

# 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 facts is that the daily calories 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 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 follows: 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 345.6 in 1980 to 448.2 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 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 institutions 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

food, leather, tea) to non-traditional items. In recent years, garment textile exports have formed 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 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 exist 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 depreci-

ated. 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 Bangladesh 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.

Social indicators, such as literacy, health, nutrition, education, and demography, reveal the failure of policy directions to improve the quality of life for the vast majority of people. Women's condition in Bangladesh is particularly precarious. Children also face harsh conditions.

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

# Need for 'Rurban' Approach

by Rashed Mahmud Titumir

HIGH speed, spectacular and uncontrolled urban expansion with millions of people huddling for space in the four corners of the earth, is one of most visible problems of Third World countries.

The rural sector is declining in importance, so does its contribution to national economies. Temporary and circular migration is making way to more permanent settlement.

The largest cities are under increasing pressure and inhabitants are encountering increasing difficulties in maintaining, not to mention, improving, living conditions. Nevertheless, migration continues, driven by a variety of forces both positive and negative.

The choice to move may be part of a strategy for survival or personal development; but it is also enforced by external conditions.

Rural poverty, high fertility and environmental degradation continues to drive some 20-30 million of the world's poorest people annually to the towns and cities, says Human Development Report, 1992, UNDP.

World Bank estimates suggest that by 2000 the number of urban households living in conditions of poverty will have



Is it the magic of 'megapollis'?

— Photo UNICEF

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 'rurban' (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 arguable 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.

## Balance sheet of Human Development—Developing Countries

PROGRESS	DEPRIVATION
<b>LIFE EXPECTANCY</b> <ul style="list-style-type: none"><li>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.</li></ul>	<b>LIFE EXPECTANCY</b> <ul style="list-style-type: none"><li>Of the 300 million people above the age of 60, only 20% have any form of income security.</li></ul>
<b>HEALTH AND SANITATION</b> <ul style="list-style-type: none"><li>In the developing world, more than 70% of the population has access to health services.</li><li>Nearly 60% of the population has access to sanitation.</li></ul>	<b>HEALTH AND SANITATION</b> <ul style="list-style-type: none"><li>About 17 million people die every year from infectious and parasitic diseases, such as diarrhoea, malaria and tuberculosis.</li><li>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.</li></ul>
<b>FOOD AND NUTRITION</b> <ul style="list-style-type: none"><li>Between 1965 and 1990, the number of countries that met their daily per capita calorie requirements doubled—from about 25 to 50.</li></ul>	<b>FOOD AND NUTRITION</b> <ul style="list-style-type: none"><li>Some 800 million people still do not get enough food.</li></ul>
<b>EDUCATION</b> <ul style="list-style-type: none"><li>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%.</li></ul>	<b>EDUCATION</b> <ul style="list-style-type: none"><li>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%.</li></ul>
<b>INCOME AND POVERTY</b> <ul style="list-style-type: none"><li>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.</li></ul>	<b>INCOME AND POVERTY</b> <ul style="list-style-type: none"><li>Almost one-third of the total population, or 1.3 billion people, are in absolute poverty.</li></ul>
<b>CHILDREN</b> <ul style="list-style-type: none"><li>During the past 30 years, infant and under-five mortality rates were more than halved.</li></ul>	<b>CHILDREN</b> <ul style="list-style-type: none"><li>Each day, 34,000 young children still die from malnutrition and disease.</li></ul>
<b>WOMEN</b> <ul style="list-style-type: none"><li>The secondary enrolment ratio for girls increased from around 17% in 1970 to 36% in 1990.</li></ul>	<b>WOMEN</b> <ul style="list-style-type: none"><li>Two-thirds of illiterates are women.</li></ul>
<b>HUMAN SECURITY</b> <ul style="list-style-type: none"><li>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.</li></ul>	<b>HUMAN SECURITY</b> <ul style="list-style-type: none"><li>Internal conflicts afflict some 60 countries, and about 35 million people are refugees or internally displaced.</li></ul>
<b>ENVIRONMENT</b> <ul style="list-style-type: none"><li>The percentage of rural families with access to safe water has increased from less than 10% to almost 60% during the past two decades.</li></ul>	<b>ENVIRONMENT</b> <ul style="list-style-type: none"><li>More than 850 million people live in areas that are in various stages of desertification.</li><li>The rate of tropical forest destruction is about the equivalent of one soccer field per second.</li></ul>

Source: Human Development Report 1993, UNDP

## Better Deal for Char People

by M Khan

REMOTE, isolated and inaccessible the world of the Char people is haunted by unemployment, malnutrition, superstition and above all uncertainty. Public facilities such as markets, clinics or schools are few and far between, even the hand of government extends only weakly into these backwaters.

The Char Development Project (CDP) started full-scale operation in January 1993 to bring hope to the poorest of the poor who inhabit the chars (sand islands) of the Brahmaputra river in Kurigram district, northern Bangladesh.

The project is sponsored by Stromme Memorial Fund and implemented by Rangpur Dinajpur Rural Service (RDPS), the field programme of the Lutheran World Federation which has worked to help the poor of northern Bangladesh area for 20 years.

Over the first 6 months of the Char Development Project, much effort has been channelled into forming and educating groups of poor families. Unity is strength—by coming together to form groups, poor families gain knowledge, share their experience and create a strong basis for mutual support.

The project creates groups by bringing together one member from each poor family in a village, to create either men's or women's groups. Project workers then work with the group providing education in social awareness, legal rights, health education, farming fishing and other activities.

They also help the group to work together effectively to hold meetings, discuss their problems and start taking practical steps to improve their family situations.

In the six char areas, 343 groups have now been formed split almost equally between male and female groups. Group members represent 4,874 families so that, by the end of June 1993, CDP was helping an estimated 26,000 of the world's

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, RDPS 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 (Tk 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 receded. 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. RDPS 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

WHAT do you call a person who not only has vision, drive and commitment to people but also that rare ability to actually make things happen on a scale that affects the entire society? The answer to this, rather long-winded question, is: a social entrepreneur — in essence a revolutionary who has the determination to fight all odds to accomplish a goal. Ashoka — Innovators for the Public as it is called, is an organisation that has branched out all over the world to identify and promote such individuals, coming as far as Bangladesh.

Every year ASHOKA, an international, nonprofit organisation selects innovators known as Ashoka fellows from all over the world whose insight and ability leads them to define society's new issues and find new solutions. They are essentially 'public service entrepreneurs' who focus their efforts especially on the disadvantaged in many areas such as health, environment, education, children's issues, rural development etc.

In Bangladesh, Ashoka has found many such people in a wide range of areas. Salima Sarwar, for example is an environmentalist and a 1992 Ashoka fellow who has involved women in reforestation programmes in North Bengal. Creating 'tree care' groups she has helped women become the custodians of the fruits and trees they plant giving them control of the income generated from the plant products. Sarwar's insight and dedication has given these women a new-found confidence and dignity.

Dr. SKL Muhammad Lalou (also a 1992 Ashoka fellow), is a nutritionist who works in villages of Rajshahi where malnutrition is a persistent evil. Lalou's work is to educate people on the benefits of nutritional foods, preservation of foods and use of herbal medicines. One of his remarkable achievements has been to train villagers on preserving food such as pota-

toes through solar energy techniques.

Salma Ali (1992 Fellow) a lawyer has taken the responsibility to rehabilitate women prisoners after their term has ended and try to release them women who have been detained without proper trial. Mahbooba Mahmood's focus on the other hand, has been on children of slums, brothels and single mothers. She has created 'Uttisho' which has a child care home for such mothers who pay only a nominal fee for food, education, clothes, health care etc. for their children.

These are only a few of the 24 individuals Ashoka has so far selected in Bangladesh over the years as social entrepreneurs.

Finding them, of course, is a challenging job admits William Drayton, Ashoka's founder and President. "We are not looking for just creativity and commitment to people" he says "but a very rare quality of entrepreneurship at a level that will bring about a whole pattern of change". In this respect Ashoka relies on its nominators who are social entrepreneurs themselves and include names as wellknown as BRAC's Fazle Abed. "The nominators," comments Drayton, know what is real and what is not and so are very good for screening."

Do the fellows always live up to Ashoka's expectations? So far, with a few exceptions, says Drayton, Ashoka's experience has been quite positive in making the right choices. The individuals selected he adds are people who take huge risks to create something that does not exist.

Unlike other organizations, Ashoka does not supply direct grants or invest in institutional projects. Instead, the Fellowship gives other forms of support to the individuals and links them together in a world-wide mutually supportive network of public service pioneers. In this way

a Fellow in a particular country can have an impact not only in his/her own country, but all over the world.

Drayton gives the example of Ibrahim Sobhan a 1988 Ashoka Fellow who has dedicated himself to reforming education. Sobhan through his fellowship spent a month in Bombay studying teaching techniques and meeting with other people interested in educational reforms. The strategic Sobhan has come up with

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 fundraising 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