

## Editor's Desk

The January 2022 issue of *Thinking Aloud* focuses on "50 years of Bangladesh: The development challenges in the time ahead". The first page article titled "50 years of Bangladesh: The development challenges in the time ahead" focuses on the political economy analysis of the development journey of Bangladesh over the last five decades. The article presents a comprehensive approach to analyzing the overall progress in economic and social sectors and outlines four lessons from the historical developments of the country: (i) The supremacy of 'pockets' of functional informal institutions over weak formal institutions, (ii) The supremacy of the 'deals environment' over coordinated industrial policy, (iii) The challenges of effective regulation and (iv) The challenges of state capacity. The second and third pages of this issue are dedicated to the SANEM webinar titled "50 years of Bangladesh: Achievements, challenges and lessons", held on 13 December 2021. The webinar hosted a panel discussion where leading economists and experts of the country discussed the nation's progress towards achieving the broader development goals along with the upcoming challenges. Reflecting the youth's hopes and aspirations, a discussion by four undergraduate students was also featured in the webinar. The panelists shared their insights regarding the historical journey of Bangladesh and the factors which have influenced the country's journey so far. Over the past five decades, Bangladesh has made significant progress in various socio-economic areas. The national economy has performed considerably well during this time period. Contextualizing the 50 years of Bangladesh along these lines of discussion, the panelists explored aspects of the transformation of the rural economy and agriculture, labour market dynamics, gender aspects of labour force, and associated barriers. Furthermore, the challenges such as poverty, inequality, and impact of COVID-19 were explored by the panelists from a multitude of perspectives. Another major area of discussion covered was climate change and the strategic approach required for ensuring adequate reparations for climate change-induced damage. Noting the successes of Bangladesh over the last five decades, the panel concluded by expressing hope that the youth will bring on the necessary changes and build a brighter future. The fourth page showcases the snapshots from the webinar. The editorial board would like to wish the readers and well-wishers of *Thinking Aloud* a very happy new year!

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## 50 years of Bangladesh: The development challenges in the time ahead

Selim Raihan

As we are celebrating 50 years of independence of Bangladesh, questions remain about the development challenges in the days to come. The development challenges of Bangladesh in the coming days are associated with larger development goals. The country aims to become an upper-middle-income country by 2031 and a high-income one by 2041. Also, there are stiff development targets to be achieved by 2030 under the Sustainable Development Goals (SDGs).

If we look back past 50 years, Bangladesh has achieved many developments compared to the state after the devastating war in 1971. The country made a significant improvement in the per capita GDP from a small base in 1971. The economic growth performance over the past three decades remained impressive. The country graduated from the low-income category (as per the classification of World Bank) to the lower-middle-income category in 2015. Bangladesh will graduate out from the LDC status by 2026. The remarkable success in the export of RMG made the country the second-largest exporter of RMG in the world. There have also been important improvements in some social indicators. Both maternal and child mortality rates declined substantially from very high levels and life expectancy at birth increased dramatically. The country achieved universal gross enrollment in primary education. Also, there have been some notable progresses in gender parity and women empowerment. Given the weak performance in formal institutional capabilities (both economic and political), the achievements so far prompted many to argue whether Bangladesh was an outlier in development experience. Some recent political economy analyses, however, indicated that while in the cases of progress in some social indicators, Bangladesh acted like an outlier, in the case of economic performance, Bangladesh was not an outlier.

Four lessons we can draw from the past experiences of development in Bangladesh. (i) The supremacy of 'pockets' of functional informal institutions over weak formal institutions. (ii) The supremacy of the 'deals environment' over coordinated industrial policy. (iii) The challenges of effective regulation. (iv) The challenges of state capacity.

**The supremacy of 'pockets' of functional informal institutions over weak formal institutions:** Against an overall distressing picture of formal institutions, Bangladesh made success in creating some 'pockets' of functional informal institutions. The examples of 'pockets' of functional informal institutions in Bangladesh include the well-functioning privileges and special arrangements for the RMG sector, promotion of labour exports, agricultural research and development related to food security, and microfinance. The fundamental question, however, remains whether Bangladesh will be able to achieve much larger development goals with weaker formal institutions.

Informal institutions can have two distinct roles concerning the stages of development. At an early stage of development, if countries can steer informal institutions to make them growth-enhancing, countries can achieve strong economic growth and also some improvements in the social sector. However, for the transition from a lower to a higher stage of development, whether the country can maintain a high growth rate and achieve further development goals depends on the dynamics of how informal institutions evolve and whether formal institutions become stronger and functional. Not many developing countries have been able to make this transition. Certainly, the East Asian and most of the Southeast Asian countries are success stories in using informal institutions efficiently at the early stage of

development, as well as achieving some notable successes in the transition to functional formal institutions. Bangladesh's progress in developing formal institutions over the years has remained weak, and this will certainly act as a binding constraint to the development process in the days to come.

**The supremacy of the 'deals environment' over coordinated industrial policy:** Under the 'deals environment' the industrial – or, more broadly, development strategies, as well as significant investment or resource allocation choices, are frequently the outcome of agreements, or 'deals', between the political and business elites. These arrangements are for specific activities or programs that are decided on an ad hoc basis rather than following a well-defined overall strategy. The recent political economy analysis suggests that the 'deals environment' rather than any coordinated industrial policy has been the major feature of Bangladesh's development process. Such a 'deals environment' is discriminatory and does not allow diversification of the economy. Though the 'deals' involving RMG exports resulted in positive outcomes, many other sectors remained excluded and have not been the beneficiaries of the 'deals environment'.

Bangladesh needs to pursue a coordinated industrial policy that is inextricably linked to the government's other policy instruments, such as macroeconomic policy (e.g., the real exchange rate), public infrastructure, and SEZ management. Transparency and accountability regarding the implications of these policies for industrial development are also important. There is a need to make a substantial improvement in the general business climate too.

**The challenges of effective regulation:** The challenge the government faces in regulating certain key activities to achieve more efficiency and equity in the economy is referred to as the 'problem of effective regulation'. In some circumstances, the legal framework for such regulation is an issue, which may be antiquated or otherwise inadequate for the goal pursued, and in which reform attempts have continually failed. In other circumstances, the framework may exist, but there is not enough capacity to put it into action. The banking system's dysfunction, the failure to control labour conditions in a crucial sector like RMG, or simply the poor performance of taxation are examples of the areas. Other regulatory authorities may be similarly ineffective. Their result is a waste of resources, such as excessive NPLs in the banking sector or SROs in taxation and their misallocation, social damage and lost lives in Rana Plaza-style accidents, numerous scam scandals, and rising inequality, as rules violations disproportionately benefit the wealthy while harming the poor. The economic cost of these rule violations may be significant, despite how difficult it is to assess. Effective regulatory reform in critical economic domains like the financial and taxation sectors will be extremely important in the times ahead.

**The challenges of state capacity:** The challenges of state capacity are manifested in a variety of ways in which Bangladesh has to make a substantial improvement to achieve larger development goals. Some of these challenges are obvious, such as a lack of public resources (e.g. low level of domestic resource mobilisation through taxation), resulting in the limited provision and poor quality of public goods (e.g. very low level of public spending on health, education and social protection), a lack of public service capabilities, or lack of efficiency in the administrative structure. Others are less obvious, such as the corruption in most administrative clusters, which makes public service delivery inefficient and inequitable, cuts revenues, and discourages economic projects. The capacity of the state to implement the mega projects cost-effectively and timely also remains a big challenge.

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## 50 years of Bangladesh: Achievements, challenges and lessons

At its 50th year, Bangladesh stands at a unique conjuncture—one that has perplexed development experts and academicians. The historical transitions, structural shifts and political-economic processes which have shaped and continue to mould Bangladesh, are subjects of great significance. Each of these factors demands objective, in-depth analysis. In that endeavour and to commemorate the golden jubilee of Bangladesh, South Asian Network on Economic Modeling (SANEM) organised a webinar titled “50 Years of Bangladesh: Achievements, Challenges and Lessons” on 13 December 2021. The webinar hosted a panel discussion on Bangladesh’s economic and social development, and future pathways. Among the esteemed panelists were: Dr Qazi Kholiquzzaman Ahmad, Chairman, Palli Karma-Sahayak Foundation (PKSF); Dr M M Akash, Chairman, Department of Economics, University of Dhaka; Dr Mustafizur Rahman, Distinguished Fellow, Centre for Policy Dialogue (CPD), and Dr Sohela Nazneen, Research Fellow, Institute of Development Studies (IDS), University of Sussex. The webinar also featured a young group discussion by four undergraduate students from University of Dhaka. The students were: Namira Shameem, Sheikh Rafi Ahmed, Khandakar Iffah and Mubasher Haider Chowdhury. The webinar was moderated by Dr Selim Raihan, Professor, Department of Economics, University of Dhaka, and Executive Director, SANEM; and Dr Sayema Haque Bidisha, Professor, Department of Economics, University of Dhaka, and Research Director, SANEM.

### Opening Remarks

**Dr Selim Raihan**  
Professor, Department of Economics, University of Dhaka, and Executive Director, SANEM



Upon welcoming the panelists and the participants to the webinar, Dr Raihan presented a brief introduction addressing the core themes of the webinar. A historical and political-economic analysis of Bangladesh’s journey was set forth in the introductory remarks. Economic growth, structural transformation of the Bangladesh economy, dependency on RMG sector and remittance, state capacity in terms of tax to GDP ratio and public financing, social safety net, education, healthcare and emerging challenges in human development—diverse issues experienced during the five decades of nation, were to be explored through the webinar. Dr Raihan presented a summary account of Bangladesh’s growth and development—spanning the transformation from a completely aid dependent country to one that is set to graduate the LDC category. In the introductory remarks, he also shared his concerns regarding debt dependency, macroeconomic fluctuations, lack of diversification, poverty, inequality and climate change.

**Dr Sayema Haque Bidisha**  
Professor, Department of Economics, University of Dhaka, and Research Director, SANEM



Acknowledging Bangladesh’s GDP growth rate, poverty alleviation successes, self-sufficiency in food and other achievements, Dr Bidisha delineated some of the key challenges for the country in the days ahead. She briefly addressed issues such as employment, women empowerment, inequality, and resource mobilisation. Emphasising on the potential of the youth and the importance of utilising the youth, she discussed the issues of NEET and unemployment among the educated youth. The health and social rights of the youth need to be prioritized in policymaking. Simultaneously, the distortions and asymmetries existing in the labour market need to be addressed through mid to long term government interventions focusing on building of capacities and industry demands. Dr Bidisha also shared her insights on the evolving trends of international migration and its impact on the households’ income and expenditure.

### Youth Group Discussion

**Ms Namira Shameem**

Undergraduate Student, University of Dhaka

- How can we ensure that graduation from poverty will be accompanied by resilience and stability in terms of livelihoods?
- How can we increase gender sensitivity on micro level so that the impact can be translated into macro level as well?

**Mr Sheikh Rafi Ahmed**

Undergraduate Student, University of Dhaka

- How has the disassociation of the working class with politics influenced inequality? How can the working class be incorporated into the political and economic processes? Can mainstreaming of labour union in politics be the solution?
- What is the way forward regarding women’s reproductive rights in the context of Bangladesh?
- How fruitful would be the decision to join RCEP, especially when Bangladesh is graduating from LDC category?
- What should be the priorities and action plan for Bangladesh in case it gets the reparations demanded for impacts of climate change?

**Ms Khandakar Iffah**

Undergraduate Student, University of Dhaka

- How can we make the rural economy more resilient so that it can deal better with crisis such as COVID-19 in future?
- How will existing regional disparity and inequality in online education during the COVID-19 pandemic impact education?

**Mr Mubasher Haider Chowdhury**

Undergraduate Student, University of Dhaka

- How can we initiate structural change and reduce the wealth inequality?

- How can the labour force employed in agriculture sector be more effectively integrated into the overall development process? Furthermore, how can we use the abundant labour in agriculture sector effectively?

### Panel Discussion

**Dr Qazi Kholiquzzaman Ahmad**

Chairman, Palli Karma-Sahayak Foundation (PKSF)



Dr Ahmad analyzed the historical trends of the rural economy over the last 50 years. The trajectories of agricultural production, urbanisation and inequality in the context of rural development were explored in his discussion. He defined inequality in the rural landscape as getting behind, living behind and putting behind. In this regard, Dr Ahmad stressed on ensuring an inclusive development process. He also pointed out that there has been a decline in moral values across all of the society. The decay in social ethics has also impacted and compounded inequality which in turn has resulted in unfair amount of wealth being concentrated in the hands of a few. Reflecting on experience of PKSF and the organisational initiatives undertaken to address inequality and inclusive development, Dr Ahmad clarified his own development philosophy. He also discussed the potential and challenges of the government’s development projects, action plans and strategies.

Dr Ahmad further focused on climate change and its multifarious impact on Bangladesh. Extrapolating the international efforts for mitigating the impact of climate crisis, he shared his insights on Bangladesh’s position in the dialogues centering on reparations of climate change induced damages. He also shed light on the inequality aspect of climate change. According to Dr Ahmad, Bangladesh needs to formulate a strategic plan to effectively counter the impacts of climate change. Bangladesh’s success in disaster management has proven to be valuable and this experience has been key for building certain capacities which can be essential for managing the mid to long term effects of climate change. However, the question of climate justice remains relevant all the same. Although, climate change is primarily a result of industrialisation and urbanisation by the rich countries, heavy price is being paid by the countries of global south who stand at risk of losing land due to the rise of sea level. A refugee crisis due to the changing climate is also imminent, Dr Ahmad pointed out.

During the open discussion, Dr Ahmad stressed on rethinking economics and manner of comprehensive analyses. He also presented a critical view of microcredit programmes. In conclusion, he observed that while there has been a lot of discussions at international level on climate change, in reality little has been done to mitigate it—this is a growing concern for Bangladesh.

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**Dr M M Akash***Professor and Chairman,  
Department of Economics,  
University of Dhaka*

Responding to a question from the young student group of the panel, Dr Akash deliberated on the conceptual frameworks of churning and new poor in the context of the pandemic. He also presented critical observations on the data on poor and in general the poverty scenario in Bangladesh. There are both political and economic aspects to the factors pertaining to the households' fluctuations between upper and lower level of poverty. Noting that an individual's income status depends on certain factors including savings, capital asset, opportunity, social environment, state support, etc., Dr Akash stressed on policy interventions in this regard. Provisions like universal education, free healthcare can increase crucial capacities of the poor and shield them from external shocks such as the COVID-19 pandemic. The interrelation among microcredit, SMEs and poverty alleviation was also highlighted by Dr Akash. However, the process for empowering the poor, for implementation of such policy tools, remains yet to be institutionalised.

Responding to another question from the student group, Dr Akash shared his insights on the state of the working class and the distinct impact of agricultural, manufacturing and service sector on the overall standard of lives of the workers. There have emerged new dimensions in the labour force employed in the agricultural and industrial sectors. Organised labour in the urban area has become comparatively weaker. The decline in political participation by the working class was also discussed by Dr Akash.

Dr Akash reflected on the defining characteristics of crony capitalism and its relation with poverty and inequality. The logical solution, in this regard, is to establish a welfare model which would implement a progressive tax regime benefitting the poor and ensuring an inclusive growth. Referring to Dr Rounaq Jahan's thesis, Dr Akash pointed out that three conditions have to be met for bringing progressive change in terms of social, political and economic welfare: specific agenda, alternative popular organizations and trusted political leadership. During the open discussion, Dr Akash stressed on formulating innovating solutions to the problem of educated unemployed. He also put great emphasis on vocational training. A synchronisation between the education structure and the sectors of agriculture, service and industry is essential in this regard. In conclusion, he observed that the quality of education has to be ensured.

**Dr Mustafizur Rahman***Distinguished Fellow, Centre  
for Policy Dialogue (CPD)*

Since the partition of India in 1947, political aspiration has changed over generations and continues to do so today.

This change in political aspiration and ideologies have been one of the key factors defining the course of history of Bangladesh, Dr Rahman pointed out at the beginning of his discussion. In retrospection, over the last 50 years there have been achievements as well as setbacks—all of which need to be studied objectively and there are important lessons to draw from these experiences.

Discussing the issues of national revenue and GDP, Dr Rahman emphasized on direct taxation as indirect taxation tends to put economic burden on people of lower income strata. Observing the current scenario of wealth inequality and referring to contemporary theories on wealth and income inequality he raised the issue of inheritance tax. As Bangladesh is set to graduate from LDC category, new challenges will emerge therewith, which will require a comprehensive approach to mobilization and utilization of domestic resources. Accordingly, digitization has to be introduced in the agricultural sector.

Bangladesh's position in the global trade scenario has to be reassessed, Dr Rahman stressed. He pointed out that the comparative advantage enjoyed by Bangladesh in RMG should be translated to agriculture as well. Bangladesh also needs to concentrate on bi-lateral and multi-lateral free trade agreements. It is important to note that clearly defined interests are crucial for such agreements. Domestic reforms in tariff structures and other relevant areas may provide the country with the necessary leverage. However, such reforms have to be evidence-based.

Responding to questions from the student group, Dr Rahman discussed in details the vulnerability and resilience of the poor in the context of economic shocks such as the ones induced by COVID.

During the open discussion, Dr Rahman discussed the prospects of the ASEAN single window. He also reviewed the interrelationship between education and employment. Bangladesh's trade relations with other countries and the associated issues of the existing trade regime were also addressed in the discussion.

**Dr Sohela Nazneen***Research Fellow, Institute of  
Development Studies (IDS),  
University of Sussex*

Gendered perspective in state operations, gender based violence in public and online sphere, and achievements and setbacks in women empowerment over the last 50 years in Bangladesh—these three themes were discussed in details by Dr Sohela Nazneen. She shed light on each of these issues from a feminist socio-political viewpoint. Reflecting on the progress in women empowerment, Dr Nazneen pointed out that development in women's political, economic and social empowerment has not been distributional. Contextualizing cross-country comparison can yield new findings and concepts. While there has been laudable improvement in child mortality rate and female education rate, the female participation in labour force has been low and is currently at a stagnant point. Although,

tailored social programs along with widespread microcredit programs have made some positive impact in terms of women empowerment.

A critical review of the narratives on women empowerment was presented by Dr Nazneen. She observed that progress of women is not being envisioned from the women's perspective but from a perspective of national and wider societal gains. In this regard, women's interest is secondary to national interests. The main arguments for investment into women's education, health or other provisions stems from the understanding that in the final analysis such investments would be beneficial for the national gain. The fundamental nature and implication of this narrative was brought to question by Dr Nazneen and she explained the necessity of an alternative women-centric approach to the overall issue of gender equality.

Analyzing the historical trends of women development in Bangladesh, Dr Nazneen pointed out that due to government and non-government interventions across various levels of public life and economy, over the decades there have emerged some ruptures in the patriarchal sphere in the urban areas and countryside. She also shed light on the impact of COVID-19 on female employment and income, female participation in labour force and female engagement in wider society. There have been significant shifts in the political sphere which need to be analyzed from a gendered perspective, Dr Nazneen argued. Trends in politics are among the determining factors behind gender equality.

**Open Discussion**

Following the panelists' deliberations, an open discussion was conducted in the webinar. Academicians, development experts, professionals, journalists and students participated in the open discussion. The participants shared their own views and thoughts on the achievements, challenges and lessons learned from the 50 years of Bangladesh's development experience. Notably, the open discussion was attended by Mr Syed Nasim Manzur, Managing Director, Apex Footwear. Mr Manzur shared his personal observations on youth employability and the general mentality of the youth regarding employment. He pointed out that for further progress of the youth a change in mentality regarding employment in manufacturing sector is imperative. Other participants of the webinar also voiced their concerns regarding youth employment, women empowerment, economic and social inequality, trends in trade regime and certain political-economic factors.

**Closing**

In their closing remarks, Dr Raihan and Dr Bidisha thanked the discussants, the young group and the audience. Dr Bidisha expressed her hope that such discussions will pave the way forward for achieving gender equality and in general equity in society and economy. In appraisal of the discussion, Dr Raihan remarked that the spirit of the youth that was reflected in 1971's Great Liberation War, continues today and the youth has the capacity to overcome the challenges ahead.

## Snapshots of webinar on 50 years of Bangladesh

### PANELISTS



**Dr Qazi Kholiqzaman Ahmad**  
Chairman, Palli Karma-Sahayak Foundation (PKSF)



**Professor M M Akash**  
Chairman, Department of Economics, University of Dhaka



**Dr Mustafizur Rahman**  
Distinguished Fellow Centre for Policy Dialogue



**Dr Sohela Nazneen**  
Research Fellow, Institute of Development Studies (IDS) University of Sussex



**Dr Selim Raihan**  
Professor, Department of Economics, University of Dhaka  
Executive Director, SANEM



**Dr Sayema Haque Bidisha**  
Professor, Department of Economics, University of Dhaka  
Research Director, SANEM

### MODERATORS

### YOUNG GROUP DISCUSSION



**Ms Namira Shameem**



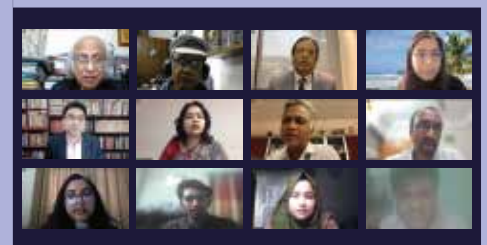
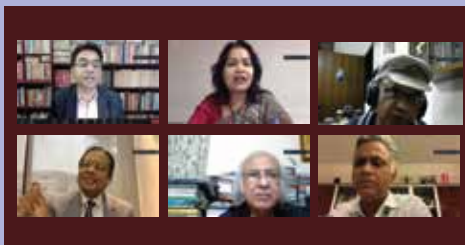
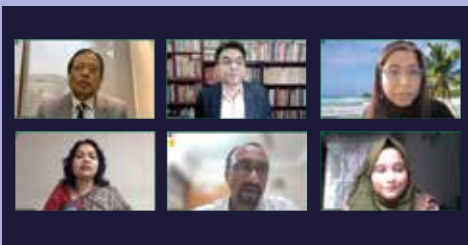
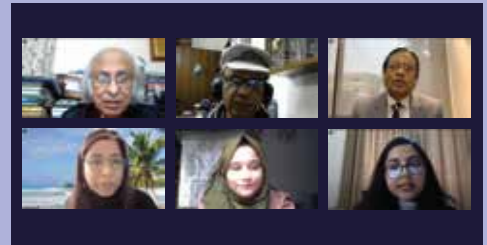
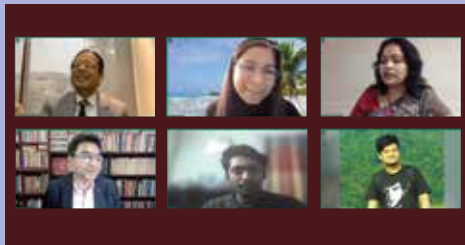
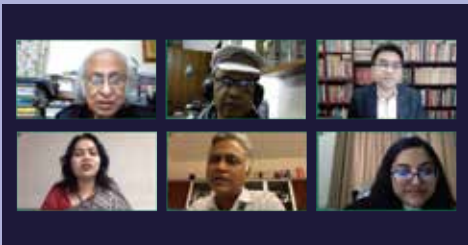
**Mr Sheikh Rafi Ahmed**



**Ms Khandakar Iffah**



**Mr Mubasher Haider Chowdhury**



SANEM is a non-profit research organization registered with the Registrar of Joint Stock Companies and Firms in Bangladesh. Launched in January 2007 in Dhaka, it is a network of economists and policy makers in South Asia with a special emphasis on economic modeling. The organization seeks to produce objective, high quality, country- and South Asian region-specific policy and thematic research. SANEM contributes in governments' policy-making by providing research supports both at individual and organizational capacities. SANEM has maintained strong research collaboration with global, regional and local think-tanks, research and development organizations, universities and individual researchers.

