POLICY BRIEFS SERIES

Macroeconomic Management in Bangladesh: Challenges and Opportunities

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About the Author

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About the Rajawali Foundation Institute for Asia

The Rajawali Foundation Institute for Asia is housed at the Ash Center for Democratic Governance and Innovation, one of twelve research centers at Harvard Kennedy School. In 2008, under the leadership of Anthony Saich, the Asia Programs at HKS (now the Rajawali Foundation Institute for Asia) joined the Ash Institute for Democratic Governance and Innovation. Two years later, the permanently endowed Rajawali Foundation Institute for Asia was established as part of the Ash Center to bring together academics and practitioners from around the world to enhance research, teaching, and training on public policy and governance issues of critical importance in Asia.

About the Bangladesh Public Administration Project

The Bangladesh Public Administration Project is a multiyear initiative housed at Harvard Kennedy School's Rajawali Foundation Institute for Asia. The purpose of the project is to strengthen the institutional capacity of the Bangladesh civil service and the individual capacity of its civil servants. The project mainly focuses on three interrelated activities: curriculum review at the nation's civil service training institutes, training on interactive pedagogy and core competencies essential for the civil service, and policy research on Bangladesh's most pressing issues.

About the Ash Center for Democratic Governance and Innovation

The Roy and Lila Ash Center for Democratic Governance and Innovation advances excellence and innovation in governance and public policy through research, education, and public discussion. By training the very best leaders, developing powerful new ideas, and disseminating innovative solutions and institutional reforms, the Center's goal is to meet the profound challenges facing the world's citizens. The Ford Foundation is a founding donor of the Center. Additional information about the Ash Center is available at ash.harvard.edu.

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Introduction

The July–August 2024 turmoil that displaced Sheikh Hasina's government poses multiple macroeconomic challenges for the interim government and those that succeed it. Without major reform, Bangladesh risks being caught in a low-income trap.[1] However, if the authorities respond seriously and sustainably, the country has multiple pathways for promoting the recovery needed to achieve rapid economic growth and inclusive development.

Our aim is to identify the challenges, examine them, and suggest ways to take advantage of Bangladesh's opportunities for growth and development. The essay has the following format. Section 2 reviews the current macroeconomic situation and its trajectory. Section 3 highlights the specific macroeconomic issues that will constrain and most likely block the economic recovery that would return Bangladesh to a viable growth path. Section 4 explores the opportunities that will enable Bangladesh to accelerate economic growth and promote inclusive development. Section 5 suggests measures to create the foundation for recovery and the longer-term transformation of the economy. Section 6 has concluding observations. Separate annexes expand on issues raised in the text.

Background—The Current Context

From the start it will help to recognize that the ongoing disruption in Bangladesh is not a one-off, unfortunate, confluence of recent events. The economy was seriously distorted prior to the 2024 chaos. Many elements of the subsequent turmoil were unfolding well before the country approached the International Monetary Fund (IMF) for emergency assistance in 2022. Despite the former government's characterization of that support as "preemptive,"[2] the 42-month $4.7 billion program was nothing of the sort. Intended by the IMF to help Bangladesh "restore macroeconomic stability,"[3] its implementation by the authorities has been weak. More important, even if the arrangement as currently structured is fully implemented, its main aim will not be achieved. Annex 1 reviews the IMF's projections of the economy's trajectory to FY29 to demonstrate this.

There is ample evidence that the economy was off track. The budget deficit and the rapid monetary growth it generated have accommodated high, uninterrupted, rates of inflation since the 1970s. The annual cycle of compressing (i.e., restricting) expenditure to control the budget deficit, to avoid "debt distress," has been a feature of economic management for most of the last three decades. The Dutch Disease[4] triggered by the Bangladesh Bank's (BB) manipulation of the exchange rate in the presence of high inflation has been undermining the dynamism of exports from the mid-2000s. These distortions continue.[5]

A second feature of Bangladesh's circumstances is that reforms that could have mitigated the worst effects of chronic inflation—budget deficits, expenditure compression, and real exchange rate overvaluation—were untended by every government: military, caretaker, multiparty democracy, and single party. None of them would initiate *and* sustain the changes required to improve the economy's circumstances or, at a minimum, substantively mitigate the resulting damage. From a macroeconomic perspective, the string had run out well before the July–August 2024 uprising.

There is plenty of blame to go around for reforms not made and the nationally beneficial policies not implemented. The proximate causes were misguided economic management and multiple institutional failures.[6]

This conclusion is at odds with the decades-long praise for Bangladesh, widespread until recently, within the international media and among development partners and selected local scholars.[7] Although the problems have been increasingly obvious since the mid-2000s, group think made it too easy to overlook how Bangladesh was systematically squandering the surge in growth and development which began in the early 1990s. Economic growth benefited from the expansion of the ready-made garments (RMG) sector, major improvements in agriculture, and the income remitted by millions of Bangladeshi workers abroad who were unable to find productive employment locally. Development gains came from actions to promote gender empowerment, the nationwide adoption of disaster risk reduction practices, and support by government and donors for broad-based capacity development.

One of the many institutional failures in Bangladesh—common among developing countries—has been to ignore the basic principles of good macroeconomic governance.[8] There was no attempt to balance the budget over the business cycle, inflation consistently exceeded comparable international trends, real exchange rate overvaluation progressively eroded the country's international competitiveness, successive governments habitually failed to mobilize the revenue needed to maintain a productive balance of recurrent and capital expenditure, and inappropriate monetary and fiscal policies hollowed out the financial system.[9] The only element of "good" (i.e., appropriate) macroeconomic governance achieved by the authorities was a "sustainable" level of external debt. But even this "success" was achieved by the counterproductive annual compression of budgeted expenditures.[10]

These macroeconomic management failings had two principal outcomes. One is that Bangladesh has grown and developed non-sustainably and less robustly over the last two decades than might otherwise have been the case. The other is that the persistent price distortions (high inflation, real exchange rate overvaluation, nonmarket interest rates) have profoundly altered, within the economy, the allocation of productive resources, the distribution of income and wealth, and the levels and composition of consumption and investment. A third outcome, the consequence of the first two, is that the authorities' inability to promote reform has seriously diminished the country's scope for further growth and development.

With this historical record, why would anyone, especially Bangladesh's citizens, asset holders, and potential investors, expect anything to change? Two reasons stand out. One derives from the notion of never wasting a good crisis.[11] If it wishes, the interim government could use the recent disruption to generate the "policy space" to force through long-overdue reforms. The second reason is that without major reform, Bangladesh, like many highly distorted economies the world over, could be caught in a low-income trap.[12]

Time will reveal the direction the country takes. Our expectation, which is reflected in the orientation of this essay, is that constructive reforms will be made. Despite its many challenges, once recovery is underway, several transitions will enable Bangladesh to generate rapid growth and inclusive development. The transitions relate to energy, finance, agriculture, infrastructure, environment, workforce development, and competent, motivated leadership.

Bangladesh's Macroeconomic Challenges

While the authorities may believe that they already have enough issues to handle as they move beyond the recent violence and deal with the uncertainty among the business community, the public service, and the general population, the macroeconomic difficulties described above need immediate attention.[13] If allowed to continue, the country's decades-long pattern of chronic inflation, persistent budget deficits, real exchange rate overvaluation, and dysfunctional budgeting will block any prospect of sustained recovery. The policy briefs upon which this essay is based have shown that local officials, scholars, and development partners have recognized and understood these problems, often for decades.[14] To date, none has been dealt with effectively, and there are currently no comprehensive measures in place to remedy them.[15] Furthermore, as Annex 1 shows, none of the necessary reforms will materialize by the end of this decade even if Bangladesh fully implements the current IMF program.

Based on the IMF's estimates, by FY29, the program will restore the economy to the configuration that existed before 2021. Inflation will be 5% per annum (p.a.), the budget deficit will remain 5% of GDP, and the real exchange rate will continue to be overvalued.[16] Modest shifts in the projected export and import shares will leave the trade imbalance unchanged. National debt will be rising, the financial system will be deepening but not by much, and revenue mobilization, though higher than currently, will be low. The budget may not need to be compressed, but with an ambitious increase in development expenditure projected, the budget deficit target may only be met by expenditure cuts.[17] Thus, after requiring Bangladesh to achieve multiple quantitative benchmarks and performance criteria, and initiate several reforms, the IMF program will have managed to produce *déjà vu all over again*.[18]

Two programmed outcomes that are not explained by the IMF are the projected growth of 7% p.a. and how the investment rate will reach 34.3% of GDP, with the public share comprising 8.1% of GDP and the private share comprising 26.2% of GDP. An implicit assumption, it seems, is that investors and citizens, despite the continued inflation, budget deficit, and exchange rate overvaluation, will be induced to reengage in ways that raise the investment rate "enough" to support the assumed growth rate. At best, this is a stretch.

What actions not included in the IMF program would support an increase in investment and growth? The first would be to eliminate Bangladesh's inflationary bias. That will only happen if the monetary accommodation that has driven an inflation rate averaging 10.1% p.a. since 1972 ends or is sharply curtailed.[19] Getting inflation down will require eliminating—or markedly reducing—the budget deficit that has averaged 4.6% of GDP p.a. since 1981.[20] Both of these changes would help reverse the financial regression that has been occurring since 2015.[21] With a "deeper" financial system, the public sector—if it were so inclined—could begin borrowing from the nonbank public rather than directly or indirectly from the central bank.

The most obvious means of reducing the budget deficit will be to mobilize more revenue domestically. This will require raising the tax-GDP ratio well above its current level of 7% of GDP and 9.5% for FY29 projected by the IMF. Yet, if the authorities do not (or cannot) raise it, they will have to cut government expenditure so that it matches available revenue. To manage that process efficiently, the authorities will need what the World Bank has described as a "credible" budget, that is, a budget in which expenditure is "aligned with" revenue (an expression used by the IMF). A further action is to fully float the exchange rate to begin restoring the country's international competitiveness.

As these measures take hold, the macroeconomic configuration will shift so that the inflation rate is consistent with those of Bangladesh's major trading partners and the market-determined exchange rate will fully reflect relevant comparative cost pressures. Bangladesh would also have an annual budget that efficiently mobilizes the recurrent and capital resources to finance its activities.[22] The above configuration will keep Bangladesh free of "debt distress." The stability induced by these changes will encourage investors and citizens to take advantage of improving yields, reduced risk, and convenience to increase their demand for local financial assets. This, in turn, will help deepen the local financial system by lowering transaction costs and expanding financial intermediation.

As important as these changes will be, there is little chance that they can be accomplished or sustained without the immediate, significant upgrading of the skills and competences of all Bangladeshi workers, public and private.

Opportunities to Move Bangladesh Forward

The earlier discussion referred to the opportunities, once recovery is underway, that will transform the economy and society and stimulate rapid growth and inclusive development. Several interrelated transitions—in energy, finance, agriculture, infrastructure, the environment, and workforce development—will be critical to this transformation.

None of them is a surprise. Bangladesh's plans, strategies, and action agendas that have been formulated over recent decades have described the relevant changes.[23] Two problems have held up progress. First, the overall agenda has been preprogrammed to fail because the authorities have never raised the necessary revenue, locally or abroad, to support and sustain the planned activities.[24] Second, Bangladesh has an exceptionally weak implementation record, an issue discussed further in Annex 4.

It is not yet clear which parts, if any, of the former government's agenda the interim government and its successors will retain: achieving the Sustainable Development Goals (SDGs), attaining high income status, and/or environmental sustainability. Yet, to make progress toward whatever objectives that may be chosen, Bangladesh will have to negotiate the transitions identified above. The following discussion has suggestions for doing this.

To set the context, it will be useful to revisit a core feature of the former government's agenda, namely, attaining high income status by 2041. Bangladesh's 2023 income per capita was $2,675. To reach the 2041 target, per capita income growth would have to increase by ~8.5% annually.[25] Since the labor force is projected to grow by ~1% p.a. over the next two decades, sustaining this growth rate will require productivity (i.e., income per worker) to rise by more than 7% p.a.[26] This will not happen.[27]

That prospect, however, should not discourage the authorities from seeking every opportunity to raise productivity by improving efficiency and effectiveness at every level within the economy and society.[28]

An energy transition has major benefits for Bangladesh. It will involve reducing the country's dependence on fossil fuels, increasing the reliability of the energy system, improving citizen access to energy sources, raising the efficiency of energy use, and reducing pollution created by the energy sector.[29] Currently, local electricity relies on fossil fuels.[30] There is close to universal access to electricity, but deficiencies in the distribution system reduce the stability and dependability of the energy supply.[31] Additionally, energy production and use adds significantly to the country's pollution.[32] Efforts to improve energy efficiency are hampered by the resource costs of upgrading current technology, poor maintenance of the existing equipment and facilities, and the continuation of subsidies and relief that have reduced the incentives for energy conservation.[33] The overvalued real exchange rate artificially lowers the financial cost of fossil fuels and adversely distorts price signals that would encourage the more efficient use of energy. Shifting to the widespread adoption and use of renewable energy will be slow. That process has high costs relative to Bangladesh's per capita income, especially since policymakers remain focused on the private costs of fossil fuels rather than their social costs.

The transition away from fossil fuels would be facilitated by appropriately valuing all relevant resources at their social opportunity cost. This has major advantages. First, there would be significant efficiency gains in energy production and use as cutting-edge technologies progressively replace and/or complement existing installed capacity. Second, modifications in consumer behavior, especially with respect to conservation, will occur as energy prices are raised to match their social costs.[34] Third, there will be important gains in workforce development from improved technical and vocational skills as local workers are trained to replace, install, service, and manage the new capital equipment and its associated infrastructure.[35] A fourth advantage is that the increased adoption of renewable energy resources will reduce pollution across Bangladesh, raising citizen welfare and improving urban amenity.

The data discussed earlier show that the transition and transformation of Bangladesh's financial system is decades overdue. Academics, development specialists, and others used to debate whether financial development was demand leading or supply following.[36] This was prompted in part by the rapid decolonization during the 1950s and 1960s when newly independent governments were seeking ways to accelerate growth and development. The notion of demand-leading finance gained adherents as a proactive approach to finance the development plans that these countries, with widespread development partner encouragement and assistance, were formulating. This led to the broadscale creation of state-owned development agencies, including development banks to mobilize the resources to finance the plans.[37]

Subsequent research revealed significantly more nuance with multiple alternative channels through which a country's "financial structure" could mobilize the developing country's "economic surplus."[38] The emerging experience revealed that the principal issue was not whether finance led or followed economic development but rather whether government policies promoted or repressed the financial system and, in so doing, bolstered or blocked the prospects for growth and development.[39] Further research indicated that finance and economic growth coevolve.[40] This mutually supportive process enables the financial system to support economic development by efficiently mobilizing resources and improving how they are allocated.

One conclusion upon which specialists widely agree is that financial disruption undermines economic growth and development. Bangladesh's experience is illustrative. The banks that dominate the country's financial system have been poorly supervised with minimal enforcement of internationally accepted prudential banking practices. Their operations have been regularly muddled by government and central bank intervention. An example was BB's use, at the government's direction, of billions of dollars of the nation's foreign exchange reserves to fund infrastructure projects.[41]

What transition will the financial system have to make in Bangladesh for it to facilitate the country's future growth and development? First, interest rates and the exchange rate should be market determined. Critics will argue that there is not much of a market for that to happen. While current controls remain in place, little market development can occur. Fortunately, Bangladesh has a sophisticated black market that works around most of the barriers that the authorities have erected. Normalizing these activities will not be difficult and can occur rapidly once BB and the government stop intervening.

Second, BB's officials will have to learn (or relearn) what is required of a central bank if Bangladesh is to become a modern open, internationally oriented economy. For this, they will need to significantly upgrade their skills and competencies. Again, fortunately, there is much experience and expertise upon which BB can draw. Immediate guidance is available from the major central banks around the world, none of which attempt to directly fix their country's exchange rates or interest rates. In addition, those banks—together with other international agencies, such as the Bank for International Settlements—have multiple training programs from which BB staff and other Bangladesh officials can benefit.[42]

A useful outcome of these actions, that is, ceasing manipulation of the financial markets and improved capacity, would be for BB to organize its activities around two widely accepted notions. The first is that contemporary central banking derives its influence through market-based policies.[43] These lower transactions costs and improve intermediation. The second is that the soundness, integrity, and stability of the national financial system fundamentally depends on the confidence among local asset holders that the central bank will act in the nation's interest.[44] The latter will require BB to demonstrate unambiguously that it has abandoned its support for sectional interests.[45]

The agricultural transition involves actions that facilitate and accelerate the transfer of labor out of the sector. In 2023, agricultural workers comprised 37% of the labor force and generated 11% of GDP. Their output per worker was $1,743. By comparison, the output per worker in nonagriculture was $8,230. That is, the nonagriculture/agriculture *relative* income gap was 4.7, while the *absolute* gap was $6,487. The corresponding gaps in 1992 were 4.1 and $1,228, and by 2010, they were 4.4 and $2,480. These metrics reveal the stark dimensions of structural poverty in Bangladesh: Too many workers remain locked in agriculture, producing too little output. The widening gaps show that the structural imbalance has worsened over time.[46]

Training agricultural workers would reduce these gaps, helping those who want to leave agriculture and boosting the skills of those who wish to remain. Both groups will also gain from policies that support a high rate of employment creation throughout the economy. There is plenty of comparative evidence illustrating how this can be achieved, much of it related to the employment benefits derived from upgrading/expanding rural and urban infrastructure, as well as that which encourages the growth of small-scale enterprises in processing, transport, marketing, and related services. Further benefits accrue from policies that improve access to appropriate technology and education and training, with particular emphasis on women and youth.[47]

There are plenty of examples where agriculture has been successfully transformed. Countries as diverse as China, Mauritius, Vietnam, India, Chile, Mexico, and Indonesia demonstrate in multiple ways the positive impacts from policies that changed farmers' incentives. Rather than being forced out of agriculture by poverty,[48] improved incentives created conditions that enabled farmers and agricultural workers to leave agriculture voluntarily for alternative pursuits or, if circumstances kept them in agriculture, to benefit from rising output and incomes.

Two countries that markedly changed its agricultural incentives were China and Vietnam. The former introduced the "responsibility" system in the late 1970s. The latter, taking note of the positive results China was achieving, launched its Contract 100 initiative and reformed its land laws.[49]

These reforms dramatically increased agricultural output and income. For the first time in decades, agriculture in both countries began making major resource transfers to the non-agricultural sector.[50] Its growing supply of output stimulated industrial and service sector activity by expanding transport, processing, warehousing, and distribution. The increased agricultural output also bolstered national food security. In turn, the farm labor absorbed by nonagricultural enterprises became a major source of remittances that boosted investment in agriculture and raised rural living standards.[51] Both China and Vietnam quickly learned that while the initial policies raised output and incomes, follow-up actions were needed to sustain the momentum. The most successful of these were investments that complemented agriculture, for example, roads, irrigation, drainage, storage, and R&D, together with improvements in social overhead capital (SOC), such as education, health facilities, and improved water and sanitation,[52] which enhanced rural welfare and amenity.[53] The authorities also recognized that macroeconomic distortions, particularly a misaligned exchange rate, needed to be addressed.[54]

Bangladesh also experienced a major revival in agriculture when the incentives shifted in favor of farmers following the end of military rule in the early 1990s. This shift coincided with a decline in the government's capacity (and willingness) to intervene. As in China and Vietnam, the improvements in agriculture flowed through to benefit the rest of the economy.[55]

The earlier discussion has already illustrated the critical role of infrastructure in both energy and agriculture. For Bangladesh to approach its development potential, major improvements in the country's infrastructure will be required. For example, many roads, ports, water and waste treatment plants, drainage works, health centers, and education facilities require repair and upgrading. The energy sector needs to transition to renewables, while urban areas require relief from congestion and pollution. The major challenge is ensuring that Bangladesh obtains value for money—a major weakness so far. Infrastructure projects regularly experience massive inefficiencies due to cost overruns, delays, and corruption.[56] The annual budget compression to contain the deficit has been especially damaging, affecting both recurrent and capital (ADP) spending, often in arbitrary ways.[57]

The persistence of these problems is puzzling. All Bangladeshi citizens are regularly confronted with evidence of their country's deficient infrastructure, and development partners have devoted large amounts of resources to remedy the situation. Moreover, the fundamental importance of infrastructure development has never been a secret.

To illustrate, the World Bank's 1994 world development report *Infrastructure for Development* declared that "infrastructure is no longer the gray backdrop of economic life—underground and out of mind. It is front and center in development."[58] The Asian Development Bank (ADB) drew on more five decades of experience, concluding that "infrastructure is key to economic production, trade, and improving everyday life."[59] It is instrumental in boosting the production of goods and services, improving the efficiency with which the economy operates, and providing access to services that enhance citizen welfare.[60]

Through their efforts, both the World Bank and the ADB identified why infrastructure is crucial for development and indicated the measures by which it should be expanded and upgraded. The World Bank's 1994 report suggested that three changes would enhance the contribution of infrastructure to local, regional, and national development. First, it should be managed like a business, not a bureaucracy. Second, the introduction of direct and indirect competition would improve operational efficiency. Third, infrastructure users (and potential beneficiaries) should have a "strong voice" and "real responsibility" in determining the location, scale-up, and operation of the investments that were being made.[61]

These suggestions—business principles, competition, and participation—represented a radical departure from what developing countries were doing. There were two problems. At the time, most developing countries were autocratic and/or heavily indebted, both of which blocked any prospect of change.[62] The World Bank also incorrectly assumed that the private sector could be induced to massively expand its investment in infrastructure. While some increased investment might occur through collaborative arrangements,[63] private sector engagement was and has remained limited, especially in Asia.[64]

The 1994 report proved to be a useful summary of emerging ideas, but its framework was too narrow. In response, the World Bank collaborated with the ADB and the Japan Bank for International Cooperation to prepare a comprehensive approach to infrastructure development.[65] The study, titled "Connecting East Asia," noted that "infrastructure is but one part of the development challenge, but its impacts are among the most important."[66] The approach focused on five "stories" (or themes) that highlight infrastructure's impacts: economics, spatial/demographic, environmental, political, and funding. Each of them continues to resonate. The economics story covers the impact of infrastructure on investment, growth, and poverty reduction. The spatial/demographic story examines how the challenges of urbanization and regional development can be met, especially in lagging areas/regions. The environmental story relates to pollution, air and water quality, and ecosystem functioning, and the political story focuses on the benefits and costs of infrastructure, particularly "who provides it, to whom, at what price, and at whose cost."[67] Finally, the funding story underscores the reality that infrastructure projects are, almost invariably, massive, risky, and long-lived. Accordingly, they are highly political, and even if they are funded by private sector loans, official borrowing, or assistance from development partners, the costs ultimately fall on consumers and taxpayers.

Each theme has relevance to Bangladesh's efforts to upgrade and expand its infrastructure. There will be significant economic impacts when improved transport lowers logistics costs. Important benefits will accrue in the spatial/demographic realm by tackling the hyper-expansion of Dhaka and its surrounding areas and encouraging a balanced approach to both rural and urban development. Additionally, multiple gains will accrue as congestion and pollution are reduced.

Rationalizing infrastructure financing serves two purposes. One is to ensure that adequate resources are raised to cover infrastructure's recurrent and capital costs. By raising the tax-GDP ratio to provide this funding, the authorities will be requiring the better-off segments of society to contribute more fully to the expansion and upkeep of infrastructure. This will improve equity. The other purpose is to direct more funding to infrastructure in isolated communities and lagging areas,[68] Improving their access to economic opportunities and enhancing their welfare and well-being. In this regard, more attention to river transport is needed. Neglected for decades, improvements in this dimension of infrastructure would boost equality and access, especially for the rural population.[69] A final infrastructure challenge is "Smart Bangladesh," which builds upon the gains in connectivity and communication derived from the "Digital Bangladesh" infrastructure. It is discussed further below.

Bangladesh's environmental difficulties have received extensive global attention. Successive statements from the first Intergovernmental Panel on Climate Change (IPCC) in 1990 to the most recent in 2023 have highlighted how climate change will add to climate-related stresses, particularly flooding and waterlogging.[70] The last two have already been accentuated by changes that, at best, are only marginally related to climate change. One of these, largely beyond Bangladesh's influence, stems from flood control measures taken by neighboring countries.[71] Another, which Bangladesh could directly influence, are the cumulative effects of land subsidence caused by groundwater extraction by farmers, households, and industry.[72] Excessive extraction rates are producing *relative* sea-level rise (SLR) and salt-water intrusion well before the major projected onset of global SLR over the coming decades.

Both mitigation and adaptation measures are required to accommodate seasonal flooding and waterlogging. Construction techniques that elevate buildings and other infrastructure above peak flood levels are already common. Since Bangladeshis have always had to “live with water,” an especially useful adaptation has been to expand beyond aquaculture activities to “produce on water.” Floating farm beds have been remarkably successful in this regard.[73]

Many other areas need remediation. These include air and water pollution, urban congestion, soil degradation,[74] aquifer damage, the often incomplete treatment of effluents,[75] and the contamination of soil, humans, animals, and water associated with the overuse (and misuse) of pesticides, fertilizers, and herbicides.[76] Though currently severe, some of these situations could improve relatively rapidly if the authorities removed the incentives that compound the worst aspects of pollution. The most obvious of these mentioned earlier are the continued subsidization of fossil fuels, the slow rollout (often the result of regulatory barriers) of renewable energy resources, and the limited efforts being made to upgrade the energy distribution network. The lack of action in these areas can be traced to deficient policies, most of which reflect the incapacities (and reluctance)[77] of the authorities to implement the initiatives that were included in the country’s strategies and plans.

It is easy to find numerous activities in the most recent Five-Year Plans that, if implemented, would have significantly improved the nation’s environment.[78] Convenient summaries of the intentions can be found in the current 20-year Perspective Plan[79] and the Bangladesh Delta Plan (BDP) 2100.[80] Indeed, the activities proposed in these plans contrast markedly with the measures that have been taken and what might be achieved if current policies were reoriented *and* implemented.

The BDP 2100 was conceived in expansive terms. It sought to build upon the government’s more immediate goals of achieving upper-middle-income status (2031) and eliminating extreme poverty (2041), while keeping its focus on the “longer term challenge of sustainable management of water, ecology, environment and land resources in the context of their interaction with natural disasters and climate change.”[81] The plan noted that climate change was intensifying natural hazards such as tidal surge salinity, flooding, river erosion, and cyclones. These posed risks to food security and livelihoods, though it was noted that they had to be addressed within the context of “growing urbanization, declining land availability, infrastructure shortages, energy supply constraints, [a shortage of] . . . labor skills . . . [and] . . . limited public resources and a constrained public sector capacity.”[82]

The plan suggested the need for an “integrated, comprehensive and long-term delta vision” and proposed two sets of goals: three high-level goals and six specific goals. The higher-level goals were eliminating extreme poverty by 2030, achieving middle-income status, and becoming “a prosperous country beyond 2041.”[83] The six specific goals were safety from floods and climate-change-related disasters, enhancing water security and efficiency of water use, ensuring sustainable and integrated river systems and estuaries management, conserving and preserving wetlands and ecosystems and using them wisely, developing effective institutions and equitable governance for in-country and trans-boundary water resources management, and achieving optimal and integrated use of land and water resources. “Uncertainty” was central to the whole narrative. The plan emphasized that both private and public sector responses needed to be framed with this in mind.

If implemented, the activities proposed in BDP 2100 would tangibly reduce the scope and rate of environmental degradation in Bangladesh. It is not possible to predict whether they would meet BDP 2100’s principal aim of Bangladesh becoming an environmentally sustainable economy and society. It is also not easy to predict whether the interim government and its successors will embrace the plan’s core objectives.

Nonetheless, what can be readily predicted is that there will be minimal progress toward a sustainable environment in Bangladesh unless environmental management improves markedly. This will require that the ongoing activities that diminish and degrade the nation’s stocks of natural resources—surface and subsurface water, land, atmosphere, forests, lakes, and oceans—and the ecosystem services they generate are dramatically reduced. This will require a complete reversal of the existing incentives that encourage all Bangladeshis—citizens, businesses, and public sector enterprises—to misuse, mismanage, and waste these stocks and flows. These counterproductive behaviors are currently reinforced by explicit and implicit pricing of physical capital, labor, and natural resources as well as lax, weakly enforced regulations. In their quest for economic growth and what they define as “development,” the authorities have been overwhelmingly “rewarding” and “valuing” the contribution of human capital and physical/produced capital while undervaluing (indeed, often neglecting) the contributions of natural capital.[84]

This bias is evident in the nation’s formal plans, strategies, and policies. None of them explicitly allows for the increasing scarcity of natural resources and their associated ecosystem services.[85] It is an unfortunate omission for a country that, by local and global accounts, has been recognized as among the most susceptible to the impacts of environmental degradation and climate change. This is an area where the “constrained public sector capacity” referred to above has been especially damaging.

Although the target date for achieving environmental sustainability is decades in the future, the environmental transition for Bangladesh to meet its goals requires immediate attention.[86] The country has special capabilities for doing this. Its experience with cyclones, flooding, agricultural droughts, storms, urban heat domes, waterlogging, air and water pollution, soil degradation, and emerging pests and diseases had helped forge world-class programs in disaster response.

Furthermore, the activities identified in the transitions discussed earlier can complement this response in constructive ways. Improvements in the financial system will help mobilize the resources that enable households and businesses to better withstand the environmental difficulties they encounter. Higher levels of government finance can be directed toward climate-resilient infrastructure and the provision of key services that sustain recovery from disasters. Additionally, improvements in training and education will bolster preparation and recovery efforts. Furthermore, with an improved financial system, upgraded infrastructure, and increased knowledge transfer, those who remain in agriculture will be better prepared (and rewarded) for adapting in ways that preserve the environment and maintaining national food security.[87] Finally, the enhanced access to and security of the nation's energy supply will enable households and industry to adopt and benefit from productivity-enhancing technologies.

Each of the transitions discussed above will assist Bangladesh and its citizens. Yet, none of them will be implemented effectively or produce the anticipated advantages unless the country's workers substantively upgrade their skills and competences. That will be accomplished by activities that simultaneously improve the technical, entrepreneurial, and management capacities and enhance the skills (doing things) and competences (getting things done) of public sector officials.

Business as usual will not suffice. Efforts to raise productivity already face significant challenges. As noted earlier, there are "too many" workers (especially women)[88] in agriculture producing too little output. The local economy generates too few remunerative jobs, as evidenced by the millions of workers who work abroad,[89] and local unemployment is high.[90] Education and training—from the university level down—is low by international standards. Furthermore, as discussed further below, the standards being achieved are well below the levels that will fulfill the country's aspirations for "Smart Bangladesh."[91]

Despite these difficulties, the country has important advantages. Education standards may be low, but meaningful improvements have been occurring in several areas. When stimulated by appropriate incentives, farmers and industrial workers, especially the women whose efforts drive the success of the RMG sector, have demonstrated their responsiveness, skill, and adaptability. Over the last four decades, remittances from migrant workers have made a major contribution to the nation's welfare, often in the face of high costs.[92] Furthermore, among the workers who did not migrate, a growing number—now approaching a million—have taken advantage of the country's improved internet access to create a vibrant gig economy.[93] As a final example, Bangladesh has displayed a host of exceptional organizational skills and competences through its collaboration at all levels of society to develop and sustain effective programs in disaster risk reduction and disaster relief.[94]

Supported by multiple development partners, Bangladesh has been achieving some broad advances in training, education, and capacity development.[95] The most notable have been in Technical and Vocational Education and Training (TVET) and the introduction of 21st-century training in primary and secondary education.[96] Activities in TVET over the last two decades have involved the nationwide expansion of training facilities and enhancement of instruction. To boost work performance, special emphasis has been given to competence-based education or competence-based training.[97] The development of qualification frameworks that relate skills and competence levels to expected performance have supported these efforts. Dating from the mid-2000s, the first of these was the National Technical and Vocational Qualifications Framework (NTVQF), followed soon thereafter by the National Qualifications Framework of Bangladesh Higher Education (NQFBHE). Both have now been subsumed within the Bangladesh National Qualifications Framework (BNQF), published in 2021.[98]

Access to primary and secondary education, especially for girls, began increasing rapidly in the mid-1990s. Over recent years, attention has shifted to raising the quality of teaching and restructuring the curriculums to focus on 21st-century skills.[99] Capacity development efforts have also been expanded within selected university faculties and professional associations through their efforts to align their curriculums and performance standards with established international practices. A fourth area has been the push for Smart Bangladesh. Introduced toward the end of 2022, its principal goal has been to build upon Bangladesh's advances in digitization and digital literacy following the introduction of "Digital Bangladesh" in 2009.[100]

Smart Bangladesh has four pillars: smart citizen, smart government, smart society, and smart economy.[101] "Smart citizen" aims to empower "citizens of Bangladesh with a digital first mindset" through "widespread digital literacy programs [. . . and by having . . .] digital embedded in their way of life." When implemented fully, "smart government" will "bring to life the concept of 'invisible governance' through implementation of 100% paperless offices and hyper personalized service platforms across priority areas like healthcare, education, agriculture . . . [and] . . . revenue management." "Smart society" will be "characterized by inclusive communities and sustainable living." Finally, having a "smart economy" involves "creating an innovation economy to enable Bangladesh to be on the forefront of ever evolving industrial technology revolution."[102]

Each of these initiatives represents a set of practical steps to enhance workers' capabilities. To succeed, they require public support in two critical areas. One is the effective implementation of *appropriately* funded public sector plans and strategies that help "crowd in" private sector activities and enterprise. The other is to enhance the organizational skills and administrative competences of the public officials who will implement the nation's plans and strategies. A further requirement is that these officials are motivated to use these skills and competences to serve that nation.[103]

In principle, this should be easy. The government of Bangladesh, irrespective of the party in charge, controls every phase of a public sector official's training—from the entry level exam to foundation training programs and the numerous structured, discipline-oriented capacity development activities, including overseas education—as their careers progress. In practice, reviews of the scores of government training centers, institutes, and academies suggest that much of the training received is deficient. A major problem is the curriculums of the various courses, as their content, instruction techniques, and assessment methods are not "fit for purpose."

An example illustrates this. The Senior Staff Course (SSC) is Bangladesh's most advanced formal administrative course. It is offered by the Bangladesh Public Administration Training Center (BPATC), which is regularly identified as the country's "apex" public administration training entity. The SSC is the final step for those who aspire to head the various divisions, wings, and ministries of the Secretariat. Since its introduction in the 1980s, it has been offered more than 110 times. Despite numerous suggestions by BPATC scholars and others that the course be rethought and restructured, it has never undergone a fully-fledged curriculum review.[104] Instead, the course has been adjusted (i.e., "tweaked") at the end of each session, which has involved adding or combining topics without substantively rationalizing the existing content, how it is taught, and how it is organized. Much of the material presented is outdated, the teaching methods by and large are non-participatory, and the assessment methods do not measure whether the training adds value. There has also been no regular follow-up to determine whether and how course graduates perform when they return to their jobs.[105] Thus, despite its importance within Bangladesh's public administration training system, there is little that the course does to ensure that its participants gain the core competences they need to manage efficiently and administer effectively.[106]

Not all public training entities in the country have the same deficiencies, particularly among those that are focused on imparting specific skills, techniques, and procedures. Nonetheless, they could benefit from regular curriculum reviews.[107]

Moving forward, the authorities in Bangladesh should focus on procedures and processes that ensure that all public training entities become "fit for purpose" and remain that way. Change will be slow, but tangible progress will occur if current practices are changed. One would be to require that the supervising ministries and departments hold their associated training entities accountable for their performance, particularly the quality of their graduates. So far, these ministries and departments provide finance to their training entities but, in many instances, with minimal supervision.[108]

A second change would be for the authorities to insist that, without further delay, each training entity is subject to an institutional audit. This self-assessment exercise focuses on whether the entity has the policies, systems, strategies, and resources to monitor the quality of its programs and develop, enhance, and sustain them in ways that align with their education mission and values.[109] The supervising agencies should then monitor and regularly report on the implementation of the recommendations derived from the institutional audit.[110]

Remedies to Promote Recovery and Benefit from Opportunities

Bangladesh's single most important advantage is that none of the challenges it currently faces is insurmountable. Multiple countries of every political persuasion have been through periods of chronic inflation, persistent deficits, overvalued currencies, shallow/

regressing financial systems, potential debt distress, declining export shares, dysfunctional budgets, and the general loss of trust and confidence among investors and the public at large.[111] These difficulties, plus others, were common across Sub-Saharan Africa in the decades following the 1970s food and oil shocks, Latin America during its more than two "lost decades" beginning in the 1980s, and numerous other countries, some of which have yet to begin to reform.[112]

To advance, Bangladesh will require a phased set of actions. The first set comprising immediate/short-term measures will help foster economic recovery. The second set of medium-term (two to four years) activities are designed to stimulate private investment and enterprise to support and sustain the several transitions discussed earlier.

There is a risk that the authorities may adjust these actions in a piecewise fashion or rationalize delay, viewing the costs of adjustment as being too high. Comparative experience suggests that both are unwise. The actions suggested below are complementary and self-reinforcing.[113]

Immediate and Short-Term Measures

- Establish a small technical working group[114] with the responsibility *and* authority to monitor and evaluate the implementation of the monetary, fiscal, exchange rate, and debt policies that will stabilize the economy.[115]
- Adopt a cash budget so that government expenditure in any month is, initially, kept below the revenue collected in the previous month. Once the system takes hold, it can be moved to the matching of revenue and expenditure quarter by quarter.
- Fully float the exchange rate by abandoning the notion, which is part of the ongoing IMF program, that BB can manage efficiently a "crawling peg" system.
- Rationalize and restructure the operations and functions of the National Board of Revenue (NBR). An urgent task will be to begin removing all import duty relief, significantly raise tax rates on all luxury goods imports, and impose a single uniform rate on all nonluxury imports.[116]
- End the practice of capitalizing overdue interest and principal on nonperforming loans and freeze all lending by state-owned commercial banks (SOCBs) that does not reflect the collateral standards of private commercial banks.

Over the medium term, the authorities should do the following:

- Restructure the budgetary process so that all recurrent *and* capital expenditures are "credibly" and fully financed by domestic revenues and sustainable long-term borrowing, domestic and foreign.[117]
- Upgrade training for officials in entities responsible for economic management—Ministries of Finance, Trade and Commerce, Industries, and Planning; BB; the NBR; and the Chief Advisor's Office from the most senior to the lowest ranks—to provide the skills and competences that enhance their work performance.

- Overhaul, with external assistance if needed, accountability standards and appoint independent agencies with the mandate to audit all public sector agencies.

The suggested changes will eliminate the budget deficit, reduce inflation, end manipulation of the exchange rate, raise additional revenue, promote financial reform, and improve the efficiency and effectiveness of the budget process. It will also enhance transparency in public spending and improve accountability for outcomes. If implemented, the changes will stabilize the economy in ways that have not been achieved over the last 50 years and, as demonstrated in Annex 1, is not in prospect under the current IMF program.

A cash budget will enable Bangladesh to sharply reduce inflation by eliminating regular increments to domestic credit that result from direct and indirect public sector borrowing from the banking system.[118] A full float of the exchange rate will serve several purposes. First, it will end BB's socially wasteful pattern of exchange rate intervention. An appropriately valued taka (i.e., one that is significantly more depreciated than it is at present) will provide relief to all tradable goods sectors, especially RMG and agriculture. It will also provide an incentive for migrant workers to remit additional funds from abroad through formal channels.[119] A further advantage is that it will begin to improve equity in Bangladesh by reducing the "easy money" to which favored "insiders" (the rich and well-to-do) have had access. However, some caution is warranted. A floating exchange rate more directly and rapidly reflects macroeconomic shocks. Therefore, any potential adverse effects will need to be mitigated by having the country's economic managers appropriately align the country's fiscal, monetary, and debt management policies.[120]

With its three noncooperating pillars and two distinct officer cadres, the NBR has been, and remains, an administrative and operational mess. There is no broad-based sharing of information; the system operates with three unrelatable taxpayer identification protocols; enforcement is minimal; graft and malfeasance have been widely documented and continue largely unremedied; and the board's ongoing incapacity to generate more than 7% of GDP in tax revenue is evidence that its activities do not serve the national interest. A recent World Bank *Development Update* offers guidance on reforms that would mobilize additional revenue.[121]

A deeper, more integrated financial system will remain unachievable without a banking system that investors and ordinary citizens can trust to operate in the national interest. BB's manipulation of interest rates and the exchange rate, monetary accommodation that sustains chronically high inflation, and weak banking supervision have allowed the "wildcat" banking practices of the SOCBs to persist. Disadvantaged by these circumstances, most asset holders use alternative financial arrangements. For this situation to change, the authorities will have to tangibly demonstrate that the above counterproductive practices have ended. That will not be easy or occur rapidly. Asset holders will have to be convinced that insider trading, influence peddling, corruption, and other distortions have been addressed *and* that the corrective measures being used will be sustained.

With a floating and internationally competitive exchange rate, the RMG sector will not need the assistance that the authorities have provided through, among other means, extraordinary tariff relief, subsidies, favored access to credit, and wage suppression.[122] A related advantage is that an appropriately valued exchange rate will end the subsidy to capital deepening. This will boost local employment and provide an incentive for all industries to upgrade the skills of their existing workers. The gains in TVET across the country could readily support this effort.

With respect to the medium- and longer-term measures, the main challenge will be to enhance the skills and competences of the relevant officials so that they can manage and sustain the reforms. Their principal task will be to create an "enabling environment" for the implementation of the transitions discussed earlier. As already noted, Bangladesh has scores of public administration training centers, institutes, and academies that, in principle, provide the necessary training. But, as also described, the long-overdue changes in the course material offered and how it is taught and assessed have yet to be made. When implemented, these changes need to be supplemented by regular reviews of the workplace performance of the newly trained officers and enforcement of procedures that hold them accountable for their performance.[123]

With these measures in place (or rapidly taking shape), the authorities can turn their attention to selectively broadening the capabilities of the agencies—ministries, departments, and other entities—responsible for implementing the main elements of the transitions in energy, finance, infrastructure, agriculture, and the environment. It is these transitions that will enable Bangladesh to advance its national goals of enhancing food security, reducing pollution, eliminating poverty, and improving rural and urban amenity.

The Special Role of Macroeconomic Management

Widespread research and historical evidence reveal that while the principles of appropriate macroeconomic management, or good macroeconomic governance, will not guarantee rapid economic growth and inclusive development, weak or dysfunctional macroeconomic management will block both. Many historical examples confirm this, including the "fiscal exhaustion" that led to the collapse of the Spanish Empire,[124] the debt burden that unraveled the Ottoman Empire,[125] the disastrous consequences of Britain's return to gold in 1925,[126] and economic regression in the United States following the enactment of the 1929–1930 Smoot-Hawley tariffs.[127] Closer to the present, the circumstances in Venezuela, Myanmar, Zimbabwe, the Democratic Republic of the Congo, Zambia, Ghana, and Brazil, among numerous others, continue to confirm the point. Bangladesh's experience, especially since 2012, fits the pattern.

Why does appropriate, or "good," macroeconomic management matter?

First, there are fundamental balances or "adding up" restrictions, which, when respected by economic managers, maintain the macroeconomic coherence that keeps an economy on a stable trajectory. It is often too easy for governments with their multiple goals and dispersed centers of authority within the scores of ministries and departments to lose sight of the collective constraints that these balances impose.[128]

Second, recognizing these interdependencies, their feedback loops, and dealing with the intended and unintended consequences that they create requires a high degree of "complex cooperation" among the entities responsible for economic management. Their constructive collaboration[129] is vital for ensuring that the country's monetary, fiscal, debt, and exchange rate policies generate and maintain the "enabling environment," which engages the private sector to invest productively.

Third, the pattern of economic and social transformation, or "development" in general, is reflected in the emergence, broadening, deepening, and increased sophistication of the nation's formal and informal "institutions."[130] It is this process of institutional expansion, enhancement, and extension that transforms, or develops, economies and societies over time.[131] A basic theme of this essay is that that Bangladesh needs to revamp the institutions that efficiently and effectively monitor and manage the macro economy in the national interest.

Fourth, macroeconomic management is a wicked problem.[132] Most of the key issues involved—the rate of inflation, level of interest rates, monetary growth, the rate of investment, structure of taxes, and level and composition of debt, among multiple others—are relatively "easy" to identify. Yet, even if most of the effects of each issue are recognized, gaining agreement on how to proceed and deciding on what consequences can be accepted or "lived with" are never easy. Actions taken to deal with the perceived problems are path-dependent and difficult or exceedingly costly to reverse. Furthermore, the actions that are agreed upon will typically depend on the coalition of entities involved, with each proposed remedy reflecting their individual disciplinary perspective. For instance, central banks tend to see macro problems as matters related to money, finance, interest rates, and exchange rates; ministries of finance view them in terms of revenue mobilization, expenditure allocation, budget deficits, and debt; ministries of commerce tend to emphasize sectoral transformation, industrial organization, and trade incentives; and planning ministries focus on resource constraints, investment opportunities, sectoral and regional balances, and incentives.

Given the wicked nature of the macroeconomic challenges, there is no optimal way they can be approached. Various metrics will reveal that what has been collectively agreed as "progress" is being made. There can be general agreement that the situation is improving, but as with all wicked problems, the underlying problem is never fully resolved. For instance, inflation can be reduced, but continual vigilance is required to keep it at or around an acceptable level. Budget balance can be "restored," but it will only be maintained if the efforts on revenue mobilization and efficient expenditure management are sustained.

Sixth, the wicked/complex nature of macroeconomic management explains why there have been multiple "institutional anchors" devised to induce (or force) policy coordination among agencies that manage the economy. These "anchors"—which take the form of upper or lower limits on revenue, expenditure, debt, money growth, and inflation—are designed to shape the "policy space" available to economic managers.[133] The anchors are typically derived from local and comparative experience and research to produce prudent boundaries on levels and/or trends in the key macroeconomic variables. In turn, the effects of these anchors on economic (and social) behavior are influenced by a host of regulatory and oversight agencies and their mandates.[134]

These six reasons help answer why macroeconomic management matters. A further reason, often overlooked, is that "good" macroeconomic management (like "good governance") has external effects that create public value.[135]

In practice, good macroeconomic management should be seen as a work in progress. A guiding principle should be the "next best step."[136] Based on currently available evidence of key economic variables and perceptions of their trends, the "step" is derived by having the relevant economic managers reach agreement on actions that would move the economy in the collectively desired direction. These might include lower inflation, a smaller budget deficit, improved investment implementation, an internationally competitive exchange rate, SDG achievement, and so on. Implementation would be closely monitored with regular reviews of progress to which economic managers would adapt and derive their next best step. There is nothing fancy about this pragmatic approach, but there is plenty of international evidence showing it works, especially for countries, like Bangladesh, that have capacity challenges and are struggling to recover.

Concluding Comments

Even though none of the changes suggested above will be easy to implement, if the interim government were to act purposefully and comprehensively and be collectively constructive, many of the distortions holding back economic recovery will be removed or mitigated. Lacking these changes, the economy will have extreme difficulty recovering, and the widely promised increase in development partner support will be wasted.

Making these changes will also provide the interim government and its successors with a viable foundation for accelerating the transitions in energy, agriculture, infrastructure, finance, the environment, and workforce development that will help Bangladesh make progress toward its major development goals. These transitions will be mutually complementary. For example, improved access to energy with a progressively declining fossil fuel footprint will raise productivity, enhance citizen welfare, and reduce pollution. Robust efforts to reform the financial sector will raise asset holder confidence, reduce intermediation costs, and facilitate the expansion of public and private investment. These changes will help boost productivity and reinforce Bangladesh's attractiveness as a regional (if not global) production hub. By reducing logistics costs, the infrastructure transition will complement the other transitions. It will draw agriculture and rural areas into the mainstream of national development, stimulate regional investment, protect the environment, and raise citizen welfare and amenity.

Immediate and short-term gains in the environmental transition will be made through actions that reverse the current counterproductive approach to energy pricing. Over the medium term, rationalization of *all* resource pricing will eliminate or, at least, moderate the current biases against natural resources and ecosystem services. The dedicated focus on the social benefits and costs of public sector activities will help upgrade the country's monitoring and evaluation capabilities, which will strengthen implementation.

Finally, none of these transitions will occur in any well-ordered fashion without comprehensive improvements in the skills and competences of Bangladesh's workforce, both private and public. Those skills and competences will enable Bangladesh to create the technical, administrative, and organizational capabilities it needs to address its challenges and build upon its opportunities.

Annex 1: How Does, or Doesn’t, the Current IMF Program Promote Recovery in Bangladesh?

To understand some of the challenges facing Bangladesh, we review the Extended Credit Facility arrangement approved by the IMF in January 2023. It provided $4.7 billion in tranches spread over 42 months. The aim of the assistance was “to restore macroeconomic stability.” The term was not defined explicitly.[137] Implicitly, it seems to hinge on several measures—raising the tax-GDP ratio, increasing foreign exchange reserves, and, after the second review (in May 2024), moving the exchange rate to a “managed crawl.”[138] Whether these changes will restore macroeconomic stability is currently unknown. Some guidance is possible by examining the configuration of the economy projected by the IMF staff for FY29, three years after the program ends.[139]

The data, taken from the IMF June 2024 country report,[140] show the following for FY29: real GDP growth 7%; GDP inflation 5.4%; CPI inflation 5.5%; total revenue 10.2% of GDP; tax revenue 9.5% of GDP; government expenditure 15.2% of GDP; ADP expenditure 6.4% of GDP; budget deficit 5% of GDP; gross investment 34.3% of GDP; public debt 42.9% of GDP; total reserves $63 billion, equivalent to 4.3 months of imports; broad money 55.6% of GDP; broad money growth (FY28–29) 15.3%; and growth of net credit to government (FY28–29) 15%.

With only some minor differences, the FY29 configuration returns the economy to the status quo ante, that is, where it was before the meltdown in 2021. There is a small rise in the tax-GDP ratio, a marginally higher rate of inflation, a percentage point gain in ADP spending, and an increase in public debt. As interpreted by the IMF, the restoration of macroeconomic stability involves a continued high growth rate of money (15.3% p.a.), chronic inflation (above 5% p.a.), and a persistent budget deficit. One positive development will be that if the various revenue and expenditure ratios are met, the budget will not have to be compressed. Observers, however, will wonder why the IMF missed the opportunity to reduce the budget deficit, especially since the monetary accommodation it generates will keep Bangladesh’s inflation significantly above international norms.

It is also puzzling how the program can generate economic growth of 7% p.a.[141] with continued inflation and an overvalued exchange rate. The key seems to be an assumption that investment will average 34.3% of GDP, with 8.1% of GDP being the public share.[142] These are higher than the rates recorded since FY21 and seem to emerge without any obvious measures—policy changes or incentives—that would encourage investors and citizens to reengage with the local economy.

Annex 2: A Note on the White Paper Committee 2024 Report[143]

The research presented here was well advanced before the White Paper Committee report was published, with the four policy briefs upon which this essay is based in their final form. A caveat—the full importance of the report with all its detail and nuance is not reflected here.

The committee deserves commendation for the scale and scope of the scholarship presented. It highlights the major problems confronting Bangladesh and offers recommendations for moving forward. Though analyzed in more detail than here, the results are largely consistent with the key themes of the present essay. The core problems are inflation, low revenue mobilization, weak investment performance, major sectoral distortions, and wide-ranging institutional dysfunction. The committee reaches highly positive conclusions that resonate. One is to encourage “massive investment in TVET” (p. 281) and “accelerating fuller delivery of the SDGs” (p. 378). The former will significantly upgrade the skills and competences that Bangladesh needs to move forward, while the latter is fundamental for the country’s inclusive development.

If one is not distracted by the committee’s emphasis on the former government’s corruption (mentioned in ways that cannot be missed, as in the headlines of chapters 8 and 11, “Public Investment: The Roots of Corruption” and “Power and Energy Sector: A System Designed for Corruption”), the analysis is excellent.[144] Several of the core chapters relate to the issues discussed in this essay—the low tax-GDP ratio, inflation, the exchange rate, and implementation issues. Further positive aspects of the report are recommendations to roll out “an economic stabilization program” and “delineating a framework for the forthcoming national budget (2025–26)” (p. 378). The details are still to be determined. This is where our essay could assist.

A useful framework for the budget could be a cash budget. This will have the desirable effects of stabilizing the economy by eliminating the deficit and ending the monetary accommodation that keeps inflation chronically high. By matching expenditure to available revenue, it would produce a “credible” budget that, for the first time in decades, offers Bangladesh the prospect of financing its recurrent costs and the ADP. All of this would be supported by increased revenue mobilization. On this matter, the authorities should be guided by the World Bank’s contribution referenced earlier. What the committee proposed in chapter 6 of its report is over the top: The 8 short-term, 11 medium-term, and 7 long-term measures (pp. 91–96) represent extreme overreach[145] that invites nonperformance.

Notwithstanding its positive aspects, the report’s overwhelming focus on corruption reflects a lack of perspective. There is a definite need to highlight the “kleptocratic legacy” of “unchecked corruption, abuse of public resources, and misuse of discretionary power for a decade and a half” (p. 2). However, the focus on the “manifestation” and “magnitude” of corruption sets the tone for the whole report (pp. 3–5). Long-term observers (and friends) of Bangladesh will suggest that the collective shock revealed by the "closer look at the evidence on the ground reveal that the situation is much worse than was anticipated and apprehended earlier" is overdone.

The report made headlines with its estimate of the "loss" of $240 billion—$16 billion per year over 15 years—through money laundering, corruption, and malfeasance during Sheikh Hasina's time as prime minister. Observers will readily admit, and Bangladeshi citizens can affirm, that the theft and waste were large. But the collective "shock" is contrived,[146] particularly when seen in context of the scale and longevity of the corruption that preceded the displaced government.[147] Indeed, most citizens are likely to view what the committee revealed as representing the continuation of business as usual. Those who took notice of the nation's history will recall that Transparency International's (TPI) initial assessment in 2001 gave Bangladesh a score of 0.4 out of 100, the lowest of all countries surveyed.[148] For context, the country's most recent TPI score for 2023 was 24, 10th from the global bottom.[149]

Just as important, other international observers including Bangladesh's development partners have identified large-scale corruption, often for decades. In a commentary regarding corruption that predates the period examined by the committee, an official argued that for Bangladesh to achieve the SDG governance target (#16), it would have to "stop illicit finance flow and fighting . . . corruption." He cited a Global Financial Integrity study of 2019 showing that in 2015, Bangladesh experienced an "illicit outflow" of $5.9 billion as part of a "total figure of money siphoned off Bangladesh in 11 years since 2005 to $81.74 billion."[150] While development partners could readily glean their records to provide details about earlier corruption, recent statements from the ADB and the World Bank,[151] which euphemistically portray corruption as a governance issue, make clear that, for them, there is nothing recent about the phenomenon. The same applies to the US Department of State[152] and the IMF.[153]

The committee warns about "sleepwalking into the middle-income trap." That message could be equally applied to the White Paper Committee report itself. It would be most unfortunate for Bangladesh and its citizens if the interim government and its successors do not sleepwalk into the future, believing that their stewardship will replace the complicity—that is, the "elite bargain," which produced a "captured democracy" (pp. 11, 18)—that has enabled the country to be so poorly administered by multiple governments since 1971.

None of this diminishes the importance of what was reported. One would hope that it might prompt the authorities to reflect on their vow to "recover funds stolen from the people of Bangladesh."[154] On this matter, comparative experience is sobering. Countries including Indonesia, Malaysia, Nigeria, Zimbabwe, Myanmar, Thailand, Brazil, Mexico, Greece, Philippines, Ghana, and the United States have discovered that the bulk of what was stolen, wasted, and misallocated is a sunk cost. Despite monumental efforts lasting decades, little has ever been recovered. Bangladesh could usefully heed this lesson.

While they concentrate on recovering the “lost” billions, the authorities squander the opportunity to focus fully on promoting recovery, which would help minimize the continuing loss of income and citizen welfare caused by the July–August 2024 turmoil, disruption, and uncertainty.

Annex 3: Why the Taka Should Be Floated

To promote recovery, the authorities should adopt a cash budget and fully float the exchange rate. The former will eliminate the budget deficit that has created the elevated rate of monetary growth that sustains inflation, while the latter will restore the country's international competitiveness. The current IMF program does not include a full float; instead, BB is responsible for a "managed float." This is a major mistake for four reasons.

First, the past *is* prologue. BB's manipulation of the exchange rate over the last two decades shows that its officials have consistently failed to "manage the monetary and credit system of Bangladesh with a view to stabilizing domestic monetary value and maintaining a competitive external par value of the Bangladesh Taka . . . in the best national interest."[155] Furthermore, based on its past performance, few Bangladeshi citizens have any reason to believe that BB officials will modify their behavior.

Second, as shown in a companion study,[156] despite the changes from mid-2021 to the present, the exchange rate is still overvalued in real terms, though not by the margin it was from 2012 to mid-2021.[157] A full float is the only nonarbitrary means to realign the currency without risking further distortions.

Third, the IMF's projections for FY29 indicate that what is meant to pass for "macroeconomic stability" (described in Annex 1) will also involve some real overvaluation of the exchange rate. This is revealed by computing the exchange rate from the data that the IMF provides.[158]

Fourth, a further issue, also explored elsewhere,[159] has been the IMF's regular misspecification of the equilibrium conditions for the taka's value. For more than a decade, the IMF has mistakenly estimated and reported that Bangladesh's "external position" has been "broadly in line with the level implied by medium-term fundamentals and desired policies."[160] The mistake has been to include remittance flows in the estimate of the overall "external position." No one denies the benefits for the economy of remittances. They raise income and improve welfare, but the effects are not immediate, and the remittance flows need to be managed so that Dutch Disease is avoided. The analytical problem is that remittance flows do not reflect the resource productivity of Bangladesh's economy. This is what underpins the country's international competitiveness and thus its real exchange rate. Indeed, if resource productivity had been higher, the ~10 million workers who could not find remunerative work locally would not have had to migrate.

Annex 4: Implementation Challenges

Dealing with Bangladesh's implementation challenges would require a multivolume study. Our purpose here is to support the assertions made at various points in the main text that weak, or failed, implementation of key reforms has been a long-standing governance deficiency. It is reflected in the lack of state capabilities and has been regularly confirmed by multiple examples of the inability (and often reluctance) by all Bangladeshi governments to promote the reforms that various officials, local scholars, civil society leaders, and development partners have regularly urged and demonstrated would be in the national interest.

An apt summary of the situation appeared in the *Daily Star* under the caption "What 2022 Should Have Taught Us." It reflected on the energy crisis, foreign currency reserves, nonperforming bank loans, corruption, and waste, noting that "what the IMF said, our economists have said before."[161] It concluded with the plea "going forward, we once again urge the authorities to pay attention to the opinions and criticisms of experts and the public."[162]

The point is familiar in Bangladesh. Local officials, scholars, and citizens have provided excellent analyses and advice on what would promote rapid growth and sustained, inclusive development. Implementation has been partial, ineffective, or both. That, however, pushes the issue back one step. A rich literature on the topic identifies multiple reasons for these deficiencies.[163] One that resonates in Bangladesh is state capacity. This theme was emphasized by the World Bank in its 1997 world development report *The State in a Changing World*. At the time, dozens of nations were emerging from decades of autocratic rule, and the bank was seeking principles and approaches that would enable "human welfare to be advanced."[164] It focused on "the issue of the state's effectiveness" and argued for "getting societies to accept a redefinition of the state's responsibilities." The challenge was to "make every state a more credible, effective partner in its country's development." This required "state capability," which the World Bank defined "*as the ability to undertake and promote collective actions effectively*."[165] To build (or rebuild) that capability, it proposed a two-part process. The first part was "matching the state's role to its capabilities,"[166] and the second was to "raise state capability by reinvigorating public institutions."[167] "Matching role with capability" was "not just a question of what to do, but also a question of how to do it." Reinvigorating public institutions meant "designing effective rules and restraints, to check arbitrary state actions and combat entrenched corruption."[168]

In the 1990s, Bangladesh could have benefited from these insights. It still could.[169] The key issues being stressed explain most, if not all, the country's current implementation problems. The failure to match role with capabilities shows up regularly in the lack of human and financial resources to implement the dozens of plans, strategies, and action agendas that have been formulated. Evidence of the ineffectiveness of Bangladesh's existing public institutions is their inability to consistently ensure that the plans, strategies, and action agendas are formulated in ways that can be implemented with the human and financial resources that are mobilized.[170]

The outcome is that Bangladesh has been, and remains, caught in a trap of mutually reinforcing incapacity. There are two ways out—cut the plans to match the available resources or boost the resources to match the plans. Both will take significantly more state capacity than what is now available. This essay argues for the second approach by removing distortions, mobilizing additional resources, and increasing competence training. A useful start will be made if more attention is devoted to using the resources that are available more effectively through improved implementation.

The topics below are examples of where improvements could be made. While they do not represent a comprehensive overview, they confirm that Bangladesh's implementation problems are *not* trivial, localized, or of recent origin.

Example: Delayed Macroeconomic Reform. The macroeconomic distortions that prompted this essay present major implementation quandaries. The low rates of revenue mobilization, overvalued real exchange rate, budget compression, and the monetary accommodation that sustains chronic inflation reflect the incapacity of existing public agencies to reduce the adverse effects of these distortions on the economy and its citizens. That incapacity also reflects an unwillingness to reform. The authorities did not wish to disturb sectional interests by raising taxes, increasing the taka price of foreign exchange, requiring state-owned banks to collect their overdue debts, or prevent BB from rigging the exchange rate for sectional gain.

Example: Public Administration Reform. Since independence, there have been many attempts to promote administrative reform. A convenient place to start is the 1989 study of public administration efficiency. Led by local officials but with assistance from the World Bank and USAID, the government at the time focused on achieving a "more efficient administration." The study identified several "vulnerabilities": diluted accountability, over centralization, complex operational procedures, weak support systems, and inadequate human resources.[171] Included among more than two dozen recommendations were the suggestions to "create a strong implementation committee" and devise an implementation plan. No actions that made a difference were taken.

In 1996, the World Bank returned to the topic in a "collaborative effort of IDA staff and Bangladesh experts." The aim of "reforming the public sector" was to create a "government that works."[172] Beginning with reflections on "the state—the good and the unsatisfactory," the study covered many topics, including "continuing inefficiencies," "time to rethink" the "mushrooming government," "rightsizing government," "improving efficiency," "enhancing accountability and responsiveness," and "public governance of citizen and private sector activity." Urging a "paradigm shift," the study proposed some modest restructuring of government, advocated for donor assistance in "public administration reform studies," and outlined an "agency approach" for implementation.

None of the subsequent literature on public administration reform has identified either of these studies as being instrumental in reforming Bangladesh's public sector—how it is structured, how it works, and how it performs. Indeed, in 2023, as it offered "a blue-print for public sector reforms," the *Daily Star* proceeded as if nothing earlier had been achieved: "the strategic objectives of the Public Administration reform commission should be designed to improve the public sector's transparency, efficiency, accountability, and responsiveness. The overarching goal should be to create a public administration that can meet evolving needs of the citizens and contribute to their socioeconomic development."[173]

Others have had similar reactions. A review of 21st-century public administration in Bangladesh determined that "public administration has evolved aimlessly in Bangladesh during the past few decades. . . . Despite a series of reforms, no qualitative change has been perceptible."[174] In 2020, a discussion of the "experiences and challenges" of public administration reforms asserted that "all the successive governments of Bangladesh have failed to implement most of the recommendations made by different reform commissions/committees."[175] Almost two decades before these contributions, a 2006 analysis by the World Bank of the top echelon of the civil service concluded that "the government did not implement the recommendations of reform commissions."[176]

A characteristic of these and other studies has been that they all recognized what had to be done even as they understood (and accepted) that little or nothing would be done. Indeed, these views were aptly summarized by one observer, who asserted that if the public administration were to be successfully reformed, "the political leadership must be capable of building a solid institutional framework, sound rule of law, a proper control structure, and an effective civil service system." Lacking these, "the government will continue to make reform attempts without producing any substantive outcomes contributing to the overall development of the country."[177]

Example: Overextended (and Exaggerated)[178] Agendas. As the earlier discussion illustrates, overreach reflects two problems. One is the lack of resources to undertake the various tasks proposed; the other is the inability of the planners to scale their ambitions to the resources available. The following illustrate the point.

National Agricultural Policy 2018.[179] The goal of this five-year policy is "to achieve safe, profitable agriculture and sustainable food and nutrition security" (section 2.1). It has 10 "specific objectives" (section 2.3) and 18 thematic areas ranging from "research for agricultural development" and "technology transfer and agricultural extension" to "labor in the agricultural sector." These areas are further subdivided into 100 subthemes that, in turn, contain 513 separate topics. The policy highlighted more than a dozen "weaknesses in agriculture" (section 1.8). Three that underscored poor implementation performance were "weakness in three-dimensional coordination among universities, research institutes and extension departments," "slow technology transfer," and "lack of effective land zoning." These were long-standing problems.

The policy noted that “in order to achieve its goals and objectives . . . it is essential to ensure effective implementation, monitoring and evaluation of the policy” (sec. 1.13). Readers will agree, but there is nowhere in the policy—even in section 19 that discussed “coordination and cooperation”—describing who will do what with whom, where, when, with what resources, and in what sequence to implement, monitor, and evaluate.

Minimal resources were available to implement the policy. In 2023–2024, agriculture was allocated 4.7% of total public expenditure, and for 2024–2025, the proposed allocation was 3.4% of the total. Splitting out recurrent and capital components for each year reveals that 77% and 85%, respectively, of recurrent resources were subsidies paid directly by the Ministry of Agriculture to other entities within Bangladesh, while only 17% and 12% of the total allocation was for capital. Based on these data, the Ministry of Agriculture could, at best, implement only a fraction of its “national” policy.

COVID Response in the 8th Five-Year Plan. Even though planners recognized the multiple adverse effects of the COVID pandemic, they projected that economic growth would average 8% p.a. from FY20 to FY25.[180] This would be supported by an investment rate reaching 37% of GDP by FY25 and a productivity growth rate of 5.6% p.a., neither of which had any prospect of being met.[181]

e-Government Master Plan for Digital Bangladesh.[182] This plan, which was designed to be implemented over four years, was framed around an action agenda derived from the National ICT (Information and Communication Technology) Policy of 2018. Despite earlier warnings about the constraints that Bangladesh would face,[183] the agenda includes 343 separate items.[184] One of these will illustrate a core implementation challenge. Item 137 requires the “regular updating of ICT curriculum at all levels of education in the development of skills and skilled human resources based on need-based skill human resources and knowledge-based society, aimed at the skills of domestic, global and fourth industrial revolution.”[185] It is difficult to determine how widespread this “regular updating” has been so far. It has not occurred at “all levels of education,” even by 2024. The review of the SSC at BPATC (referred to earlier) revealed that module 5, the ICT section of the course, had not been modified or “regularly upgraded.”

Action on “Green Growth.” The 7th Five-Year Plan made several specific commitments to foster “green growth” and identified the activities that would be undertaken during the plan period.[186] In its review of what the 7th Plan had accomplished, the 8th Five-Year Plan[187] noted that many of the commitments had not been addressed. Among the specific areas requiring attention were the promotion of green accounting and green budgeting, a commitment to renewable energy, decarbonization, improved waste management, and introduction of the circular economy. That is, a large segment of the green growth agenda, designated for completion in the 7th Plan period, was not implemented.

Example: Failure of Formal Oversight. An instance where this occurred was the failure of the Coordination Council responsible for assuring that BB met its responsibilities. As noted in Annex 3, the bank was required to “maintain a competitive external par value of the Bangladesh Taka." It did not do this, though it should have if the Coordination Council supervising the bank had done its duty. Based on the outcome (i.e., the extended period of Dutch Disease in Bangladesh starting in the mid-2000s), this council—comprising the minister of finance, minister of commerce, BB governor, finance secretary, secretary of the Industrial Resources Division (Ministry of Finance), and a member (programming) from the Planning Commission[188]—did not serve the national interest as required.

Example: Implementation of the ADP. The failure of governments over recent decades to implement the ADP, evident in the chronic underspending of budgeted funds, reflects capacity deficiencies and budget compression. The scale and time period involved were summarized in commentary on the 2023–2024 budget: "If the current pace of execution continues in the remaining days of which ends on June 30th it would be the 14th consecutive year that the government would fail to implement the budget."[189]

A year later (i.e., FY24), the *Daily Star* noted "another abject failure in ADP implementation."[190] Reporters from the *Financial Express* also stated that "the dismal implementation rate of the Annual Development Program (ADP) during the first half of the 2024–2025 fiscal year highlights not only the sluggish progress of development projects but also the appalling performance of certain public sector agencies."[191] More recently, *Business Standard* noted that "the Annual Development Program (ADP) saw a record-low implementation of 4.75% in the first quarter of the current fiscal year (FY25)."[192] The White Paper Committee 2024 was reported as recommending to the government that it should "prioritize the implementation of all foreign-funded ADP projects."[193] An alternative suggestion was that the "unused ADP funds can settle outstanding subsidies."[194]

Yet, well before this recent criticism, a 1993 World Bank report titled *Bangladesh: Implementing Structural Reform* noted that a "first priority" was "increasing efficient public investment," emphasizing the need to improve ADP implementation.[195] Specifically, it noted that "ADP targets were not achieved in FY92 due to fundamental weaknesses in project implementation capacity and aid utilization," subsequently adding that there is "the need for a drastic overhaul of project execution and aid utilization procedures."[196]

More than a decade and a half later, the 6th Five-Year Plan emphasized the need to raise ADP spending.[197] The plan asserted that "public investments and policies would create the necessary investment climate and heighten investors' (both national and foreign) confidence to undertake the required investments."[198] Nonetheless, the planners were aware that ADP targets were typically missed. Illustrating the point by drawing on data from FY05 to FY11, they noted, "The declining trend in public investment in relation to GDP is a matter of concern. Past difficulties in ADP implementation (Table 3.6) prevented the government from investing in many critical areas such as infrastructure and agriculture. Over the years the infrastructure gap has been widening and has become a binding constraint by choking Bangladesh's economic growth potential."[199]

None of the above is encouraging. The examples confirm a major flaw in governance that, so far, has defied resolution.

Example: Environmental Policy Issues. The World Bank's Country Environmental Assessment stated, "Limitations in environmental policies—mostly of command-and-control and focused on environmental clearance—and weak enforcement have rendered Bangladesh's environmental management framework ineffective in reducing environmental degradation" (World Bank 2024a, p. x). It continued, "Although a reasonably structured institutional framework is in place at the Ministry of Environment, Forest and Climate Change (MoEFCC) and the Department of Environment (DoE), their operation is hampered by (a) gaps in their organizational structure and environmental regulations; (b) insufficient budgetary and human resources; (c) large emphasis on environmental clearance and command-and-control policies; (d) capacity constraints for research, monitoring, and enforcement activities; (e) limited public participation and transparency in monitoring, oversight, and decision-making; (f) limited application of the polluter pays principle, with sanctions that are not able to deter polluting activities; (g) insufficient coordination among public agencies at the national and local levels; and (h) bottlenecks at environmental courts and delays in judicial cases."

In its critique, the World Bank has clearly reflected the problems created when role is not matched with capability and public institutions do not perform.

Notes

1. Bangladesh does not formally graduate from LDC (less-developed country) status until 2026 (World Bank 2023a).
2. During an April 2023 meeting with our team, the former governor of Bangladesh Bank (BB) emphasized the "preemptive" nature of the IMF support. Riaz (2022) had earlier rejected the idea. None of us in the meeting was convinced either.
3. IMF (2023a, par. 4, p. 5): "The authorities have requested a 42-month Fund-supported program to restore macroeconomic stability." Other objectives were to "prevent disruptive adjustments to protect the vulnerable, while laying the foundations for strong, inclusive, and environmentally sustainable growth." It is useful to recall that a key objective of the IMF's 2012 program was to "restore macroeconomic stability" as well (IMF 2012, "Key Issues"). That never happened. Once the country's balance of payments problems began easing in 2013, the IMF program became moot. As data presented below show, the economy "stabilized," with elevated inflation, a chronic (policy-determined) budget deficit, high rates of monetary growth caused by BB accommodation of the budget deficit, and an increasingly overvalued real exchange rate. These distortions contributed to the meltdown in the second half of 2021.
4. Dutch Disease is the exaggerated appreciation of a country's currency due to major inflows of foreign exchange earnings, typically during natural resource booms or, in Bangladesh's case, a sharp rise in remittance income.
5. The IMF's December 2024 press release confirms this point (IMF 2024b). The IMF stated that it would endorse the progress the authorities had made and provide additional resources to meet "emerging external financing needs." Yet, nothing the IMF described indicated that the economy is close to a "gradual return to economic normalcy." For example, it noted that "economic activity has slowed significantly, and inflation remains elevated"; "capital outflows . . . have pressured foreign exchange reserves"; and "tax revenues have declined, while spending pressures have increased." The press release refers to actions agreed by the authorities—dealing with nonperforming loans, fiscal consolidation, reducing inflation, additional revenue measures, rationalizing exchange rate management, among others. Each was in the original program but remain to be consistently and vigorously implemented.
6. Raihan, Bourguignon, and Salam (2023, chap. 1, 10) provide an excellent review of Bangladesh's institutional deficiencies, particularly those related to finance, taxation, public service delivery (especially education), land administration, and the judiciary. Their institutional diagnostic attributed the weaknesses to policy, regulation, and state capacity (see pp. 356–359 and Table 10.1). We take up the issue of state capacity below.
7. The major international agencies—such as the World Bank, ADB, and IMF—have had ambivalent relationships with Bangladesh. They have widely applauded the country's progress, especially its economic growth. A typical example is the World Bank's Country Partnership Framework: "Building on the country's remarkable development progress, the CPF seeks to help Bangladesh transform itself into a more competitive, resilient, inclusive, and greener economy as it aspires to become an upper middle-income country (UMIC) in a decade" (World Bank 2023b, par. 2, p. 1). Other agencies were equally effusive. An observer reflected this point in early 2024: "That Bangladesh is a growth superstar of Asia looms large in any global economic forum, be it the World Economic Forum or the United Nations Economic and Social Commission for Asia and the Pacific" (Karim 2024). Nevertheless, these

agencies have regularly criticized Bangladesh's economic policies. Recent examples relate to inadequacies in trade policy, climate response, urban pollution, financial reform, job creation, and revenue mobilization (ADB 2021; World Bank 2023b; World Bank 2024a).

8. While this matter is addressed in more detail below, McPherson (2000a) and Hill and McPherson (2004, 416–417) provide "working" definitions of macroeconomic governance and why it is essential to good macroeconomic management. Bangladesh is not alone among countries that have fallen short in this area. Many problems encountered by countries in Latin America, Sub-Saharan Africa, and Asia—which spent decades working through structural adjustment and debt relief programs—can be traced to weak macroeconomic management arising from poor macroeconomic governance (World Bank 1981, 1984, 1986, 1989, 1990, 1992, 1994a; McPherson 2002a; Bernanke 2005; Bacha and Feinstein 1986; Edwards 1995). Furthermore, multiple studies have attributed the "macroeconomic stability" that underpinned the success of the "Asian Tigers" (World Bank 1993b, chap. 1 and 3, esp. pp. 106–122) and the "high-performance economies" in the World Bank's growth commission report to appropriate macroeconomic management and the "good" governance it fostered (World Bank 2008a, 19–29, 53–54).
9. Note 21 below reveals the extent of recent financial regression. An example illustrates why. Core conditions of the IMF's 2013 program with Bangladesh were designed to eliminate nonperforming bank loans and prevent them from recurring (IMF 2013, par. 4, p. 9, box 3). Neither of them happened. Fast-forward to the current IMF program, which has similar requirements (IMF 2024a, Table 1, p. 29). During the intervening decade, Bangladesh's financial system progressively regressed, that is, hollowed out. To protect their assets, local investors and citizens have "voted with their feet." Stimulated by the high resource costs (time, effort, financial losses) associated with official interventions to control interest rates and the exchange rate, they used extra-legal alternatives such as accounts held abroad, dollar-based local transactions, over-invoicing imports and under-reporting exports, and counterparty intermediation of foreign exchange mobilized from migrant workers.
10. While the focus on "budget compression" underlines the damage created annually by the arbitrary nature of the cuts imposed, Titumir (2021, sec. 4) focused on a different consequence. He (and his team) argued that the inflexibility of the Bangladesh budget adversely affected the country's capacity to respond to the COVID emergency. They noted that a "framework for the process of revising the budget is practically non-existent."
11. The idea can be traced to Winston Churchill: "never let a good crisis go to waste—there's always learnings." A search for references reveals that he repeated the point several times during the Second World War, starting with the evacuation of Dunkirk. Closer to the present, the International Crisis Group (2024) suggested that in Bangladesh "the atrocities of July and August have created a 'never again' moment," providing "a rare opportunity for political, economic, and social renewal."
12. Basu (2021, p. 36) noted that while attention has been focused on the "middle-income trap," economies can become "trapped" at any income level, for example, Japan during the 1990s and 2000s and Nigeria currently. This point was also made in the World Bank's recent world development report, *The Middle-Income Trap* (World Bank 2024c, p. xxi and pp. 1–5). McDermott (2024, p. 54) provided a different perspective on "trapped" countries when he noted the sharp divergence between Africa's "two-track" economies. They comprise those—with timber, oil, minerals, or, like Bangladesh, remittances—that did not reform and those lacking such resources that pursued growth-oriented policies.

13. Attention has already been diverted by the response and commentary arising from the "White Paper on the State of the Bangladesh Economy" presented to the interim government in November 2024 (White Paper Committee 2024 2024). Annex 2 discusses that report.
14. McPherson (2024a, 2024b, 2024c, 2024d).
15. See International Crisis Group (2024). Section 3 of its report describes an "ambitious reform agenda" that will emerge from the deliberations of six commissions: "headed by respected civil society leaders, each of these bodies will handle a key area: the judiciary, the electoral system, state administration, the police, corruption, and the constitution" (p. 15). The White Paper Committee largely skirted these matters, focusing instead on a roadmap for recovery emphasizing institutional reforms, judicial accountability, banking sector overhaul, and transparent governance (Bhuiyan 2024). The chair of the working group explained: "Our first proposal to the government is to give importance to economic stability and ensure accountability for this aspect. Our second proposal is to create a comfortable work plan before the budget is presented and approved. Another proposal by us is to utilize the time that we have for swift graduation from LDC status" (DT Tribune Desk 2024a).
16. This is shown in Annex 3 using the IMF's own data (IMF 2024a, Tables 1, p. 20, 2, p. 30; 3b, p. 32).
17. Current IMF staff seem to presume this will happen. The head of the IMF mission that visited Dhaka in September 2024 responded to a question about the "fiscal target": "Historically, the government had to cut back on both recurring expenses given weak revenue collection," adding that "this was necessary to keep the budget deficit within their target" (BSS News 2024a).
18. As noted earlier, the recent IMF press release indicated that it will provide additional finance. Other development partners have made similar announcements. This is unfortunate as it misrepresents the source of Bangladesh's long-term economic problems. Over the last two plus decades, and certainly since the mid-2000s, finance—especially foreign exchange and local money creation—has never imposed limits on the authorities' actions. Gross foreign reserves reached $46.4 billion (5.8 months of import coverage) in FY21, and from 2000 to 2023, the money supply grew by 15.9% p.a. (IMF 2024a, Table 1, p. 29; World Bank WDI online accessed November 2024). The principal constraint has been the authorities' unwillingness to promote long-identified reforms that would have helped mobilize more resources domestically and use them transparently, effectively, and efficiently to support and sustain inclusive development. This is an example, common among developing countries, of financing the activities that distort the economy rather than adjusting to remove the distortions (Lewis and McPherson 1994).
19. World Bank WDI online, accessed October 2024. FY24 data are from IMF (2024a, Table 1, p. 29).
20. Prior to 1981, the budget deficit was estimated to have exceeded 8% of GDP (McPherson 2024a).
21. The conventional measure of financial deepening, broad money/GDP, reached 50.5% in 2006, peaked at 64.5% in 2015, and declined to 51.2% by 2023 (World Bank WDI online, accessed October 2024). The IMF reported that it was 50.5% in FY24 and was expected to increase to 55.6% in FY29 (IMF 2024a, Table 1, p. 29).
22. While Bangladesh's development partners, including the IMF, and the country's planners have focused almost exclusively on deficiencies in Annual Development Program implementation, Bangladesh has also had a serious recurrent cost problem. Widely studied and relatively easily addressed when the authorities decide they must, the recurrent cost problem reflects the chronic underfunding of operations and maintenance (Heller 1974, 1979; Gray and Martens 1983; Heller and Aghevli 1985; Hill 2004). A further dimension of the problem is

the non-provision of counterpart funding to support externally funded development projects. These deficiencies waste resources, increase the cost of private and public logistics, and diminish the ability of public investment to induce ("crowd-in") private investment. The outcome is lower productivity of both private *and* public investment.

23. GED (2018, 2020a, 2020b, 2020c). "Smart Bangladesh" was added in 2021 (UNB 2022; *Business Standard* 2023a, 2023b; Kamal 2023; BBF Digital 2023; Chowdhury 2023; ICT Digital 2023; Moni, Chowdhury, and Ahmed 2023; Hossain 2023; Purohit 2023; Pal and Sarka 2023; Ali 2024; Karim 2024).
24. This is the challenge, elaborated further below, discussed by the World Bank in its 1997 world development report *The State in a Changing World* of "matching the state's role with its capability" (World Bank 1997, 3, 157–158).
25. The growth in income per capita equals the growth of the labor force (adjusted for hours of work) plus productivity.
26. In practice, productivity growth will have to exceed 7% p.a. since hours per worker in Bangladesh are already high. As incomes rise, hours worked will fall, putting additional pressure on the productivity component.
27. If future GDP/GNI growth matched the 5.7% average from 1992 to 2023, labor productivity would need to increase by around 5% p.a. Sustained over an extended period, this is high by any standard.
28. Effectiveness is measured by the degree of coherence between intentions (or plans) and outcomes. Efficiency refers to achieving given outcomes at minimum resource cost. A common mistake is to interpret efficiency as producing more with less. Being efficient in ways that raises productivity typically involves using more resources (knowledge, upgraded managerial skills, leadership) in different combinations to reconfigure how activities are organized, thereby reducing slippages that detract from performance. The value proposition is that the return on reorganization and improved capability exceeds the value of the time, skills, and effort devoted to the reorganization and training.
29. These issues are covered by Cunningham (2024), where he discussed strategies to expand renewable energy in Bangladesh.
30. World Bank WDI data online show that fossil fuel energy as a percentage of national energy consumption was 20.8% in 1970, 45.5% in 1990, 71% in 2010, and 73.8% in 2014, the last date reported (accessed November 2024). Cunningham (2024, Fig. 5, p. 17) provided data from 2017 to 2023 confirming the country's continued dependence on fossil fuels. Koons (2024) noted, "As of 2021, over 98% of energy production came from natural gas, oil, diesel and coal. Low-carbon energy makes up less than 2% of the energy mix."
31. A key problem has been the delay in implementation, especially to upgrade the distribution system (Cunningham 2024, 11; Alam 2024).
32. Bangladesh has some of the world's worst pollution. The World Bank's *Country Environment Analysis 2023* found that "air pollution, unsafe water, poor sanitation and hygiene, and lead exposure cause over 272,000 premature deaths and 5.2 billion days of illness annually. These environmental issues cost the equivalent of 17.6 percent of Bangladesh's GDP in 2019. Household and outdoor air pollution have the most detrimental effect on health, leading to nearly 55 percent of premature deaths, which alone cost 8.32 percent of GDP in 2019" (World Bank 2024b). Other sources have confirmed the seriousness of the country's pollution (GED 2018, sec. 1.6.2, p. 32, Table 1.22, p. 63; *Business Standard* 2022; Cunningham 2024, 7–9, 20, 37–38; Webster, Sinha, and Meadows 2024; Umali-Deininger 2024).

33. Several sources have estimates of these subsidies (Timilsina et al. 2018; Black et al. 2023; Alam 2024; Cunningham 2024, p. 11, Fig. 1, p. 12).
34. None of the modifications needs to accentuate inequality. Appropriately provided lifeline energy pricing can protect the poor.
35. Jordan (2024) reviewed options for the upskilling of Bangladesh's workforce to assist (and potentially drive) the transition toward renewable energy sources.
36. Patrick (1966), Meier (1995, sec. 4, esp. 4.E).
37. de Luna-Martinez and Vincente (2012) have a detailed review of the development contributions of state-owned financial institutions. "Development banking" lost much of its luster in the 1980s and 1990s, a period during which many developing countries were implementing structural adjustment programs. A significant share of the distortions and imbalances these programs were designed to overcome the losses incurred by their country's development banks through overextension, weak supervision, political interference, and corruption.
38. Gurley and Shaw (1967).
39. Shaw (1973), McKinnon (1973).
40. Levine's (2004) exhaustive review of the links between finance and growth revealed "a growing body of empirical analyses, including firm-level studies, industry-level studies, individual country-studies, time-series studies, panel-investigations, and broad cross-country comparisons, demonstrate a strong positive link between the functioning of the financial system and long-run economic growth. While subject to ample qualifications and countervailing views . . . the preponderance of evidence suggests that both financial intermediaries and markets matter for growth even when controlling for potential simultaneity bias. Furthermore, microeconomic-based evidence is consistent with the view that better developed financial systems ease external financing constraints facing firms, which illuminates one mechanism through which financial development influences economic growth. Theory and empirical evidence make it difficult to conclude that the financial system merely—and automatically—responds to economic activity, or that financial development is an inconsequential addendum to the process of economic growth." He concluded that "we need additional thought on the co-evolution of finance and growth" (85–86).
41. The largest of these projects was the Padma Bridge. The practice was viewed negatively by the IMF, whose staff explained that "the use of FX reserves to finance crucial infrastructure projects through the newly created Bangladesh Infrastructure Development Fund (BIDF) raises governance and external sustainability concerns" (IMF 2022, par. 14, p. 27).
42. The training covers multiple topics, such as financial supervision, liquidity and solvency, resolution and recovery, prudential governance, risk management, forensic auditing, reporting standards, and money laundering prevention.
43. Rajan's (2023) "less is more" approach to central banking reflects this view.
44. Duesenberry and McPherson (1991; 2002, 93–95). One activity that BB should cease forthwith is the monetary accommodation that has permitted the government to finance its chronic budget deficit. This long-standing and continuing practice sustains Bangladesh's high rate of inflation.
45. BB will also have to accept that "time inconsistency" considerations will arise (Kydland and Prescott 1977). Irrespective of the actions taken to prove its commitment, many asset holders will not risk being burned again. Accordingly, the authorities should expect that the economy will remain partially dollarized, some remittances will not be channeled through the formal financial system, and off-the-books transactions will continue.

46. The widening agriculture-non-agriculture gap should stimulate the authorities to keep in perspective their enthusiasm for Fourth Industrial Revolution's (4IR) focus on 21st-century skills, artificial intelligence, and universal digitization. A significant share of Bangladesh's labor force still relies on hoes, sickles, donkey carts, and canoes, technologies that predate the First Industrial Revolution. An even greater share is yet to benefit from the Second Industrial Revolution, namely, advanced transport and reliable electrification. Moreover, despite the efforts made in Bangladesh to upgrade communication and computerization, an even larger share of the labor force has yet to adapt to and benefit from the Third Industrial Revolution. Unquestionably, Bangladesh *should* use 4IR technologies where the risk-adjusted social benefits outweigh the social costs. Nonetheless, the authorities *should not* ignore the welfare and income gains that are available by exploiting earlier generation technologies and practices that boost productivity at all levels of the labor force.
47. Johnston and Mellor (1961), Johnston (1970), Hayami and Ruttan (1971), Hopper (1976), Mellor (1984, 1998), Killick (1985), Timmer (1988, 1993), Pinstrup-Andersen and Pandya-Lorch (1995), Meier (1995, parts 7 and 8), World Bank (1982, part 3), World Bank (2007, chap. 2, 10), Le et al. (2015). The experience in Bangladesh has been well documented (Deb 2016; MoA 2018a; Sales 2019; Uddin 2021; FPMU 2024; Chowhan et al. 2024).
48. The "Dust Bowl" and the Depression in the United States is a "developed" country example (NDMC n.d.; Borowski 2012). An Asian example is Northeast Thailand, the poverty of which has been exacerbated by explicit government policy. A World Bank public finance review revealed that while Bangkok accounted for ~17% of population and ~26% of GDP, it received more than 72% of the government budget. The Northeast, with 34% of the population and ~12% of GDP, received ~6% of the budget (World Bank 2012, Fig. 3). Similarly, Africa has experienced comparable disparities. A recent feature in *The Economist* titled "The Africa Gap" portrays a situation where, due to public sector neglect, rural residents become economic refugees who migrate to escape rural poverty (McDermott 2025, 5).
49. Perkins (1988, 606–613), Saich (2025, 295–296), McPherson (2012), Le and McPherson (2023).
50. These were market-driven transfers. Before the reforms, farmers in both countries had been making involuntary, policy-determined transfers to urban areas via fixed (low) prices and commodity quotas. These transfers had progressively impoverished (or "pauperized") the rural areas.
51. Such transfers, of labor, food, other commodities, and income, feature prominently in early models of agricultural development (Lewis 1954; Fei and Ranis 1964; Mosher 1965; Robinson 1967; Lee 1971).
52. Given the deficiencies and shortfalls in Annual Development Program (i.e., capital) spending described in Annex 4 (and discussed in McPherson 2024d), it is useful to refocus attention on the national authorities' responsibility for creating SOC. Though the topic currently receives minimal attention, it can be traced back to Adam Smith, who discussed "erecting and maintaining those public institutions and those public works, which though they may be in the highest degree advantageous to a great society, are, however, of such a nature that the profit can never repay the expence [sic] to any individual or small number of individuals" (Smith [1776] 1937, book 5, chap. 1, p. 681). More specifically, SOC comprises "those resources which are not privately appropriated, either for technological reasons or for social and institutional reasons, and which may be used by the members of society free of charge or with nominal charges." They are "exemplified by roads, airports, harbors, dams . . .

schools, hospitals, libraries, museums, parks, air-water pollution deterrents, water-sewerage works, transportation-communications facilities, and other ‘health-education-welfare’ service installations.” Furthermore, they are “traditionally recognized as a factor entailing ‘external economies’ and therefore inducing private investment” (Kurihara 1970, 398–99; Uzawa 1975, 9–10). The low rate of Annual Development Program implementation has reduced the capacity of Bangladesh’s available stock of SOC to stimulate private investment. The result, as noted earlier, is lower productivity of private *and* public investment and lower economic growth than might have otherwise been possible.

53. A common mistake many governments in developing countries make is to presume that because the shares of employment and output contributed by agriculture decline over time, there is less need for public sector investment in the sector. To fully support the structural transformation that drives development, agricultural output and income need to continuing growing—that is, the sector needs to remain dynamic—to avoid the disruptive impoverishment and displacement of farmers and their communities. Continued public sector investment helps “crowd in” private investment (World Bank 1982, 72–77; 2007, 114–117; Ho and McPherson 2010). This point has been well understood in rich countries that have subsidized farming and rural areas for decades. It is noteworthy that Chinese authorities began grasping this point in the early 2000s and by 2005 had taken major steps to counteract the resource flow out of agriculture (Saich 2025, 297–300). The policy has been continued so that, currently, China subsidizes agriculture by amounts that exceed those of any other country, including the United States and countries in the European Union (OECD, 2024, chap. 8, Table 8.1, p. 199; and chap. 11 and 28). A small country that adopted a similar strategy was Mauritius, which began its rapid industrialization by subsidizing the reorganization of its sugar industry.
54. The importance of appropriate macroeconomic management for agricultural development was emphasized by Timmer, Falcon, and Pearson (1983) and Killick (1985). With respect to the exchange rate, China quickly took notice of the progress that Japan, Taiwan, and South Korea had made keeping their exchange rates undervalued. For its part, Vietnam has been careful to ensure that its exchange rate depreciates at roughly the rate of domestic inflation. This was the same policy that Indonesia had used to avoid Dutch Disease during its oil production boom in the 1970s and 1980s.
55. Mahmud (2004) and Mahmud, Ahmed, and Mahajan (2010, pp. 228–232 and Table 8.1, p. 232) provide details.
56. Riaz (2022) reported that the initial estimate for the Padma Bridge was $1.2 billion. It cost $3.6 billion. He also stated, “In 2017, the World Bank noted that the cost of road construction in BD was the highest in the world . . . [with the cost overruns] . . . largely because of overpricing of materials, corruption, and long delays.” A Center for Policy Dialogue workshop, reported by *Daily Star* (2022), cited all three issues: overruns, delays, and corruption had undermined project implementation. The difference in road costs in Bangladesh and India are large (*Business Standard* 2024b), an issue also emphasized by the White Paper Committee 2024 report.
57. McPherson (2024d); see also note 52 above.
58. World Bank (1994b, 12).
59. ADB (2017, 7).
60. This occurs directly through lower travel times and improved interconnectivity, and indirectly through enhanced access to services, which reduces poverty and food insecurity. It also boosts economic growth (Straub and Terado-Hagiwara 2010).

61. World Bank (1994b box 2, p. 2).
62. Autocrats do not encourage participation. The debt burden restricted the access of developing countries to external finance for all purposes, including infrastructure (McPherson 2002b). This, in turn, exacerbated the local recurrent cost problem. As a result, developing countries were unable to maintain, let alone expand, their infrastructure.
63. In principle, the private sector *could have* a major role in many aspects of infrastructure (roads, bridges, water and sewerage works, telecommunications, urban renewal) through public-private partnerships. Despite their variety—build, operate, transfer (BOT) and build, own, operate, transfer (BOOT), among other arrangements—their impact and scope have been limited. Accordingly, the creation and maintenance of SOC that enable private sector for-profit activities remains a public responsibility. Where it occurs, private sector engagement is typically supported through tax relief, subsidies, and regulatory measures.
64. The ADB (2017) study, referred to above, stated that the "public sector currently dominates infrastructure spending," providing 92% of total funding in its developing member countries.
65. Focusing on these contributions is not meant to diminish that of others. This is clear from note 52 above, which highlights the emphasis by Adam Smith on the government's role in the provision of infrastructure (Smith [1776] 1937, book 5, chap. 1, pp. 653, 659, 681). Deane (1965) argued that factors instrumental to the emergence of the First Industrial Revolution in the United Kingdom were the low cost and convenience of the transport system (road, rail, ports, canals). Studies undertaken by the International Food Policy Research Institute and summarized in IFPRI (2002) revealed that infrastructure spending, especially on roads in Asia, provided among the highest returns in reducing poverty and increasing production. Closer to the present, the World Bank's 2009 world development report, *Reshaping Economic Geography*, affirmed that without comprehensive investment in infrastructure, few of the benefits of increasing "economic density" will accrue, most of the "economic divisions" that block international trade and exchange will remain, and the capacity to collapse "economic distance" will be largely unrealized (World Bank 2008b).
66. ADB/WB/JBIC (2005, xxi).
67. ADB/WB/JBIC (2005, xxiv).
68. The Ashrayan Project of housing the homeless was designed with this purpose in mind. Thus far, its scope and impact have been limited by weak and often indifferent management, compounded by resource shortages (GED 2020c, xl, 96; Salam and Ahmed 2024; Shuvo 2024).
69. Jansen et al. (1989, 31–32) referred to the "official indifference and tradition of policy neglect." More up-to-date commentary confirms that this approach has continued (FE Online Desk 2018; *Daily Star* 2024b; *Business Standard* 2024d; Asgar 2024; PfW 2024).
70. The 1990–1992 IPCC report noted, "In coastal lowlands such as in Bangladesh, China and Egypt, as well as small island nations, inundation due to sea-level rise and storm surges could lead to significant movements of people" (IPCC 1992, sec. 2.4, p. 55, see also par. 21, p. 89, and p. 106).
71. Flood controls specifically confine river water to accelerate its flow. This eases local flooding but accentuates downstream flooding. The waterlogging literature in Bangladesh regularly refers to rising peak flood levels over recent decades.
72. Steckler et al. (2022), Ecohub (n.d.).
73. MoA (2018a), Sales (2019).
74. The sale of topsoil for brick making by farmers is both pernicious and short-sighted (Biswas et al. 2017; Kumar et al. 2020; Siddique 2024).

75. The leather industry is an obvious problem area (Price and Price 2017; Butler 2023).
76. Ali et al. (2020), Billah, Rahman, and Naidu (2023), Khatun (2023), Shahidullah, Islam, and Rahman (2023). None of the contamination issues being confronted by Bangladesh is unique, even if their intensity and scope differ. The Mekong River and Red River deltas in Vietnam face similar challenges, the result of inconsistent agricultural and environmental policies and weak enforcement (Le and McPherson 2023).
77. The examples of implementation failures in Annex 4 reflect overreach and deficient institutions, but official reluctance has been important as well. This was noted by the World Bank (2006, 4) in its review of the civil service: It explained that "government did not implement the recommendations of reform commissions" because "elected and appointed executive were averse to risks and faced no penalties for inaction."
78. For example, Tables 2 and 3 of Munir (2019) compare the key targets of the SDGs (specifically for goals 9, 11, 13, and 15) and the actions proposed in the 7th Five-Year Plan.
79. GED (2020a).
80. GED (2018).
81. GED (2018, xii, xv, 4).
82. GED (2018, ix, 4).
83. GED (2018, xvi–xvii, 4).
84. A point acknowledged in BDP 2100 (GED 2018, 132), to wit: "Services from different ecosystems are not clearly assessed in Bangladesh."
85. Such an allowance would have induced Bangladesh's planners to include, within their calculations of the benefits and costs of planned activities, rising shadow prices for the country's stocks of natural resources and flows of ecosystem services. Some modest efforts have been made in this direction (iiea 2014; Razzaque 2017; BFRI 2020). If they are to make a difference, the authorities should adopt the System of Environmental-Economic Accounts (SEEA) and promote the payment for ecosystem services (United Nations 2014; Australia, Government of 2018; World Bank 2015, 2019). The Bangladesh Bureau of Statistics (BBS) has been working on the Bangladesh Environmental Statistics Framework (BBS 2017). Progress has been slow (Khondker 2022; BBS 2024), with most of the activities focused, to date, on establishing a statistical base. It is noteworthy that few of the activities the BBS included in the 7th Five-Year Plan were accomplished (GED 2020c, and Annex 4 below). The 2041 Perspective Plan, which was listed as part of the "actions and achievements" in BSS (2024), has no mention of Natural Resource Accounts or the SEEA.
86. The Delta Plan recognized this point, inquiring rhetorically "How should policies, programs and investments be formulated in the short to medium term to be consistent with the long-term outcomes that are inherently uncertain?" (GED 2018, 14).
87. The announcement by the National Agricultural Policy (MoA 2018a, 1) that Bangladesh had reached "food self- sufficiency in terms of per capita calorie availability" does not mean that the country is food secure. Bangladesh's National Poverty Reduction Strategy Paper (2004) asserted that "food security is given the topmost priority in Bangladesh. Side by side with domestic food production, greater importance is given to ensure access to adequate and safe food by all people at all times for maintaining an active and healthy life" (MFDM 2005, frontispiece). Food security requires macroeconomic policies that enable agriculture to adequately meet food demand through local production (crops, livestock, aquaculture, and horticulture) *and* exports that "pay" for any additional food imports. These macro policies must be complemented by firm- and farm-level policies and structural conditions, such as storage,

distribution, and welfare programs, which give families access to food that they can use to provide the nutrition for a healthy, productive life.

88. Relative to its peers, Bangladesh has a highly “feminized” agricultural sector. Data from World Bank WDI online show that in 2000, 79% of women were employed in agriculture versus 61% of men. By 2022, the corresponding data were 55% and 28%. Historical data are available in FAO (2011, Table A1, p. 92 and Table A4, p. 113). Having such a high share of the labor force “locked into” agriculture reduces women’s access to opportunities to earn income, gain education, and improve their health and well-being. These circumstances hinder adjustment and increase the difficulty of keeping agriculture dynamic (FAO 2011, 3–6). National policies have recognized some root causes. For example, the 2011 National Women Development Strategy stated, “our womenfolk had been exploited and neglected for ages together. There were always suppressed under religious bigotry, social stigma, narrow-mindedness and discrimination in a male-dominated society” (Bangladesh, Government of 2011, sec. 2). That policy does not address these matters even in the sections on “employment of women” and “women and farming.” Similarly, the National Agricultural Policy in 2018 offered little more than the intention to promote women’s empowerment (Bangladesh, Government of 2018, 36). Finally, a recent study on how vital research and development is for Bangladesh fails to reflect on how R&D might affect the issues facing women farmers—access to markets, lack of relevant research and extension, resource deficiencies, disempowerment, and lower education attainment (Chowhan et al. 2024). The narrow gap in women’s agricultural earnings relative to wages in the rest of the economy was emphasized in a recent monitoring report by the Ministry of Food (FPMU 2024, 14). Quoting the International Labour Office, the report noted that “Bangladesh has one of the lowest gender gaps in the world and [is] first among South Asian countries.” It continued: “This surprising result may in part be attributed to the garment sector where workers’ organizations have contributed to reducing the gap.” This conclusion is no surprise, but it misconstrues the facts. Both groups of women have exceedingly low earnings—women in agriculture because of low productivity, and women in the garment industry because their earnings have been systematically suppressed (references are given below). Bangladesh is not an outlier in this regard. Across Asia, the contributions and concerns of women in agriculture continue to be both unacknowledged and neglected (Le and McPherson 2015; Ball 2020; Chebet 2023).
89. Labor migration has served two purposes. It has relieved pressure on the labor market, enabling local wages to rise faster than if workers had remained in-country. The income remitted by migrant workers has enhanced local welfare.
90. Reuters (2024), Barford, Brockie, and O’Higgins (2024), *Daily Star* (2025a).
91. Low education standards are no surprise. Relative to its regional peers, no government in Bangladesh has devoted the resources needed to fundamentally transform the nation’s “learning experience.” The share of expenditure that Bangladesh devotes to education has been well below that of comparator countries. For the period 2000 to 2021, the share of GDP spent on education was 2%. In India it was 3.9%, 3.8% in Vietnam, and 3.1% in Indonesia (World Bank WDI online, accessed September 2024). The effects have been negative. Interviews conducted by Tunali (2019) revealed two major trends that were “shaping education in Bangladesh”: poverty and limited access by students to the knowledge-intensive economy. The former reflects population pressure, the concentration of poverty in urban areas (due to urban in-migration), and child deprivation. The latter revolves around the difficulties the country has had providing education facilities (with most urban schools running double shifts) and raising teacher quality. The outcome is that when they leave school or graduate, children

have a smaller set of skills and the few skills they gain are not what the labor market requires. Higher government expenditure could help relieve both issues.

92. The most obvious of which were the overvalued exchange rate, low yields on bank deposits, and high bank transfer fees (Hussain 2014).
93. Nasrin and Yusuf (2023), Faruq, Habib, and Miah (2023), Rahman (2024).
94. Readers of the sixth assessment of the IPCC will find many descriptions on how Bangladesh has adapted to and mitigated the effects of natural disasters (IPCC 2022). Other relevant literature includes GED (2018, sec. 1.7.6, Table D11.2, p. 732; 2020a, sec. 12.2, pp. 200–202), UNDRR (2020), Zaman et al. (2022), Rumpa, Real, and Razi (2023), and Buechner (2024). The National Plan of Action for Food and Nutrition gives special emphasis to creating a social safety net for disaster-vulnerable communities (FPMU 2024, xvi–xvii). This multilevel, multiagency, nationwide effort is evidence that when appropriately motivated and oriented, Bangladesh officials have the skills and competences required to achieve crucial national objectives. Similar approaches have been promoted by the combined efforts of several international agencies, such as UKaid, the World Bank, and the Consultative Group on International Agricultural Research with their "climate-smart agriculture" initiative (CIAT/World Bank 2017). Some of Bangladesh's early work on disaster preparedness was highlighted in a World Bank "completion report" review. Referring to outcomes of the World Bank's Country Assistance Strategy for 2001–2004, it stated that "Bangladesh's ability to withstand natural disasters was strengthened through the expansion and rehabilitation of riverbank protection works and coastal embankments, as well as through implementation of cyclone mitigation measures" (IEG 2006, par. 18).
95. All major international agencies—the World Bank, ADB, Japan International Cooperation Agency, IMF, International Labour Office, European Union, United Nations Development Program, and US Agency for International Development—have emphasized training, education, and capacity development (ILO 2019; ADB 2021, 2023a, 2023b, 2024; World Bank 2023a; UNDP 2020, 2024; Kabir 2024, Nishino and Ikeda 2024, sec. 4).
96. An early contribution was Md. Rahman (1997). A detailed review of these activities and the various programs involved can be found in Ash CRT (2023b) and Jordan (2024, 38–40). The World Bank responded to the COVID crisis with a major loan to promote recovery and "improve learning outcomes so that students graduate with the skills they need to live a rich and fulfilling life and strive in society" (Mahbub and Chung 2023).
97. Competence-based education (and competence-based training) began in the mid-2000s, supported by the International Labour Office and European Union, through the TVET Reform Project (2007–2015). Several large-scale training programs have been completed, revised, and continued. The most notable are the Skills for Employment Investment Program, Skills for Industry Competitiveness and Innovation Program, Aspire to Innovate, the Human Capital Development Program for Bangladesh, and the Higher Education Quality Enhancement Project. The contributions of these and other programs were featured in the 2023 and 2024 budget speeches (Kamal 2023, par. 60–82; Ali 2024, par. 53–71). Mondal (2022) provided a stocktaking of TVET entities in Bangladesh. It is an excellent review of their contributions, strengths, and continuing challenges.
98. Levels 1 to 6 of the BNQF cover the skills and competences in the NTVQF, with levels 7 to 10 covering the NQFBHE (MoE 2021, 1). Each framework has useful guidance for the growing number of education entities in Bangladesh that are seeking to meet quality assurance standards through internal self-assessments and performance monitoring (Rahnuma 2020; BCA 2023).

99. The most common are collaboration, communication, creativity, and critical thinking (Islam 2015; Zaman 2020; Sakib 2021; Rahman 2022; Moni, Chowdhury, and Ahmed 2023; Hossain 2023).
100. Palak (2019), BCC (2019), Mazumdar and Alharahsheh (2020), Chowdhury (2021).
101. Kamal (2023, par. 9), Ali (2024, par. 8).
102. ICT Division (2023, 13).
103. These are not new ideas. The 1989 study of public administration efficiency, which was supported by the World Bank and US Agency for International Development stated, “A well-trained, motivated, and competent cadre of officers is essential to an efficient working of the Secretariat” (Bangladesh, Government of, 1989, 12).
104. Islam, Haque, and Mannan (2014), Islam and Hosen (2021), Islam, Asrafujjaman, and Hosen (2022), Ash CRT (2023a, 2023b).
105. Performance demonstrates competence, which the BNQF defines as “the demonstrated ability to apply knowledge, skills and attitudes in order to successfully complete work activities to a defined standard of performance, as expected in a real-life workplace environment” (MoE 2021, 32). Bangladesh has been urged to emphasize competence-based training for decades. For example, the administration efficiency study cited above recommended, “Expand practical, problem-solving training based on assessment of organizational needs” (Bangladesh, Government of, 1989, 3, vi). Had BPATC (or PATC as it was at the time) acted on this recommendation, it would have been emphasizing competences and following up on work performance decades ago.
106. This is a crucial omission for an entity whose vision is to become a “center of excellence for developing patriotic, competent and professional civil servants dedicated to public interest” (BPATC 2019). To promote excellence, their faculty and administrators should resist “tweaking” the SSC and completely rethink or reimagine it (Islam, Haque, and Mannan 2014; Ash CRT 2023b). On this matter, it is useful to recall Hyden’s (1983) advice that there is “no shortcut to progress.”
107. Our research revealed that the Police Academy and the training entities supervised by the Ministry of Defence and Ministry of Health and Family Welfare are subject to regular curriculum reviews. The Institute for Public Finance, overseen by the Ministry of Finance, has reviewed its curriculum on an irregular basis. Our research also revealed that many private sector entities, particularly professional associations related to medicine, health, accounting, engineering, and other disciplines, revise and upgrade their training programs—often based on international standards (Ash CRT 2023b, Attachment 4). Zakaria and Chowdhury (2017) and Hridi (2019) explain how 21st-century skills were integrated into some university curriculums in Bangladesh.
108. An example is the Ministry of Public Administration (MoPA). Based on its legislated “Rules of Business,” MoPA is supposed to provide specific guidance on training and capacity. The current set of “Rules” posted in 1996 but revised in 2012 and 2017 (and perhaps more recently) relate to “enhancing capacity of the Bangladesh Civil Service”; “administrative research, management for better economic execution of government business”; “all matters related to attached departments . . . viz . . . BPATC, BSC (Admin. Academy)” and others; and “policy regarding performance appraisal” (Rahman, S. 1997; Bangladesh, Government of 2017). These rules, covering 60 separate responsibilities, offer ample scope for assuring that the administrative cadre is appropriately trained and that the training provided enables the Civil Service to “cope with and adapt to an ever-changing environment.”

109. For reference, BPATC has never undergone an institutional audit. The closest it seems was the study by Kabir and Baniamin (2012), who undertook an "institutional analysis" (which is not an institutional audit). South Africa has aggressively used these audits to upgrade its education system. As its Council on Higher Education explains, the audits focus on "an institution's policies, systems, procedures, strategies and resources for the quality management of the core functions of teaching and learning, research and community engagement, including relevant academic support services" (CHE, 2004, section 2; 2021, 8). Emerging from the apartheid era, South Africa insisted that all its higher education entities undergo regular institutional audits and made their access to public financing conditional on compliance (Russo and McPherson 2005). Bangladesh could use a similar enforcement mechanism. Base-level funding would be available to entities that did not make a good faith effort to comply, and additional funds would be available to those that did.
110. The monitoring exercise would need some new metrics. Bangladesh currently has the Annual Performance Assessment, which most observers recognize as not serving its intended purposes (Bhuiyan and Jahan 2017; Azad 2020; Nesa 2021).
111. Political upheaval has regularly been part of the mix as well.
112. Contemporary examples include Nigeria, Venezuela, Zimbabwe, and Myanmar. Many currently "successful" countries—Singapore, Mauritius, Chile, South Korea, and Vietnam—once struggled with these problems.
113. That experience affirms that the costs of not adjusting typically show up as slow, or no, growth. These costs are ultimately far greater for the country and its citizens than any of the costs associated with the adjustments needed to "get the economy back on track." Focus on the costs of adjustment gained prominence among scholars who proposed the notion of "adjustment with a human face" (Cornia, Jolly, and Stewart 1987). The costs were an important inspiration for the formulation by the United Nations Economic Commission for Africa of its "alternative" framework to structural adjustment (UNECA 1990).
114. "Small" means no more than 10 people who represent the major agencies. In addition to monitoring and advising their respective ministers and secretaries on progress, members of this technical group should regularly seek outside advice and guidance from local academics, think tanks, industry associations, and civil society organizations.
115. This is consistent with recommendations by the authors of the 2024 White Paper Committee report. The *Dhaka Tribune* reported, "The White Paper Committee on Economy has advised the interim government to formulate a two-year action plan, emphasizing that long-term reforms will not be feasible without ensuring economic and political stability" (DT Tribune Desk 2024b).
116. A useful start would be for fiscal managers to begin rationalizing and removing the (counterproductive) assortment of cascading taxes, relief, subsidies, and indulgences that were included in the 2024 budget speech (Ali 2024, chap. 8 and 9).
117. International grants, which are already low, will not be a significant source of finance.
118. Officials often resist the restrictions imposed by cash budgets. Support for them can be generated by widely advertising why the mechanism is needed and tracking the results. For example, Bolivia published in the local press daily revenues and expenditures along with progress in reducing inflation. These data had the advantage of focusing the attention of both officials and citizens on revenue performance, especially the low amounts of revenue being raised. That, in turn, created pressure (and support) for increasing tax rates and removing tax relief that were largely benefiting the rich and well-to-do. It also stimulated

action to reduce corruption in the revenue authority. Zambia's experience with cash budgeting has been widely documented (Bolnick 1997; Adam and Bevan 2000; McPherson 2000b; Hill 2004). Inflation dropped sharply, revenue performance improved, the exchange rate stabilized, and both public and private investment increased.

119. BB would not have needed to pay a subsidy on remittances if the exchange rate had been competitively valued.
120. This is not a "fault" of floating exchange rates. Adjustment occurs primarily through movements in prices rather than quantities. With a fixed exchange rate, macroeconomic shocks are reflected in the balance of payments and level of foreign reserves.
121. World Bank (2024a). The current IMF program has benchmarks related to the NBR (IMF 2023a, b, 2024a). Progress has been minimal, with most of them being implemented in the breach. Revenue reform has been an objective of other development partners as well (ADB 2021).
122. International agencies have been highly critical of this practice (B&HRRC 2023; AI 2024). For example, Saxena (2023) wrote, "Grossly inadequate wages, workers protesting for increased pay, and harsh retaliation by employers are not new in the garment industry in Bangladesh."
123. As the examples in Annex 4 show, reform that requires implementation (i.e., delivering planned outcomes) has been a major weakness in Bangladesh. The most difficult area has been public administration reform, and it is likely to remain so. However, that should not prevent a program of small steps to support the process. Tangible improvements in the training of public sector officials and increased accountability for performance can be useful "wedges" to demonstrate the value of, and stimulate the demand for, broader reforms.
124. Flynn (1982). Miller (2020) noted that "the Spanish management of the Americas and its riches in the century after discovery started them on the journey to financial ruin and relative insignificance."
125. Chernichenkina (2012), Luursema (2023), Yapp and Shaw (2025).
126. Keynes ([1925] 1963), Morrison (2009).
127. Irwin (1996), Michener, Wandschneider, and O'Rourke (2021), Kenton (2025).
128. The basic principle underpinning these balances is Walras's Law, namely, that net excess demand (or, equivalently, net excess supply) in any general equilibrium system is zero. Two obvious examples are (1) for each economy, income, output, and expenditure are equal, and (2) for the global economy, the balance of payments is zero. Balance is still maintained, respectively by rationing or accumulation of inventories, even if market demand or supply are constrained (Barro and Grossman 1971).
129. In a criticism of Adam Smith's notion of "specialization" that underpinned the "division of labor," Edward Gibbon Wakefield in 1835 distinguished between "simple cooperation" (i.e., Smith's specialization) and "complex cooperation." This idea was enthusiastically promoted by John Stuart Mill. It builds on the reality that individuals or entities can only "specialize" in particular ways (i.e., exercise their "comparative advantage") if they are embedded within a mutually supportive set of collaborative arrangements to which many other individuals and entities contribute both directly and indirectly (Mill 1848, chap. 8, pp. 108–110). The key point is that what appears to be—and, thus far within the economics profession, has been identified as—individual comparative advantage reflects the gains that individuals (people or entities) can make through "complex cooperation." In a word, it reflects their *collaborative advantage* and thus supports our emphasis on "constructive collaboration."

130. In colloquial terms, institutions are “rules of the game.” They “are the humanly devised constraints that structure political, economic and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights). Throughout history, institutions have been devised by human beings to create order and reduce uncertainty in exchange. Together with the standard constraints of economics they define the choice set and therefore determine transaction and production costs and hence the profitability and feasibility of engaging in economic activity” (North 1991, 97). In relation to Bangladesh, an analysis by Mahmud, Ahmed, and Mahajan (2010, chap. 8) poses the question of how a country whose “political and economic governance” is “rated extremely poorly according to most global indicators” could have been a “development surprise” (p. 228). They offer some insights, but it was not until the “Bangladesh paradox” study (Raihan, Bourguignon, and Salam 2023, chap. 10, p. 336) suggested a “note of caution” with the reminder of “the intrinsic relationship between institutions and development, and, more precisely, its circularity.” Their study was predicated on the widely accepted view that “institutional features affect development.” Instead, the study reveals that “the opposite causality direction is equally important: development itself has an impact on the evolution of institutions.”
131. There is a voluminous literature on the issue stressing key elements of the development process. Schumpeter ([1911] 1934) highlighted the role of entrepreneurship and creative destruction. Lewis (1954) and Fei and Ranis (1964) examined how the acceleration of agricultural growth provided the resources (labor and capital) to bolster industrial (and urban) development. Kuznets (1966) analyzed the structural transformation that occurred as countries urbanized, industrialized, and transitioned demographically. More recently, Acemoglu and Robinson (2013) have traced how virtuous and vicious cycles of development and regression are generated by shifting patterns of governance and accountability.
132. Rittel and Webber (1973), APSC (2007), Batie (2008), Head and Alford (2013), Crowley and Head (2017). An excellent discussion of the issue can be found in Wikipedia (n.d.b.). It notes that a wicked problem “is difficult or impossible to solve because of incomplete, contradictory, and changing requirements that are often difficult to recognize.” A recent example of a “wicked problem” in Bangladesh is the program suggested by the 2024 White Paper Committee report for moving the country forward.
133. There are multiple examples. A fixed currency price of gold was the basis of the original Bretton Woods agreement. The Maastricht Treaty defined “convergence criteria,” such as annual government deficits less than 3% of GDP and government debt below 60% of GDP. “Monetary growth targets” were fundamental to policy recommendations derived from the monetarist doctrine. Indonesia, for instance, legislated limits on the annual budget deficit. More recently, “inflation targets” have guided monetary policy. Other countries have adopted a variety of fiscal rules or “net worth anchors” focused on containing the growth of public debt. Some countries (Bermuda, Brunei) use currency boards to anchor their exchange rates (Cottarelli and Balino 1994, chap. 2, 3; Guerguil 2012; Chai, Harris, and Tieman 2024). Many of these rules have been modified in the face of crises, such as COVID and financial meltdowns (Cottarelli and Balino, 1994, Table 3.6, pp. 127–128), with recent attention devoted to “cyclically adjusted fiscal targets” (Ardanaz et al. 2021). Reflecting the wicked nature of the underlying system, all policy anchors encounter (at least) two problems. One is Goodhart’s Law, which degrades, or distorts, the value of a variable once it is used as a policy target (Black 1997, 172). The second problem is “workarounds.”

Politicians and policymakers tend to abandon the anchors when they impose “too many” restrictions on their actions.

134. Chile, for example, has constitutional provisions (chap. 10, articles 98 and 99) establishing an independent Comptroller General of the Republic, which is responsible for oversight and auditing of every public sector agency. One of the least successful “institutional anchors,” especially in low- and lower-middle-income countries, has been the creation of an “independent” central bank. Their principals too often interpret (and act as if) independence means autonomy. BB has done this. To serve the national interest, it should have confined itself to being “independent within but not of” the government ministries, departments, and other agencies responsible for economic policy.
135. Moore (1995, 28–37), Timmer, Falcon, and Pearson (1983, chap. 5), Killick (1985), Kaul, Grunberg, and Stern (1999), Duesenberry and McPherson (2002), Baland, Moene and Robinson (2010), Mazzacuto (2024).
136. The idea is derived from the notion of the “optimal continuation” in control theory and economic planning (Strotz 1955–56; Dorfman 1969; Arrow and Lind 1970; Killick 1976).
137. The World Bank’s growth commission report noted that economists do not generally agree on how “macroeconomic stability” is defined (2008a, 53). That notwithstanding, the commission used the notion as a criterion for measuring the success of the 13 high-performance economies featured in its report. In disagreeing, economists confirm that it is a wicked problem (see earlier discussion). That should not affect the IMF and Bangladesh, which have several billion dollars at stake. Under these circumstances, observers should expect them to have a working definition of macroeconomic stability so that program performance could be appropriately monitored and assessed.
138. IMF (2024a, par. 21, p. 14). It will be managed as follows: “Over time, the parameters of the new regime should be periodically reviewed to ensure that the rate of crawl is consistent with the monetary policy setting and the band is gradually widened to allow for greater exchange rate flexibility.” That is, the program allows BB to continue manipulating the exchange rate.
139. Some observers may believe that the current program, negotiated by the now-displaced government, is moot. That is a mistake. The IMF member is Bangladesh, the country, not the party in power. The interim government may not like aspects of the current program, and it may induce the IMF to renegotiate the terms. But rejection of the program because the previous government’s involvement is not in prospect. Besides, as this essay has shown and the White Paper Committee report confirms, most of the problems the country faced in 2022 remain, and some of them have intensified.
140. IMF (2024a, Tables 1, 4, pp. 29, 33).
141. The IMF program projects real GDP growth from FY25 to FY29, averaging 7.1% p.a. (IMF 2024a, Table 1, p. 29). This five-year spurt has been matched only once, from F15 to FY19. A more realistic measure of the country’s growth capacity would be the post-military period FY92 to FY24 of 5.7% (World Bank World Development Indicators, accessed October 2024).
142. IMF (2024a, Table 1, p. 29). How the IMF derived these data is not clear. Public sector investment of ~8% is significantly above the ~5%–6% of GDP average that the authorities have spent over the last three decades. The ~34% investment rate is also an outlier, significantly above the average investment rates of 26% (1992–2023) and 28% (2000–2023). Over those periods, the incremental capital output ratio in Bangladesh has been

4.6 (1992–2023) and 4.7 (2000–2023). That is, a 7% growth rate would require an investment rate of between 32.2% and 32.9% of GDP. Data are from World Bank WDI online, accessed November 2024.

143. White Paper Committee 2024 (2024).
144. Few scholars of Bangladesh will be convinced of the charge that during the Hasina regime, the key data were rigged or had errors any more than they had since Independence. No doubt, some data were “doctored,” but the wholesale misstatement of them casts too much doubt on development partners, many of whom generated the data and reported them regularly. Furthermore, the committee cannot claim that the data were so poor without undercutting its own empirical analysis.
145. Annex 4 discusses this point.
146. Nayel (2024), *Business Standard* (2024c), Bhuiyan (2024), DT Tribune Desk (2024a).
147. Crittenden (1982), Zafarullah and Siddiquee (2001), Hossain (2024), Wikipedia (n.d.a.).
148. Rahman (2021).
149. *Daily Star* (2024a).
150. Munir (2019).
151. ADB (2021), World Bank (2023a).
152. US Department of State (2024, sec. 9).
153. IMF (2023a, 12, 18, 23, and Fig. 6, p. 44).
154. *Business Standard* (2025).
155. Bank of Bangladesh Order 1972, cited in MLPA (1972) and Chowdhury (2019).
156. McPherson (2024c).
157. World Bank and IMF data show that at the end of 2024, the t/$ exchange rate was ~4% overvalued.
158. Based on the IMF’s estimates of GDP in dollars and taka, the exchange rate is projected to depreciate from 111 t/$ in FY24 to 126 t/$ in FY29, a fall of 13.5%. BB online data reveal that the average exchange rate for 2024 was 116 t/$. Adjusting this rate for the expected change in Bangladesh’s GDP deflator and movements of international prices of ~2% p.a. yields an estimated market-determined exchange rate for FY29 of ~141 t/$, a depreciation of ~22%. Since the IMF has reported that inflation was 11% in 2024, the exchange rate will need to depreciate beyond this level. It will be even more so given the White Paper Committee 2024’s calculations showing that inflation has been in the range of 15%–17% (Table 3.1, p. 36).
159. McPherson (2024d).
160. This language was taken from IMF (2022, Annex 2, p. 46) but widely repeated in other IMF reports, including the following: IMF (2013, box 2, p. 8), IMF (2016, box 1, pp. 9–11), IMF (2018, pars. 18, 19, pp. 8–9), IMF (2019, par. 13, p. 17), and IMF (2022, p. 12, p. 8). The timing of the above statement was unfortunate because the Bangladesh economy had begun to melt down in August 2021 due to unstainable foreign exchange pressure. This could not have happened if the IMF had correctly summarized the “external position.”
161. An example is Alam (2019a), to whom attention should have been paid. He described how Vison 2041 “aligned” with the other “macro plans” that the government had formulated. As a senior official in the General Economics Division and lead author of the Delta Plan 2100, he had a firsthand appreciation of policies that should be implemented and changes that should be made. His contribution affirms a theme of the current essay: With respect to revenue, export diversification, revenue mobilization, reducing inflation, and growth, what needed to be done was understood and viable remedies had been devised.

162. *Daily Star* (2023a). A further example of what local economists "have said" and were saying is the analysis by Titumir and Kamal (2013). They identified the key challenges that had prompted the IMF program, providing an excellent 10-point program for "the way forward" (sec. 10). The authorities ignored most of what they suggested, especially as it related to inflation, debt, monetary accommodation, exchange rate management, and support for agriculture. Karim (2020) offered similar guidance. The *Daily Star* (2025b) continued its criticism with an editorial headed "No Action Taken Based on White Paper."
163. Raichur (1973), Brautigam (1996), Brinkerhoff (2001), Papoutsi et al. (2016), Fowler (2019), Abdin (2019), Chowhan, Islam, and Sultana (2023).
164. World Bank (1997, 3). For many countries at the time, this required "restarting development" (p. 157).
165. World Bank (1997, 3; italics in original).
166. "Many states try to do too much with few resources and little capability, and often do more harm than good" (World Bank 1997, 3, 157).
167. This can be done by "*providing incentives for public officials to perform better while keeping arbitrary action in check*" (World Bank 1997, 7, 158; italics in original).
168. World Bank (1997, 3).
169. Indeed, "weak state capacity" is a core "diagnostic" element, identified as being fundamental to the "Bangladesh paradox" (Raihan, Bourguignon, and Salam 2023, 357–372).
170. A widely repeated point among Bangladesh officials and academics is that the country has well-researched, comprehensive plans, strategies, and agendas that, at best, are only partially implemented.
171. Bangladesh, Government of (1989, 3, 9).
172. World Bank (1996).
173. *Daily Star* (2024c).
174. Huque and Zafarullah (2023, 270).
175. Abdullah (2020, 48). Parnini (2009) examined the impact on public sector reform of development partner assistance. In terms reminiscent of Morss's (1984) study, she examined the "limitations of the donor agenda" and enquired whether donor support was part of a "reform agenda or development aggression" (pp. 564, 567). Although she noted that donors are "concerned for genuine reasons" about key development issues, she concluded that "there is not much they can do to bring about improvement . . . unless there are home-grown initiatives and political commitments."
176. World Bank (2006, sec. 2). It noted that "between 1973 and 1997, the government set up no fewer than 10 commissions to examine and recommend on civil service management issues. In fact, so many commissions already had been appointed that in 1993 the Administrative Reform Committee was established to study the contents of previous studies." Panday (2019, Table 10.3, pp. 234–235) provides a list of the 17 separate commissions and committees from 1971 to 1997. Abdullah (2020, 44–48) reviews the reforms from colonial times, extending the list through the mid-2010s.
177. Panday (2019, 234).
178. We recognize that "exaggeration for effect rather than accuracy" is regularly used to motivate performance. Overexaggeration, however, is often counterproductive. Planners are aware of the distinction between the plan as product and plan as process (Kindleberger and Herrick 1977) and how it used to be argued that while the plan could not be implemented, the process of planning was useful. The national interest is not served by inflated expectations.
179. MoA (2018b).

180. GED (2020c, Table 3.2, p. 56). The growth rates projected in the Perspective Plan FY21–FY41 were 8.2% (FY20), 9% (FY31), and 9.9% (FY41). To generate these, corresponding levels of gross investment as a share of GDP were assumed to be 32.7%, 41.2%, and 46.9% (GED 2020a, Table 3.1, p. 29). These were well beyond what Bangladesh had ever achieved on an annual basis, let alone for any extended period.
181 These data were derived from the "Bangladesh National Productivity Master Plan FY2021–FY2030" (GED 2020c, 56). Based on the discussion of growth rates in the main text, the implied growth of the (hours-adjusted) labor force would be 2.4% p.a., which is well above the rate that the labor force has been growing (or can grow). For reference, World Bank WDI data (accessed December 2024) show that the labor force growth for the five years to 2023 was 1.7% p.a.
182. BCC (2019).
183. Liton and Habib (2015) noted that "Bangladesh has many challenges for the implementation of e-Government system . . . Online Service Index, e-Participation Index, poor ICT infrastructure, insufficient human resources, lack of trust, Telecommunication Infrastructure Component, and lack of awareness."
184. BCC (2019, sec. 6, pp. 253–284).
185. BCC (2019, 264). Chowdhury (2021), who has widely commented on the topic, provided an exceptionally optimistic view on what ICT and digitization were expected to achieve for Bangladesh.
186. GED (2015, sec. 2.7.3, p. 45, p. 268; sec. 8.7, pp. 445–450).
187. GED (2020b, sec. 8.4.6, pp. 496–500).
188. MLPA (2003, sec. 9A.c), Chowdhury (2019).
189. *Daily Star* (2023b).
190. *Daily Star* (2023c). Referring to the same period, Shah (2024) stated, "Bangladesh registered a 27 percent implementation of the annual development program (ADP) in the July–January period of the ongoing 2023–2024 fiscal year, which is the lowest implementation rate in the previous 12 years."
191. FE (2025).
192. *Business Standard* (2024a).
193. BSS News (2024b). For this to make economic sense, the authorities will have to provide the local counterpart funds that are needed to operate and maintain the "foreign funded" projects. Without these local funds, the country's recurrent cost problem will intensify.
194. Khatun (2024). It could be an attractive option if the government had "unused" ADP funds. Due to budget compression to keep the deficit in check, there is none. The authorities would have to borrow to clear the subsidy arrears.
195. Other scholars have added to the criticism (Alam 2019b; Rahman 2023).
196. World Bank (1993a, iii).
197. GED (2011, chap. 3, pp. 74–75, 80–81).
198. Reaffirming the 2023 comment by the *Daily Star* about local economists understanding key issues, the plan noted the following: "Some key areas of improvement in this respect are: (i) energy supply including electricity and gas; (ii) infrastructure including roads, railways, bridges, embankments and dykes; (iii) telecommunications; (iv) ports; (v) legal and administrative systems including property rights issues; (vi) socioeconomic environment including law and order situation; and (vii) sound monetary policy and sustainable management of public finances" (GED 2011, 80).
199. GED (2011, 81).

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