

## Keynote Presentation

**Good Morning and a very warm welcome to BIDS CC 2017!**

### **Review of Developments and Emerging Challenges**

#### **Aim of the Conference**

“BIDS Critical Conversations” began its journey last year when the theme was “The Bangladesh Journey” as already noted. The motivation of the conference was to create a credible, neutral, non-partisan space where development stakeholders and policymakers, including professionals, academics and civil society personalities could discuss and debate key concerns and issues in a sensible, dispassionate and constructive manner. We believe it is important to strengthen the tradition of reasoned argument, debate and discussion backed up by evidence and logic – a tradition that some say has been on the wane. At the same time we should be able to discuss any topic that is of national importance without having to impose self-censorship or display undue sensitivity to certain ‘taboo’ subjects. As long as we adhere to basic norms of civility and objectivity, and give priority to reason over emotion, we have little to fear and much to gain.

#### **Review of BIDS Critical Conversations, 2016**

##### *1. Growth and Poverty Reduction*

Since 1990, GDP has been growing at a sustained 5.5-6.5% per annum in real terms (or 3-4% per annum in per capita terms). In 2009 our per-capita income was \$559 but in 2016, it was \$1466 supported by export revenues of \$29 billion, and rising.

The growth was broad-based – it trickled down, benefiting everyone, including the poor. In fact, the fall in extreme poverty was even faster than overall poverty decline. The most important factor behind poverty reduction was agricultural performance. The following questions were raised:

- Can agriculture continue to play this role?
- Should we focus more on the non-farm sector in the future?
- Why didn't manufacturing, particularly RMG play a bigger role in reducing poverty?

##### *2. Inequality*

Inequality has been rising alarmingly if we compare the situation in 2016 with what was the case in the early 1990s. However, recent evidence seems to suggest that again,

since 2005, inequality has tended to decline. **Key question here whether this trend has been sustained.**

Over the past 20 years, Bangladesh has made some of the biggest gains in the basic condition of people's lives seen anywhere. **The improvement in life expectancy has been as great among the poor as the rich.** Major gains have been made in education, health and gender parity. This is reflected in school enrolment of girls, reduction in child, infant and maternal mortality.

**These improvements cannot be a simple result of increases in income.** So what are some of the key factors responsible?

1. Fertility decline
2. The Green Revolution and Food Security
3. Microcredit and the Role of NGOs
4. Remittance and Labour Exports
5. The RMG Sector
6. The health Infrastructure
7. Education and gender parity
8. Targeted Interventions
9. Rural institutions and local governance (CBO, NGO, *samiti*, SHG – key vehicles for transmission of inputs and ideas)

*Threats: Old and New*

- Corruption (no clear strategy to deal with it yet – does it matter?)
- Terrorist threat and growing religious intolerance – within the past year the threat level has risen dramatically
- Climate change
- Rapid urbanization
- Educated unemployment

*Mindsets are Changing*

1. Going back to an earlier era, people lacked initiative and submitted to *takdir* or fatalism. The War of 1971 brought a revolutionary change in the mind set of people. They were no longer satisfied with *takdir* but instead prepared to take matters into their own hands to change their fate. The large number of rural people heading to the Middle East or other countries is a case in point. The common man has awakened and decided to 'succeed' at any cost. **The main question here is that people are ready to take up any challenge but are the policymakers ready?**

Our high growth rates must be translated into quality cities. Employment generation should be the key focus here. According to BBS, in the last 3 years only 6 lac jobs were generated.

2. In 2009, we aspired to produce 4500 megawatt of electricity. We had nothing to start with. While Hannibal was planning to cross the Alps with his elephants, he was asked “how will you cross it?” He replied, “I’ll find a way or I’ll make one”.

We did the same – we mobilized USD 8-9 billion. We wanted to make a power plant at Payra on a deserted open space beside the sea where there was no habitation for miles. We dreamt of mobilizing USD 2.5 billion and we achieved it.

**This is the new “can do” mindset of the people and the government.**

## **Excerpts from Selected Sessions**

### **1. *Eradicating Extreme Poverty***

#### Significant Achievements recorded

- Poverty has gone down 1.6 percentage point decline per year, and declined to 24.8% in 2015
- Extreme poverty has also gone down at the rate of 1.4 percentage point decline per year to reach 12.9% in 2015
- Prevalence of underweight children under five years of age has gone down from 57% in 2000 to 31.9% in 2013
- Under-five mortality (per 1,000 live births) has also gone down from 84 in 2000 to 41 in 2013.
- Maternal mortality (per 100,000 live births) has also gone down from 318 in 2000 to 197 in 2013.

#### Challenges remain:

- Still over 20 million people live in extreme poverty
- About one-fifth of primary school aged (6-10 years) children is out of school; child malnutrition still high.
- About two-thirds of women get married before the age of 18 years, leading to early and risky pregnancy.
- Although access to sanitation has improved, 55.9% people still live in poor conditions with unsafe sanitation facility.
- Maternal mortality is still high and has fallen short of the MDG target - a large proportion of it is preventable.

#### Way forward

- Further push needed through replication of micro successes in eradicating extreme poverty – i.e., scaling up targeted livelihood programmes
- In other words, we need “Bigger, better targeted social protection schemes” for Extreme Poverty Reduction
- More investment on human capital development
- Promoting market development and facilitating EP access to labour markets and income generation opportunities

### Some features of poor HHs

- Sex ratio has changed among the poorer households over time – there are now more women in poorer households.
- Poorer HHs have more day laborers and earn less remittance
- Poorest women have more freedom, have own earning, and more decision-making power in HHs -- but they are more hungry, less respected, less informed and less healthy!

### A Puzzle

- Real wages in agriculture has risen since 2007-08 in the face of modest agricultural growth. However, a sizable population (2 cores) still living in extreme poverty. So **why is it that the higher agricultural wage did not eradicate poverty through employment?** Marginal groups – not able to access labour market? E.g. Differently abled, street children, those living in geographically fragile environments – research needed.
- Human capital development of EP – children from extreme poor households go to madrasas. Up to one-third secondary girls are enrolled in madrasas. This seems like a waste of human resources and an impediment to mobility.
- Ethnic groups are missing?
- Environmental adverse areas create extreme poverty.

*Two suggestions:*

*Permanent Secretariat for Extreme Poverty Eradication?*

*Generate an official list of Poor and EP for targeting needs?*

## **2. Education and Human Capital**

### On Education Policy: Some Views

- One suggestion was for primary education to be extended to 8 years. Government seems not to be interested.

- ‘The nationalization of the education sector’ has turned the teachers into central government employees - they now don’t have any connection with the community and have less accountability – resulting in “a political culture that relies on populist and short term calculations and aids and abets incompetence and corruption”.
- Publishing new books every year and distributing them to students -- this task is shown as a success by the government. However, publishing new books and distributing them every year is inefficient and costly - why can’t we publish quality books that will last for three years?
- Bangladesh is probably the only or few countries in the world whose basic school system has two ministries: Primary Education Ministry and Secondary and Higher secondary Ministry. That’s why the transition phase from 5 year to 8 year is difficult.
- **NGO Role:** The PEDP-3 initiative will be implemented only by the government. What then will be the role of BRAC and other NGOs, which have significantly contributed in the non-formal education sector? What will happen to the more than 5000 ‘Community Learning Centers’ run by NGOs that need official support and recognition.

### The Supply -Demand Gap in the Education System

Stipend based incentives to promote education was necessary in the past but we need to evaluate if it is an appropriate tool today. The supply side of education is neglected. These incentive programs in primary and secondary level attract more students, thus the demand for education is induced, but many of them drop out from schools overtime, because on the supply side the quality of education is poor. Creation of a “national teaching corp” could be considered.

### The Madrasa System

We are reluctant to address the madrasa dilemma. Also we need to take a look at the budget allocation for the Madrasa system. It is not included in mainstream education policy because it is a politically sensitive matter.

### Budget Spending in Education Sector:

There has been a decline in public spending in the education sector in recent times. Considering the dropout rate, about 40 % children are still not going to school.

Mismatch between investment and allocation in education sector: The ministry of finance doesn’t approve the allocated money to Ministry of Education because they lack the capacity of utilization; while the Ministry of Education accuses the ministry of finance for delaying approval.

## **3. *Bangladesh in the Region: India, NE India, Nepal, Myanmar, China***

This session covered the geopolitical advantage that Bangladesh presumably enjoys in the South Asian region and how it can use this to its advantage. East Asian countries saw regionalism as seamless connectivity pervading increasingly sophisticated production networks, so each ASEAN country became members of regional value chains instead of global ones.

Several questions were posed:

- a) Is Bangladesh reaping the benefits of all “the low hanging fruits”?
- b) How will sea-based regional cooperation take place?
- c) How will Bangladesh address Open vs. Closed regionalism?

Open Regionalism: Open regionalism has low external barriers, non-restrictive rules of origin, service markets and strong focus on reducing transaction costs. One of the panelists suggested that open regionalism, however, has not been so successful, e.g. case of APEC.

There are three types of interests involved : 1) Geopolitical interest, 2) Geo-economic interest, and 3) regime interest while deciding the foreign policy of Bangladesh.

“We can’t discuss regionalism in this area without addressing China’s “One Belt, One Road” policy. China has already established deep-sea ports in Pakistan, Myanmar and in Sri Lanka. Therefore, our policy of connectivity should be in response to what is happening in the region.

For example what is happening in Myanmar? There have been two important changes: one is transfer of political power from military to a civilian government; and secondly, infrastructure development. Myanmar has already started working on Sino - Burmese gas pipelines and regional highways. It is also part of the ADB-GMS. Thus, it is already involved in mega infrastructure projects, which will attract huge FDI and create opportunities for trade.

The next thing is what is happening in India specially the north-east part of India? There has been a paradigm shift in the political sphere in north-east India. It is very important for us as we look to north-east India for hydro power, trade and investment. But now NE India is looking at connectivity with Thailand, Vietnam and Laos -- so where does that leave us?

#### Key Questions:

1. Does Bangladesh have a geopolitical advantage given the current world situation?
2. Which strategy will be best amongst SAARC, BIMSTEC, BCIM and these types of quadrangular initiatives?
3. Whether we can look at connectivity in isolation of trade in goods & trade in services or should we look at it as a package?
4. With Bangladesh maritime border expanding will sea connectivity bring a new dimension to regional co-operation?
5. How do central leaders of India, China & Myanmar evaluate Bangladesh?
6. What Bangladesh’s strategy should be to deal with Myanmar?

7. How should we take the look east policy forward?
8. Is Bangladesh at a “critically fortunate moment” - Bangladesh is being talked about and big parties are taking interest.

#### **4. Land Use, Land Administration and the Land Market**

Agricultural land conversion estimates vary from 0.13-1% per annum – need to have a better idea.

BIDS (2005) survey of 64 districts: 93 % were found to be subsistence farms, only 2.5 % farms had land over 2.5 acres. No surplus land!

How do we meet the land demand of industry, transport and housing?

Land Bank?

A new phenomenon has been noted: Urban rich buying land from farmers and setting up tea gardens or farms in the name of agricultural production and development.

*Special Economic Zones?*

- This could be an important part of the solution for industry. Issues related to infrastructure, energy, governance, access are critical. The “economics of SEZ” needs to be examined. Experience from the region is mixed.
- Khas land issues have been allowed to remain unresolved, mired in local corruption, grabbing, ad hoc measures – allocation to SEZ might be the best thing to do. Attempts to redistribute have failed. But SEZ could also degenerate into a land-grab exercise.
- The Chinese have done very well with SEZ – we should learn from them – bring in Chinese managers – and ensure that the first few succeed well before talking about 100.

*ICT?*

Introducing ICT and integrated software in land administration is a good initiative to get out of the limitations imposed by the land administration system. Digitization and computerization can help provide access to all the relevant information quickly, from one place. This will help improve the efficiency of the land market. Bangladesh has already initiated a pilot project for land digitization, which should be extended.

*Political Will*

- Need to re-establish rule of law and stop illegal grabbing (river, water bodies, khas land, etc. – necessary first step).
- Need to reform the land office, which is mired in bad practices and corruption and is a source of infinite misery to all those who go there.

## **5. Revisiting the role of Agriculture**

Crop diversification has not progressed – still the focus is on rice. The amount of land under food-grains over the period 1992-2012 has remained fixed while the amount of land under rice has increased. So, instead of crop diversification, rice, production has become even more concentrated.

Emerging shortages:

- Water for irrigation,
- Paucity of labor.

Water constraint poses a major threat in the sense that use of ground water mainly tube-well water has been reduced significantly while the use of surface water for irrigation is now at its peak. Thus, there is a looming water shortage in the offing.

*Feminization: Labor constraints in agriculture may be paradoxical to some people but the recent dynamics of agriculture in Bangladesh has shown a shortage of labor in this sector even though the country possesses a huge labor surplus and underemployment rate is also high.* This is resulting in more women in the labour market and growing capital intensity.

### *Some Observations*

- Large farmers are more productive! (WB 2015, based on MH data)
- Rice exports: Not recommended – ‘Bangladesh has competitive advantage in case of rice in its import price not in export price’.
- Need to switch from water dependent Boro rice back to rain-fed Aman rice!
- Adoption of Newer Technology? (Fortified rice? GM? High value crops)

Sustainable Development Goals (SDG) promise that the country will be hunger free by 2030. How to sustain agriculture growth in the near future is one of the greatest challenges for Bangladesh.

## **5. Parting Thoughts**

What should we aspire to?

1. We should be the largest-ever manufacturing takeoff in a democracy.

Only seven countries are at least as large as us in this regard. With 100 million people or more, Brazil, Indonesia, Nigeria, and Russia are commodity stories, relying on

commodity (i.e., oil) exports; India is a service story, trying hard to ignite manufacturing; China and Vietnam are manufacturing stories but in a socialist market economy. That would make Bangladesh a story of the largest manufacturing-led takeoff in a democracy, 'if the green shoots mature as trees'.

Why the emphasis on manufacturing?

The reason is simple: it can create more and better jobs quickly to absorb our 2 million new workers every year.

With diffused manufacturing, what and how well we produce is important. Equally, if not more important, is how seamlessly we connect with the world. That's why infrastructure, skills, and institutions matter so much, especially as our manufacturing reaches beyond garments.

Bangladesh is now in an unprecedented flux amid 4 critical transitions: industrialisation, urbanisation, youthful demographics, and technology (mobile, media).

These forces can both unite and fragment societies, straining harmony. During these transitions, changes often do not add up; they multiply.

Harmony is not exactly in abundance in today's world where cultures and identities are weathering complex pressures; where aspirations and resentments have gone global and digital. Technology, for example, spreads light but also darkness, polarizing the immature into binary positions: aspire or despair; conform or perish.

Good news is our growth drivers - garments, remittance, agriculture - have mostly been inclusive so far but it is not clear if this trend will or can be sustained.

Looking ahead, global growth will likely be slower over the next 20 years than in the past 20. Think of China's churning, Japan's tepid growth, the uncertainty in the US under Trump, the Middle East hurting from the low oil price and geopolitics, the EU still coping with the 2008 crisis and now Brexit. With weaker tailwinds on our back, we need to sail harder, reform faster, and implement better. A new phase awaits us, breathing for newer solutions, consensus, and new capacities.

### ***The Menu for BIDS CC 2017***

Potential growth

Can Bangladesh Continue to Grow without "Good Governance?"

Improving Quality of Education

Critical Issues in Child and Maternal Nutrition

Emerging labour market concerns

Revisiting water

Financial inclusion and banking

Sustainable cities

Mobile Financial Services

Climate and Migration

Women entrepreneurship

Energy security and strategy

Social security (NSS)

Towards the Industrial Revolution

Thank you for patiently giving me your attention.