grounds have been dug since January 1993 which can be used as flood shelters during the monsoon where char people can take refuge there with their families, few belongings, crop seeds and livestock.

Through treeplanting, CDP is also trying to reduce erosion. In 1992, 20,000 young trees were planted and this year another 10,000 trees will be planted when the floodwaters recede. 24 of the poorest and destitute women, often without any real men of supporting their families are given employment as tree caretakers.

The project also prepares people for flood in other ways—by training in flood preparedness. Special group meetings are arranged and project workers travel around to teach and give advice—even the poor can ready themselves by storing a little savings of food, fuel, medicine and money for the grim times when floods arrive. So far this year, 1,358 families have received this training.

The CDP project teaches families how to reduce the risk of illness and disease. It has also helped when serious illness struck. In Naryanpur char, 187 people had fell seriously ill during May/June with malaria and chronic diarrhoea. RDRS made immediate contact with the medical authorities in Kurigram district and a special medical team of 11 staff were sent out to give treatment and help avert loss of life.

Regular savings create opportunity to set up new ways of earning a living.

Synthesis of Vision and Pragmatism

by Aasha Mahreen Amin

to publications, research and legal consulting. A stipend is also given over a two to three years period which enables the Fellows to devote all their time to their projects without having to worry about how to support themselves and their families.

Since it does not accept any government funds, Ashoka depends on private grants from organizations and individuals. Foundations supporting Ashoka includes the Rockefeller Foundation and the Hewlett Foundation. Ashoka's latest funding project is the Entrepreneur to Entrepreneur (E2) Programme which attempts to mobilize the local business community to be involved in the social change movement. Basically the programme will link a private entrepreneur to a social entrepreneur. With similar attitudes, skills and behaviour patterns, public and private entrepreneurs relate well to each other and can help each other with valuable contacts, access, resources and information.

As for William Drayton, whose brain wave created this unique organisation, he is a social entrepreneur himself. It was as an undergraduate at Harvard that Drayton visited India and realized that the need for social change was immediate. It was not until the early eighties however, after working in the Environmental Protection Agency (EPA) and as a management consultant at McKinsey Corporation, that Drayton was able to make his dream come true.

The name Ashoka which means 'non suffering' in Sanskrit and the appellation of one of the greatest rulers of ancient India could not have been more appropriate. Drayton chose it in memory of the Emperor Ashoka's dedication to social reforms and tolerance for all religions. It is the ideals of this rare visionary and practical reformer that has become the central theme for this international Fellowship.



William Drayton — President of Ashoka

include continuous evaluation of schools to reduce drop out rates, increasing time for planning lessons, recognising the best teachers at all levels, yearly lesson plans and school-based learning while learning nursery and forestry programmes to help poor children with educational costs. His strategies and teaching methods are now being implemented by the government and organizations such as UNICEF and UCEP. With the networking provided by Ashoka, Sobhan's ideas have become a global project and will affect millions of children all over the world.

In addition to this fellow to fellow networking, Ashoka provides other services to its fellows such as free subscriptions