

ISAS Brief

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469A Tower Block, #07-01
Bukit Timah Road, Singapore 259770
Tel: 6516 6179 / 6516 4239
Fax: 6776 7505 / 6314 5447
Email: isasijie@nus.edu.sg
Website: www.isas.nus.edu.sg



Floods in Bangladesh, Changes in Monsoon Pattern and a Wake-up Call for South Asia

M. Shahidul Islam*

South Asia is experiencing one of its worst monsoons in recent years. Millions of people in Bangladesh, northern India and Nepal are facing a humanitarian crisis. With roughly half the country under water, Bangladesh is one of the worst affected victims of the annual rainy season, which started in mid-June 2007.

The floods have claimed more than 500 lives, 20 million people have been displaced, and around 53,000 people have contracted diarrhea, dysentery, cholera and other water-borne diseases in Bangladesh, the world's most flood-prone nation. Marooned people are facing a serious shortage of food and drinking water. According to the World Health Organization, the country also faces a shortage of around US\$2.5 million in medical supplies.

Whilst the Bangladeshi caretaker government and non government organisations have stepped up their relief and other aid programmes for the flood victims, these efforts are constrained by several factors. Prolonged flooding and damage to infrastructure prevent the rescuers from reaching those in need. Further, a ban on political activities under a national emergency has prevented political parties from disbursing relief using their political networks throughout the country. Traditionally, two major political parties, namely, the Bangladesh Awami League and the Bangladesh Nationalist Party, are the first to reach to the people during floods and other natural disasters. In any case, the interim government has urged the political parties and the wealthy to privately provide relief and other assistance to the flood victims.

Bangladesh's development partners and the international community are closely monitoring the flood situation and their rehabilitation programmes are likely to depend on the magnitude of the floods. The Saudi Arabian government, the World Bank, the Asian Development Bank and other international agencies have pledged emergency aid to Bangladesh.

Economic Costs

As Bangladesh is still deluged under water, it is too early to estimate the total economic and environmental cost of the ongoing flood to the country. According to the World Bank, gross

* Mr Mohammad Shahidul Islam is a Research Associate at the Institute of South Asian Studies, an autonomous research institute within the National University of Singapore. He can be reached at isasmsi@nus.edu.sg.

domestic product (GDP) growth in the current fiscal year may fall to 6.8 percent from the earlier estimate of seven percent.

Bangladesh's agricultural sector and small and medium sized industries are expected to be the hardest hit by the current floods. A preliminary estimate by the Department of Agricultural Extension estimates the floods to have damaged crops worth about US\$286 million in the 39 flood-hit districts out of the country's 64 districts. The damaged crops include rice, jute, vegetable and spices on around 469,000 hectares of land. These crops account for about a quarter of the total cultivated crops in the affected areas. Aman, a rain-fed rice crop, is the worst hit in the current floods. The floods have also caused enormous damage to fisheries with a loss of roughly US\$29 million, according to an assessment by the Fishery and Livestock Ministry. More importantly, the long-term damage is compounded by the destruction of over 2,800 kilometres of highways, motorways and roads.

If having to deal with the floods was not bad enough, the Bangladeshi populace is now hard hit by the skyrocketing of prices of essentials. The situation is likely to further worsen due to the supply constraints of agricultural commodities. Worse still, prices of food grains, fuel and other essential commodities have been soaring in the international marketplace. The marginal farmers who lost their investment and livelihood due to the crop damages are in dire need of cheap seed, subsidised fertilizer and favourable credit. Consequently, rising inflation has been eroding the purchasing power of the Bangladeshis and is a key concern for Bangladesh Bank, the central bank of Bangladesh.

The immediate challenge for the Bangladesh government is to deal with the post-flood rehabilitation programmes which will determine the degree of its damage limitation success. The authorities have initiated some post-flood rehabilitation programmes. The Bangladesh Bank has already taken some measures in this regard such as easing the Letter of Credit margin for food items to expedite food grains import.

The caretaker government plans to reallocate US\$300 million to meet immediate relief requirements and another US\$300 million for post-flood rehabilitation. It has asked international donors for US\$150 million for additional budgetary support and food aid to in support of the post-flood rehabilitation programmes.

Food Aid or Cash Transfers

Following an assessment of the flood situation in Bangladesh, the World Bank believes that the provision of cash transfers to the floods victims is perhaps the effective way to rehabilitate them and to stimulate local markets. Making reference to previous natural disasters such as the Tsunami, the Bangladesh floods in 2004 and the earthquake in Pakistan in 2005, the World Bank's Chief Economist for South Asia feels that cash transfers are a very effective immediate relief mechanism.

However, considering the high level of inflation in Bangladesh, such initiatives may have a countervailing effect on the economy if the government and the private sector fail to supply food grains and other essentials on time. Bangladesh has been facing food-related inflation even before the current floods.

According to the Bangladesh Bureau of Statistics, the consumer price index inflation (CPI) was 7.06 percent (8.05 percent on point-to-point basis) in May 2007. It stood at a 10-year

high of 9.20 percent on a point-to-point basis a month later and threatens to reach double-digit soon due to the floods and the seasonal surge in demand during the Muslim holy month of Ramadan, which falls in September 2007. In Bangladesh, food represents a large share of total expenditure and constitutes nearly 59 percent of the total CPI index.

The immediate answer to Bangladesh's woes is food supply. It should really encourage its donors and development partners to provide food aid rather than cash. The authorities should also look towards procuring food from the international marketplace. The disbursement of food under the food-for-work or similar programmes is desirable for several reasons. First, such initiatives will reduce the inflationary pressures. Secondly, the food-for-work programmes will generate employment and may help in rebuilding the flood-hit infrastructure of the country. Thirdly, such programmes can keep the government's fiscal deficits below the danger level which is projected to be 4.2 percent of GDP for the fiscal year of 2008. Despite the restrained monetary policy regime that the Bangladesh Bank is currently pursuing, the government must disburse significant amounts of agricultural credits, usually in the form of cash, to the flood-affected farmers.

Changing Monsoon Pattern

Bangladesh has a long history of floods. In the 19th century, there were six major floods. In the 20th century, 18 major floods were recorded, including the catastrophic floods of 1987, 1988 and 1998. Situated on the delta of the Ganges, the Brahmaputra and the Meghna, Bangladesh experiences floods due to excessive rainfalls as a result of monsoon precipitation. The monsoon rains from Nepal and north-east India also find their way into the Bangladeshi river delta. In the Indian subcontinent, summer monsoon rains provide 75 to 90 percent of the annual rainfall.

Scientists believe that global warming could also contribute to the changing monsoon pattern in South Asia and other parts of the world. Climate models (as reported in the Stern Review on the economics of climate change) suggest that climate change will bring a warmer, wetter monsoon by the end of the century.

Apart from the current onslaught of the monsoon-induced floods that include the Chittagong tragedy in June 2007, the Mumbai floods in 2005 and the monsoon failure in 2002 which caused profound loss of agricultural output (with a subsequent drop of over three percent of India's GDP) show the unpredictable behaviour of South Asian monsoons.

The agricultural sector and industrial production in South Asia are highly dependant on the monsoons and any changes in rainfall patterns of the Asian monsoon can severely affect the lives of millions of people across South Asia. In Bangladesh, a quarter of the population lives within the coastal floodplain and they are vulnerable to sea-level rise. Any disruption of the monsoon could jeopardise the plight of the poorest of the poor.

Long-term Strategy

Bangladesh has dealt with even larger scale floods compared to the ongoing one. It has a sizable foreign exchange reserves currently at US\$5 billion and much disaster management experience. By checking inflation, with the help of donor agencies and some prudent policies, the interim authorities in Bangladesh can contain the current disaster.

However, the flood problem will not go away. Rather than ad hoc efforts to tackle the problem when it happens, Bangladesh needs to develop a long term strategy. The World Bank and other development partners, in collaboration with the Bangladesh government, have undertaken a flood action plan to minimise the impact of flood in Bangladesh. The concerned authorities should also keep the potential effect of climate change in their long term plan.

Bangladesh and the other South Asian countries need to show their resolve now. They need to take concrete actions and map out plans for the future. The floods will come again next year and in the future. And God pray, they do not take away more lives and cause greater destruction as they come each year.

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