

Bangladesh: towards middle-income status

Martin Rama

Chief Economist for South Asia, the World Bank *

SANEM Annual Economists' Conference

Dhaka, 2016

* With Miklos Bankuti, Zahid Hussain, and Fan Zhang

Outline

- **What is “middle income”?**
 - World Bank (already middle-income)
 - UNESCAP (middle-income by 2021)
- **Recent performance**
 - Accelerating growth
 - Progress on human development
- **The not-so-bright spots**
 - Limited export diversification
 - “Messy” urbanization
- **The challenges going forward**
 - Infrastructure development
 - The investment climate



What is “middle income”

World Bank statistical classification: based on GNI per capita, using *Atlas method*

Classification	Threshold	Number of Countries	Examples
Low Income	\$1,045 or less	31	Afghanistan, South Sudan, Cambodia, Ethiopia, Haiti, Nepal, Tanzania, Uganda
Lower Middle Income	\$1,046 to \$4125	51	Bangladesh, Kenya, Myanmar, Tajikistan, Bhutan, Egypt, Indonesia, India, Nigeria, Pakistan, Philippines, Sri Lanka, Vietnam, Zambia
Upper Middle Income	\$4,126 to \$12,735	55	Brazil, China, Colombia, Cuba, Libya, Malaysia, Maldives, Mexico, South Africa, Thailand, Turkey, Mongolia, Paraguay
High Income	\$12,736 or more	80	US, Japan, Germany, UK, France, Croatia, Kuwait, Oman, Qatar, Saudi Arabia, Singapore, United Arab Emirates, Austria, Greece, New Zealand, Hungary

What is “middle income”

World Bank graduation from the International Development Association (IDA)

- GNI per capita in excess of an agreed operational cutoff (currently \$1215)
- Credit worthiness to access capital markets, as determined by the Bank
- Not an automatic process (between 4 and 16 years after crossing the GNI threshold)
- Intermediate period can include “blend terms” and “transitional IDA”

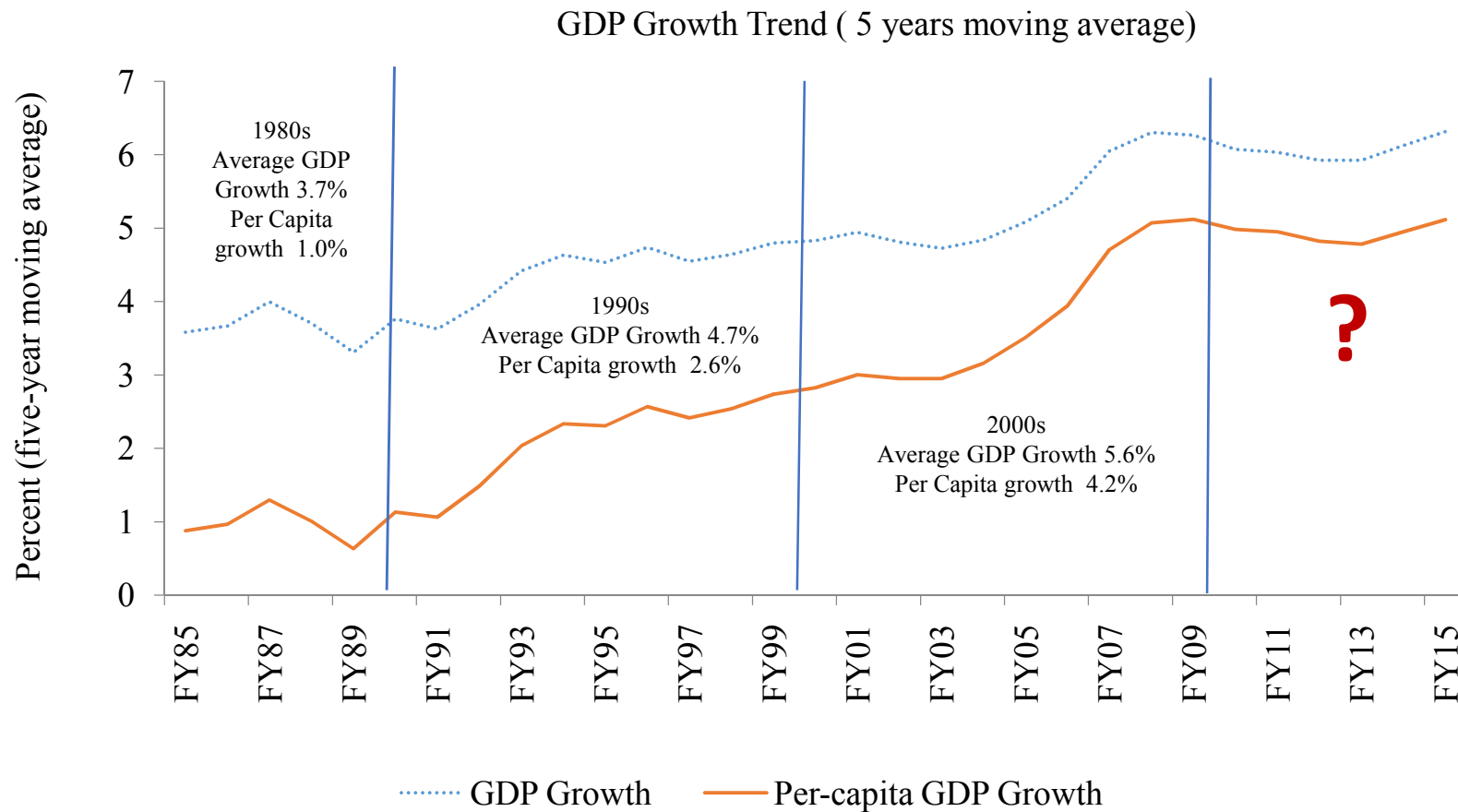
What is “middle income”

ECOSOC graduation from Least Developed Country status

- Three-year average of the level of GNI per capita, which the World Bank uses for identifying low-income countries (\$1,035)
- The threshold for graduation is set at 20 percent above the three-year average (\$1,242)
- In addition, the country needs to meet a series of human development thresholds to be eligible for graduation.

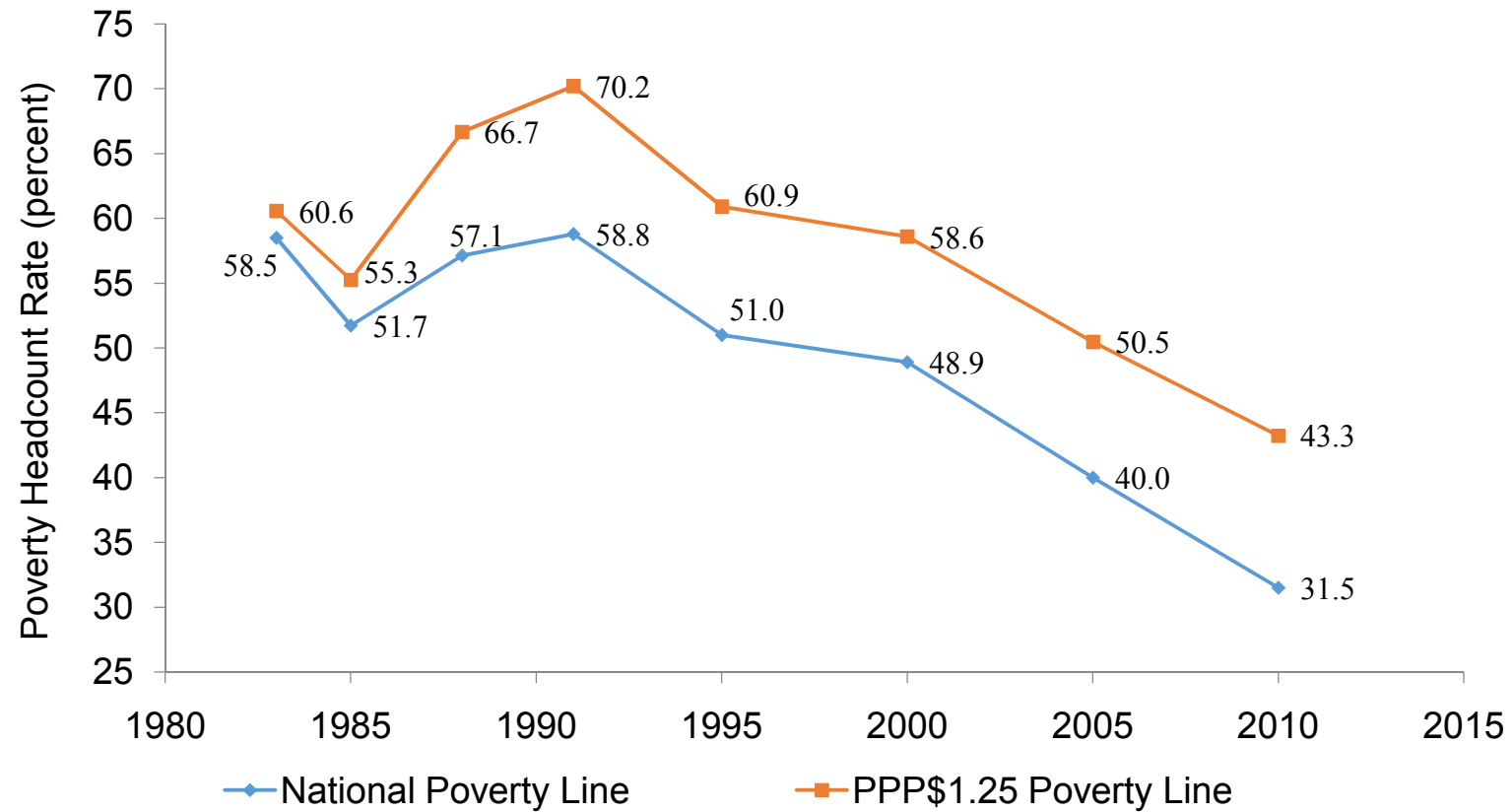
Recent performance

Pace of GDP growth has risen by about 1 percentage point per decade



Recent performance

Poverty rates have declined rapidly



Recent performance

Bangladesh has performed well on human development and may achieve most MDGs

Social indicators for Bangladesh, India and sub-Saharan Africa					
Indicator	Bangladesh		India		Sub-Saharan Africa
	1971*	2011	1971*	2011	2011
GDP per capita (PPP\$)	n/a	1,883**	n/a	3,876**	2,367
Life expectancy at birth	39	69	50	66	55
Infant mortality rate	150	37	114	44	69
Under-5 mortality rate	225	46	166	65	109
Total fertility rate	6.9	2.2	5.4	2.5	4.9
Access to improved sanitation (%)	n/a	55	n/a	35	30
Mean years of schooling, age 25+	2	4.8	2	4.4	n/a
Literacy rate, age 15-24 (%)					
Female	27	80	40	[74]	65
Male	44	77	66	[88]	76
Prevalence of undernourishment (%)	35	17	27	18	25
Child immunization rates (%)					
DPT	1	96	6	72	71
Measles	1	96	1	74	74

Notes: *or earliest available **2012; [...] estimate; Source: World Development Indicators

The not-so-bright spots

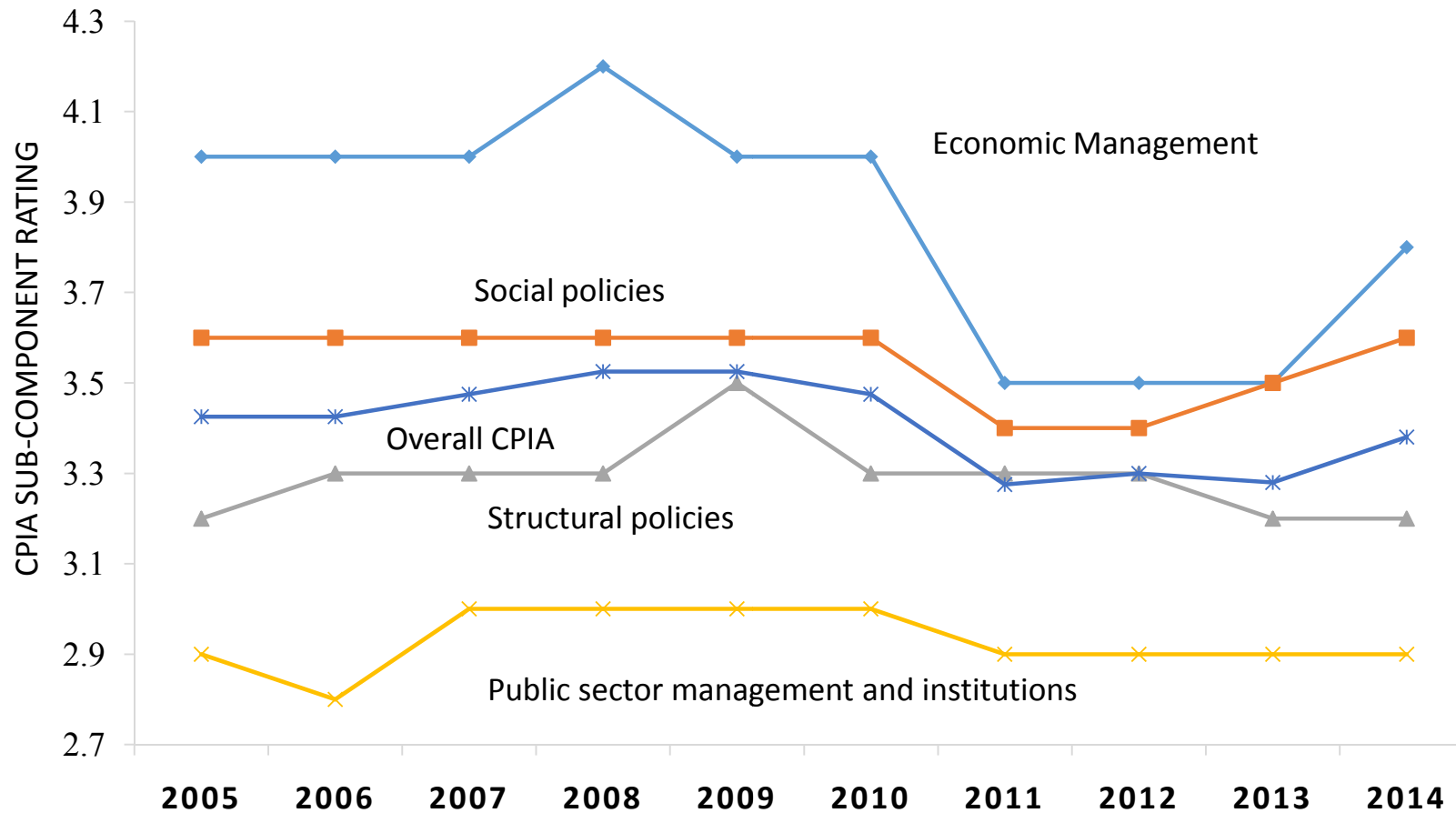
Bangladesh did well but other countries did better

	GDP per capita, PPP (current international \$)			GNI per capita, PPP (current international \$)		
	1980	2012	CAGR	1980	2012	CAGR
India	425	3870	7.1	430	3820	7.1
Sri Lanka	750	6146	6.8	760	6030	6.7
Indonesia	662	4876	6.4	640	4730	6.5
South Korea	2398	30011	8.2	2360	30180	8.3
Thailand	1075	9660	7.1	1070	9280	7.0
Philippines	1356	4339	3.7	1340	4380	3.8
China	253	9083	11.8	250	9040	11.9
Bangladesh	319	1851	5.6	310	2030	6.0

Source: WDI

The not-so-bright spots

Key governance and public sector challenges...



The not-so-bright spots

... Also in comparison with other countries

Comparison of Institution Quality (2014-2015)								
Country	Overall Institution Ranking	Overall Institution Score	Property Rights	Public Trust in Politicians	Judicial Independence	Favoritism in Decisions of Government Officials	Burden of Government Regulation	Efficiency of legal framework
South Asia								
Bangladesh	131	3	3.3	1.8	2.2	2.2	3	2.9
Bhutan	38	4.5	4.4	4.1	4.8	3.7	3.7	4.1
Sri Lanka	62	3.9	4.3	2.7	3.6	2.7	3.3	4.6
India	70	3.8	4.1	3.4	4.2	3.4	3.6	3.8
Nepal	120	3.2	3.3	2.1	3.3	2.8	3	2.9
Pakistan	123	3.2	3.3	2.3	3.8	2.6	3.1	3.3
East Asia								
China	47	4.2	4.5	4.1	4.0	4.1	4.1	4.1
Indonesia	53	4.1	4.3	3.6	3.9	3.9	4.0	4.1
Philippine	67	3.9	4.3	2.6	3.6	3.1	3.4	3.7
Korea, Rep	82	3.7	4.2	2.4	3.5	2.9	3.2	3.5
Thailand	84	3.7	4.1	1.9	3.8	2.8	3.3	3.8
Vietnam	92	3.5	3.6	3.4	3.4	3.0	3.1	3.4
Cambodia	119	3.2	3.3	2.6	2.3	2.6	3.4	3.1

Source: Global Competitiveness Reports, World Economic Forum

The challenges going forward

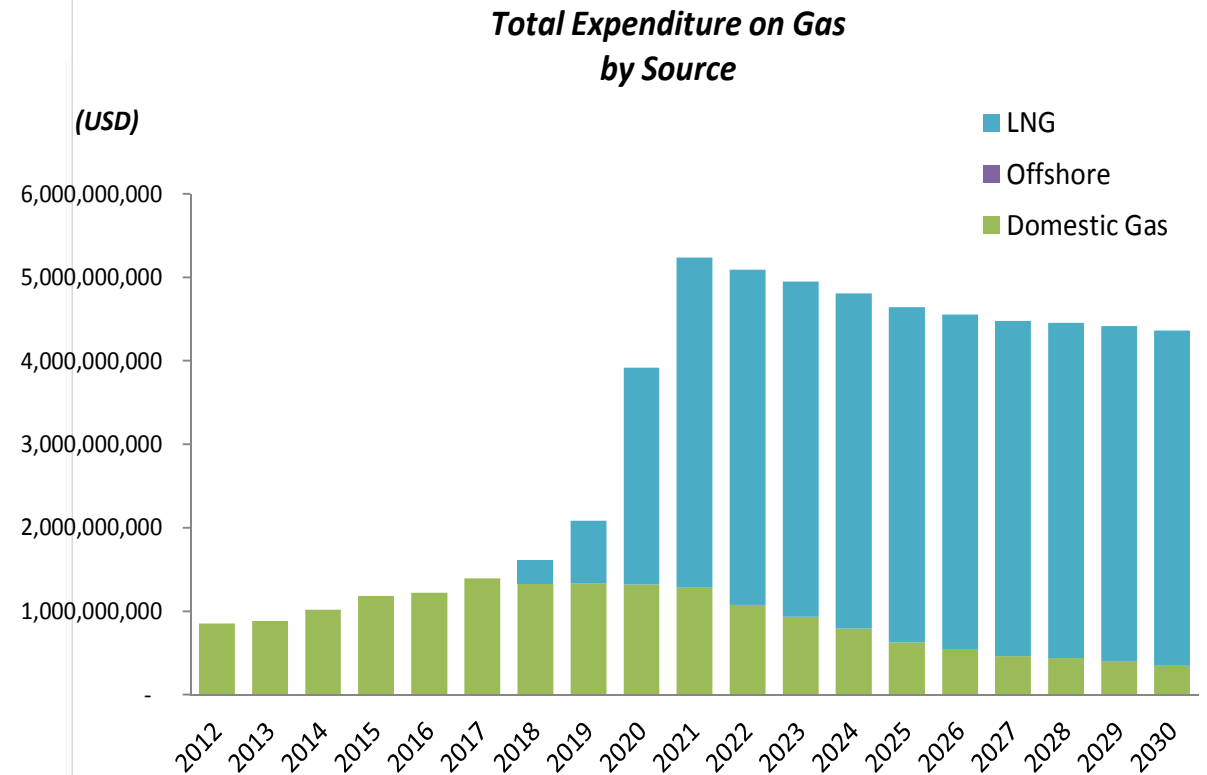
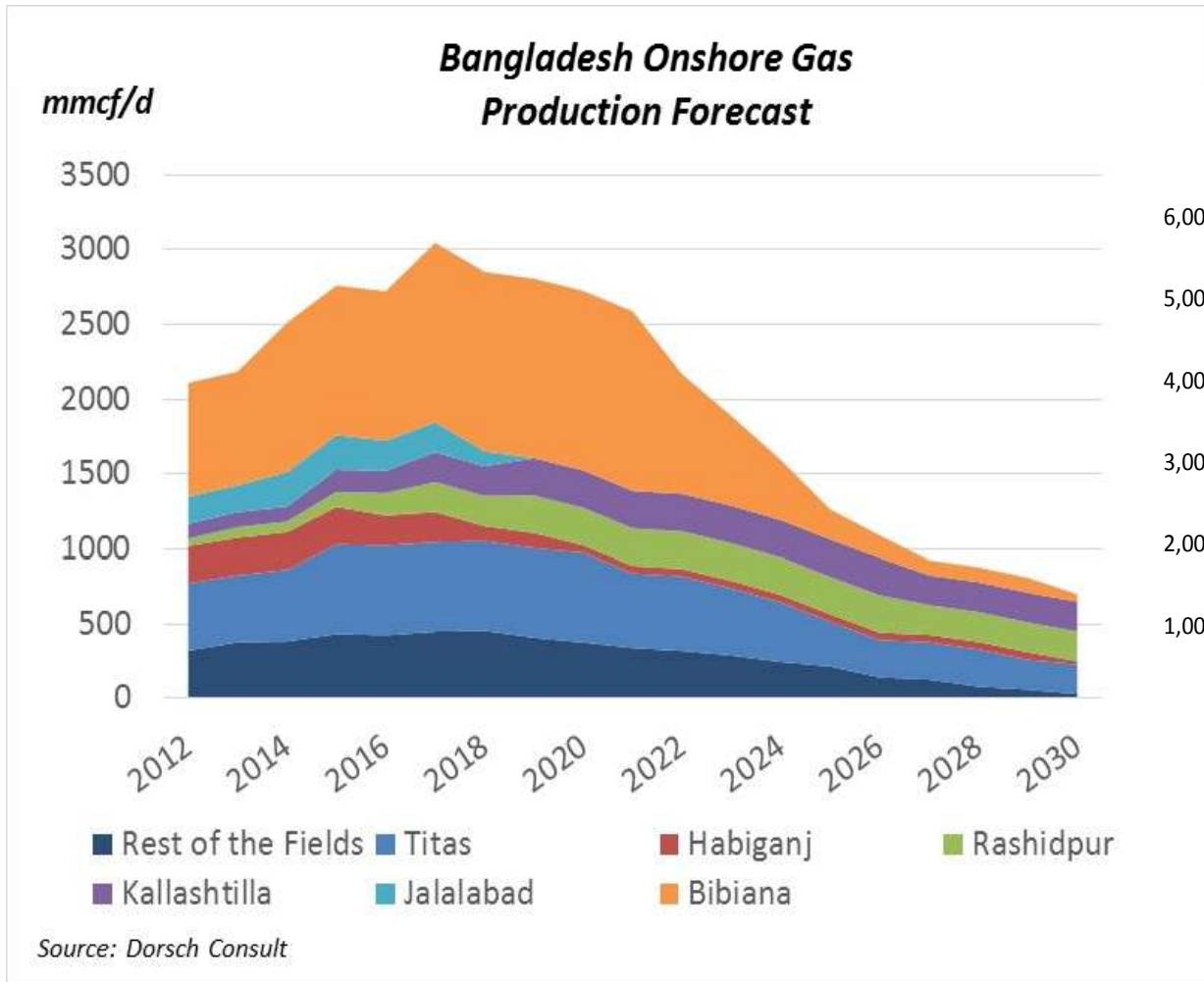
Persistent infrastructure deficiencies

Ranking of Bangladesh in Global Competitiveness Indicators	2009	2010	2011	2012	2013	2014	2015
	Rank/133	Rank/139	Rank/142	Rank/144	Rank/148	Rank/148	Rank/140
Overall Rating	106	107	108	118	110	109	107
<i>Quality of overall infrastructure</i>	125	130	129	131	134	130	124
<i>Quality of port infrastructure</i>	113	107	113	121	104	93	93
<i>Quality of electricity supply</i>	128	134	135	136	133	124	120
<i>Mobile telephone subscription</i>	---	126	127	125	128	128	119

Source: The Global Competitiveness Report (2008-2015)

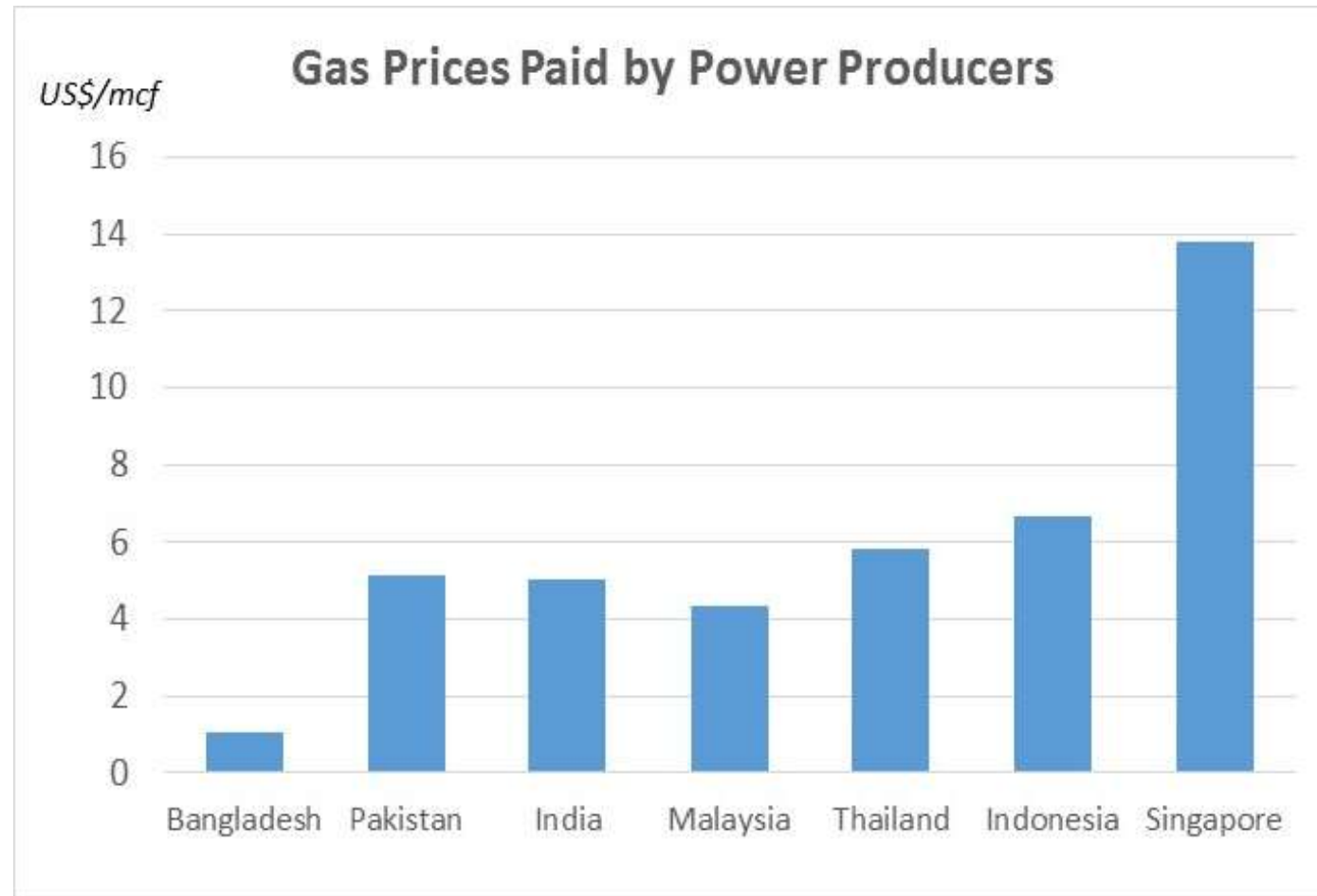
The challenges going forward

Shrinking supplies of domestic gas increase the cost of electricity generation



The challenges going forward

The pricing of gas may be a reason for insufficient exploration and exploitation



The challenges going forward

Weaker Doing Business indicators than in comparator countries

Comparison of Ranking Ease of Doing Business, 2015											
Country	Ease of Doing Business Rank	Starting Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Minority Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
South Asia		95	118	122	127	97	78	124	137	148	125
Bangladesh	173	115	144	188	184	131	43	83	140	188	147
Sri Lanka	99	104	60	100	131	89	51	158	69	165	72
Nepal	108	104	91	85	27	116	71	126	171	134	82
Maldives	116	50	24	108	169	116	135	134	132	91	135
Bhutan	125	92	131	72	86	71	104	86	165	74	189
Pakistan	128	116	125	146	114	131	21	172	108	161	78
India	142	158	184	137	121	36	7	156	126	186	137
East Asia		104	71	67	97	80	102	84	82	94	104
Korea, Rep	5	17	12	1	79	36	21	25	3	4	5
Thailand	26	75	6	12	28	89	25	62	36	25	45
Vietnam	78	125	22	135	33	36	117	173	75	47	104
China	90	128	179	124	37	71	132	120	98	35	53
Philippine	95	161	124	16	108	104	154	127	65	124	50
Indonesia	114	155	153	78	117	71	43	160	62	172	75
Cambodia	135	184	183	139	100	12	92	90	124	178	84

The challenges going forward

The top concerns of businesses in Bangladesh

