

Six-point policy priorities for Bangladesh: 2009-2013

BANGLADESH DEVELOPMENT INITIATIVE



Bangladesh Development Initiative is pleased to see that the new leadership is ushering in significant changes in the way the government is run. We also applaud the alignment of AL, BNP and other political parties who have publicly embraced the goal of poverty reduction as one of the major challenges. To achieve this overarching goal, we offer a set of recommendations on which the new government ought to concentrate its efforts.

Policy Recommendation #1: Ensure human rights, establish democratic values and practices, improve governance, and establish rule of law:

In order to achieve a prosperous and progressive society, a clear policy statement must emanate from the government on: (i) human rights (ii) democratic values and practices (iii) governance and (iv) rule of law. No nation can progress without satisfactorily addressing these fundamentals. The Constitution of Bangladesh stipulates that all power of Bangladesh belongs to its people. It is particularly important for the new government to emphasise and reiterate its tolerance and respect for all faiths and creeds, giving them the assurance that, as citizens, their legitimate rights will have equal protection.

Re-establishment of democratic values must become a priority of the present government: from the party, to the community, to the national level. Policies thus need to be articulated to guarantee that: (1) people will have the right to question any elected official, (2) such questioning will not be considered as "conspiracies," (3) competition to represent the people will not be considered a "threat," and (4) freedom of speech would protect one's right to oppose and protest.

Mismanagement and poor governance are also major obstacles to development. The bureaucracy must be made responsive to the needs and demands of the public. The present government has a huge opportunity to train and modernise the bureaucracy and public service agencies to carry out their service and regulatory roles to best serve the public. This is important to reshape the belief that the military can run the country better than the bureaucrats and the politicians. Importantly, political leaders, bureaucrats and the military must work together so that their unique strengths are not frittered away in tensions and conflict.

The rule of law must be established and maintained to safeguard against arbitrary governance and to protect the nation from both dictatorship and anarchy. To transition to a modern economy, policy makers must create a 21st century regulatory framework. None must be above the law. The government must ensure not only that this becomes reality, but also that the citizens believe in it.

Reforms must be undertaken to increase transparency in government policy-making, raise public awareness, establish independence of the Anti-corruption Commission, strengthen the independence of the judiciary, and build up the civil society. The party in power and the opposition both must set the tone for bipartisanship and respect for the civil society. Finally, appropriate steps must be taken so that the elections and transition of power occur smoothly every five years.

Policy Recommendation #2: Generate employment

Each year, approximately two million additional workers enter the labour force looking for jobs. The new administration will be responsible for creating roughly 10 million new jobs during its five years in office.

The collapse in crude oil prices and the abrupt end to the real estate bubble in the oil-producing Middle-East may result in the return of many Bangladeshi workers. As the share of the farm sector in the economy declines, the industrial and service sectors must create millions of new jobs to absorb the influx of farm labour. In this backdrop, we recommend the following to boost employment:

The administration should create jobs for Bangladeshis by facilitating increased flow of remittances that work their way into creating jobs in the economy.

Second, a sophisticated and sustained effort must be launched to substantially increase foreign direct investment in Bangladesh. There is no reason why Bangladesh cannot compete with its Asian neighbours which have attracted a large pool of global investment, thereby creating millions of jobs. Bangladesh must be seen as an attractive destination for global investors. This can be done by developing the physical and information infrastructure, minimising bureaucratic malfeasance, and eliminating hurdles such as political interventions and opposition party induced disruptions (hazals). In sum, global investors must be made to feel welcome.

The new government should also build on the demonstrated record of micro-finance and other non-traditional strategies popularised by the Grameen Bank, Brac and other NGOs to create small- and medium-scale entrepreneurs, who create new jobs in the local economy. A massive investment program strategically implemented to build the national infrastructure for the traditional and the new economy will create millions of new jobs directly, as well as through the multiplier effect.

While we can train labour and export them to work in other countries that will face labour shortages in the future, negotiation of appropriate labour contracts with international organisations such as the World Trade Organisation (Mode IV) and the International Labour Organisation deserve the government's attention. This involves training government officials to negotiate with countries seeking to use Bangladeshi labour.

Policy Recommendation #3: Achieve long-term food security

With millions of Bangladeshi citizens living on the margin of starvation, any natural disaster or price spike in the international food markets can create a food crisis (as in '07-'08) that was partially caused by disruptive price bubbles in the world rice and grain markets. Self-sufficiency in food production is an important challenge. The recent reductions in fertiliser and diesel prices reflect the government's concerns about food security. This will bring welcome relief for farmers producing the next boro crop. The collapse in the price of crude oil should help maintain low price of fertiliser and diesel. Pricing policies, however, must take into consideration cross-border informal transactions (smuggling) that could run counter to the goal of benefiting the farmers from such measures.

Alleviation of poverty is also a struggle for increasing real incomes for all Bangladeshi citizens. Major investments in the agricultural and food market infrastructure -- roads, waterways, railways, storage facilities, dredging of rivers, embankments for flood control, etc. -- will help the farmers increase production and income, while creating jobs, and help the country reach food self-sufficiency. Bangladeshi farmers must also benefit from the ready availability of credit to invest in modern farm machineries, the availability of flood insurance and futures markets to reduce risks, and from having greater access to market information via the mobile phone and the Internet.

Policy Recommendation #4: Increase investments in infrastructure and energy

Infrastructure: The new administration must lay the foundations of a 21st century infrastructure as a top priority. Bangladesh's physical infrastructure is in serious disrepair and has lagged behind compared to its needs. A bold and ambitious strategy of investment to build the country's infrastructure will achieve

multiple outcomes: generate immediate employment and income to reduce poverty, reverse the impact of the ongoing global economic slowdown, support readymade garment (RMG) and other export industries, and ultimately lead to sustained economic progress.

Strategically planned investments in physical and digital infrastructure can help Bangladesh leapfrog other nations, and at the same time work as a stimulus package to create jobs necessary to confront the vagaries of global recession. These mega projects should be undertaken with a firm commitment. Each project -- monorail, deep-sea mega-port, Padma bridge, compact townships, communication systems, dredging of rivers to prevent flooding, others -- must be justified on national interests alone. For every project, the question must be asked: How will this impact the poorest households? How will this affect land, water, forest, and other resources? Bangladesh's main airport should also be developed into an international hub. The government must also take up the challenge of urban planning to reduce congestion and urban sprawl.

Energy: Energy is a prime mover of the national economy. With vibrant sectors such as ready-made garments, pharmaceuticals, shipbuilding, agro-industries, ceramics, raw hides and leather goods, jute, tea, etc. that earn foreign exchange, a viable energy-policy must address short and long term energy needs for the country's operation and development. It is important to articulate how the nation's power needs will be met: How much of it is to be met from internal and external sources? What role will be played by the different resources (gas, hydroelectricity, coal, and renewables)? Policy is needed to establish the allocation of energy to various constituencies (households, industries, and the service sectors) for immediate and long-term needs. As capacity is increased, how it will be allocated for a stable and sustainable growth of the economy must also be articulated.

We note that roughly 30% of the population presently has access to power supply. With the present output of roughly 5,000 MW of electricity, effective power generation by the PDB is about 3900 MW while private power suppliers produce about 1200 MW. With a burgeoning population and the need to extend power to a larger segment of the population, power generation capacity must be increased substantially. The government should encourage private investments in the power sector to ramp up production. An alternative is to consider public-private partnerships. Also, given the adverse environmental impact of coal-generated power with its huge carbon imprint, the government can bring this to the attention of the developed countries and obtain alternate energy technologies or lower prices for more efficient technologies in return for ensuring a cleaner and better environment for them.

Relying on domestic energy will also lower the rate of inflation, the current account deficit, and the continued devaluation of the taka. Energy efficient transportation systems, alternative energy development and use for power and industrialisation needs will allow the country to continue its low carbon imprint. Local entrepreneurs should be encouraged to invest in small power plants and renewable energy technologies to increase and diversify the produc-



tion capacity of the national grid.

Policy Recommendation #5: Invest in education and develop human resources

The education system of Bangladesh must be designed afresh. Foremost is the need for a comprehensive and fresh education policy that envisages the specific needs of Bangladesh for the present, as well as for the future. The government must envision a ground-up new education system that integrates the various, unrelated and incoherent streams of education that exist today to generate synergy and facilitate easy movement from one stream to another so that it can continue to create the needed human resources to power Bangladesh's growth path without the waste that the current system generates (dropouts, unneeded skills, mismatch with national needs, etc.).

The 21st century global economy will increasingly demand knowledge workers. To this end, the government must offer more technical and vocational training opportunities to build people with technical skills -- basic machining, operating, repair, computer operations, etc. -- with a basic 10th grade education. The government needs to promote and establish programs to train people for retail, transportation, education, and other service sector jobs, since these are the primary areas of employment. By expanding literacy to 100% of the population and ensuring that an increasing number of young people have opportunities for higher education, the nation can succeed in alleviating poverty and achieve other ambitious goals.

The education sector has had chronic problems for long in the following areas: capacity, quality, relevance of curriculum, quality of teachers, accountability, effective assessment tools, research institutions, educational governance, and linkages and partnerships between academia and the market. How the multiple streams of education, beginning from the primary levels, can be unified and coordinated, so that students have clear options as they move from one stage of education to the next, also deserves special attention.

Another alarming problem is the current capacity of the education system in Bangladesh to accommodate the growing number of willing and capable students. In 2005, out of approximately 73 million students of different age groups, only 25 million had any education (90% at primary, 44% at secondary, 10% at intermediate college and 1.6% at university levels). By 2025, the population is expected to grow to a staggering 192.9 million, of which nearly 83 million people, an increase of nearly 10 million additional students, will be of school age. At the current rate of attendance, the nation will have to increase capacity by 15%, i.e., will have to build almost 15,318 additional educational institutions. With increased demand the system will be under tremendous pressure for space, especially at the higher education levels.

The quality of teachers must also be improved by introducing a periodic certification procedure, at least at the primary and secondary levels initially. If the quality of the teachers cannot be guaranteed, how can a quality work force be ensured?

Policy Recommendation #6: Manage the nation's health and population

Health: Health and human productivity

Recommendations

- Ensure human rights, establish democratic values and practices, improve governance, and establish rule of law,
- Generate employment,
- Achieve adequate and long-term food security,
- Increase investment in infrastructure and energy,
- Invest in education and develop human resources, and
- Manage the nation's health and population

are intertwined. The government must be able to envision the desired state of health of the nation reflected in policies about nutrition, water quality, air quality, economic status, mental health, physical health, reduced state of disabilities, etc. What is vitally important is to articulate a pro-poor health strategy where accountability, quality, cost effectiveness, access, and sustainability must be ensured, all focusing on the need for more effective and efficient health programs.

The focus on preventive rather than curative health care must be strengthened. Thus, attention must be devoted to various factors connected to health -- drinking water, sanitation, and air quality in particular. The crisis facing drinking water is its connection to sanitation, industrial wastes, and natural occurrences like arsenic.

The National Health Accounts study (NHA-2, 2003) estimates household expenditures at Tk. 48.35 billion on health-related expenses, of which pharmaceutical purchases constitute around 70% while expenditures on qualified medical providers is only 4.1%. This represents a problem in people's ability to freely purchase drugs that can be downright harmful. Legislation must ensure that drugs are not available without qualified prescriptions. We advocate periodic certification of healthcare providers (doctors and nurses in particular) to ensure that the people receive a basic standard of services. We also advocate the establishment of health administration training so that a different cadre of health administrators is created. As a result, medical skills of doctors trained with valuable national resources would not be wasted in administrative positions. Absenteeism of government doctors in the rural centers must be quickly rooted out. Finally, to establish accountability and justice, it must be ensured that medical malpractice, as well as avoidable mistakes, can be pursued in the courts of law.

Population: Bangladesh is the seventh largest nation in the world. This can be seen as strength if managed properly. Thus, population management (not control) should be given priority to harness this strength, both for the local economy as well for earning from abroad. According to one source, Europe's population could decline by 88 million by 2015. It is easy to surmise the tremendous opportunities that await a skilled workforce to fill the population bust, thereby sending remittances back to Bangladesh that could be multiples of the present \$6.4 billion.

The under-15 population is also roughly 40% of the total population, resulting in the "population momentum" phenomenon. When this cohort comes of age, its needs must be met, not only in education and health but also in employment and various service needs. Scenario analyses with demographic projections must be conducted periodically to ensure future needs and to avoid social instability. We believe close attention to health, education, and employment strategies will ameliorate some of the concerns that population momentum portends. For effective management of this population, it is important to legislate age at marriage and ensure proper education about contraception and economic consequences of unsustainably large family sizes.

Additional challenges and recommendations

While BDI recommends six priority areas for the new administration's attention, several additional areas must also be addressed:

Improve the image of Bangladesh in the international community: Bangladesh should establish a positive image by highlighting its reform, expansion of the cellular phone network, and technological improvements and reforms in the communications and the ICT sectors. Developments in the ship-building, pharmaceutical, textile and RMG sectors also need to be projected, as do other initiatives to combat corruption improve the business climate in the country.

Compete in an increasingly competitive global environment: Bangladesh must continue the strategy of emphasising trade over aid; it should also take advantage of the foreign investment funds flowing into its dynamic regional neighbours, India, Vietnam, and China.

Remittances and diaspora: It is important to build bridges with the Non-Resident Bangladeshi (NRB) population. NRBs can contribute most significantly in terms of investments. Thus, Bangladesh should promote investment facilities for the NRBs. These investments can help increase the foreign reserves of the country, as well as promote its gross productivity.

Respond to the global economic crisis: Bangladesh must continue the easy money policy until there are clear signs that the economic trends have turned positive. Policy makers must also provide a large fiscal stimulus to modernise the nation's infrastructure and protect the economy from the global economic slowdown.

Maintain price stability: Since food and energy prices have come down substantially in world markets, the overall inflationary pressures should remain in check in the foreseeable future. The public must be apprised of the global price scenario through media releases.

Improve Bangladesh-India bilateral relations: There are still many unresolved issues in the Bangladesh-India bilateral relations. The proper way to mitigate these problems is to pursue an effective and consistent foreign policy. The government of Bangladesh should try to promote public diplomacy; that is, to promote interaction among the people of both the countries.

Strengthen regional cooperation in South Asia: Among the most noteworthy achievements of Bangladeshi diplomacy has been the creation of Saarc. Regional cooperation in the energy sector has become vital for maintaining security and development in the region. A comprehensive and integrated trade facilitation framework needs to be adopted in our foreign policy incorporating: promoting integrated transport infrastructure including transit and transshipment of goods; facilitating and promoting development and modernisation of Chittagong and Chalna seaports as regional hubs; pursuing economic diplomacy to remove non-tariff barriers in trade between Bangladesh, India, Pakistan, Nepal, Bhutan, and Sri Lanka; promoting regional customs cooperation; and promoting regional energy cooperation.

This policy statement was prepared by: (1) Dr. Munir Quddus, (2) Dr. Halimur R. Khan, (3) Dr. Farida C. Khan, (4) Dr. Ahrar Ahmad, (5) Dr. Elora Shehabuddin, (6) Dr. Imtiaz Habib (7) Dr. Sukomal Modak and (8) Dr. Syed Saad Andaleeb. The document has also benefited from comments of Dr. Faizul Islam, Dr. Ashraf Ali, and Mr. Parhez Sattar, all members of BDI (www.bdiusa.org). The paper draws upon recommendations made by expert groups at the Harvard Conference in June 2008: Bangladesh in the 21st Century, that was later published in the Journal of Bangladesh Studies, Volume 10, No. 1: 2008. Several items of this statement were proposed by the foreign policy group at the Harvard Conference led by Mr. Farooq Sobhan, President, Bangladesh Enterprise Institute (BEI).