



Bangladesh economy: Some suggested public policy measures

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THE developmental odds faced by Bangladesh at the time of independence were formidable. The problems of uncontrollable population explosion, constant food shortages, recurring natural disaster, high aid-dependence, limited production of tradables, widespread poverty and low levels of human development were compounded by the dislocations caused by the war of liberation. Against that backdrop, the prospect of Bangladesh economy appeared quite bleak.

However, Bangladesh's achievements over the past three decades negated considerably that pessimistic outlook. Against the benchmark trend GDP growth rate of 3.2 per cent during 1950 to 1970, Bangladesh achieved a reasonably steady annual rate of growth of over 4 per cent during the first two decades of her independence and has been successful in moving into the higher growth trajectory of over 5 per cent during 1990s. At the same time Bangladesh's achievements in the demographic scene have been remarkable. The rate of population growth has come down from the post-independence peak of 2.7 per cent to 1.5 per cent in recent years. Total fertility rate, which measures the average number of ever born children per women in the reproductive age group, is estimated to have declined from 7 in 1970 to 3.3 in 1999. The average age of marriage for women has increased significantly while the proportion of women currently married in any age group has declined steadily and considerably. These successes on the demographic front were also reflected in the rate of growth of per capita GDP, which jumped from the

pre-independence rate of 0.66 per cent to 3.3 per cent during 1990s.

At the national level, the country has achieved the desirable objective of near self-sufficiency in food crop production, the higher growth in food production being exclusively due to gains in land productivity as net-cropped area experienced decline during this period.

During the past three decades, the trend rate of growth in dollar value of exports has been estimated to be 10.9 per cent. The most intensive phase of export growth occurred during 1993/94-1997/98 with annual compound growth registered at 19.5 per cent. Growth of exports during 1990s was rapid not only in absolute terms but also in relation to imports and GDP. Thus, the share of export earnings in import payments steadily rose from 31 per cent in 1980-81 to 69 per cent in 2000-01. The openness of the economy as measured by total external trade (export plus import) as a proportion of GDP went up from around 21 per cent in 1980-81 to nearly 33.7 per cent in 2000-01 with the share of export in GDP rising from 5 per cent to 13.8 per cent during the same period.

The structure of Bangladesh's export has also changed significantly over the past two decades. Bangladesh seems to have made the transition from resource-based to process-based exports. In 1980-81, primary commodity constituted nearly 29 per cent of total exports. In 1990-91, this share came down to 17.8 per cent and further down to 7.5 per cent in 2000-01.

Along with export, foreign remittance has also been a major source of foreign exchange earning for Bangladesh. Foreign remittance in current dollar values grew at an annual compound rate of nearly 9

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per cent during the last two decades raising the share of remittance in GDP from about 3 per cent in early 1980s to nearly 5 per cent in recent years. Rapid growth of exports and remittance went a long way in reducing our aid dependence from nearly 10 per cent of GDP in mid 1970s to about 3 per cent in recent years.

The observed rise in per capita income has resulted in significant decline in the level of absolute poverty since mid 1970s. Recent estimates show national income poverty to be around 49.8 per cent against 58.8 per cent in 1991-92. Bangladesh has also achieved impressive successes in the broad area of human development as reflected in the aggregate measure of human development index and human poverty index. Incidence of human poverty declined from 61 per cent in the early eighties to 35 per cent in the late nineties. Individual indicators such as mortality rates and the incidence of child malnutrition also show remarkable improvements. Thus, infant mortality rate, which stood at 153 per thousand live births in 1975 has come down to 62 in the year 2000.

Over the past three decades, women's status and opportunities have improved considerably in Bangladesh. The improvement has been brought about through their involvement in micro credit pro-

grams, increased job opportunities in export oriented industries and spread of primary education. The gender gap has been somewhat reduced in various aspects of social and economic life.

However, the successes listed above provide little basis for self-complacency. The developmental challenges faced by Bangladesh still remain monumental. While growth in per capita income has been significant, in absolute term a per capita yearly income of \$370 barely distances Bangladesh from a small number of countries at the very foot of the income scale. The structure of production in Bangladesh economy remains undiversified with agriculture still accounting for more than a quarter of GDP. Recent declines in the share of agriculture in GDP has been largely made up by increased share of service activities of the traditional type while the share of manufacturing and modern services, which typically lead economic growth increased marginally.

In spite of the rapid growth in export, particularly of manufactured exports, the export base has remained extremely narrow with shift from jute-centric to garments-centric export. The observed growth in export has been propelled mainly by growth in the export of garments—both woven and knit, which was largely facilitated by country specific import quotas provided under

Multifibre Arrangements (MFA) and the preferential market access granted to LDC exports under the Generalized System of Preference (GSP). Woven and knit garments together accounted for 75 per cent of Bangladesh's exports in 2000-01. Viability of these exports remain suspect with the phasing out of MFA by 2004 and gradual withering of GSP benefits due to reductions in the general levels of tariff. The narrow export base has rendered Bangladesh's external sector extremely dependent on global trading environment and preferential treatment by its main trading partners. The recent poor performance of exports in the face of global economic slowdown has confirmed this vulnerability of the Bangladesh's external sector.

Bangladesh also remains constrained in resource mobilization efforts. The revenue-GDP ratio of 9.8 per cent is one of the lowest in the world. Two other factors negatively impacting upon domestic resource mobilization efforts are the persistent losses incurred by the State Owned Enterprises (SOEs) and rising burden of classified loans in a dysfunctional banking system. Bangladesh has also failed to attract adequate amount of foreign direct investments (FDI) into the country. While the opening up of gas, electricity and telecommunication sectors to private investment has resulted in the inflow of consider-

able FDI in these sectors, the overall inflow of FDI has remained sluggish. All of these have been reflected in the low rate of savings and investment in Bangladesh.

Despite considerable reduction in poverty levels, incidence of poverty still remains widespread with nearly half of the population living below the poverty line. Similarly, although Bangladesh has achieved considerable success in the broad area of human development in terms of rate of change, actual levels remain low in comparison with other countries of the region. Thus, for example, maternal health care remains at a precarious state with very high degree of maternal mortality. Literacy rate and school enrollment as a proportion of the relevant age group particularly amongst females are way below the rates for the low-income countries. The mismatch between quantitative and qualitative dimensions within the broad area of human development also remains acute.

Clearly, Bangladesh will be required to travel long distance before it can reach the take-off stage to sustained economic development. This, however, in no way belittles the importance of the gains achieved during the past three decades. The fact that those gains were attained against extreme odds and amidst low level of income points towards the importance of appropriate public policies and

social actions for harnessing the latent potentials of the society and the economy. In the light of the experience of the past three decades, the following appear as the essential elements of public policy measures aimed towards achieving accelerated growth and poverty reduction in Bangladesh in the coming days:

Augmenting public savings: Bangladesh needs to enhance drastically its revenue efforts by streamlining and strengthening tax administration, broadening tax base and reforming non-tax revenue system. At the same time revenue expenditure needs to be tightened by reducing the size of the government through closing down of redundant departments and agencies and through mergers and where necessary lay-offs. SOEs that are non-viable need to be liquidated on an urgent basis to bring an immediate end to the drain on public resource. Full political commitment needs to be lent to an expeditious process of privatization. Those SOEs, which need to be retained in public domain for well justified reasons, should operate commercially under hard budget constraints. For meeting social objectives, subsidies should be provided to the pertinent SOE only through budgetary resources in a transparent manner.

Improving the quality of public development expenditure: In the past, the Five Year Plans in Bangladesh provided broad development strategies along with allocations without working out sectoral development programs at sufficient details. As a result, the Annual Development Programs were prepared almost in a vacuum within the broad contours laid out by the objectives and strategies of the Five

Year Plans. Any project could be accommodated within the broad development strategies and issues of intra-sectoral balances were hardly taken into consideration in designing projects. Also, weaknesses in the process of project preparation and approval led to wrong project selection, faulty project design and political interference in the approval process. As a result, the Annual Development Programs got overburdened with a large number of low quality projects. These weaknesses need to be attended on an urgent basis to improve on the quality of public development expenditure.

Investing on human resource development: The strategy for human development will involve building on the past successes by (a) increasing budgetary allocation in favor of social infrastructure and basic social services, (b) encouraging involvement of all stakeholders, including civil society and local communities in the design, implementation and evaluation measures relating to the provisions of social infrastructures and basic social services, and (c) paying greater attention to good governance as well as issues of quality and equity in social services across gender, social groups and regions.

Mainstreaming women into the development process: Past efforts towards advancement and empowerment of women need to be further strengthened by bringing down gender gaps in various aspects of social and economic life. Key areas of action include enrollment at secondary level of education, maternal health care, employment opportunities and violence against women.

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The last days of the Liberation War

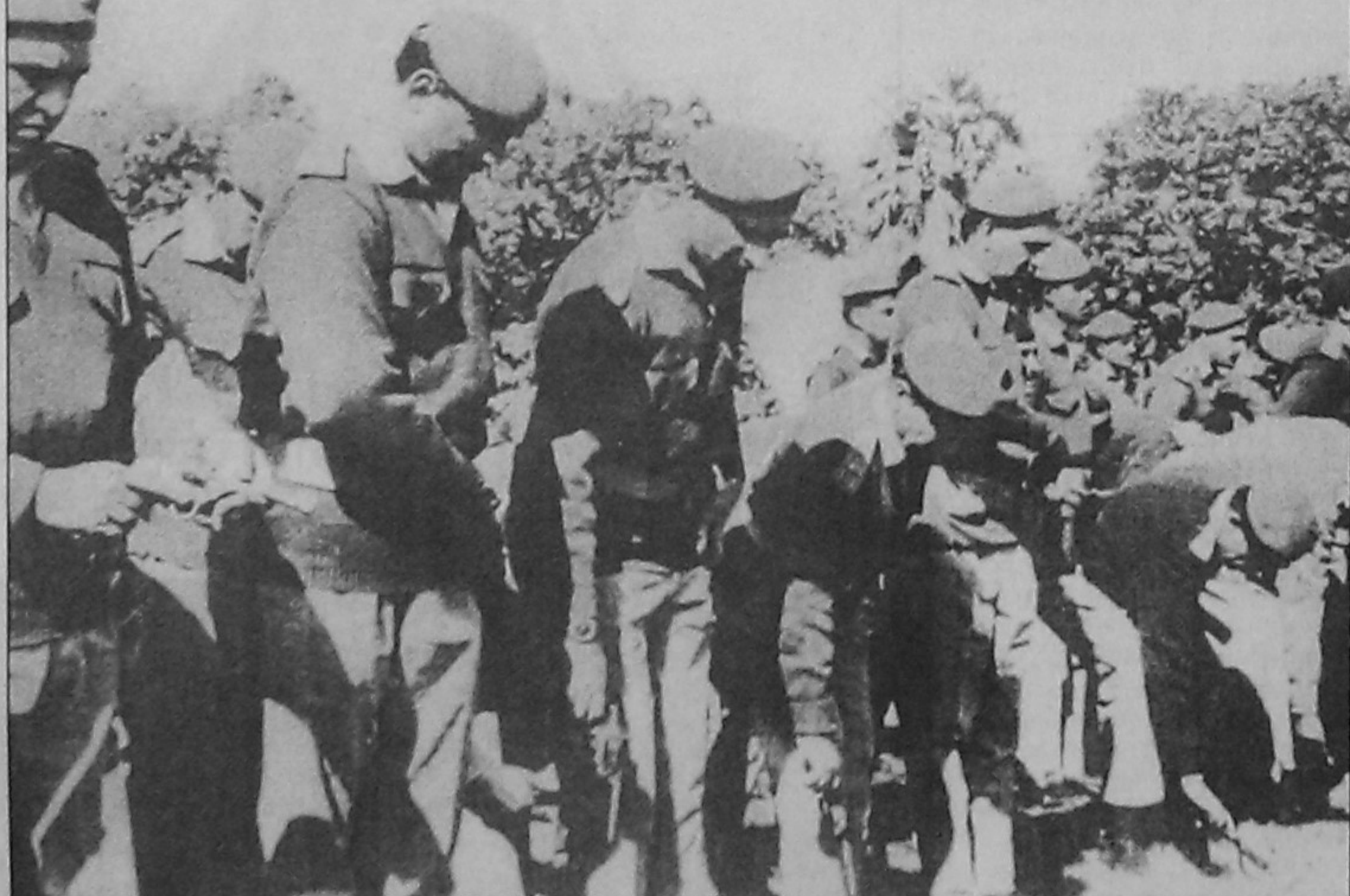
NURUDDIN MAHMUD KAMAL

I remember to have seen an interesting photograph that appeared in Newsweek on 15 November, 1971. It showed a Pakistani Army patrol and the caption was: "They think they are God because they have guns". Indian Prime Minister was visiting Washington at that time. State occasions are usually made up of platitudes and pleasantries. And when President Nixon greeted India's Prime Minister Indira Gandhi on the south lawn of the White House in the first week of November, he tried to follow the formula, even to the point of expounding on Washington's balmy weather. But Mrs Gandhi was having none of it. Alluding to Pakistan's repression of its Bangalee citizens -- and the resultant flood of about nine million refugees to India -- she told Mr Nixon that her neighbour country's people were facing "a man-made tragedy of vast proportions." And with India and Pakistan poised on the edge of war, she added, "I have come here looking for a deeper understanding of the situation in our part of the world." But, Mrs Gandhi's search apparently proved fruitless. For the President and the Prime Minister failed to agree on a way to end the crisis between India and Pakistan -- or even how to repair the strained relations between Washington and New Delhi.



Intellectuals murdered on 14 December 1971

We (Bangalees) were in the midst of a war against the Pakistan Army with its commander Lt. Gen. A. K. Niazi. The US government was supporting Pakistani atrocities right from the beginning in March 1971. Mrs Gandhi hoped to persuade Mr Nixon to put pressure on Pakistan to stop its campaign to crush the Bangalee independence movement. But the American response to her, as White House spokesman Ronald Ziegler described it, "did not break much new ground." It was, in all, a bitter week for the Indian leader. Her mission to America ran aground on the rocks of indifference. But, Mrs. Gandhi knew her game plan well. For some of East Bengal's political leaders, rather fortune hunters located in Calcutta (now Kolkata), it was a great disappointment because they thought through a political solution either a new type of confederation or an autonomous state can be created short of win or loss in the war. But, for us, who thought the Pakistanis should be defeated, the newly emerged country should be a free Bangladesh, it was a good news that an agreement was not reached in Washington DC.



Occupation forces surrendered on 16 December 1971

tion that even Gram Parishad's (village Committee) were set up in freed areas to replace the peace committees formed by Pakistan Army. Many of the Razakar camps stood liquidated to make room for the guerilla camps. The border areas were bristling with new induction of Mukti or non regular trained freedom fighters. Every six weeks about 1000 to 1500 such guerillas were being regularly turned out from each of the training camps such as Lembucharra attached to sector-3, Teliamura or Haponia in the

was being built up. From 3-4 December onwards the mini-airforce did miracles. They flew so dangerously low that Pakistani radars failed to intercept them. After 6 December the political government became so scary that they all assembled either at the President House (now Bangabhaban) or Hotel Intercontinental (now Sheraton Hotel).

By any standard the guerilla units were a reckonable force, a force spontaneous in response, par excellence in intellect and success. In the mean time regular brigades were

also raised, trained and stationed separately, away from the sector troops. After the formation of Force headed by Lt. Col. K. M. Saifullah, Sector-3 was reorganized and regrouped at Hejamura, almost 40 kilometers from Agartala where the Indian coordinating Headquarters (91 BSF) was located. The BSF HQ was headed by an illustrious Indian officer Brig. Sabeq Singh. Several years later, the officer was promoted to Maj General, but was killed in an action against his own fellow comrades-in-arms at the golden temple at Amritsar, India. This was simply an irony of fate!

November 1971 was the month of great excitement and thrill for us. Feverish preparation for joint operations of sector troops and brigade forces on the one hand and Indian troops on the other for the final capitulation of the occupation forces (Pak army) in East Bengal was almost at its fag end. The Mukti had already successfully been able to capture strategic positions around the border. Pakistani troops were engaged in pitch battle. The time was ripe for a big offensive. In the Eastern Front, the historic Akhaura battle was planned by S-Force and Sector-3 troops. By 30 November all preliminaries were completed. On 1 December the attack commenced. The enemy initially withdrew, but in their last ditch attempt on the night of 1-2 December made a counter attack. On the morning of 3 December Mukti Bahini again launched a fresh offensive and recaptured the areas lost earlier. The enemy pounded using airforce and 105 mm guns. In the military history of this sub-continent, Akhaura battle faced highest number of concentrated shelling and bombing. It was about this time that on 3 December Gen. Yahya Khan, president of Pakistan, declared war against India. This led to immediate movement of Indian troops, both airforce and infantry battalions. Bangladesh airforce joined the famous 'lightning campaign'. At last the inevitable had happened. The pressure developed over the last nine months in the sub-continent had reached its release point. The concept of speed formed the essence of the joint command plan: contain the enemy where it was strong, while by a series of bold and powerful thrusts bypass the enemy strongholds, race for the capital city of Dhaka in particular

and other towns like Chittagong, Khulna and Bogra in general. This was a departure from the traditional methods of battlecraft. Soon Pakistani Air Force was finished and the happy Bangladesh Air Force continued to hit strategic military outposts carefully avoiding bridges, power plants etc.

The Pakistan army got caught up among the tortured citizens who were waiting to fulfil their vengeance. It was an inevitable death trap. An inescapable surrender was in the offing. As sector troops, after capturing Mantala and Teliapara, we moved forward as marching column and 2 East Bengal regiment, as part of S-Force, reached Raipura on 12 December and then Narsinghdi by next day with little or no resistance from the enemy. Our troops established a contact with the Pakistan army deployed in the outskirts of Dhaka near Bashaboo and continued to threaten to surrender. A small street battle raged on the night of 14 December. After the liberation of Bangladesh, we heard the sad news that the Pak army, abductor and razakars either out of desperation or as part of the plan of Gen. Rao Farman Ali, massacred our intellectuals in Dhaka and elsewhere in the country on this fateful day.

The enemy could not endure long range guns of the artillery under joint command, which began to roar incessantly over Dhaka whereas Pakistani General Niazi had all his guns far out on the borders. Gen. Manekshaw, chief of Indian Army, made such a war plan that at all the positions Pak troops found themselves surrounded by the Mukti or Indian forces. At late night Mukti's continued to fire around the Pakistani camps. Such were the pitiable condition in almost all units of Pakistani troops. Meanwhile, Indian and Pakistani jets clashed on the western fronts of India. UN emergency session was called. Things were moving in a lightning speed. Pakistan's Foreign Minister, Zulfikar Ali Bhutto, his face streaked with tears, walked out of the Security Council after accusing it of "legalising aggression".

In the USA the *New York Times* dropped a media bomb, twenty days after the signing of surrender documents in Dhaka on 16 December 1971. The secret India-Pakistan papers, which Jack Anderson, its columnist distributed in Washington DC were classified and sensitive. But the texts of the three secret documents described the meetings of the National Security Council's Washington's Special Action Group on the crisis between India and Pakistan. The main participants included Henry A. Kissinger, Assistant to the President for National Security Affairs, John Irwin, under-secretary of State, Richard Helms, Director, CIA, Adam Thomas Moor, Chairman, Joint Chief of Staff, Joseph J. Sisco, Asstt. Secretary of State (N.E.E.A.R.). This continued until 6 December 1971. The venue was White House. The key issues discussed were: One, it was decided that US would request an immediate meeting of the Security Council. The US resolution would be introduced by Ambassador Bush (former President and father of the present president Bush). Two, Dr. Kissinger remarked that if the Indians have announced a full scale invasion, this fact must be reflected in US's UN statement but no mention was made about Pakistan's declaration of war on 3 December. Three, Mr. Richard Helms, CIA, informed that the Indians had recognised Bangladesh and Pakistan had broken diplomatic ties with India. The airfield at Dhaka is all but closed. In naval action one Pak

destroyer had been sunk by the Indians and another claimed [sic]. One Pak submarine was destroyed. Moscow was increasingly vocal in its support of India and was not supporting any UN moves to halt the fighting. The Chinese press had made its strongest attack on India on 6 December morning. In reply to a question by Kissinger, Mr. Helms stated that for all practical purpose Bangladesh was now an independent country, recognised by India. Fourth, the US was worried about the hostages, both military and civil, of Pakistan including half a million Biharis. But never during the nine-month war of liberation, the US ever cared to express their concern over the torture, destruction and killings of innocent Bangalees. Fifth, Dr. Kissinger enquired about a possible famine in Bangladesh (which in fact was deferred until 1974). Sixth, Dr. Kissinger said that Bangladesh would need aid of all kinds -- from food to medicine. Ambassador Johnson added that Bangladesh will be an "international basket case". (Later, Dr. Kissinger modified the statement and said that Bangladesh is a bottom less basket case).

Thus concluded a nine-month

war of the Mukti Bahini. Many around the world kept on discussing about the real story on Pakistan. To paraphrase Gen. Douglas Mac Arthur, old presidents and their sidekicks never die; they just keep writing memoirs. In the process, they have a tendency to rewrite history. Richard Nixon and Henry Kissinger, for example, have come up with a fascinating if far-fetched explanation for their famous 'tilt' toward Pakistan during 1971 India-Pakistan conflict.

When the fighting began, the Nixon administration deviously supplied the Pakistanis food, arms and ammunition and dispatched a naval task force, led by the nuclear carrier Enterprise, to the Bay of Bengal. On the other hand, the Indian leaders were assured that Chinese intervention would be offset by a Russian attack on China and that any moves by the American Task Force would be opposed by the Soviet Fleet. Using sophisticated electronic equipment, US intelligence had gathered all these facts and had forwarded them to Washington. But the US Congress and the press, rather than being told of the

dangers, were assured that America was following a policy of strict neutrality! In secret, however, both Nixon and Kissinger were issuing instructions that were anything but neutral. Journalist Jack Anderson exposed the lying of Nixon and Kissinger. Later, the two were at it again in their memoirs. They portrayed themselves not as rattling sabres but as waiving olive branches. The Pakistanis understood the US hypocrisy but they were unable to react. Thus, the high stake chess game was played in Washington DC on the lives of seventy million Bangladeshis in 1971.

Pakistan Army accepted a ceasefire, though belated. The formal signing in of surrender document took place at the historic Ramna Race Course (now Suhrawardy Udyan) on 16 December, 1971. This is the same green ground where Sheikh Mujibur Rahman addressed the mammoth rally of people on 7 March 1971, when the journey for the war of liberation was in fact initiated.

Nuruddin Mahmud Kamal, a retired government official, is a Muktiyoddha

১৬ই ডিসেম্বর, ২০০২

নব্বানের এই দেশে

বিজয় এমছে রক্ত ডোমায় চেপে

মহান বিজয় দিবসে

সম্মানিত গ্রাহক সাধারণের প্রতি শুভেচ্ছা

ওয়ামা

ঢাকা ওয়াসা