

## **Bangladesh's 'Development Surprise' and Covid-19**

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### **INTRODUCTION**

Before Covid-19 set in 2020, Bangladesh surpassed pundits' assessments and expectations on the way to achieving impressive social and economic development. To recognize this, they started referring to Bangladesh's development as a 'Surprise' (Asadullah et al., 2014) or 'Unexpected Success' or 'Paradox' (Hossain, 2017), or even 'miracle' (Sawada, 2018). This stands in stark contrast to Bangladesh's tangled picture, which has been described as a "basket case" (Smith and Keefer, 2005) or a malignant "Test Case of Development" (Faaland and Parkinson, 1976).

Nonetheless, the development surprise of Bangladesh was visible in many economic and social indicators. For instance, in 2017, its population's life expectancy stood at 72.8 years, and the literacy rate was 72.3%. In 2018, the national poverty rate decreased to 21.8%, while the extreme poverty rate dropped to 11.3%, and the economic growth rate reached 7.86% . Bangladesh's economy is projected to reach US\$700 billion in 2030, making it the 26th largest economy in the world (Henry and Pomeroy, 2018). Even with Covid-19, Bangladesh still looks likely to "leave the LDC category by 2024" (UNDESA, 2018).

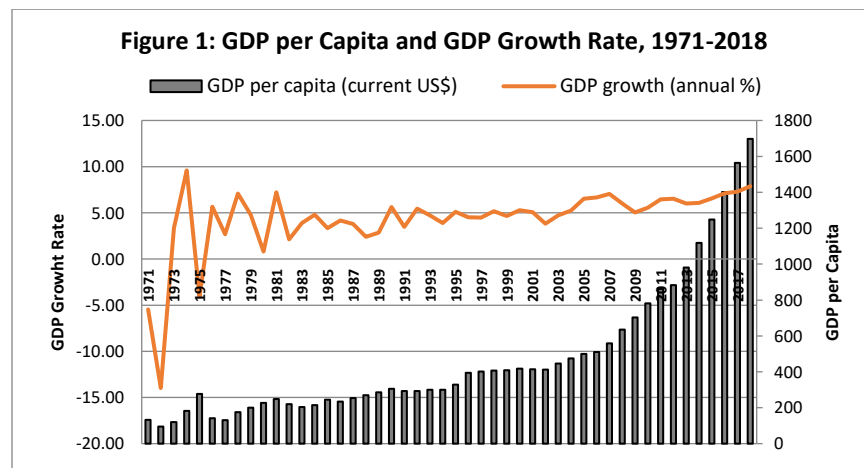
Fact is, Bangladesh "was near the bottom of all economic and social indexes" after independence in 1971 (Mahmud et al., 2018). Nonetheless, the interplay of diverse development attempts with internal and external elements (Rahman, 2018) appears to have played a key role in forming a development framework. But Covid-19 has adversely impacted Bangladesh's 'development glory' as it has raised the question of whether Bangladesh's development will sustain or not.

## SOCIOECONOMIC PROGRESS OF BANGLADESH

Post-independence Bangladesh experienced all of the challenges that an undeveloped country faces. Nonetheless, it has made significant socioeconomic progress throughout the years. Following are the areas where its progress is simply impressive.

### *Economic Growth*

Bangladesh's GDP growth rate experienced massive turbulence in the 1970s due to the independence war in 1971 and a famine in 1974. For instance, the growth rate contracted by -5.5% in 1971, further by -13.96% in 1972. The economy bounced back with a growth figure of 9.59% in 1974, the highest recorded growth in Bangladesh's history. But the rate contracted by -4.09% in 1975. From Figure 1, we can see Bangladesh's growth position since and find that it touched nearly 8 % before Covid-19 began.



Source: World Bank (2019). *World Development Indicators*.

### *Structural Shift in GDP*

In the 1970s, the primary sector (agriculture, forestry, and fishing) saw the most significant structural change in GDP contribution. Its share came down to 32.8% in 1980 from 54.6% in 1970. Between 1980 and 1990, only 2.3%, followed by 5.7% in the 2000s (from 22.7% to

17.0% between 2000 and 2010). The data for 2018 show further decline as the sector constituted only 13.1% of GDP.

On the other hand, the service sector has made great progress in terms of structural transformation. In the 1970s, it supplanted agriculture as the greatest contributor to GDP. The industry grew in the following decades, peaking in the 2000s. However, since 2016, this sector's proportion has decreased slightly, falling from 53.6% in 2014 to 53.5% in 2017, and subsequently to 53.0% in 2018. Between 1970 and 2018, the manufacturing sector's share increased from 5.8% to 17.3%.

### ***Success in Agriculture and Food Production***

Because of the agrarian mode of societal evolution, poverty, and the tragic experience of famine in 1974, which killed many people, the agriculture sector has remained historically essential and sensitive for Bangladesh.

Indeed, the agriculture sector responded with productivity growth to reforms in the 1980s like irrigation expansion, better connectivity, market mechanization for farm products by investment in roads, technology, and high-yielding plant varieties, and fertilizer (Shahabuddin, 2014). The grain production tripled between 1972 and 2014, from 9.8 to 34.4 million tons (World Bank, 2016). During 1990-2014, Bangladesh's agricultural sector registered an annual average of 3.7% productivity growth, the second-fastest growth rate in the world (second only to China).

### ***Access to Finance and Financial Inclusion***

Giving a large number of poor people access to finance was a huge challenge for Bangladesh and Professor Md. Yunus' development of model-based microcredit in 1976 for lending small loans to disadvantaged households was a watershed moment in this regard. Since then, Bangladesh has come a long way to become a trailblazing emerging country in its efforts to include the disadvantaged, particularly impoverished women, in society. In June 2014, roughly 670 Microfinance Institutions (MFIs) had 25.11 million microcredit clients, or around 16% of Bangladesh's population (MRA, 2017).

As of 2014, about 80% of the households had access to financial markets – divided into formal, microfinance, and informal markets. Nevertheless, the substantial presence of all household sections in the informal market may not represent a healthy development. The recent proliferation of mobile banking in Bangladesh has added a new dimension to digital financial inclusion. In 2017, 14.5% of mobile phone users had mobile money accounts, presenting a lucrative opportunity for mass digital integration (BB, 2018).

### ***Poverty Reduction***

In 1973-74, according to household consumption data, 82.9% of Bangladesh's population was poor, and the rate remained high throughout the 1970s. Poverty was exacerbated by several circumstances, including the independence war, rising inflation, drought, flood, hunger, and political unrest (Akash, 2003). Even in 2000, half of the country's population was poor. By 2013, Bangladesh had achieved the first MGD goal of decreasing extreme poverty and hunger (UNDP, 2013). In 2018, people below the poverty line fell to 21.8%.

### ***Externalization of Bangladesh Economy***

Bangladesh has been following a path of economic globalization since the late 1970s. As a World Trade Organization (WTO) member, it has significantly reduced many tariffs and non-tariff barriers to trade and investment and allowed the floating exchange rate. Due to economic externalization, the RMG has emerged to be the strategic sector for Bangladesh, contributing about 80% of export earnings since 2014. In 2019, total earnings from RMG export stood at US\$34.13 billion or 84.2% of total exports (BEMEA, 2019) and the second-largest figure in the world after China.

The Migration and Remittances Data for 2017 estimated that Bangladesh has a total stock of 7.8 million migrants worldwide (World Bank, 2018b). As a regular source of wealth transfer, remittances now stand many folds to its foreign direct investment (FDI) and official development assistance (ODA) combined. Remittances to Bangladesh have reached US\$21.75 billion in 2020, making it the 8<sup>th</sup> largest remittance recipient country in the world (World Bank, 2021).

### ***Rapid Urbanization***

Bangladesh is undergoing urbanization through adaptation and large-scale migration to urban areas as a territorial response to structural changes. To support, just 6.27 million people lived in urban areas in 1974, compared to 39 million in 2011. During this time, the 'urbanization level' increased from 8.78% to 27.66% (Islam, 2018). Economically, increasing urbanization has increased the contribution of the urban sector to GDP from 26% in 1973 to 42% in 1999. The urban proportion increased to about 50% in 2012, demonstrating Bangladesh's significant economic structural development (ADB, 2012).

### ***Advances in Various Socioeconomic Indicators***

Although a huge population is still an issue, Bangladesh has been able to slow population growth. Though the fertility rate of women is relatively high, 2.076 as of 2017, the population growth rate appears to have stabilized at 1.37% since 2013. (World Bank, 2019). In the same way, the average lifetime has increased from 47 years in 1972 to 72.8 years in 2017. Bangladesh's adult literacy rate increased to 72.3% in 2016 from 26.4% in 1974.

Bangladesh's human development grew dramatically between 1990 and 2017, even before strong economic growth was reached. The HDI value in 2017 was 0.608, up 57.1% from 1990 (UNDP, 2018), putting the country in the category of medium human development.

### ***Empowerment of Women***

In Bangladesh, both the government and NGOs have played critical roles in fostering an atmosphere that allows women to control their lives and decision-making. Efforts were made in the 1990s to improve maternal mortality, boost primary education, and achieve gender parity in secondary education by providing financial incentives to female students. As a result, women's economic engagement in the economy has increased, with 18.6 million working in 2017, up from 16.2 million in 2010.

Bangladesh is ranked first among South Asian countries in the World Economic Forum's Global Gender Gap Index (GGGI) for the third year in a row in 2018. With 48th rank globally,

Bangladesh is much ahead of its South Asian neighbors. In addition, the disparity in adult literacy rates between men and women has narrowed over time (BBS, 2018).

### ***GO-NGOs Partnership***

Bangladesh's development pattern is sometimes referred to as a unique "NGO model," in which the government and non-governmental organizations (GO-NGOs) have collaborated since independence. Indeed, NGOs' significant presence as a quick-functioning organ has aided program scaling through the diffusion of innovative ideas (Mahmud, 2017) and the development outcomes for which Bangladesh is praised by the international world (Asadullah et al., 2014). There are now 2224 local and 248 foreign-registered NGOs in Bangladesh (NGOAB, 2019). Bangladeshi NGO-MFIs are working to improve the rural population's overall social capacity through relief and rehabilitation, education, health and family planning, microcredit, empowerment, and legal assistance, infrastructure development, sanitation, and water supply, sustainable development programs, and research and communication (BB, 2015).

Covid-19 will affect the future progress of most of these areas in Bangladesh. However, the bright side is that Bangladesh is one of the few countries in the world to maintain a positive (3.5%) growth in 2020, which was no small achievement.

### **EXPLAINING THE DEVELOPMENT SURPRISE**

Bangladesh began its independence with a socialist ideology, nationalizing significant economic sectors. In the 1980s and 1990s, it veered off onto the neo-classical counter-revolutionary road. The state's proportional importance as a producer of goods had decreased to 20% of overall industrial output by the end of the 1990s (World Bank, 2000a).

Though the markets' economic agents are largely private owners, the government's role has remained crucial. Its economic management currently resembles both the New Classical Counter Revolution Theory and the Theory of Coordination Failure, despite these two models being incompatible. For example, the government attempts to achieve a desirable

balance in the transportation and communication sector by investing heavily in infrastructure development. This corresponds to the Theory of Coordination Failure, in which the government coordinates and supports complementarities among numerous stakeholders to achieve equilibria in a variety of scenarios. Nonetheless, customers of infrastructure projects are largely from the private sector for business interests, a legacy of the New Classical Counter Revolution Theory.

Further, we find four stakeholder entities - the government itself, the private sector, NGOs, and households - forming the structure of development linkages in the economy. Though external agents are parties to the development process of Bangladesh, we assume their positions are reflected by one or more of the four entities' activities. From the viewpoint of Theory of Growth and Coordination Failure, Bangladesh seems to have moved toward a 'Solidarity Development Model' where all the entities are working simultaneously for their self and national development goals, forming both the supply and demand sides simultaneously time.

### ***Explaining the Factors Behind Social and Economic Success***

Though social and economic progress can complement each other, they do not necessarily go hand in hand. Kenya, for example, although being nearly on a level with Bangladesh in terms of HDI (0.590 vs. 0.608 in 2017) (UNDP, 2018), has been unable to match Bangladesh's recent economic progress. Furthermore, since the early 1970s, the emphasis on human capital creation has significantly improved life expectancy and school enrolment rates but not economic growth, particularly in Sub-Saharan Africa (Meier 2000, World Bank, 2000b). As a result, traditional explanations for Bangladesh's human growth and economic successes may be inadequate.

For example, Sen (1999) claimed that human progress could be 'income-mediated' (as demonstrated by Korea) or 'support-led' (like Sri Lanka). Bangladesh isn't one of these countries. Even though Bangladesh's economic growth rate increased dramatically after 1990, it only reached 6% in 2004. At the same time, Bangladesh's education and healthcare

spending was below the norm for low-income countries." In the previous 10 to 15 years, several other nations in South and Southeast Asia, including India, Bhutan, Vietnam, Cambodia, and Laos, have expanded at equal or faster rates than Bangladesh. Bangladesh's socioeconomic progress, however, stands out in comparison to these countries (Al-Muti, 2014).

Bangladesh's development has been affected by various "contextual factors," including history, demography, cultural heritage, geography, women's empowerment, innovation scale-up, and natural disaster resilience (Asadullah et al., 2014). Asadullah et al. (2014) studied numerous Bangladeshi development paths empirically. Their research revealed no evidence to support income-mediated and/or public expenditure-led social development pathways (e.g., foreign aid, government spending). However, according to their research, an inclusive development strategy in collaboration with NGOs, in particular, was critical to Bangladesh's socioeconomic advancement. Reduced fertility and child mortality, low-cost solutions to various socioeconomic problems, social awareness, a valuable synergy between various social indicators, gender parity in schooling sparked by the introduction of demand-side incentive programs, and other factors all played a part.

We believe that the necessary first condition for Bangladesh's development remains the government. As Hoff and Stiglitz (2000: 415) argue, "most of the "success" cases of economic growth have involved heavy doses of government intervention. For instance, in the United States, the government has long played a role in financial market regulation (since 1863). The fact is that the government is endowed with powers that the private sector does not have. These powers are essential in addressing the public good/externality problems rife throughout the economy." Mahmud (2017) argued that low-cost solutions and social mobilization, broad-based social and economic development, government commitment, etc., were the pathways to human development in Bangladesh.

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Taking a political economy perspective, Hossain (2017) argues that “the key to Bangladesh’s development success lies in understanding why a strong political consensus emerged to pursue such a pro-poor development policy across governments and regimes” (Tudor, 2018). Hossain recognizes the critical role of the state “through its pursuit of a six-point plan: by creating sound macroeconomic policies; improving disaster management; making sound investments in public health and education; partnering with NGOs; supporting family planning; and encouraging labor migration” (Tudor, 2018).

### ***Role of Some Unexplained Factors***

The studies that have attempted to explain Bangladesh's development routes date back to the early 2000s. It was on the edge of breaking the 8% growth barrier before the Covid-19 onslaught in 2020, the literacy rate had increased, and life expectancy had increased even more. By examining recent increases in economic and social indices, one might infer the influence of additional development factors that have gone unstudied but may have synergized and compounded Bangladesh's development. The roles of population density, mass people's access to information and production technology, speed in sharing information at a low/no cost, the development character of returnee migrants, and the government's 'Big Push' investment in mega projects, which total BDT 3,866 billion (about US\$45.5 billion @BDT 85 per US\$) are all factors that need to be investigated.

## CONCLUSION

This study depicted Bangladesh's success story in the pre-Covid19 period when it was going through developmental transitions and discovering its "Development Surprise," which consists of sustained economic growth and progress in many social indicators. Agriculture, RMG, and international migration have all played important roles in this regard. By providing jobs, particularly for women, earning foreign currency through exports, and laying the groundwork for the country's industrialization, the RMG business is transforming the country's economy and social sector. Progress in the agriculture sector has many consequences, including poverty reduction, rural economic change, and rural-to-urban migration.

The distribution of social development achievement through education, healthcare, life expectancy, and women empowerment has also remained inclusive and the government's role in socioeconomic progress has remained paramount during the last four decades. On the other hand, NGOs have played a critical role in assisting government initiatives in conjunction with the private sector, civil society, and development partners to meet several of the previous Millennium Development Goals. The role of some 'other elements' in the development debate must be considered. However, Covid-19 has pushed Bangladesh into uncharted territory. The overall impact of the pandemic on the development progress is yet assessed thoroughly. However, Bangladesh may have passed a litmus test by averting any serious food crisis or a complete collapse of the health system so far in the Covid-19 crisis.

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