

ATIUR RAHMAN

FOUR DECADES OF BANGLADESH

A NEW BEGINNING
OF OUR ECONOMY

The 2013 Liberation War Museum Lecture



ATIUR RAHMAN
FOUR DECADES OF BANGLADESH
A NEW BEGINNING
OF OUR ECONOMY

The 2013 Liberation War Museum Lecture

Translated from Bengali by Ziaul Karim



Bangladesh Bank

FOREWORD

I am very honoured to be offered the opportunity to give the 2013 Liberation War Museum lecture. Dedicated to all freedom loving people, Liberation War Museum commemorates our heroic struggle for independence during 1971, which resulted in the establishment of the sovereign nation of Bangladesh. The museum is a veritable treasure-trove of documents, photographs, articles and mementos of the most glorious moment in our history.

We are now into the forty-second year of our independence and making significant strides in socio-economic development. But, Bangladesh was once written off as a 'hopeless' country with no or zero potential for development. Our performance in most of the macroeconomic indicators and in almost all the social development indicators in the past four decades has been lauded by all. Many earlier critics have now revised their own projections and consider Bangladesh to be a role model for the emerging economies. Bangladesh has achieved this by its strategic policy focus on modernizing agriculture, improving remittance and opting for readymade garments industries. The service sector too has got adequate policy attention. I chose to speak on four decades of Bangladesh economy to highlight the achievements we have made despite huge challenges. I thought this theme would be befitting for the occasion. I also take this opportunity to pay tributes to all freedom seekers who sacrificed their lives for an independent Bangladesh.

I am pleased to acknowledge the contribution of Md. Nazim Uddin for collecting necessary information for the lecture. The lecture was originally given in Bengali. Ziaul Karim deserves special thanks for translating the lecture into English in a manner that captures the style and spirit of the original Bengali. I am indeed grateful to him. I am indebted to A.F.M. Asaduzzaman for his passionate involvement in every step of this publication. I am also grateful to my colleagues at the Governor's Secretariat and Department of Communications & Publications for their support and dedication without them this publication would not have seen the light of day.

Dhaka, June, 2013


(Atiur Rahman)
Governor
Bangladesh Bank

INTRODUCTION

16 December 1971. Bangladesh emerged on the world map as an independent and sovereign country through a nine-month bloody war of independence. We can never forget the blood-stained War of Independence of three million lives and sacrifices of numerous others as we celebrate this great victory. Today, I remember those freedom fighters, with deep respect, who sacrificed their lives for our independence. I also pay homage to our great leader and father of the nation Bangabandhu Sheikh Mujibur Rahman, whose visionary leadership inspired us to achieve our long-cherished dream of an independent nation-state.

Liberation war was fundamentally a people's war, a war of countless unknown martyrs, a war of aspirations and dreams to achieve freedom from poverty and hunger. Four decades have gone by since our independence in 1971. It's not a long span of time in the history of a nation; in fact, less than one generation. It's not insignificant either for a nation's economic growth and national development. Bangladesh economy during this period has tasted both commendable successes and painful failures. In this backdrop, I would like to make an attempt to present before you a review of our economic achievements against expectations in my lecture on 'Four decades of Bangladesh: a new beginning of our economy'.

I have given this lecture at a time significant for the nation. Its significance has been amplified when the spirit of liberation war is rekindled in the youth with the Shahbagh movement. This is an opportune moment to reflect on our dynamic economy resulting from our concerted effort and to renew our commitment to build a prosperous Bangladesh.

FOUR DECADES OF BANGLADESH: A NEW BEGINNING OF OUR ECONOMY

There were dreams and expectations running deep behind the emergence of Bangladesh: dreams of freedom from economic and social exploitation, democratic rights and self-reliance. It should be kept in mind that the paramount driver for establishing an independent country was a desperate desire for economic freedom although the emergence of Bangladesh was orchestrated under political decision and leadership. The agitation for independence got momentum due to an extreme socio-economic discrimination prevailing between the two parts of erstwhile Pakistan. A shared sense of economic deprivation among the Bengalis played as a driving force behind all movements during fifties and sixties amid strong socio-economic perspective of language movement.

However, the very nature of economic discrimination started to surface to the people from sixties. The real picture of discrimination was pointed out by a few patriotic Bengali economists in their researches and analyses at that time. They revealed that the lion share of national budget used to be allocated for the then West Pakistan although the eastern part was larger in terms of population. The revenue collected from the then East Pakistan was higher than that of its budget allocation. West Pakistan used to enjoy allocation of most of the foreign aid. The export earnings from agricultural items (mostly jute and tea) produced in the East Pakistan was spent mostly for the development of the West Pakistan.

An election poster for 1970 general election depicted a terrible picture of the economic deprivation and disparity. The annual revenue expenditure for West Pakistan was more than three times higher than that of East Pakistan. The prices of essential commodities like rice, wheat and oil were double in East Pakistan compared to those of West. West Pakistanis occupied about 90% of central government and military jobs. Not only the economic exploitation, the then Pakistani government and junta committed aggression against Bengali culture and heritage. The accumulated discrimination and exploitation gradually turned into a movement for establishing democratic rights; which was eventually reflected through the armed liberation war in 1971 with successful completion. Bangabandhu Sheikh Mujibur Rahman, the dearest leader of Bengalis, presented the historic six-point demands to protest those

exploitations. The aggrieved Bengalis starkly responded to those oppressions by West Pakistan through their mandates in the general election of 1970. The Awami League under the leadership of Bangabandhu got absolute majority in that election. Despite that, the then army junta of Pakistan was not agreeable to hand over power to the winning party. As a result, non-cooperation movement was observed throughout March 1971 under the leadership of Bangabandhu. The principal message of 7th March (1971) speech given by Bangabandhu was also gaining freedom from all sorts of exploitations. The concern for economic freedom was clearly resonated in that historic speech. The liberation war broke out from the early hours of 26 March 1971.

II

With a land measuring 56,000 sq miles, Bangladesh began its journey as an independent nation endowed with positives and negatives. The brighter side reflects the strong desire of the people to gain economic, political and cultural freedom. The dream of people was to position Bangladesh on the world map as poverty free, dynamic and liberal democratic country by eradicating social discrimination and establishing social justice. The biggest negative was we had to inherit a fragile economy. Lacking in funds, infrastructure and skilled manpower, Bangladesh hardly had any means to fight poverty. We were branded to outside world as a poor country weight down by natural calamities, famine and starvation and a devastated economy. The ports, transport system and industries were all damaged during the war. The export basket was limited to jute and tea only. There was no remittance, nor any mentionable foreign exchange reserve. And no membership in IMF.

Many experts were frustrated at the post-liberation fragile socio-economic conditions of the country; some of them were also skeptical about the chance of sustenance of the country. Former US Secretary of State Henry Kissinger dubbed Bangladesh as a 'bottomless basket' dependent on foreign aid. Norwegian economist Faland and British economist Parkinson termed Bangladesh as a 'Test case for Development'. In 1976, they wrote a book titled 'Bangladesh: a test case for development' where they opined that if Bangladesh can succeed in economic development in such a condition then any country of the world can develop too.

The economist duo had to reverse their views to some extent on Bangladesh in 2007 and said that 'a sustainable development in Bangladesh is possible as evident from her limited but significant progress in the economy made during three decades or more'. It implies

that the people who were otherwise pessimistic about economic prospect of Bangladesh are now recognizing it as an emerging economy. The impressive development of today's Bangladesh is frequently captured by reputed international media. Bangladesh is still a test-case to many researchers but that is in a positive sense. Bangladesh is termed as a test case for development: to test whether economic development and sustainable democracy can go hand in hand with such a low per capita income, to uncover an enigma on how such a GDP growth is achieved despite lack of governance and persistent political instability, whether this kind of growth can be sustained without adequate progress made in political governance etc. Some are terming Bangladesh as a role model too.

III

Forecasts on Foreign Direct Investment (FDI) and Economic Development by Goldman Sachs, a Multinational Investment Company, are generally well accepted worldwide. It once forecasted about the economic rise of Brazil, Russia, India and China, collectively known as BRIC which was later proved to be correct. Later Goldman Sachs included South Africa in the group and eventually changed the acronym to BRICS. Recently they prepared a new list of 11 emerging countries calling them 'next eleven' based on economic progress of these countries. Bangladesh is one of those listed 11. The organization said that the majority of the population of Bangladesh is young who can change the future of the country. I too believe that the conscious youths truly carry the symbol of potentials of Bangladesh. The commitment of this tech savvy youths to progress, their skills and courage to face the challenges would push Bangladesh forward in its journey to development. J P Morgan also mentioned five frontier economies including Bangladesh. According to the World Bank, Bangladesh has all the potentials to become a middle income country by 2021. The USA also forecasted that the 'next eleven' countries will surpass the 27 countries of the European Union by 2030. According to the Guardian, the national daily at London, Bangladesh will surpass the western countries in terms of economic growth by 2050. Besides, rating agencies such as Moody's and Standard & Poor's have been consistently awarding satisfactory sovereign credit rating to Bangladesh. Their projection is also taken as an indication of stability and potentials of Bangladesh.

IV

The list of achievements of Bangladesh during past four decades is not insignificant; rather we can be proud of a number of them and are phenomenal by any account. The driving force of Bangladesh economy are the growing agriculture sector propelled by farmers and agriculturists, the booming RMG sector contributed by workers and the accelerating remittance aided by the expatriate laborers. The country was not self-sufficient in food production in the early 1970s even though it was an agricultural land. We produced about 10 million tonnes of rice per year during the decade of 70s when the population was seventy-five million. Only 60 per cent of the national demand of rice used to be met by local production; rest of the demand had to be met by imported rice. In contrast of the situation, the foreign exchange reserve was at a poor level. For this reason the country had to seek food assistance from development partners.

The agriculture sector, however, has witnessed massive development during last four decades. Due to creativity and hard work of the farmers, the country is now going through a revolution in food production. Bangladesh is now almost self-sufficient in food production with 35.7 million tonnes produced per year which is three times as those of 1971. The country needs 30 million tonnes of rice for consumption annually. Bangladesh did not import rice during last two years. After meeting the local demand, the condition of food surplus is satisfactory. Bangladesh is no more a 'bottomless basket'; rather the basket is now full of food stuffs and foreign currencies. The country did not witness famine in the recent past. The word 'Monga' (extreme dearth) is no more heard in Bangladesh. It's the farmers of the country who heralded such a massive success within a short span of time. They became victorious too in the struggle of augmenting agricultural production as they did in liberation war in 1971. They are our real heroes. Women are also coming forward along with their male counterparts in agricultural development. We have to recognize the contribution of those people, apart from the farmers, who helped expanding agricultural sector, set plans and policies and provided loans to develop this sector. This is indeed a multi-stakeholder success story.

V

The contribution of readymade garments (RMG) industry to the new journey of Bangladesh economy is simply overwhelming. None could have imagined in the seventies that the RMG sector could stand as the main driving force of the economic development of our country one day. I can only remember that some tailor shops were set up around Kamalapur area of Dhaka in seventies. From that position the country has now been reached to be the second largest garments exporter in the world. Mr. Nurul Kader Khan, a valiant freedom fighter, of 'Desh Garments' was the pioneer behind this mind-boggling success story. In the world market for garments export, Bangladesh occupies a superior position than that of India and follows China only.

RMG industry is the biggest export earners for Bangladesh. Around 78 per cent of the export earnings come from this sector. About 4 million workers, 80% of which are women and came from farmer families, are involved in this sector. Their involvement in the labor market is also pushing up social development index. Although the wage level is comparatively lower here than that of other countries, these workers are highly skilled and their level of productivity is significantly higher than those of others. By tapping the advantage, Bangladesh is producing higher quality garments with lower cost. Wage level is increasing gradually in China too. For this reason, China is shifting their labor intensive industry to high-tech and heavy industries. International buyers are also coming to cost-competitive Bangladesh instead of China. Bangladesh should make the best use of this opportunity. This RMG industry is expected to flourish for a long time not only for exports but for the local market demand. But it will require necessary land and relevant infrastructure. Special economic zones with uninterrupted power supply along with adequate connectivity and security will have to be ensured without any further delay. The current political instability and violence by anti liberation forces have created serious disruption in the growing export sector. Political stability is strongly desirable to overcome this impasse in the quickest possible time. All of us should work together to bring this impasse to an end.

VI

Remittance sent by migrant workers is yet another important driver of Bangladesh economy. It has been contributing as the main driver to sustainable economic growth during last few years. In the pre-independence era, the scope of our entrance to global labor market was very limited and a few number of workers used to go abroad. Independence has opened the doors to the global labor market for the Bangladeshis. The people of Bangladesh have now spread all over the world. Not a single village in Bangladesh might be found now which has not sent some of its people to work abroad. Recently many female workers are also going abroad. About 8 million people of Bangladesh are working at present in more than 150 countries of the world. More than half a million people are taking jobs abroad every year.

In terms of inward remittance, Bangladesh is the seventh largest country in the world and the second largest in South Asia. The size of this remittance is more than 10% of GDP, more than half of the export earnings and about 10 times of the foreign aid. Bangladesh has set a record in inward remittance in 2012 with US\$14.2 billion. The remittance earnings may cross US\$14 billion in the current fiscal as well. The foreign currency received as remittance is being spent in the agriculture and rural development which leads to modernization of agricultural system. Production is also increasing as expected. Migrant workers are making special contributions to foreign exchange reserve. Because of the consistent remittance inflow, the foreign exchange reserve of the country exceeded US\$ 13 billion at the beginning of current fiscal. At the beginning of March 2013, the FX reserve broke the record with US\$ 14 billion. Creation of such a huge reserve in a developing country like Bangladesh is a great achievement indeed. FX reserve of a country equivalent to meeting three months import payments is termed as satisfactory. We have US\$ 14 billion reserve which is sufficient to make payment for imports of five months.

VII

It is clearly visible that the country is firmly progressing towards strong socio-economic development. The revenue budget was only Tk 280 crore in the Fiscal Year (FY) 1973-74. The total of revenue and development budget have now reached to Tk 1 lac 92 thousand crore. The average nominal GDP increased about 28 times during the decade of 2002-2011 compared to the first decade (1972-1981) after independence. The average annual GDP growth was 3.8% during 1973-80. In contrast to 3% GDP growth of the world at this moment, the country continues to achieve more than 6% GDP growth. The average annual growth of GDP was 6.4% during last three years. In the current FY too, the GDP growth is expected to be more than last three years average rate i.e. 6.4%. Also this achievement is largely dependent on the political conditions and stability of the world economy. Desired results of economic growth are having positive impacts in poverty reduction.

Rate of poverty has decreased significantly. It was more than 70% four decades ago which has come down to only 31.5% in 2010 and is below 29% at present. I think this rate has already come down to 27%. One of the main components of the Millennium Development Goals (MDGs) was to bring down the level of poverty to 25% by 2015. By observing the trend, it can be easily said that this particular target can be achieved even before the deadline. The index of inequality is either stable or downward. As a result, we were able to keep the pace of social development at a satisfactory level. Bangladesh has also been successful in keeping the rate of population growth under control for initiatives taken by both government and non-government. The rate of population growth has now been brought down to 1.5%. The birth rate of 6.3% in 1975 has come down to 2.3% at present (2011). This is such a rate at which population size of a country remains stable for long. The per capita income was about US\$100 before independence which has now reached to US\$850. Per capita GDP now stands at TUS\$ 772. Two decades ago, the average income of a labor was below Tk 100 per day which has risen to Tk 400 per day now. The laborers can even save a sum after meeting their daily needs. They can buy various industrial products with the savings. In that way a strong demand base has been created inside the country. For this reason we have been able to face 'The Great Recession' in a proficient way compared to many other countries. Many of the countries in the world could not achieve such economic success in such a short span of time.

VIII

We have witnessed lots of successes in our health and education sectors too. According to the MDG report 2011, Bangladesh has achieved either full or partial success in many goals including - eradication of hunger and extreme poverty, ensuring primary education for all, reduction of infant mortality rate, empowering women and prevention of HIV/AIDS. Bangladesh has already achieved a UN Award in recognition of unprecedented success in reducing infant mortality rate. The progress in reducing infant and maternal mortality rate in Bangladesh is comparable to the spectacular success of Japan in this field in late nineteenth century. In 1971 infant mortality rate was 14.6% which came down to 3.8% in 2011. The rate of maternal mortality came down to 2.18% in 2011. The average life expectancy has increased by 19 years reaching to 69 years in the span of only four decades. This average life expectancy is four years higher than that of India, although Indian average per capita income is two times higher than that of Bangladesh. Number of people suffering from malnutrition has come down to half in last four decades. The reason behind this success in Bangladesh is mass awareness. It's the result of joint efforts made by both government and non-government organizations. Those who used to live with superstitions, were devoid of modernization are now allowing their kids to be vaccinated, feeding oral saline solution and taking consultancy service from specialized doctors. The literacy rate has increased by two times during the last four decades and stood at 56% in 2011.

The success of Bangladesh in bringing gender parity in primary education enrollment has been phenomenal. The ratio of male and female students at primary level was 55:45 in nineties which improved to 53:47 at present with the blessing of free education for females at secondary level. In last thirty years, Bangladesh has made 65% advancement in social development index. Bangladesh was ranked 146th among 187 countries at UNDP Human Development Index (HDI) report released in 2012. These positive manifestations of socio-economic indicators prove the radical improvement in living standard of poor people of the country.

IX

While commenting on the unprecedented success of Bangladesh, Nobel laureate Bangali Economist Professor Amartya Sen said that India is ranked lower than Bangladesh in the index of human resources development. Several times he pointed that it's a great success of Bangladesh that the country made it possible to accomplish many things in a short span of time despite being a country of low per capita income. The Wall Street Journal wrote that Bangladesh is no longer a bottomless basket; rather it is a role model for many other countries. The recently published report titled 'World Economic Conditions and Outlook 2013', written by the United Nations (UN) pointed out that the economic conditions in Bangladesh was favorable amid slow growth in the South Asia last year . The increased flow of remittance, growth of consumption expenditure and private sector investment played an instrumental role in building this favorable image - commented the UN.

The awards and recognitions of Bangladesh do have some ex factor. This saga is inspiring; how a low income country with limited resources but fighting spirit can change the course. The economy has been undergoing a massive transformation. Dependency on agriculture has been reduced and the importance of the manufacturing and industrial sectors is mounting. The country which started its journey with a low industrial base four decades ago has been experiencing multifaceted industrial development. The RMG sector has got a strong base by now. Light engineering, agro processing, power and energy, pharmaceuticals and chemical, leather and shoes, ceramic, cement, ship breaking and information technology sectors have emerged as new potential industries. The jute sector is being revived. Export baskets are now rich with diverse products. The export witnesses diversity not only in products but also in destinations across the globe. The expansion of activities by banks and financial institutions (FIs) as well as insurance and investment companies helped bringing the diversity in exports. In last four decades, Bangladesh has developed a sound economic base in assistance with the flourished banking sector which strengthened the economy in one hand and ensured institutional access of individuals on the other.

In 1972, the country had only six state-owned banks. Number of banks at present is 47 owned by the government and the private entrepreneurs including foreign ones. Nine more commercial banks will start operations soon. The country's banking network is composed of more than 8,300 branches across the country. Number of rural branches is more than those of the urban ones. The private sector banks have also been forced to open more than or equal number of rural branches than

urban ones. For that reason, an unprecedented revival has been visible in the rural economy aided by the newly introduced mobile banking system. This instant money transfer arrangement has been providing a new ray of hope to the unbanked population of the country. Some 55 million depositors and about 10 million borrowers are maintaining accounts with these branches. The total advance and deposit have risen to Tk 4,319 billion and Tk 5,396 billion respectively.

X

Since nineties, Bangladesh has been embracing a full-fledged 'free market economy', the very essence of which is open competition. The simple rule of 'open competition' is 'survival of the fittest'. Buyers will prefer convenient price only. Bangladesh has been familiar as the exporter of RMG, manpower, shrimps, leather goods and from cottage industries products to ships as well due to this free economy. Initially the import tariff in Bangladesh was excessive which used to hamper imports. The duty structure was liberalized in the nineties. The average import duty in 1991 was 57% which came down to 36% in 1993-94 and 10% at present after gradual decrease.

A huge amount of surplus fund has been generated in Bangladesh economy due to opening up markets. Good number of new entrepreneurs has also emerged to utilize this surplus. Small and Medium Enterprises (SMEs) have expanded tremendously. The economic activities also expanded. The people of the country are never late in utilizing a single economic opportunity. Success of one is inspiring others. That is how the flow of employment has moved across the country. Entrepreneurs are gaining successes by raising poultry, doing fisheries, establishing dairy farms and running various agricultural projects. The success story of Bangladesh in last four decades is the story of massive rise of entrepreneurs especially the young ones. The overall development of the country may get further momentum if these young and diligent entrepreneurs are provided with adequate assistance. Lot more potentials will come true. In true sense, 'Bangladesh is on the move'. As a nation, we have thousand years old heritage. The beauty and richness of the country is depicted well in the song "Dhon O Dhanye Pushpe Bhora Amader Ei Bashundhara" written by Dijendralal Roy. This country is not only blessed with spectacular natural beauty, she has unlimited potentials despite many limitations. The potential sectors are spread all over the country that requires only nurturing and unfaltering advancement.

- ◆ A major reason for the optimism surrounding Bangladesh is its huge population with potentials. The main advantage here is the growing section of working population. Working population is growing at a double rate (2.8%) than the growth rate of overall population (1.5%). A larger section of overall population falls in the age range of 15 to 35 at present. In the next two to three decades the size of the working population i.e. the young section of population will surpass the size of old ones. No wonders, this young section of population are the most potential resources of a country who can contribute more to change the fate of the nation. This is a lifetime opportunity which comes only once. China and India have utilized this opportunity. The working population in China has engaged themselves more in production sector while in India it was the Information Technology Sector. This is called 'demographic dividend'. According to the World Bank, the country has to create 1.5 million jobs every year to enjoy this dividend. The manpower has to be more skilled to avail this opportunity. The young and working population of the country are earning huge amount of foreign currency by working abroad. Our youths now a day are not chasing after jobs only but are trying to be entrepreneurs. We can see lot of initiatives around, lot of new activities and efforts undertaken by them. Everyone is trying to improve his/her condition by doing something, be it small or large. They continue to set examples by doing self-employment projects in diverse sectors.
- ◆ Rural economy has been playing a crucial role in achieving sustainable economic growth in recent years. A change has been set in the villages. At present in the rural areas, no worker is available at a wage less than Tk 400 even after an offer of three gratuitous meals a day. Previously, workers could have bought two to two and half kg of rice with their daily earnings but now they can buy 9-10 kg of rice with the same. The main reason of the rise of wage is the huge expansion of economic activities in rural areas. A major section of the rural people has engaged themselves in the activities other than the agriculture. The demand for the agricultural labors has risen as many small entrepreneurs are in the making. Vegetable farming, poultry and dairy farms are being established in the rural areas. Many of them are living on fisheries. Flowers are cultivated commercially and home decoration materials are being produced too. Small and medium industries, trade and commerce and many other initiatives have been spread. Repair and maintenance activities for rickshaw-van, agricultural instruments and electronic materials are also taking place massively. People are engaging themselves with this expansion of rural economy. As a result, the

rate of rural employment has gone up. The purchasing power of rural poor has also increased. The field labors and day laborers, who used to engage their kids for earning extra income without sending them to school, are currently sending their children to schools. Rural infrastructure is being constructed. The living standard of rural people is enhancing through modern management. The farmers of rural areas are now using mobile phones and completing daily activities using ICT. If the pace of advancement of rural economy continues, urban people will be encouraged to move and live in the villages in future.

- ◆ We have fertile land and huge population. About 60% of the population of the country is engaged in agricultural activities. Contribution of agriculture to GDP was 19% in 2011-12 fiscal. Nonetheless, we could utilize a fraction of the true potentials of the agriculture sector. If we could explore the full potentials of agriculture by proper planning and restructuring, we could very well export food in the global market besides ensuring food security at home. It is even possible to transform Bangladesh as an agro based industrially developed nation. Potential sectors like fruit-juice production, poultry and dairy farming, farming Black Bengal goat, fisheries and dried fish production, edible oil, cultivation of palm, pearl farming - all these can contribute to the economy significantly. The agriculture sector should be brought under mechanization to increase productivity. With this goal in mind, adequate facilities and incentives have to be ensured for the scientists of Bangladesh Agricultural University and other research institutions. The scale of agro based industries has to be broadened. Bangladesh Bank has opened a special window of 'refinancing scheme' for agro processing industries too. We must continue to create different opportunities for the new entrepreneurs.

Whenever we discuss about industry, only RMG comes in but there are many other industries which have already shown their potentials. We have to consider those. The pharmaceuticals sector has emerged as a potential sector in the global market. Export earnings from this sector increased by 15 times during the last decade. Bangladeshi made drugs are exported to a total of 70 countries including USA. Even the drugs for complex disease such as cancer are produced in the country. The country is also advancing in medical technologies. Bangladesh will be able to save hundreds of millions of dollar if people's tendency to go abroad for medical treatment can be contained. The ship building industry has already opened a new horizon for Bangladesh. The country is ably moving forward with this industry and is expected to secure a strong foothold in the global

market very soon. Bangladeshi made mid size and large ships were exported to different countries in Europe and USA in the meantime. Those ocean going ships are sailing from ports to ports bearing the tag of 'Made in Bangladesh'. The country may stand strong by using this industry alone. The leather industry has huge potentials too if the environmental damage can be controlled. High quality leather is abundant here. Earning lots of foreign currency by exporting the leather and leather goods is possible. We have to move forward by using potentials of textile, ceramic, cement, light engineering, machineries for agriculture and small industry, furniture, plastic goods, electronics, ICT based products, bicycle, publications, packaging, frozen foods, agricultural goods and spices, vegetables and jute goods.

The industrial sector contribution to GDP has now been moved to 31% from only 9% in the post independence era. This expansion of industrial sector leads us to the dream of being a middle income country by 2021. Total export earnings during FY 1973-74 were US\$ 3.18 billion and import payments were of US\$ 7.67 billion. During the last fiscal year the export earnings stood at US\$ 24.3 billion which is 30 times higher than that of 1973. On the other hand, the import payments were of US\$35.4 billion during last fiscal which was also 16 times higher than that of 1973. This is a great transformation of Bangladesh economy. This huge volume of export-import can serve as solid evidence in reflecting capabilities of Bangladesh Economy.

- ◆ The pace of expansion of software industry in Bangladesh is also very impressive. Bangladesh is moving forward in ICT with a renewed pace. Due to the rise of business expenses in ICT service providing countries, Bangladesh is considered as one of the most potential alternate destinations for ICT services. The young entrepreneurs are achieving huge success in this sector too. Thousands of young people are acquiring knowledge on ICT from different educational institutions to prepare themselves as skilled human resources. They are expanding outsourcing or business processing industry. The country has also made tremendous advancement in freelancing activities. Bangladesh Bank is providing necessary regulatory support to each of this sector. Equity and Entrepreneurship Fund (EEF) has been customized for the expansion of ICT industries.
- ◆ It is possible to turn Bangladesh into an export oriented country from the current status of import dependency. Export sectors have undergone a massive transformation during four decades after independence. Jute sector used to occupy 70% of export basket in 1972. The demand for jute had reduced dramatically

after the introduction of artificial fiber in the seventies. In the eighties, the labor intensive RMG industry started to expand in Bangladesh which is contributing 78% of export earnings at present. The number of non-traditional items along with traditional items has increased in the export basket. Along with the traditional items like RMG, tea, tobacco, leather, drugs and ships, non-traditional items like ceramic, cement, furniture, plastic goods, bicycle, ICT products, fish, shrimp, dried fish, crab, flower, vegetables, guava, cap, nakshi kantha (embroidered quilt), potteries, bamboo and cane made goods and other handicrafts are being exported to many countries.

- ◆ The industrial sector is expanding very fast in this country of huge population. While at the same time, developed countries are facing labor shortage for their industries, Bangladesh enjoys surplus manpower. Besides, raw materials, energy resources and production friendly natural environment are prevailing here. We need to set up more small, medium and large industries. We also need investment for setting up those industries. Renowned global companies are interested to do business in Bangladesh; many of them are already doing business here. We should understand that without any prospects of making risk adjusted return; they were not here to do business. But an infrastructure for sustainable development can't only be built upon by foreign direct investments (FDI). For that reason, we have to encourage and attract local entrepreneurs/investors. Local people will feel free in working and doing business with local companies. We have to move forward by using these investment potentials. We might go for large scale industries under joint venture. The PPP Cell should be more active and innovative in this connection. BB has already extended necessary cooperation in this regard too.
- ◆ We may not have abundant natural resources but what we have is not insignificant either. The land, water and people are the great resources of this country. Besides, a great volume of energy and mineral resources like oil, gas and coal remained unexplored under the soil. The proper exploration and uses of these natural resources can help faster development of the country. We have to undertake policy initiatives to adopt latest technology in gas exploration. We can meet the energy demand of next 50 years by exploring coals. We have to ensure using appropriate technology for exploration as the country is densely populated with prudent policy and decision with due care for public safety and protection of environment. The Bay of the Bengal is another area of potentiality. Modern sea ports can be built here. It is abundant with fish and rich with other minerals including oil and gas.

- ◆ The potentials of tourism industry in Bangladesh are enormous. The naturally beautiful, historical, religiously significant and culturally important places and modern architectures have unlimited potentials for tourism. We can create opportunity by introducing modern, luxurious river cruise. Introduction of cable cars at Rangamati may open further roads to opportunities. The size of middle class and higher middle class is increasing in the country. Non-resident Bangladeshis and foreign investors are also coming to Bangladesh for investment. We have to concentrate in expanding the industry by considering everyone's demand in mind.
- ◆ Initiatives beyond government i.e. taken by non-government organizations (NGOs) have lots of contributions in Bangladesh. NGOs played significant role to prevent fall of consumption level of the rural poor. The country is branded as the pioneer of micro credit in the world. The well controlled micro credit is playing a very significant role in self employment based poverty reduction across the globe. NGOs are contributing heavily along with government in education and health service, population control, disaster management etc.

During the last few decades, the inclusive development strategy and massive policy and institutional reforms helped bring positive results in socio economic spheres. Mid-term and long term development strategy for achieving equity based growth played due roles in ensuring primary health care, education, training and regular budgetary allocations for elderly and widow allowances under social safety net programs. These also played roles in bringing continuous reform to revenue generation, facilitating internal production of necessary crops to ensure food security and strengthening rural economy, undertaking financial inclusion programs by BB, providing cost effective innovative banking services to the people of remote areas of the country in joint efforts by banks, micro credit agencies and mobile phone companies using modern ICT. Bangladesh Bank is going to introduce agent banking guideline very soon to foster this process.

XI

The achievements of Bangladesh economy during last four decades can no way be undermined. We may indulge into a threadbare review on the scale of development that should have been achieved during the period, but there will always be some gaps between expectations and realities. Many of our dreams have been met although some were not during the last four decades. Our economic strength has already been proven; what we need to do is to protect those through fair practice in politics.

- ◆ Bangladesh had to face many challenges during last four decades and is still facing the same. The vicious cycle of poverty is one of those. Despite achieving significant success in poverty reduction, about 40 million people of the country are still poor among which 25 million are hardcore. The climate change effects increased natural calamities and environmental hazards. Its negative impacts are evident in the coastal and river bed areas. Poverty set in anew in the coastal areas due to negative impacts of climate change. Many people are being evicted from these areas due to failure to cope with the adversities. Although Bangladesh has exhibited its unique capacity in facing natural calamities but it's quite insignificant compared to the widespread impacts of climate change. So, we have to equip ourselves to face the threats of climate change. Bangladesh Bank and the Government of Bangladesh have taken some innovative initiatives including green banking to face the challenges. But we have to take preparation for facing the worst.
- ◆ Utilizing unlimited potentials of the country is another challenge. Actually we could realize only a fraction of potentials of our huge population due to lack of proper direction. However, it's too early to be conclusive. The size of our working youths is the key to the social, economic and technological development of Bangladesh. We have to utilize them to build the nation. To transform these youths into real assets, they have to be made efficient. They need training for skill enhancement and diversified investment including creation of scope for entrepreneurial initiatives. We need massive expansion of labor intensive small and cottage industries to create employments for the youths.
- ◆ We have to make large investment in energy sector in this age of technology. The physical infrastructure including power and energy is still very much inadequate here. We have many natural resources which can be utilized in producing low cost power. It's heartening to share that the present government has prepared a

master plan to produce 39,000 MW power by 2030. The government is in the right track to generate power. A contract has already been signed with Russia for installation of a nuclear power plant which is expected to generate 5,000 MW power. Installation of a coal based power plant is going on. Besides we have to support the initiatives of producing power from solar power, biogas and wastages. The scale of creative initiatives taken by Bangladesh Bank and the Government of Bangladesh supporting production of renewable energy should be extended further.

- ◆ We are yet to make sufficient improvement of our roads, bridges, ports and railways. Dhaka, the capital city of Bangladesh, and its adjacent areas are crippled with heavy traffic jam. We have scope to improve in these sectors and the present government has concentrated on this issue. Construction of many flyovers is in final stage; yet we have to do lot more on this. We need to improve our rail and river transportation system to facilitate transportation at low cost. Projects of high speed bus and train services are also to be undertaken to facilitate faster travel between important cities.
- ◆ Bangladesh is the eighth largest country in the world in terms of population but 94th in terms of size. The cultivable lands are getting reduced day by day under the pressure from over population. If the situation continues, this might call for a disaster for us. We have to build planned habitats even in rural areas. Failure to generate more employment opportunities for rural people will exert a huge pressure on the cities. We have to concentrate on green and well governed urban management.
- ◆ Unemployment is still a serious problem. Alternative employment should be created to reduce unemployment. One of the main sources for livelihood for the people of agrarian Bangladesh can be livestock and fisheries. These two sectors are developing very fast. A large job market needs to be developed to reduce unemployment which in turn requires investment. Government ongoing initiatives for creating jobs abroad should continue. We should continue to encourage related private sectors to do the same ensuring good governance.
- ◆ Investment in manufacturing industries needs to be increased for job creation. We need to maintain a welcoming environment to attract FDI. For this reason, special industrial zones need to be set up urgently. The central bank is providing necessary policy reforms to facilitate increase of foreign investment. We want more domestic investment too so that money remains within the country. We urge the investors to report to Bangladesh Bank and

other regulatory authorities if they have any problem or have preferable mode of cooperation required. Because we are committed to increase domestic investment. We also have to create diverse opportunities for Non-Resident Bangladeshis (NRB) to invest at home.

- ◆ It is a pretty big challenge to provide assistance to the new entrepreneurs in building tomorrows Bangladesh. We have to stand by their side with finance, technology and ideas. The government and Bangladesh Bank are upholding their efforts to enhance access to finance for the people like marginal farmers, sharecroppers, new entrepreneurs, women entrepreneurs, who did not get bank loans earlier. Arrangements have also been made to provide required finance to those who have proven themselves as established entrepreneurs in the fields of readymade garments, textile, pharmaceuticals, leather, ceramic, cement, ship building sectors. The government and Bangladesh Bank are committed to remove any barrier that stands in the way.
- ◆ We could not utilize the potentials of ICT sector properly due to lack of English and Computer knowledge. So, national level initiatives and private sector investments are needed to make our new generation expert in English language and computer knowledge. We have to put more focus in expanding ICT in the field of education.
- ◆ We need to increase sub-regional cooperation especially the economic network with South Asia, ASEAN and GMS countries. Regional Economic Alliance may also be formed, if necessary. Our trade volume with neighboring India is increasing and the concerned people should always be vigilant so that this trend continues.
- ◆ We have to undertake institutional reforms to frame right policies and implement those in the priority sectors.
- ◆ It cannot be denied that we lack political stability and good governance; we have administrative weakness and weakness in proper implementation of the projects. Corruption is widespread. If we cannot remove corruption we cannot sustain our development achieved so far. Society is yet to have the ambience of true peace. Still, there exist patches of indiscipline in the society. Our growth could have been much higher if we could reduce corruption and political instability. So we desperately need political stability and effective governance to continue the progress and to face future challenges successfully.

XII

As the barriers of development and progress of Bangladesh are identified, removal of those should not be a tough job either. I believe that Bangladesh will be able to stand high with economic potentials in the world in near future by overcoming these obstacles. Bangladesh economy has achieved a lot of successes by overcoming many hurdles since independence. The economy of the country has shown adequate resilience in facing ongoing global recession and keeping the growth rate moving. In terms of GDP growth rate, Bangladesh has secured top position in South Asia in 2012-13 fiscal. However, we secure the second position after India in terms of average growth rate in last five years. Our main target for the growth is to eradicate poverty. That's why, we have to continue the pace of this inclusive development trends. In order to enter into the second stage of growth we need to increase our productivity through technological development and by developing market for the SME sectors. We have to increase our foreign remittance by sending more skilled labor abroad. We have to increase productivity for readymade garments by increasing wages for the labors.

Bangladesh Bank has undertaken a program to bring disadvantaged people of the society under financial services net to direct the country towards an environment friendly, inclusive and sustainable development. It formulated a well thought out policy on Corporate Social Responsibility (CSR) and is implementing those at financial sectors gradually. Financial inclusion is a big part of these strategic planning. We have already introduced refinance scheme for agriculture, SME and environment friendly projects with our own fund to increase adequate and visible credit flow to these sectors. We have introduced bank accounts for farmers and poor people of the society and also introduced modern, innovative and technology based banking services like mobile banking etc. We have to ensure proper policy framework for local and foreign private sector entrepreneurs in the areas of human resource development, youth skill development, faster poverty reduction, increased govt. revenue expenditure for the development of low income group, increased govt. R & D expenditure in environment friendly agriculture, power and energy sectors.

Keeping in mind the need for society's contribution to make good market inefficiency, Bangladesh Bank is inviting FIs to undertake large scale CSR programs to distribute education scholarship, develop the health and renewable energy sector and to support the development of heritage, art and culture. Banks have provided huge response. The CSR financing by the financial sectors has increased by more than 7 times in last four years. If these initiatives continue Bangladesh will be able to stand high as an 'inclusive sustainable development model' in the world.

XIII

We have enough relevant means for building a prosperous, peaceful and livable Bangladesh. Being encouraged by the positive reports published by the world renowned media and agencies, we have to continue putting strong efforts to move our country further. We cherish for a hunger and poverty free enlightened country where there will be no corruption and chaos. Income inequality should be the lowest among all the countries in the world. Gap between village and city will be reduced to a great extent with heightened interconnectivity. We want to be a model for other countries in education, healthcare and other sectors. We always dream of a beautiful and prosperous country whose success will be based on the united efforts of the whole nation. We need seamless peace; need honest, efficient and patriot citizens to explore the full potentials of the country. We want our beloved country to sail through successfully with its huge potentials. We want our beloved motherland to stand tall keeping pace with the progress of the 21st century. Let us join our hands together and be united to eradicate poverty and help put smile on the faces of our people. Let us take a vow forgetting our past failures to move forward and to work for the homeland together. Let us utilize 320 million hands of 160 million people for the welfare of the country. This soil of our nation is holy strained with the bloods of 3 million martyrs. Our valiant freedom fighters sacrificed their lives for the independence of the country.

We have to keep in mind that the country has been freed but the people of the country are yet to gain economic freedom in true sense. For the economic emancipation the country needs an economic revolution. The young population of the country should play instrumental role in this movement. The young fighters will be the harbinger of fulfilling our dreams; our beloved mother land will be the center of peace and prosperity by the dedication of the youths. They have already proved their capabilities to take up the challenges. Good wishes for all their attempts. Let's have our patriotism rekindled among us. Let's rise in words, deeds, writings and thoughts. In totality, this emerging Bangladesh will be a prosperous Bangladesh where basic rights will be expanding day by day. Upholding the basic rights for all is the sign of real development. As put by Rabindranath Tagore: 'One sign of a nation which is on the way of development is that the narrowness of all sections and every individual starts eroding gradually. Most of the people of such a nation are privileged to claim themselves as proud human being. That's why everyone there thinks how all of them can have a decent living, get sober education, enjoy good foods, wear good clothes, protect themselves from diseases and enjoy sense of adequate relaxation and individualism.' (*Batayan Patra, Rabindra Writings Collection, 12th Kha- Page-581*)

Finally, I conclude by paying homage to millions of martyrs of 1971, by promising to fulfill their dreams of a 'Sonar Bangla', and by congratulating in advance future architects of the country who will be building a happy, prosperous and beautiful Bangladesh.

Published by:
F.M.Mokammel Huq, General Manager
Department of Communications and Publications
Bangladesh Bank, Head Office, Dhaka-1000
Website : www.bb.org.bd

DCP : 06-2013-2000