

A JOURNEY FROM LOWER TO HIGHER MIDDLE  
INCOME COUNTRY THROUGH AN INCLUSIVE  
GROWTH STRATEGY ENSURING SDGs

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# Introduction

- Standing on the eve of her 45<sup>th</sup> anniversary, overcoming all the constraints faced during the initial years of independence, Bangladesh reached a development trajectory characterized by declining poverty along with social cohesion and progression.
- The country is being acclaimed as a role model for development and a champion in attaining MDGs claiming poverty rate down to 24.8% from around 70% of early 70s and tripling food production during the same period. It is also considered as a forerunner of the SDGs implementation.
- Population growth rate has decreased to 1.37% from 2.6% while the life expectancy has risen to 70.7 years from the 1971 base figure of 42 years. Under-5 mortality rate has been brought down to 41 from the base-year high of 239 per 1000 live births.
- Literacy rate has increased to 57.2% (from 24.3%); female literacy went up to 55.1% (from 14.8%). Gender parity has been achieved at primary and secondary level.
- Women, empowered by microcredit, are transforming the economic pyramid with millions of new stories of self-employment. Country's biggest export earner, readymade garments sector, is also female dominated.

## Introduction (Continued)

- It took 38 years for Bangladesh to become a member of US\$100 Billion GDP club, but becoming a member of US\$ 200 Billion GDP club will take place by 2015-16. It took 20 years (since 1996) to double the per capita income, but only 7 years (2009 - 2015) to double it again.
- The broader economy has undergone deep structural transformation with manufacturing - powered by RMG turning into a \$25 billion plus export sector from a late 70s base of about 300 million dollars.
- Bangladesh has established a credible record of sustained growth within a stable macroeconomic framework. Growth rates have moved upwards from a low of 2-3% in the 1970s to 3-4% in the 1980s to 4-5% in the 1990s to over 6% in the current decade.
- The rural-urban divide has given way to a rural-urban continuum enabling all economic actors to participate in an integrated national economy.
- It was possible to earn this unique feat due to the exemplary resilience of its hardworking population. The country continues to make significant strides both in economic and social front and, in 2015, Bangladesh was elevated (according to the World Bank's classification) from a low income to a lower middle income country status

# Achievements against the Targets of the 6th Five Year Plan 2011-15

- ***Growth performance:*** Bangladesh economy grew at an average of 6.3 percent during FY2011-15, ahead of India, Thailand, and Indonesia and the average for all developing countries.
- ***Economic Transformation:*** The expansion of non-farm rural enterprises and services has opened up new sources of income and employment. Modern services such as banking, other financial services and information communications technology did particularly well.
- ***Employment and labour productivity:*** Considerable success was achieved on the employment front. The total number of jobs created (9.2 million) exceeded the total new entrants to the labour market (7.7 million).
- ***Poverty reduction:*** The incidence of poverty has fallen below 25% while that of extreme poverty has declined to around 12%.
- ***Gender empowerment and social inclusion:*** Bangladesh has also advanced well in providing the regulatory framework for protection of women's rights and privileges. It has approved a National Social Security Strategy (NSSS) with a view to strengthening the poverty impact of the public spending

# Achievements against the targets of the 6th Five Year Plan 2011-15 (Continued)

- ***Environment and disaster management:*** The ability to sharply reduce the loss of lives and injuries based on a combination of early warning system, construction and availability of shelters and timely provision of relief and support measures are indicative of the good progress.
- ***Macroeconomic management:*** Deft macroeconomic management has been the hallmark of Bangladesh's long-term development. The inflation rate has come down to 6.5 percent in FY15. The budget deficit has been constantly below 5% of GDP and total debt to GDP ratio has been falling. The current account has been in surplus, the reserve level has accumulated at a very fast pace and external debt to GDP ratio has been falling. Remittance inflows have also been very strong. This strong performance in the balance of payments has allowed the maintenance of a stable exchange rate regime and provided great flexibility in managing foreign borrowing. Bangladesh Bank has progressively liberalized the foreign exchange regime selectively opening up private foreign borrowing for investment. These steps constitute a positive factor for encouraging domestic and foreign direct investment.

# Thrust of the 7th Five Year Plan 2016-20

- **High Growth and inclusiveness:** The 7<sup>th</sup> FYP seeks to raise the GDP growth rate progressively from 7% in FY16 to 8% by FY20 (average 7.4%). Manufacturing sector growth is expected to be 21% of GDP by FY20. In the 7th Plan, inclusiveness is meant to capture more than income, to include opportunity, productive employment, and access to services for the marginalized and physically challenged persons. Reduction of the current income inequality of 0.45 will be pursued while spending on social protection as a share of GDP will be increased to 2.3% of GDP during the 7FYP period.
- **Growth and poverty reduction:** The 7<sup>th</sup> FYP seeks to reduce poverty rate to 18.6% and extreme poverty to around 8.9% by FY20.
- **Growth and employment:** It is estimated that some 12.9 million additional jobs will be added to the economy during the 7<sup>th</sup> FYP, including some 2 million jobs abroad for migrant workers, for the 9.9 million labours that will join the workforce during the same period.

# Thrust of the 7th Five Year Plan 2016-20 (Continued)

## ■ *Improving governance:*

- (i) **Justice and Rule of Law:** The Seventh Plan will attempt to implement a pragmatic set of activities in addition to continuing some unfinished tasks outlined in the SFYP. Together, they include appointing Ombudsman as per the Constitution, setting specific criteria for transparent recruitment of Supreme Court judges, digitization of case recording and tracking system and scaling-up and strengthening of the village courts.
- (ii) **Public Sector Capacity in terms of Administration and Financial Management:** One of the foremost priorities of the government is enactment and implementation of The Government Servants Act. The act will envisage on developing a clear terms of reference for civil servants, reforming civil servants' performance evaluation and introducing performance based recruitment and promotion system. APA will also be strengthened. a multi-year Public Investment Programme (PIP) will be introduced. It will also scale up project design, appraisal and approval system. Budget and Accounting Classification System (BACS) will be adopted.
- (iii) **Economic Governance:** the government will ensure better supervision of banks with a view to keeping gross nonperforming loans below 10%. It will upgrade of accounting and auditing standards at per of international standard.

## Thrust of the 7th Five Year Plan 2016-20 (Continued)

- The 8% growth target by the end of the 7<sup>th</sup> Plan, although challenging but attainable; supportive reforms and policies will be put in place for the private sector to come forward and invest.
- Total revenue will be raised from 12.1% of GDP to 16.1% by FY20 while maintaining the current fiscal deficit of 5% of GDP.
- Government spending will be increased to 21.1% of GDP in the same period.
- “Exports worth US\$ 50 billion in the 50th anniversary of Bangladesh” is selected as a boosting slogan in the RMG sector. The investment rate will need to expand from 28.9% in FY2015 to around 34.4% by FY 2020.
- Emphasis will be given to divert the public sector investment to major infrastructure projects including the 9 transformational projects identified by the Government and in realizing the Power Sector Master Plan.
- The efficiency of domestic investment, particularly in the public sector, will be important for realizing the maximum benefits out of the public sector investments. The investment in the economy would be financed primarily through national savings, although Foreign Direct Investment (FDI) is expected to play a bigger role under the 7<sup>th</sup> Plan (US\$ 9.6 billion in FY 2020)

# Sectoral Challenges of the 7th FYP

- **Agriculture:** The major challenges will be promoting the use of agricultural technology with supportive policies, reforms, regulations and incentives in place for raising productivity and profitability.
- **Water:** Management of natural disasters, coastal protection, saltwater intrusion, flood risk mitigation, dry season flow augmentation, erosion protection and improving river navigability addressing water logging, restoring surface and groundwater quality in the sensitive areas, revitalizing regulated freshwater flow etc. are the major challenges. While formulation of BDP 2100 is going very well to tackle these challenges, its implementation will be dependent on the materialization of the proposition of establishing organization like Delta Commission and a block provision (e.g. 2% of GDP as hinted in the 7FYP) as Delta Fund.
- **Environment & Climate Change:** Forging coordination, increasing capacity, reinforcing actions across local and national levels, green accounting are among the prime challenges.

# Sectoral Challenges of the 7th FYP (Continued)

- **Urbanization, Housing and Communities Amenities:** The challenge in this area is basically in creating a more balanced hierarchy of urban centres by size and function. The greatest challenge of rapid urbanization on a massive scale is in the form of degradation of the urban environment.
- **Health:** Improvement in institutional coordination, quality issues, providing health services in hard to reach areas, allocating 1.2% of GDP for the health sector are among the major challenges.
- **Education & Technology:** Dropout and quality, gender parity at the tertiary level, allocating 3% of GDP for education sector are among the major challenges.
- **Social Protection:** Full implementation NSSS, allocating up to 2.3% of GDP for the Social Security Programmes, internal coordination among the Ministries/Divisions, that are implementing the various social security programmes, creating a household database are among the big challenges.
- **Transportation & Communication:** A major challenge of the sector has been capacity constraint that has delayed the completion of many projects. Regarding maintenance, a major challenge is damage inflicted to the roads from vehicle over loading, monsoon raining, climate change impacts and natural calamities. Creation of road maintenance and lagged region funds has been emphasized in 7FYP.

# Experience of MDGs and Inclusive Growth Strategy ensuring SDGs (Continued)

- As a result of the solid implementation of the 6th Plan, Bangladesh has made outstanding progress in MDGs achievement. Most MDG targets have been achieved. In recognition of this, the international organizations have bestowed a couple of Awards to the Hon'ble Prime Minister of Bangladesh.
- The 7th FYP (2016-20) is the first development instrument and flagship document for Bangladesh to address the global Sustainable Development Goals (SDGs) approved by the United Nations. While formulating the plan document, the proposed goals by the Open Working Group (OWG) were duly taken into consideration so that the probable goals of the SDGs can be illustrated in the national plan and budgetary allocations.
- A Development Result Framework (DRF) has been included in the plan with active involvement of all line ministries and data producing agency. The DRF has many indicators of proposed SDGs.
- Being a commendable achiever of the MDGs and 'early starter' of SDGs, Bangladesh is expected to perform well in attaining the targets those were set in the SDGs by the UN in September 2015.

## Resource Requirements for the 7th FYP

- Total investment under the 7<sup>th</sup> FYP will amount to US\$ 409.01 billion in constant FY16 prices (the first year of the Plan). Private sector investment will continue to play its dominant role under the Plan, amounting to US\$ 316.03 billion or 77.27% of the total investment in the economy under the Plan. Of total investment 90.43% will be financed through domestic resources and the remaining 9.56% will be financed through external resources.

**Table: Financing of Seventh Five Year Plan Investment (FY 2015-2016 prices)**

Item (in US \$ Billions)	Total	Public	Private
<b>Total Investment</b>	409.01	92.98 (22.73%)	316.03 (77.27%)
<b>Domestic Resources</b>	369.88 (90.43%)	81.85 (22.13%)	288.03 (77.87%)
<b>External Resources</b>	39.12 (9.56%)	11.12 (28.43%)	28.00 (71.57%)
<b>1US\$ =BDT 78</b>			

# Development Partners Support in the 7th FYP

- It is estimated that Bangladesh needs about US\$ 9 billion additional investment in major infrastructure projects per year to sustain and attain higher growth rate. Public Sector investment could be limited to about 6% and 7% of GDP and still contribute significantly improving the quality of infrastructure.
- Assistance from different development partners in the form of loan and grant is one of the major sources of the country's resource base for reducing the investment gap by the public sector.
- ODA is accounted for 33% of Annual Development Programme (ADP) expenditure in 2013-14. Thus, one of the key strategies of the Seventh Five Year Plan will be to forging effective partnership with our valued development partners to ensure better use and results of foreign assistance.
- A national Policy on Development Cooperation is being prepared to guide development cooperation in Bangladesh from a wider, strategic perspective.

# Conclusion

- For the implementation of the 7<sup>th</sup> FYP, it requires focus on making growth and development both sustained and sustainable.
- It will require not just ensuring that economic growth is entrenched into the fabric of developmental policy, but also by ensuring that economic growth takes place within the rubric of sustainability and without environmental damage.
- The developing countries, like Bangladesh without forging strong effective global partnership, would really face huge challenges for implementing the new Sustainable Development Goals.

**Thank You**