

## Opinion

50 Years of Bangladesh

# The path to development is riddled with challenges



**Selim Raihan**

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Now that Bangladesh has reached the mature age of fifty, one expects a serious undertaking guided by well-thought-out plans to get rid of its development challenges. PHOTO: STAR

**A**s we continue to celebrate 50 years of Bangladesh's independence, there is a need for an elaborate discussion about the development challenges we are about to face in the days to come. Bangladesh's development challenges are associated with its 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 UN's Sustainable Development Goals (SDGs).

If we look back at the past 50 years, Bangladesh has achieved huge progress after coming out of a devastating war in 1971. The country made a significant improvement in per capita GDP from a small base in 1971. Its economic growth performance over the last three decades has been particularly impressive. Bangladesh graduated from the low-income category (as per the classification of World Bank) to the lower-middle-income category in 2015, and is set to graduate from the Least Developed Country (LDC) category by 2026. The remarkable success achieved in RMG production and exports has made the country the second-largest RMG exporter in the world.

There have also been notable improvements in some social indicators. Both maternal and child mortality rates have declined substantially, while life expectancy at birth has increased dramatically. The country achieved universal gross enrolment in primary education. Also, there has been some notable progress in gender parity and women's empowerment. However, given its weak performance in terms of formal institutional capabilities (both economic and political), Bangladesh's achievements so far have prompted many to argue whether Bangladesh was an outlier in the development experience. Some recent political economy analyses, however, indicate that while Bangladesh did act like an outlier in terms of progress in some social indicators, things were different in case of its economic performance.

From the past experiences of development in Bangladesh, we can highlight four areas/lessons that will have an important bearing on the future: (i) the supremacy of pockets of functional informal institutions over weak formal institutions; (ii) the supremacy of a

"deals environment" over a coordinated industrial policy; (iii) the challenges of effective regulation; and (iv) the challenges of state capacity.

Against an overall distressing picture of the formal institutions, Bangladesh has been successful in creating some pockets of functional informal institutions. Examples of such pockets include the well-functioning privileges and special arrangements made 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 its larger development goals with the weaker formal institutions.

Informal institutions can have two distinct roles in various stages of development. If a country can steer informal institutions to make them growth-enhancing at an early stage of development, it can achieve strong economic growth and also some improvements in the social sector. However, for the transition from a lower stage of development to a higher stage, 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, East Asian and most Southeast Asian countries are success stories in terms of using informal institutions efficiently at an 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, unfortunately, remained weak, and this will certainly act as a binding constraint to its development process in the days to come.

Under the "deals environment" mentioned above, its industrial or—more broadly—development strategies, as well as significant investment or resource allocation choices, are frequently an

outcome of agreements or "deals" made between the political and business elites. These arrangements are for specific activities or programmes that are decided on an ad hoc basis, rather than following a well-defined overall strategy. A recent political economy analysis suggests that this "deals environment", rather than any coordinated industrial policy, has been a major feature of Bangladesh's development process. Such an 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 benefitted from the "deals environment".

Bangladesh needs to pursue a coordinated industrial policy that is inextricably linked to the government's other policy instruments, such as the 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 hugely important. There is a need to make a substantial improvement in the general business climate too.

The challenge that 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 cases, the legal framework for such regulation is an issue, which may be antiquated or otherwise inadequate for the goals pursued, and in which reform attempts have continually failed. In other cases, a framework may exist but there is simply not enough capacity to put it into action. The banking system's weaknesses, the difficulties to ensure ideal labour conditions in a crucial sector like RMG, or the poor performance of taxation are some of the examples of the latter case. The result is a waste of resources, such as excessive non-performing loans in the banking sector or ad-hoc use of Statutory Regulatory Orders (SROs) in taxation and their

misallocation, social damage and lost lives in Rana Plaza-like accidents, and rising inequality, with the culture of violating rules disproportionately benefitting the wealthy and harming the poor.

The economic costs of these violations of rules may be significant, despite how difficult it is to assess them. Effective regulatory reforms in critical economic domains like the financial and taxation sectors will be extremely important in the coming days.

The challenges of state capacity are manifested in a variety of ways in which Bangladesh has to make a substantial improvement to achieve its 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 limited provisions and low 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. Other challenges are less obvious, such as 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 its mega projects in a cost-effective and timely manner also remains a big challenge.

Now that Bangladesh has reached the mature age of fifty, one expects a serious undertaking based on lessons learnt from the past and guided by well-thought-out plans to get rid of these challenges.

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## Editorial

# Prioritise safety, not profit

Health sector must reduce alarming rate of C-section



Fri Sep 30, 2022 05:19 PM Last update on: Fri Sep 30, 2022 05:27 PM

The Daily Star view on  
**INCREASING RATE  
OF C-SECTIONS**



**W**e are concerned regarding the increasing rate of unnecessary Caesarean section births taking place in Bangladesh. As a recent analysis – titled "Massive boom of Caesarean delivery (C-section) in Bangladesh: A household level analysis (2004-2018)" – found, the rate of caesarean deliveries has increased almost eight-fold in Bangladesh. In 2004, the rate stood at four percent, but the analysis revealed that the rate was found to be 33 percent in 2017-18. This rate is 18 percent higher than what the World Health Organization recommends it should be of the total birth deliveries in a country. More concerningly, Bangladesh's rate of caesarean section deliveries far exceeds those of its neighbours such as India,

Nepal, Myanmar, and Pakistan. And, alongside urban mothers, women in rural areas have also increasingly been opting for C-section births.

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While a C-section birth is needed in situations of malpresentation, failure to progress in labour, pre-eclampsia, prolapsed cord, etc, it should never be the go-to method of delivery. The fact that C-sections can also be unhealthy or even dangerous is often unknown to mothers. The most common complications for women getting C-sections are infections, fever, excessive bleeding, muscular pain, headaches, and anaesthesia-related complications. This seemingly convenient procedure also increases the risk of serious complications during one's next pregnancy, including the possibility of being unable to have children in the future.

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Given the aforementioned rise in the rate of C-section deliveries in Bangladesh, it is clear that a chunk of them are done unnecessarily, only for the hospital to pocket the higher price of the procedure versus the low cost of a normal delivery. Doctors in private hospitals reportedly falsely claim malpresentation to convince mothers to go for a C-section. How can doctors be so crass regarding the health and safety of their patients? Another issue that must be addressed is the need for trained birth attendants such as midwives. If they are integrated into the referral chain, even if a mother opts for a normal birth at home, a trained midwife could recognise at one point a normal delivery is unlikely and can then recommend that the patient be taken to a hospital instead.

We urge the government and its health sector to take action against hospitals which exploit birthing mothers by performing unnecessary C-sections. We also believe it is high time for traditional midwives to become integrated into the process of child-birthing and for there to be communication between them, the government, and hospitals. While it is crucial that mothers are made aware of when they should opt for a caesarean section birth, it is up to medical professionals to prioritise their ethics and never recommend a C-section procedure for the sake of profit – as has widely become the practice. Every child deserves a safe birth, and that's what the end-goal for healthcare professionals must be.

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## Views

# ‘Louha tribhuj’ and the political economy of development

**Hossain Zillur Rahman**

Thu Sep 29, 2022 10:42 PM Last update on: Thu Sep 29, 2022 11:47 PM

The micro realities of poor and middle-class households struggling against a relentless cost-of-living crisis signal the entrenched presence of 'bad days' for a majority of the population. VISUAL: BIPLOB CHAKROBORTY

**O**n many development metrics, Bangladesh's performance and achievements have been justly recognised and feted at home and around the world. However, while the 50-year transformation scenario has indeed been robust, near-term trends have exposed systemic weaknesses, making the medium-term outlook decidedly shaky. While the immediate sense of macroeconomic breakdown has been tempered, the micro realities of poor and middle-class households struggling against a relentless cost-of-living crisis, and the meso realities of enterprise-level heightened uncertainty in growth outlook in critical subsectors, signal the entrenched presence of "bad days" for a majority of the population.

In May 2022, the fifth round of the PPRC-BIGD panel survey estimated the proportion of new poor to be 18.5 percent. Last week, the government's statistical agency at last acknowledged that the poverty rate had indeed gone up and now stood at 29.5 percent, compared to the pre-Covid level of 20 percent. But this rise in poverty numbers and the economic despair of an escalating number of the middle classes is only the visible tip of the crisis iceberg. The real worry is in the political economy of the policy landscape impacting both crisis management in the short term and growth management in the medium term.

Bangladesh has a vibrant public discourse on the state of the economy. However, what is frequently missing is a political economy lens and connecting the necessary dots.

Is corruption only a moral failure or does it flourish due to how rule-making, incentives, and sanctions are being politically constructed? Is the reluctance towards reforms only a question of inefficiency or is it dictated by the compulsion of protecting vested interests? Are implementation weaknesses a lack of capacity or are they due to how merit is systematically sidelined to the benefit of sycophancy? What indeed is the reality of economic governance?

We have always had deficits in our economic governance. But over the last decade, the political economy of the policy landscape has morphed into something more structural. A *louha tribhuj*, or an iron triangle, of three tendencies has come to define and limit the policy landscape.

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The first part of the louha tribhuj is a one-sided vision of development. Infrastructure has become the "be all and end all" of development, with social development pushed to the sidelines. This is not to say that "social" is out of budgetary attention. But even in "social," all the attention is on the hardware, with software out of sight. School-building has become more important than the quality of education. Hospital-building has become more important than the quality of healthcare. Standalone infrastructures without attention to integration with other parts of the infrastructure network is leading to plummeting liveability and productivity of urban centres. Focus is on the concrete only, without commensurate attention to user protocols, maintenance and infrastructure governance.

The consequences of this one-sided focus are all too familiar: shocking lack of road safety and unpredictability of travel; drop in the quality of educational experience; healthcare becoming a reality of galloping costs without results.

The second part of the iron triangle is the rampant spread of conflict-of-interest-driven policy-making. Boundaries of public and private interests are constantly transgressed in the policy landscape in favour of private interests closely aligned with ruling groups. Flouting of rules and, in some cases, rules specifically designed for narrow private interests have shockingly become the norm in critical and remunerative sectors such as finance, banking,

energy, transportation, ICT, and infrastructure. Such collusive "contact and contracts" have become brazen and become a structural property of today's economic governance.

Some sectoral examples make the above abundantly clear. Quick rental electricity plants were adopted as a short-run option to address load-shedding. But why has it continued far beyond the initial timeline, with a relentless expansion of installed capacity without required investment in distribution infrastructure and primary energy supplies? Why was gas exploration deliberately sidelined for a disastrous overdependence on expensive LNG import? Why has the state agency Bapex been systematically sidelined in favour of a foreign firm in Bhola gas fields, as a glaring example? No wonder capacity charges have emerged as the brazen face of planned inefficiency and corrupt collusion, dictated not by economics but by political economy.

A similar story holds sway in the most catalytic of economic sectors – namely transportation. Primacy of narrow politically-connected private interests have become a structural barrier not only to road governance, but also to the economics of transportation impacting travel time, onerous formal and informal costs of travel, and rampant failures in road safety. The BRTC has been rendered a perennially sick state-owned enterprise, route permit allocation is dominated by a transport owners' oligopoly standing in the way of both road safety and sector efficiency, and the BRTA is nowhere near rising up to its stewardship role. Rule-flouting private interests are effectively being given the immunity to continue the misgovernance stalemate.

Turning a blind eye to glaring conflicts of interest – nay, positively supporting corrupt and collusive rule-making – has also come to cast the darkest shadow over the banking and financial institutions sector. The pillars of finance sector governance are either over-

eager to pander to selected private interests, or conspicuously inactive in their regulatory and supervisory responsibilities that has led to astounding levels of fraud and corruption. The case of PK Halder has perhaps become emblematic of such entrenched institutional culpable misgovernance.

The consequence of such corrupt and collusive rule-making is neither vague nor inconsequential with the most serious impact on competitiveness of the economy. Our exports-to-GDP ratio – one measure of competitiveness – has halved over 2012-22, from 20 percent to 10.6 percent. The continued stagnation in the private investment-to-GDP ratio is another cause for worry. Most recently, collusive regulatory moves appear to have unnerved external investors in the stock market. In such an amoral world, the "good entrepreneur" is effectively left adrift with a herculean uphill task.

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The grip of the "iron triangle" works differently, but no less negatively in the case of development projects, particularly infrastructure projects. E-tender was supposed to have brought in transparency and efficiency to the whole process of awarding

contracts, but reality speaks otherwise. Corrupt, inefficient and collusive practices work here through informal barriers to competitive bids, inflated costs, post-approval cost escalations, and project delays.

The third part of the *louha tribhuj* is the *obicharer orthoniti* – the economics of injustice rooted in policy marginalisation of all those lacking political voice, including workers, farmers, small entrepreneurs, and now even the middle classes. Not one member of the common masses sits idle, relentless in their effort and labour for whatever opportunities come their way, but the benefits of policy attention is disproportionately faced away from them towards a small number of favoured groups. Public transport, prices of essentials, utility costs, affordable housing, access to quality healthcare and education, access to green spaces – each of these pillars of quality living, central to the welfare of the common people, lacks the level of policy attention that would make a difference. It is as if the common masses have to shoulder the burden of resilience while fruits of growth flow disproportionately to favoured groups.

The second face of the economics of injustice is equally concerning. All our discussions are around macroeconomic imbalances and the ensuing crisis. Yet, we also need to keep in focus our medium-term goal of achieving the SDGs. In at least three areas, there is a real danger of reversal with Bangladesh becoming off track in SDGs: nutritional deficits (with nutritious items disappearing from the household diet due to lack of affordability), rise in secondary dropout level, and rise of youth unemployment (particularly, educated youth unemployment).

Bangladesh may be at an inflexion point in its development journey. Plenty of other initially successful countries fell into the "middle-income trap" because warning signals were not heeded and reform needs were pushed under the carpet. Will Bangladesh be able to recognise the *louha tribhuj* for what it is – a vicious

triangle of mutually reinforcing policy tendencies that has morphed into a structural barrier straddling Bangladesh's inclusive and sustainable development aspirations? This cannot be overcome or dislodged merely by technical recommendations and feel-good talk. The need of the hour is a dismantling of the *louha tribhuj* through a qualitative change in political realisation, political approach and political will, and an urgent big push on reforms.

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