

Reflections on Bangladesh – An Economist’s Perspective

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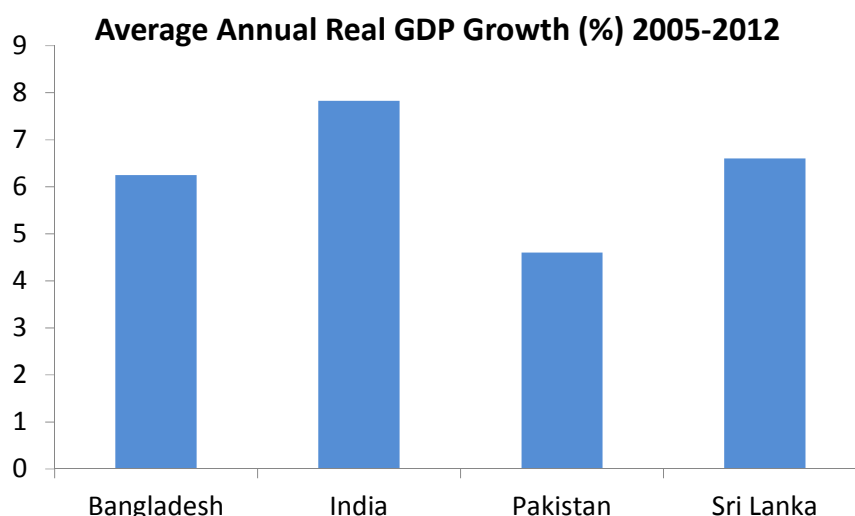
I have made the returning journey to my country of birth many times, each time carrying the hope of seeing an improved nation. But as I land at Dhaka airport, once more I see a city stuck in time; its streets clogged and chaotic as ever. The endless stream of faces, cars and rickshaws rush past while the polluted air clogs my lungs and stings my eyes. Apparently nothing has changed. My hopes are dashed.

To many Bangladeshis residing in Australia, particularly those from a younger generation, the above narrative will be all too familiar. That first contact with Dhaka - the traffic, pollution and crowds - can be overwhelming and dispiriting, provoking a sense of hopelessness. Such feelings are only compounded by news of strikes, natural disasters, building collapses, corruption and political bickering.

But on my most recent trip to Bangladesh I chose not to be a disconnected observer, and discovered that the chaos of Dhaka city veils some of Bangladesh’s real achievements - in poverty alleviation, education, women’s empowerment and health. As an economist I had the opportunity to work and interact with a number of government/non-government organisations (NGOs), academics and entrepreneurs, gaining insight into stories of progress. In this article I will attempt bring some of these to light - at the very least, to raise awareness and perhaps stir up hope in our nation’s future.

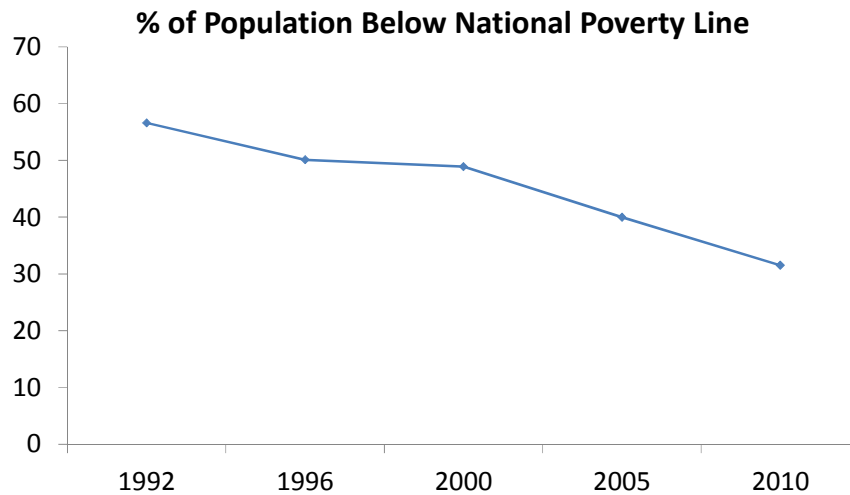
Human development outpaces economic growth

I want to begin with the overall economic picture. Over the last eight years (from 2005 to 2012) the Bangladeshi economy has averaged over 6% growth per year, driven by an expanding Ready Made Garments (RMG) sector and inflows of offshore worker remittances. This performance places Bangladesh on par with Sri Lanka and well above Pakistan (but below India and developing Asia as a whole). Such consistent growth is impressive in the context of the political instability that regularly grips the nation.



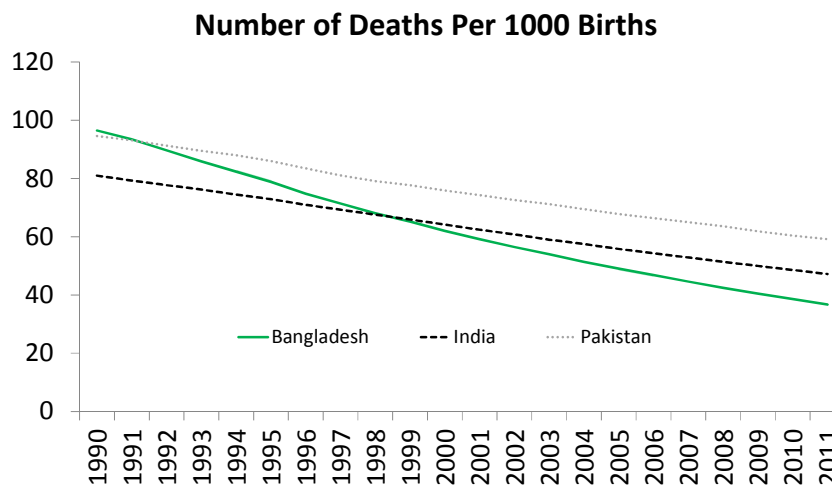
Source: IMF World Economic Outlook April 2013

More impressive has been the reduction in poverty, with the number of poor (those below poverty line) declining by 15 million during the 2000s. Poverty headcount dropped at the rate of 1.75 percentage points per year during this period, double the rate for the rest of the world and ahead of countries like India and Pakistan.



Source: UNDP, Bangladesh Bureau of Statistics

There has also been a massive decline in infant mortality, from 97 per 1000 births in 1990 to 39 in 2011. Over the same period maternal mortality has also declined from 800 per 100,000 births to 240, while life expectancy as at 2010 was 69 years, higher than both India and Pakistan. In fact Bangladesh has already achieved 3 of the 28 UN Millennium Development goals and is closing in on another 11.



Source: United Nations

The above facts paint a clear picture - human development has outpaced economic growth. A key driver has been the emphasis on women's empowerment, as well as their health and education. This in turn has reduced the birth rate, increased children's educational attainment and provided other household level benefits. While such changes would not be possible without government facilitation, NGOs have played an even more significant role. Most prominent amongst them have been BRAC and Grameen Bank. Both institutions have made remarkable contributions to social development and as a result gained worldwide

recognition – Grameen through microfinance and BRAC through public health, disaster relief and education programs. They are a testament to the ingenuity and resilience of the Bangladeshi people.

However, despite such progress, Bangladesh remains a poor nation. Per capita income (GNI) was at \$US 840 in 2012, which according to World Bank classifications places Bangladesh in the low income category. But what if economic growth was increased from the current trend of around 6% to 8% per annum? Then by 2030 per capita income would exceed \$US 2000, taking Bangladesh into the top 30 largest economies in the world and middle income status.

This 2030 goal and economic projections were introduced by the Dhaka Chamber of Commerce and Industry (DCCI) in a 2010 conference titled 'Strategy for growth'. It is a realistic target - Bangladesh has a large base of young workers to capitalise on, its wages are well below those of most manufacturing competitors (including China and Vietnam) and its productivity is on par. Global investors have also started to take notice - in 2005 Goldman Sachs placed Bangladesh on a list of 11 nations to watch (The Next 11), with the capacity to become a major player in the world economy; similarly in 2007 JP Morgan included Bangladesh in its 'Frontier Five' markets with potential.

While I have deliberately emphasised the positives thus far, there are of course significant barriers to progress. Political instability, corruption, lack of infrastructure investment and power shortages are the most prominent. There are also the less well explored cultural barriers - a lack of professionalism in the workplace, conservative attitudes towards social and political change and a general lack of civic responsibility, to name a few. However, while cultural factors can appear entrenched, they can also change rapidly, and endogenously; the swift progress of women in the western world is testament to this. Believing in the possibility of change is the first step; the difficult actions and decisions remain.

Education – quality the next big challenge

Another area of progress has been the increase in access to education, particularly for girls. According to government and World Bank statistics, in 2010 95% of children aged 6-10 were enrolled in primary schools (the figure was over 99% for girls), increasing from a mere 61% in 1991. In secondary education the ratio of girls to boys enrolled has shot up from 0.5 in 1990 to 1.2 in 2011. While government initiatives have played a role, part of this progress can again be attributed to the work of NGOs.

One such NGO I visited is NETZ - a German funded organisation that supports hundreds of schools in the most remote regions of Bangladesh. The organisation relies on public and private funding from Germany, including donations from individuals. It was heartening to hear about the fundraising efforts of German primary school children and the NETZ volunteer program for German youth. Many of these volunteers are fresh out of high school and work on projects in rural Bangladesh for up to a year, living with locals in basic conditions.

Of course access to education is only the start, with the focus now shifting to education quality (which on average is poor). A number of deficiencies have been identified as areas of focus, including teacher absenteeism, days of schooling missed due to external factors, student drop-out rates, class sizes and the absence of extra-curricular activities.

The problem of education quality is not confined to the primary and secondary sectors. On June 22 I attended a DCCI conference on entrepreneurship and education and one of the key issues raised was the lack of quality and oversupply of university graduates. The consensus appeared to be that graduates lack leadership skills and sufficient English language ability; there is also a dearth of workers with relevant vocational training. I recall one business leader exclaiming “I have interviewed so many MBA graduates who can’t even write a simple description of why they want a job!”

The oversupply and decline in graduate quality seems to be partially driven by the demand side, with cultural/parental expectations compelling below par students to pursue tertiary education. On the supply side, freshly formed universities have opportunistically capitalised on this demand, but insufficient quality assurance mechanisms mean many lack qualified faculty and appropriate infrastructure. The end result is a significant skew in the skills base, creating an undersupply of workers with vocational skills. The shortage has been covered by skilled foreign workers, particularly in the RMG sector, which employs a large number of Indian immigrants.

In an effort to create more practical and innovative graduates the DCCI appears to be taking steps in the right direction, introducing a Bachelor of Entrepreneurship Development that focuses on leadership skills and internships (culminating in students starting their own business). Also on offer are a range of practical training courses covering English language and managerial leadership skills.

Creating more leaders will also require workplace training, including opportunities for younger workers to gain exposure to management tasks, increased responsibility, training and mentoring. Certain cultural barriers need to be abolished, including the significant power gap between younger workers and management and the perception of younger workers as subservient. To increase the supply of vocationally trained workers there is the need to form relevant and state of the art training institutions, with increased ties to high schools (promoting them as viable alternatives to universities) and employers.

Final thoughts

The path to prosperity and middle income status for Bangladesh is now clearer than ever. The plan of action has been verbalised and the numbers tabulated. Significant gains have already been made, but numerous pitfalls remain. Further progress will require strong leadership, willpower and commitment. Not just from politicians, but from citizens, ex-citizens and expats and like you.

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