

Paths to Development: Is there a Bangladesh Surprise?

M. NIAZ ASADULLAH^{a,b,c,d}, ANTONIO SAVOIA^e and WAHIDUDDIN MAHMUD^{f,*}

^a *University of Malaya, Kuala Lumpur, Malaysia*

^b *University of Reading, UK*

^c *University of Oxford, UK*

^d *Institute for the Study of Labor (IZA), Bonn, Germany*

^e *University of Manchester, UK*

^f *Economic Research Group (ERG), Dhaka, Bangladesh*

Summary. — Using aggregate indices of education, health, demographic, and gender equality outcomes, we empirically investigate the hypothesis that Bangladesh achieved a higher level of social development compared with countries of similar level of per capita income. Stylized facts and cross-country regression results support this hypothesis for a broad range of dimensions. Further tests show that such achievements do not simply reflect income-mediated channels and social expenditure programs. We conclude by speculating on the role of Bangladesh's development to sustain the process of growth and on the role of governance and institutional quality for the nexus between growth and development.

© 2014 Elsevier Ltd. All rights reserved.

Key words — economic growth, human development, governance, institutions, NGOs, Bangladesh

1. INTRODUCTION

Is Bangladesh's progress surprising when it comes to analyzing the relationship between economic performance and development achievements? Some authors have speculated that the answer to this question could be affirmative (Devarajan, 2005; Drèze, 2004; Mahmud, 2008). The Bangladeshi economy has recorded a remarkable economic performance in the new millennium, but its per capita income remains low (World Bank, 2012a). Yet its levels of many social development outcomes have improved steadily and significantly since 1980, generating a 'surplus' compared to countries with a similar level of economic development. This phenomenon is popularly referred to as the *Bangladesh conundrum* (Mahmud, Ahmed, & Mahajan, 2008) and has also come to the fore in the media (Bowring, 2005; Dhume, 2010; Economist, 2012; Ramesh, Pande, & Bhandari, 2012). Moreover, Bangladesh is generally seen as an economy in need of substantial governance improvements. To the extent that governance quality matters for economic and social development, the country's success in fulfilling various MDG targets represents another puzzle (Devarajan, 2008). This paper looks at the significance of Bangladesh's development progress in a cross-country framework. We empirically investigate whether and to what extent Bangladesh over-performs on social development indicators (such as education, health, sanitation, and fertility), given its level of economic development. We also attempt some explanations for its progress.¹

As the country was once famously dubbed 'the test case for development', a study on Bangladesh would contribute to the literature investigating countries' pathways to human development and the view that this is intertwined with economic development (Ranis & Stewart, 2006, 2012; Ranis, Stewart, & Ramirez, 2000). Within this strand, it has been argued that countries (e.g., China) that invested heavily in human development in their pre-reform period entered a virtuous cycle of high human development and high economic growth. In contrast, other countries could not sustain a process of high

growth, owing to a human development deficit (Ranis & Stewart, 2006).

Secondly, this paper is related to the recent revival on the quest of the origins of long-term development. There is a large cross-country literature highlighting market-enhancing governance and institutions as an important ingredient of economic development (e.g., Acemoglu, Johnson, & Robinson, 2001; Easterly & Levine, 2003 and Rodrik, Subramanian, & Trebbi, 2004). The lack of growth in Sub-Saharan Africa, for instance, is attributed to the poor bureaucratic quality and public services in the region (Collier, 2007; Ndulu & O'Connell, 1999). However, global surveys on corruption perception, public sector efficiency, and quality of the legal infrastructure routinely rank Bangladesh as one of the most corrupt countries in the world (Kaufmann, Kraay, & Mastruzzi, 2009; Transparency International Bangladesh, 2005). Moreover, Bangladesh is frequently affected by floods and other weather-related adverse shocks. A case study on Bangladesh, therefore, adds to this debate on the possible pathways to long-run development, and complements the cross-country empirical literature on the institutions-development nexus.

The contribution of this paper is to offer a systematic investigation, producing regression-based evidence and using cross-country data, of whether and when Bangladesh's development progress is superior to economies with similar level of national income. We document that Bangladesh's progress is exceptional along many dimensions of social development. Further tests attempt to document which channels are responsible for Bangladesh's exceptionality, showing that its achievements may not simply reflect the role of economic

* This research has been supported by the International Growth Centre (IGC). The first draft of the paper was prepared when Niaz Asadullah was visiting the Research and Evaluation Division (RED) of BRAC as a Distinguished Fellow. We are grateful to Syed Masud Ahmed of BRAC for helpful suggestions. Final revision accepted: May 7, 2014.

growth and social expenditure programs. We highlight, instead, the importance of low-cost solutions and NGOs, infrastructure development, public campaigns, and inter-linkages between various indicators in achieving social progress.

The rest of the paper is organized as follows. Section 2 describes the trends of Bangladesh's economic growth and development during 1980–2009. Section 3 presents regression-based evidence on the alleged exceptionality of progress made in social development outcomes. Section 4 discusses the possible pathways to development in the Bangladeshi context. Section 5 concludes by highlighting selected policy challenges.

2. BANGLADESH'S TRENDS IN ECONOMIC AND SOCIAL DEVELOPMENT

The World Development Report 2013 places Bangladesh among a rather small group of countries that have progressed significantly both in terms of economic performance and development indicators (World Bank, 2012b). Based on descriptive statistics, this section illustrates the evolution of Bangladesh's economic and social development in a comparative perspective. This will help to trace the origins of, and put in context, its alleged exceptionality.

(a) *Bangladesh's national income*

What has Bangladesh's economic performance been like? Table 1 below illustrates Bangladesh's real per capita GDP (panel (a)) and rate of growth (panel (b)) over the 1980–2009 period, comparing them to the developing countries average, as well as to India and Pakistan. The data are from the Penn World Tables, version 7.0 (Heston, Summers, & Aten, 2011). The Bangladeshi economy has substantially grown, but its per capita income is not quite close to Indian and Pakistani levels yet. As the rank analysis shows, it remains an economy with a rather low income (and it is classified as such by the World Bank). Its per capita GDP has nearly doubled since 1980, but remains a small fraction of the developing countries average and of that of other Asian developing economies.

Bangladesh's growth performance can be ideally divided into two periods. In the first period, from 1980 until the early 1990s, growth was lackluster. But it accelerated after 1995, the second period, and it remains sustained in the new millennium. Presumably, this is also the result of a period of economic reforms, which started in the 1990s. As a result, it overtook Pakistan's growth rates in the mid-1990s, and maintained the growth advantage afterward, but it has been well below the average Asian developing economy and India. As the rank analysis indicates, Bangladesh's growth momentum has not declined and has performed better than the average developing economy, despite the worsening global economic environment and the worsening of its governance quality (see Kaufmann *et al.*, 2009).

(b) *Progress in health outcomes, female schooling, and population control*

The 2011 UN Human Development Report places Bangladesh third out of 178 countries in terms of improvements in education, health, and inequality over the last 20 years (UNDP, 2011). Indeed, looking at Bangladesh's Human Development Index percentile ranking over the 1980–2009 period, one will also observe that the country, not only has consistently improved its ranking, but has always been better ranked worldwide in terms of human development than economic develop-

ment. As a result, Bangladesh has managed to catch up with Pakistan (UNDP, 2011), despite its much lower national income. However, the statistics on the Human Development Index, as they are aggregating different dimensions over time, may be hiding interesting details. Hence, we must rather look at a number of individual development outcomes over time.

The country particularly stands out in terms of progress in female secondary schooling, fertility decline and two health indicators—infant mortality and child immunization.² Bangladesh's progress in these indicators is particularly impressive when compared with India and Pakistan. Figures 1–5 plot data on such indicators in two points in time, the five-year periods 1981–85 and 2006–10, and the initial level of national income.³ To facilitate comparisons, the plots highlight the positions of Bangladesh, India, and Pakistan.

During the period from 1981 to 1985, Bangladesh was behind India and Pakistan in infant mortality. However, by 2010, mortality fell very quickly—so much so that it was lower than that in India and Pakistan (Figure 1). During 1980–2010, Bangladesh's percentile rank in the cross-country data changed from 92 to 54, compared to only a modest improvement experienced by India (77–75), while the situation in Pakistan worsened (80–85) Bangladesh's position in 2010 is also below the regression line, confirming that the progress was achieved despite low income. This is particularly interesting in that Bangladesh leap-frogged India in infant mortality by the end of 1990s despite economic growth being much faster in the latter (Drèze, 2004). The health progress made relative to India and Pakistan, as well as income level, is even more striking in case of immunization outcomes. The immunization rate in Bangladesh increased from 1% in the early 1980s to over 70% within ten years, a development described by UNICEF as a near miracle (Chowdhury, Bhuiya, & Aziz, 1999).

Turning to education outcomes, the progress made in female secondary school enrollment is remarkable. Once again, Bangladesh exceeds Pakistan by 2010 (Figure 3). Bangladesh's position in 2010 is also above the 45 degree line, confirming that the progress was achieved despite low income. During 1980–2010, Bangladesh's percentile rank in the cross-country data improved from 18 to 27, compared to a fall for India (32–25) and Pakistan (21–14).

Since the 1970s, Bangladesh has also managed to reverse its initially poor record in terms of total birth per woman, now largely outperforming countries with similar income, including India and Pakistan (Figure 4). During 1980–2010, Bangladesh's percentile rank in the cross-country female fertility data changed from 78 to 57, compared to only modest improvement experienced by Pakistan (78–74) and India (48–59). Lastly, the progress in fertility decline has been aided by the spectacular increase in contraception prevalence. During 1980–2010, the percentage of women using contraception jumped from 10 to nearly 60, while the 2005 figures for Pakistan and India were 30 and 53, respectively.

In sum, the changes documented in this section—sharp fall in fertility, high prevalence of contraceptive use, and improvements in female schooling—are remarkable in comparison to Pakistan. With much slower economic growth and half India's per capita income, Bangladesh also performs equally or better on some indicators.

3. ECONOMETRIC EVIDENCE: HEALTH, EDUCATION, AND DEMOGRAPHY OUTCOMES

In this section, we take the analysis of Bangladesh's development further. We test and provide a quantitative appreciation

Download English Version:

<https://daneshyari.com/en/article/991381>

Download Persian Version:

<https://daneshyari.com/article/991381>

[Daneshyari.com](https://daneshyari.com)