

No growth without planned urbanisation



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After remarkable progress and growth, especially under elected governments from 1991 to 2015, Bangladesh now faces numerous challenges. Political and macroeconomic instability; troubled public finances and banking systems; poor quality education and health services; an undiversified economy, stalling private investment, and rising joblessness. These problems all intersect at one location: our failing towns and cities.

Without well-planned urbanisation, there can be no long-term growth and development in Bangladesh. Globally, urban areas cover only about 3 per cent of land but account for 80 per cent of economic activity. No country has achieved long-term economic growth without urban development. Bangladesh's history fits international experience. As urbanisation increased fourfold since independence, per capita incomes grew fivefold.

However, urbanisation alone is not enough. Many countries in Africa, Asia, and Latin America have urbanised without growth. If urban development is unplanned and unable to attract investment that creates more productive jobs, or to provide transport,

education, health, sanitation, and housing, then urbanisation will occur without industrialisation and growth.

SIGNS OF A FAILING URBAN TRANSITION

Bangladesh now faces that prospect. The urban economy's troubles are reflected in the sharp slowdown in urban employment growth to 0.8 per cent per year over 2017-22, compared with 4 per cent in the previous period (2010-17), and in the movement of most industry to rural areas in the 2010s. The housing deficit is estimated to have exceeded 8 million units in 2021. That, along with the sharp rise in land prices, has forced half of the urban population to live in slums. Unsurprisingly, key

health and education indicators are worse in urban areas than in rural areas in about half of Bangladesh's districts.

Consistent with these trends, the 2022 Census indicates that urbanisation in Bangladesh is stalling, particularly in larger cities and towns. Thus, 10 city corporations show a marked slowdown in population growth over the last decade. Two, Mymensingh and Rangpur, are exceptions only because their areas have been increased by four times or more. Overall, the BBS now estimates the urban population share at 32 per cent, substantially lower than the 40 per cent projected by UN DESA. It is worth stressing that the recent UN report designating Dhaka as the second-largest city in the world, with

36 million inhabitants, is problematic because its Eurocentric definitions are inappropriate for densely populated Asian countries. But, even so, the spirit of the message of an excessively overpopulated Dhaka is correct.

THREE STRUCTURAL BARRIERS

TO PLANNED URBAN GROWTH

This brings us to the first of the three specific challenges that impede the well-planned urbanisation of Bangladesh.

First, about 33 per cent of the urban population is concentrated in the primary region of greater Dhaka and its environs, well above the 23-25 per cent research suggests would be the optimum share. Dhaka's overgrowth

by about 60 per cent (my research) above the optimum size results in high costs of excessive size: time loss and energy costs associated with extremely long commutes and traffic congestion. These also lead to increased morbidity from pollution and to economic costs of reduced productivity. Then there is the cost of diverting resources away from other cities and towns where productivity would be higher. Taken together, Dhaka's overgrowth costs Bangladesh about 6-10 per cent of GDP, a substantial figure.

Second, unfortunately, while the 2022 Census presents a welcome redistribution of urban population share away from Dhaka district, to the neighbouring districts of Gazipur and Cumilla-Chittogram corridor, most of the redistribution has been to the smaller towns as opposed to secondary cities and towns. These are relatively less populated than the top three most urbanised districts and the less populated districts and towns. These trends, also confirmed by nightlight density measurements and industry moving to rural areas, suggest that Bangladesh may be losing the benefits of economic agglomeration and scale. As evidence, we find that the positive economic impact of urban development on household consumption and wages mainly arises from the three most urbanised districts of Dhaka, Chittogram, and Gazipur. Excluding these, urban development has no positive impact.

The third challenge is a glaring hole in our national policies regarding urban development. That has three aspects. A. There is no national urban development policy framework. B. Urban planning is extremely weak and, in practice, mostly ignored. C. Urban governance is highly fragmented, with limited local-level accountability and weak city-municipality governments.

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SNAPSHOT

Bangladesh's growth record is closely linked to urbanisation, but that link is now weakening.

1. Urban employment growth has slowed sharply, alongside rising housing shortages and slum expansion.
2. Over-concentration in Dhaka imposes large productivity, health, and congestion costs on the economy.
3. Weak planning, missing national policy, and fragmented governance undermine city performance.
4. Sustainable growth requires unified urban governance and stronger city institutions.

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