

(Unedited and unrefereed. Do not circulate or cite without  
authorisation from the author)

## **ECONOMIC DEVELOPMENT IN BANGLADESH: RECENT TRENDS**

**Bob Pokrant**

**Curtin University of Technology**

### **Abstract**

This paper reviews aspects of economic development in Bangladesh from the 1990s to the present. It shows that the country has moved from an uncertain economic future in 1971 to become one of the best performers in the Least Developed Country category. Optimistic prognoses suggest that with the appropriate economic and related social policies and institutional reforms, it may become a middle income country by 2016.

### **Introduction**

Economic development is one dimension of the more inclusive concept of development. Development is both a process and a project. As a process, it refers to changes occurring in countries defined variously as undeveloped, underdeveloped, developing, emerging, and newly industrialising. As a project, it refers to deliberately planned change or, as McMichael puts it, a historically specific organised strategy of national economic growth (McMichael, 2004, 3<sup>rd</sup> ed). More recently, there has been a shift to a globalisation project under which a globally driven agenda of free trade has resulted in 'development states' such as Bangladesh playing a more facilitative than directive role.

Economic development refers to the raising of the productive capacity of a country through the introduction of policies designed to enhance the productivity of land, labour and capital, raise standards of living and reduce or alleviate the poverty of the inhabitants of the country. At a minimum, economic development has a growth and a distributive dimension.



## **Economic development in Bangladesh**

Since 1990 Bangladesh has seen major improvements on a number of development indicators, including rates of economic growth, poverty reduction, population regulation, infant mortality, and literacy. It has been less successful in tackling wealth and income inequalities, infrastructure problems, energy supplies, and the broader management of economic development. Its economic progress over the past 15 to 20 years has led the World Bank, in a recently released up-beat report (2007), to state that Bangladesh could become a middle income country (per capita gross national income of US\$875) by 2016. To do this it is suggested that it needs to deepen its industrial base, become more integrated into global markets and prioritise urban economic development as a key driver of growth. The report states that a sustained growth rate of 7.5 percent is required to make this transition. Initial responses by Bangladeshi economists and media commentators have been mixed, with some criticising the report for its focus on absolute poverty rather than relative poverty and its failure to address rising income and wealth inequalities. Having said this, what have been the country's economic achievements to date?

### **The record so far**

This section focuses on economic growth, poverty reduction, food security, the labour market, industry and agriculture, infrastructure, merchandise exports and manufacturing, and the related area of social development.

#### **Economic growth:**

1975-2006: Per capita GDP (adjusted for inflation) has more than doubled with a per capita GDP growth rate of 3.3% pa. since 1990, three times the earlier growth rate (WB, 2007). Since 1975 it has doubled in taka value. Despite this, its per capita GDP remains behind that of India, China and several other countries in the region.

#### **Poverty reduction:**

1992-2005: poverty rate declined from 58 to 40 percent (some 20% drop). This is defined in terms of dietary energy so ignores food quality and variety. In general, the borderline

poor have seen an improved in their situation but this is less so for the poorest who are more likely to report decline in circumstances.

**Food security:**

Bangladesh has made great strides since 1974 to achieve food self-sufficiency. It has achieved near self-sufficiency in rice but productivity remains low. However, it has been less successful with pulses and other crops. Those most affected are the poor and landless as they are least able to afford to buy. This is compounded by location, seasonality, intra-household food distribution etc. There is decreasing land availability requiring better use of existing cultivable land through improved management, use of HYVs, extended multiple cropping schemes, improved infrastructure and better extension services. A greater investment in inland pond aquaculture is an important pro-poor strategy to enhance the nutritional intake of the rural population

**Labour market:**

Real agricultural wage rates increased during the 1990s and 2000s (2003). But there has been a decline in national informal sector incomes (50% of total work force) in early 2000s. The formal sector unemployment rate stands at 4% but is higher among young people and the young educated.

**Industry and agriculture:**

Almost ½ of the national work force is in agriculture with ¾ of those in rural areas working in this sector. However, there is a continuing shift of population to urban and non-farm work and individuals and households are increasingly engaged in multiple income earning activities.

**Infrastructure:**

Transport and ports continue to be affected by physical, economic and political obstacles to change and reform. In the energy supply sector, businesses and residential users have continuing low access to network power, particularly in rural areas. This access is lower

than in India, Pakistan and Sri Lanka. The problem is compounded by corrupt energy provision practices and high subsidies.

### **Merchandise exports:**

The ME/GDP ratio increased to 18% in 2006 from 6% in 1990. The ready-made garments sector is the main source of forex. The manufacturing sector is dominated by garments, textiles, pharmaceuticals, food and leather/footwear and now contributes 16% to national GDP, up from 5% in the 1980s. The sector is largely urban-driven, something that is likely to continue. Both farmers and workers are increasingly reliant on domestic and international markets for income.

### **Social indicators:**

Bangladesh has been very successful in improving the social standing of its population. For example, it has achieved some of the Millenium Goals but remains at low level internationally. The 2006 United Nations Human Development Index (a measure of life expectancy, education, and income) ranked Bangladesh 137 out of 177 countries, behind both Pakistan and India. However, some of the more impressive social statistics are the following:

- Life expectancy grown from 50 in 1971 to 64 in 2007
- Population growth rates have halved
- Child mortality reduced by 70 percent but gender gap remains
- Improvements in maternal nutrition but uneven and gap widening
- Decline in child malnutrition but still high
- Literacy has more than doubled
- Gender gap in schooling up to secondary declining but still big gaps between rich and poor
- Improved disaster preparedness
- Greater visibility of women in public space and non-traditional jobs

An important role has been played here by the partnership between Government and NGOs working to provide better services at the grass roots level.

### **Current and emerging challenges**

Major challenges facing the country include energy constraints, a lack of FDI (especially in manufacturing), low levels and quality of tertiary education, improved labour force skill levels, tariff constraints, poor governance at national and local levels<sup>1</sup>, poor port management and general physical infrastructure, low industrial and agricultural diversification and value-added activities, and a poor industrial relations system. Urbanisation is rapid and expected to reach 60% of the population by 2050. Dhaka, in particular, will move up the mega-city scale to become one of the world's largest cities by the 2020s.

The future prosperity of the country will depend to a considerable degree on how it (and the wider world) manages the growing problem of climate change (CC). The GoB and several NGOs increasingly recognize the need to mainstream CC into the development process and are developing plans to deal with it.

Bangladesh lies at the confluence of three great river basins that play a central role in the supply of water to several countries in the region. Bangladesh faces continuing water-sharing and management issues with neighbouring states, particularly India. Failure to address these issues, when combined with CC, is likely to have severe consequences for the country's capacity to grow economically and socially.

Improved governance and political reform are key challenges for the proper management of economic development, particularly in the areas of tax collection, law and order, transparency and accountability, and the public procurement system.

While economic growth rates have been good, there are growing wealth disparities in and between rural and urban areas. Some observers point to a growing physical and psychological distance between rich and poor, although not to the same degree as in other developing countries. The elite take, at best a paternalistic view of the poor, something reinforced by economic liberalisation policies which have been accompanied by the growth of a private charity mentality as a means to alleviate poverty. There are signs of a growing elite concern over the power of mass protest directed against the system as well as its specific inadequacies. However, to date most economic unrest has been confined to the economic sphere. While Bangladesh has made great strides in reducing levels of absolute poverty, it needs to focus greater attention on whether the

poor obtain a fairer share of the society's increased wealth. More needs to be known about what Sen and Hulme (2004) refer to as the 'subaltern economy', which they define as:

... the "people's domain" in the economy, [which] relates to the spheres of informal, unorganised, regional, local, and citizen's economy as the main areas of analytical focus and where mainly the poor and the vulnerable act as the key agents of economic development and social progress.

## **Conclusion**

Since independence in 1971, Bangladesh has moved from 'a basket case', a country trapped in a neo-Malthusian quagmire, to one of the best performers among Least Developed Countries. Despite the considerable negative criticism of the country's system of governance and the current political crisis, it has much better economic and social prospects than it did in its early years. Whether the gains of the past 35 years can be sustained remains to be seen.

## **References**

- McMichael, P. (2004) *Development and change*, Thousand Oaks, Calif: Pine Forge Press.
- Sen, B. and Hulme, D. (eds) (2004) *Chronic Poverty in Bangladesh: Tales of Ascent, Descent, Marginality and Persistence*.
- The State of the Poorest (2004/2005) Bangladesh Institute of Development Studies (BIDS), Dhaka, Bangladesh and Chronic Poverty Research Centre (CPRC) Institute for Development Policy and Management (IDPM) University of Manchester, Manchester, UK.
- Sobhan, R. (1998) *How Bad Governance Impedes Poverty Alleviation In Bangladesh*, OECD Development Centre, Working Paper No. 143 (Formerly Technical Paper No. 143).
- World Bank (2007) *Bangladesh; Strategy for sustained growth*, Washington DC: World Bank.

---

<sup>1</sup> In 1998 Sobhan argued that poverty persists at high levels in Bangladesh because of poor governance rather than a lack of resources Poor governance refers to:

...a lack of a developmental vision, absence of a commitment that goes beyond rhetoric and that could translate the vision into policies and programmes, and weak capacities at the administrative, technical and political levels to implement such programmes. As a corollary of these failures, successive governments have surrendered ownership over national policy agendas in the field of poverty alleviation to international donors and NGOs. Furthermore, different areas of policy-making have been appropriated by special interest groups pursuing sectional concerns at the expense of a set of national goals (Sobhan, 1998, 8).

**Table: Bangladesh social indicators: various dates**

<b>Social Indicator</b>	<b>≤1990</b>	<b>2004/5</b>
Secondary school enrol (% net)	19 (1990)	43 (2005)
Primary School enrol	71 (1990)	93 (2004)
Fertility rate	6.1 (1972)	3 (2005)
Immunisation DPT (% chil 12-23 months)	1 (1980)	88 (2005)
Immunisation measles	1 (1982)	81 (2005)
Sanitation facilities access (% access)	20 (1990)	39 (2004)
Life expectancy at birth	45 (1972)	64 (2004)
Malnutrition prevalence	68 (1983)	48 (2004)
Mortality rate <5 (per 1000)	239 (1970)	73 (2005)
Mortality rate infant	145 (1970)	54 (2005)

Source: World Bank, 2007