

Looking at the Past to see the Future

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Three questions

- How did the way in which Bangladesh achieved success differ from what was prescribed in the 1970s and early 1980s
- What allowed Bangladesh to succeed through this different path?
- Do the development ideas proposed earlier have any relevance for current Bangladesh?

Development strategies of early Bangladesh

- Faaland and Parkinson
 - *Bangladesh – The Test Case of Development (1976)*
- Nurul Islam
 - *Development Planning in Bangladesh (1977)*
 - *Development Strategy for Bangladesh (1978)*
- Joseph Stepanek
 - *Bangladesh – Equitable Growth? (1979)*
- Abu Abdullah
 - *Land reform and agrarian change (1976)*
 - *Towards a viable land policy: What do we need to know (1978)*
- Mohiuddin Alamgir
 - *Bangladesh – A Case of Below Poverty Level Equilibrium Trap (1977)*

বাংলাদেশের
উন্নয়ন কৌশল
প্রসঙ্গ

নাজরুল ইসলাম

Beginning of transition

- Bangabandhu's plan of village cooperatives based on joint cultivation
- August 15, 1975 and change of political regime
- Ziaur Rahman and consolidation of the new regime
- Ershad's New Industrial Policy (1982)
- Strategy of "unfettered capitalism"
- Need for an alternative strategy

Competing strategies

Current Strategy Unfettered capitalism	Alternative Strategy Guided capitalism
Pro rich	Pro-poor
Pro urban	Pro-rural population
Precedence of private interests over community's interests	Precedence of community's interests over private interests
Aid dependent	Self reliant

বাংলাদেশের উন্নয়ন সমস্যা

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নজরুল ইসলাম

Drivers of the success

- Opportunity to export labor
 - Growth of remittances
 - Positive features of remittances as a foreign income
 - Multiplier effect of remittance income
- Opportunity to export labor-intensive manufacturing goods
 - Revolution in communications technology
 - Emergence of container method of transportation
 - Offshoring
- Domestic policies
 - Back-to-back LC
 - Bonded warehouse
 - Duty drawback
 - Liberal financing through banks

Figure 1: Bangladesh remittance income during 1984-85 – 2010-11 (in current prices)

Source: Centre for Policy Dialogue, Dhaka, Bangladesh

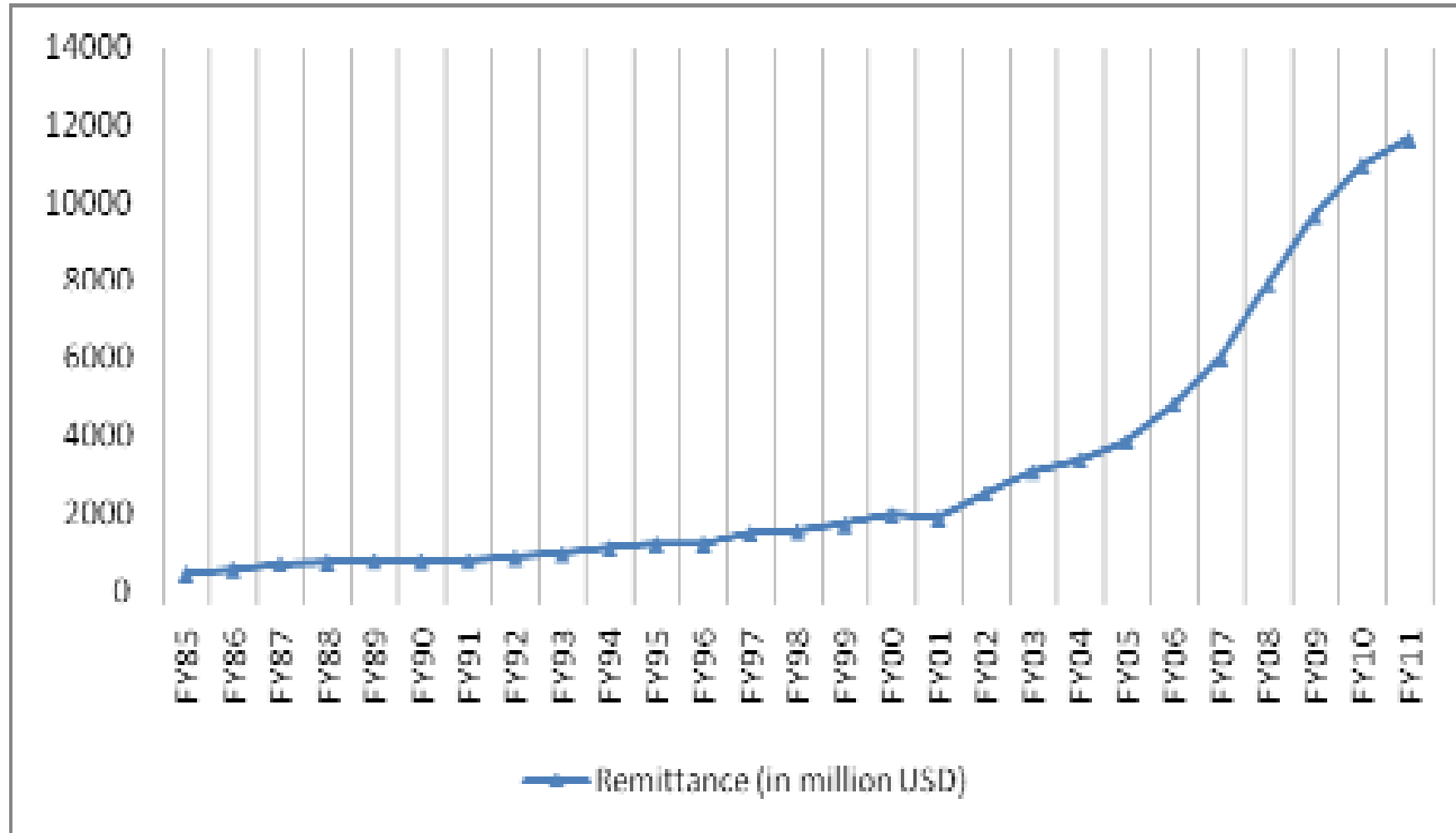
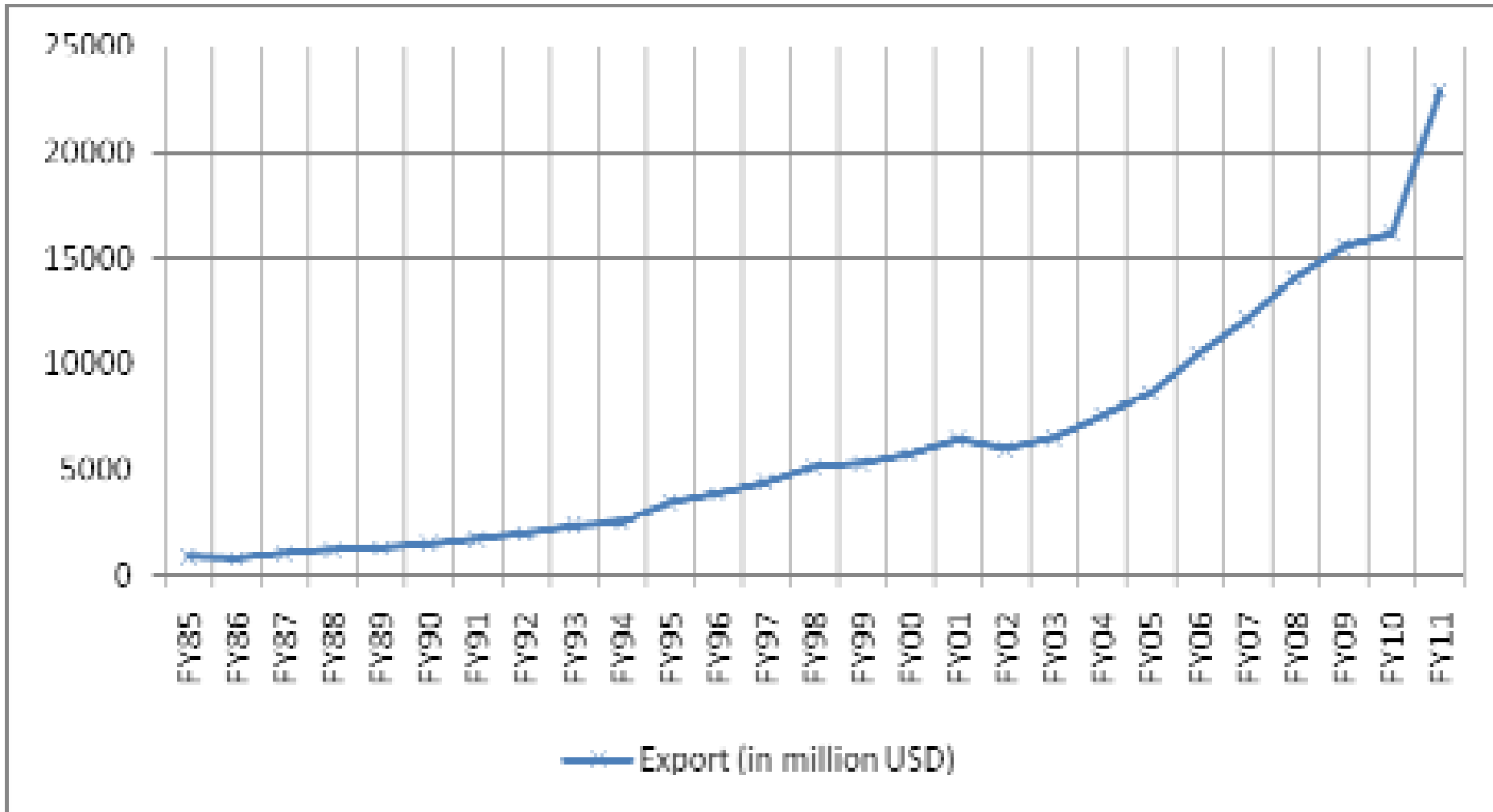
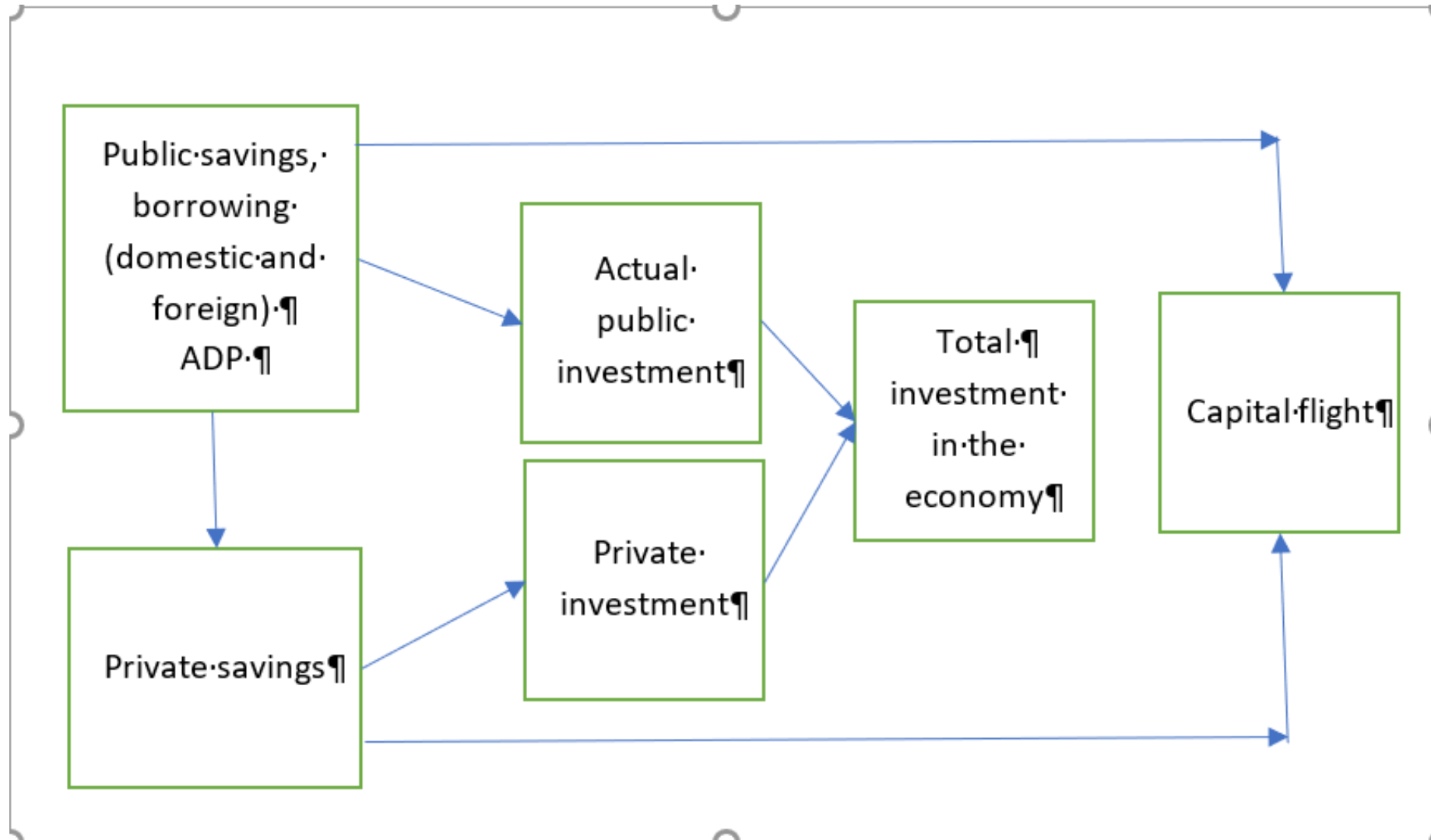


Figure 2: Bangladesh export earnings during 1984-85 – 2010-11 (in current prices)

Source: Centre for Policy Dialogue, Dhaka, Bangladesh



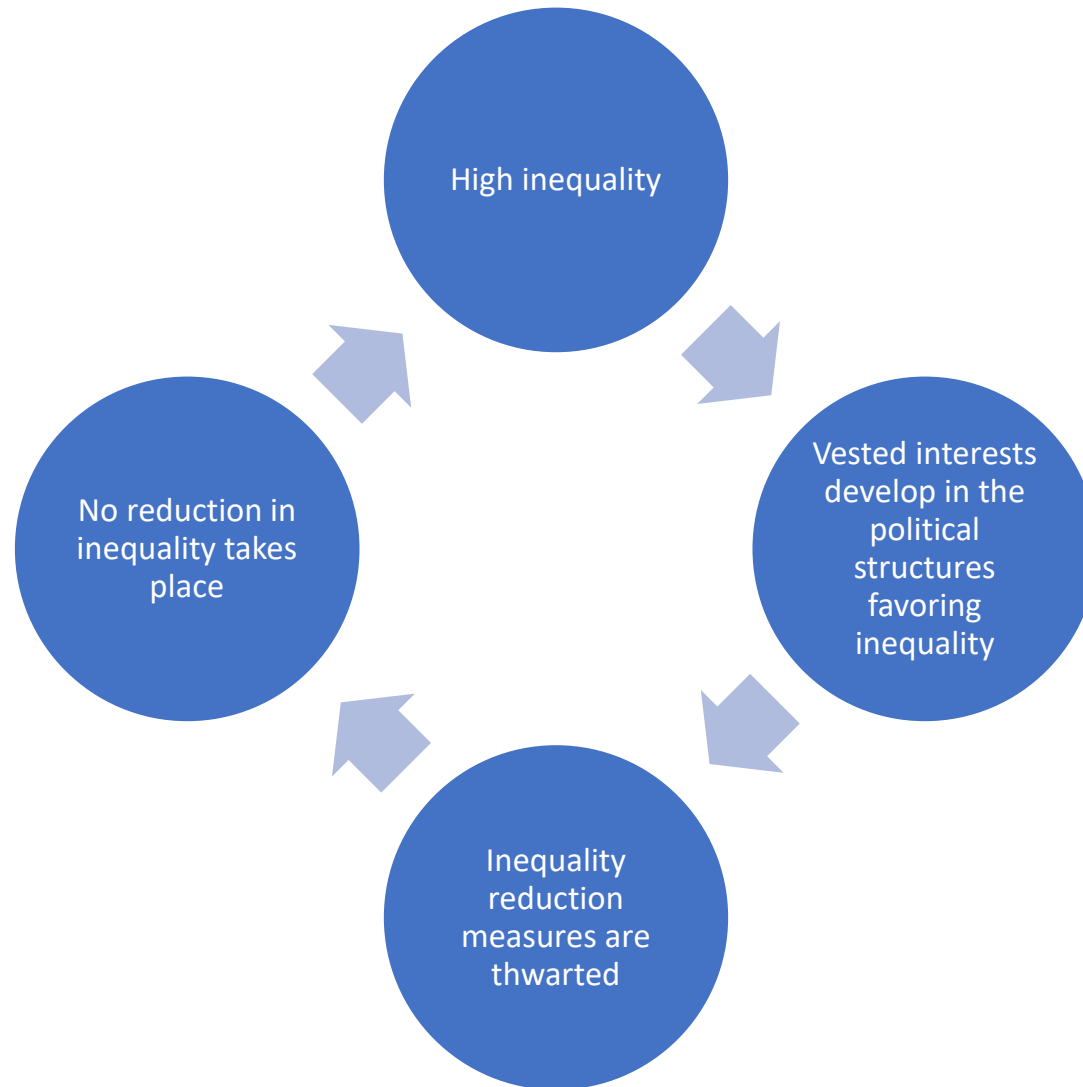
Leakage model of development



Rise and consequences of the leakage model

- Leakage of public savings into private savings through corruption
- Deterioration of the quality of public investment
- Capital flight
- Sub-optimal investment rates
- Deterioration of moral values and ethics
- Rise of inequality
- Violence

Inequality trap



Continued relevance of the alternative model

- Necessary to make development inequality-reducing rather than inequality-aggravating
- It is urgent to do so before the country gets caught in the Inequality Trap
- Development needs to be more spatially distributed instead of being centered in the capital city
- Interests of the community should get precedence over private interests. This is particularly important for protection of the environment, which has undergone severe damage
- Increased financial strength should translate into increased self-reliance in policy making and formulation of national plans

Conclusions

- Development strategies suggested during early period of Bangladesh were based on rural institutional changes, including proposals for radical land reform and communal land ownership
- However, Bangladesh's growth was achieved without such changes
- Emergence of new external opportunities – export of labor and export labor-intensive manufacturing products – made this possible
- Success has spawned a new generation of problems
- One such problem is the emergence of “Leakage model of development,” with undesirable consequences
- The ideas of alternative development strategy proposed earlier can help to tackle the new generation of problems and move forward.

Thank you!