



Resilience, but is it enough?

In the move towards a growth trajectory that will take Bangladesh to middle-income status and beyond, which of these fates dominates the political landscape will be as important as the more prosaic issues of resources and plans.

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BUDGET discussions are reaching a crescendo as the finance minister prepares to present the national budget for 2010-11. It may be worthwhile to take a step back and cast a longer gaze on the nation's economic journey. The brackets I have in mind are the onset of global recession in 2007-08 and the middle-income aspirations projected for the coming decade. PPRC has just completed a study on the Bangladesh economy in the aftermath of the global recession looking at macro, meso and micro realities. I will draw on this and other sources to make my case.

Three stories of change

The recent economic performance of Bangladesh is made up of three distinct though related stories. The first story is one of resilience. While two consecutive floods and a megacyclone devastated the country in 2007, our response was to produce the biggest jump in rice production, a staggering 10% increase within a single year. The 2008 record was repeated in 2009. Given the volatility in global food-grain supplies, improved domestic production has provided a crucial food security cushion as we grapple with myriad other problems. The growth rate too has been a respectable 5% plus within a global recessionary context. There are several other indicators of resilience.

Remittance has grown annually by 19.8% in this decade. Macro-economic management has been prudent, as evident in a low fiscal deficit (3.7% in 2009), high reserves, stable exchange rate and low external risk exposure of the financial sector. At the meso-level too, bank branch lending showed a respectable 8.5% increase in June 2009

over June 2008. Micro-credit disbursement increased by 30% between 2007 and 2009, from Tk.165.5 to Tk.215.9 billion.

The micro-realities of households too bear the evidence of resilience. PPRC household survey data from 2009 bring out the case of prudent micro-economics mirroring the prudence in macro-economics. Debt exposure of households on average was 19.1%, monthly household expenditure on average Tk.11,470, expenditure was 80% of income, and, average household total asset value in current prices stood at 21.9 lacs in 2009.

Weekly consumption in 2009 showed no reduction in staple intake over 2008, though there is a different story on other food items. A very low percentage of households also appeared to have suffered recession-linked economic shocks: only 4.3% reported reduced employment, 1.7% reduced remittance, 3.2% cutbacks in education. Macro, meso and micro data from 2009 thus tell a consistent and inspiring story of resilience.

The second story of growth fragility is a darker one. 5% plus growth within a global recessionary scenario is certainly a commendable performance, but look at the growth trajectory. For the fourth year in a row, the growth rate has inched downwards: 6.6% in FY06, 6.4% in FY07, 6.2% in FY08, 5.9% (5.7% by revised BBS estimates) in FY09, and 5.5% in FY10. One can quibble with the robustness of the BBS data but a certain plateauing of the growth rate is unmistakable. Prospects for a quick turnaround are clouded by other indicators, which too underscore the fragility of the growth process.

Export growth for much of the current financial year was negative, barely turning positive in the last quarter.

More worryingly, export growth is being underwritten by volume rather than value. Frozen foods and leather grew by 27% and 138% in the current financial year but growth in value terms was still negative. The investment scenario presents an even more dismal picture. The annual rate has inched downwards third year in a row. A real Catch 22 type situation prevails: investment stagnating because of the energy crunch but investment in the energy sector itself also refusing to materialise.

On a longer time-scale, investment rate appears to have hit a glass ceiling of 25%, whereas the minimum rate required for a higher growth trajectory is 35% to 40%. Public investment is under 5%, so much for all the frenzied discussion about the size of the ADP. The concern is not just on the aggregate rate of investment but also its quality and composition. Investment in trade, real estate, stock markets easily dominate over investment in manufacturing, infrastructures etc. The same picture prevails whether we look at macro data or meso data such as bank branch lending.

Growth fragility is also evident in the overseas migrant worker story. Robust remittance inflows mask a worrying decline in the number of workers going abroad. The annual average up to 2006 was 2 to 3 lacs. This jumped to 5.6 lacs in 2007 and to a staggering 9.8 lacs in 2008, but dropped to 6.5 lacs in 2009. If we look at quarterly figures, they have dropped in every quarter in 2009: from 2.1 lac in the first quarter to 1.1 lac in the last quarter. In the first quarter of the current year, the figure has dropped further to 1.07 lac. Doors have virtually closed to two major destinations for migrant workers -- Saudi Arabia and Malaysia -- with no effective sign of any thaw.

Globally, prospects for unskilled migrant labour is on a decline. Unfortunately, it is this category that dominates the ranks of the Bangladeshi migrant workers. An effective engagement on skill education can turn this around, but this would require overcoming a critical

disconnect between skill/technical education and market relevance. Youth unemployment and shortage of skilled workers in EPZ factories exist side by side. Not many are aware that a great many of the skilled jobs in the RMG sector are occupied by foreign workers, mainly Indians.

The third story is of new poverty realities. Bangladesh has made remarkable strides in its fight against poverty. Both aggregate and extreme poverty have declined. But some of the goal posts are shifting. Weekly consumption data from 2009 show no reduction on average in the intake of rice, the staple food. But on every other item in the weekly diet, a varying degree of reduction was evident.

While hunger has largely been contained thanks to larger food production and a plethora of safety net programs, a nutritional squeeze has become the dominant challenge. Little wonder that child malnutrition is one of the worst in the world. The PPRC data shows only half the population had milk in its regular weekly diet in 2009.

Due to rapid urbanisation, climate change and various other insecurities, the dimension of vulnerability too has become much more significant within the poverty experience. The recent urban deaths at Begunbari and Nimtoli in Dhaka, the plight of the Aila-stricken squatters on the Satkhira, Khulna coast-lines, the despair of the haor-dwellers in Dharmapasha, Khaliakhuri and others spots, who lost their rice crop to a devastating flash flood, all bespeak of this common problem of vulnerability albeit in different expressions.

We will not be solving these problems if we do only what we have done well so far, distribute VGF cards and provide temporary food support. The Aila victims require repaired embankments, as do the haor-dwellers. The urban poor need safer living and more stable livelihoods. New regional and social frontiers have appeared on the poverty horizon. *Monga, haor* and coast are the three regional frontiers on poverty. Youth unemployment and urban pov-

erty are the two social frontiers.

Middle-income aspirations

Bangladesh is slowly but surely standing up. It is the aspiration and the will of the people that this should be so. The potential of Bangladesh is no longer an issue. Goldman Sachs included Bangladesh in the Next 11 after BRIC (Brazil, Russia, India, China). Many newer lists are also mentioning Bangladesh. However, the small print in these scenario projections is also worth reading. Goldman Sachs projections up to 2025 are pessimistic for four of the eleven: Pakistan, Egypt, Mexico and Bangladesh.

The contrast between Vietnam and Bangladesh, both similarly poor in 2006, is instructive. Vietnam's per capita income is projected to rise from \$655 in 2006 to \$4583 in 2025. The corresponding projection for Bangladesh is from \$427 to \$1027. Projections are of course just that. But the growth trajectory since 2006 is already demonstrating these divergences. The wake-up call can no longer be ignored.

There is a hard lesson to be learnt from the three stories of change. Resilience success is no guarantee for middle-income status. Resilience was achieved on two growth drivers and two cushions. The drivers were RMG-based exports and remittances. The cushions were increased food production and an effective system of safety nets. Policy played a role here but the bigger role was of initiatives, of the entrepreneur, of the migrant worker, of the farmer.

Will and can these drivers and cushions alone take us to a higher growth trajectory? These are the questions the finance minister and not just him but his government and the country at large have to ponder. New challenges may include re-positioning agriculture as a growth driver, in particular through high-value sub-sectors such as aquaculture, livestock, agri-retail, a big focus on meso-economy infrastructures for development of growth centres, a far higher level of prioritisation of skill education, and a

dedicated search for new markets and new sources of growth.

The BRIC countries prioritised five themes: energy, infrastructure, urbanisation, human capital and technology. Only the first of these is seriously in focus in Bangladesh. Even here, the rhetoric far out-strips tangible results. The quick fix of rental power has a potential Achilles' heel as it appears that the logistics of ensuring the much higher levels of diesel and furnace oil supply to the plants has not been thought through.

Three fates of the policy-makers

Within the realities of zero-sum political competition and bureaucratic inertia in Bangladesh, there are three fates which await the policy-maker grappling to deal with statecraft. The first is that of the benefit-seeking bystander. Policy and implementation realities appear too complex and demanding and are left with the bureaucrats while the focus becomes personal aggrandisement by using the office. Regrettably, this has become the fate of choice. The second fate is that of the super secretary. The policy-maker outdoes the bureaucrat in focusing on the trees and missing the forest. The third fate is that of the policy leader, wherein vision is matched with initiative and responsibility. Such a fate is not the prerogative of office but a matter of achievement.

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Our future, our responsibility

Middle-income status is not a statistical aspiration. It is a signal of our desire for a higher quality not just of the economic life but, as importantly, of our political and institutional lives. A richer imagining is what must drive us. The future is ours. So is the responsibility for bringing it about.

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Enslaved in our homes

Many of these domestic help are forced to live like chattels, deprived of even the most basic human rights. They sleep on the floor, eat leftover food and get malnourished over the years. They are subjected to this inhumane treatment at an age when they are supposed to be at school.

Golam Sarwar Chowdhury

THE Constitution of Bangladesh guarantees equal rights to all citizens of the country irrespective of gender, age, class and religion. In reality, however, a large number of our citizens remain entrapped as modern-day slaves in the homes of the more fortunate people. Domestic help, particularly under-aged females, have no rights whatsoever as they slave away in our homes with little hope for the future.

In almost all households in cities and towns, young girls and boys are ostensibly employed to help do the chores. The picture is dismal if one realises the condition in which the domestics are actually required to work.

They get up at dawn, before any member of the family wakes up from sleep, and stay up late at night until

everyone goes to bed. These marginalised boys and girls have to do all kind of work; mopping the floor, washing up in the kitchen, cleaning the bathrooms, washing clothes, grinding spices and everything else that you can name.

People who have domestic help get them through different sources. A traditional way of wooing them is by using known villagers who find absolutely poor boys and girls who can't be properly looked after by their unlucky poverty-ridden parents. Allured by many promises, they allow their children to be employed in households in urban areas across the country.

Once these children are brought in, their masters promise them good food, clothes and, of course, a monthly salary. In reality, though, most of these promises are not kept. Many of these emaciated children are paid only a negligible amount of money, which

they send home to support their parents. Often, the masters tell the parents of these children, particularly girls, that when they grow up in a few years financial support wouldn't be a problem for their marriage.

These promises usually never get translated into reality. After years of domestic slavery, the parents of these unfortunate victims try hard to get back their children. At times they succeed if the masters have a little bit of compassion, otherwise they have to return to their villages in frustration and seething with anger. They have no power to save their children because they are afraid of the clout of their masters.

Many of these domestic help are forced to live like chattels, deprived of even the most basic human rights. They sleep on the floor, eat leftover food and get malnourished over the years. They are subjected to this inhumane treatment at an age when they are supposed to be at school.

Except for a few kind masters, most of these domestics are deprived of even the basic education that the state guarantees them. Of course, in exceptional cases, there are kind people who give them some opportunities for studying. I know a senior professor at Dhaka University who supported his

male domestic help to get a Bachelors degree. These are rare instances and are only exceptions, but by no means the rule.

Newspapers regularly publish horrific stories of torture and even mutilation of domestic help. Many housewives, and even their husbands, have been arrested by the police for committing atrocities on their domestics. Young girls are often beaten up by angry housewives.

In cases when the punishment gets too severe, and the young maid suffers from burn injuries or starts bleeding following the physical assault, kind neighbours come to their help and shift them to hospitals.

Bangladesh is now in a stage of transition as we can foresee a prosperous future within a few decades. As we prepare to move ahead and leave behind the years of impoverishment and underdevelopment, we have to make sure that our sense of humanity also increases.

Without development of humane values technological advancement will not be sufficient to build an egalitarian society where people of all classes can be ensured of basic human rights. Technology can only contribute to increasing our standard of living if we can be true human beings with the



The rights of domestic workers must be upheld.

right emotions and attitudes.

Employment of maids at home is not unusual even in industrialised countries, where they are given a handsome salary and are not looked down upon. The work of a maid is not slavery and only the rich and affluent can afford to have maids in those countries. The state never tolerates any undue advantages taken from maids or domestic help.

In Bangladesh, in the absence of stringent laws regulating the employment of domestic helps, many people take it for granted that the children who

work in their homes are inferior humans. This feeling grows because of the lack of conscience and compassion among many of us who are fortunate in terms of social status and financial solvency.

This cannot under any circumstances make us forget that the young kids we employ are children of our own society. They are not chattels and we must at least treat them with respect and kindness.

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