

Brussels Programme of Action for LDCs for the Decade 2001-2010

**Mid-Term Review Report
(DRAFT)**

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I. Introduction

1. The Brussels Declaration and the Programme of Action for the Least Developed Countries (LDCs) for the Decade 2001-2010, adopted by the Third United Nations Conference on the Least Developed Countries in Brussels on 20 May 2001. The Programme of Action aims to significantly improve the human conditions of more than 600 million people in 49 LDCs during the present decade. Against the backdrop of lack of progress in socio-economic development in the LDCs and in the implementation of the programme of action for the 1990s, it provides a framework for a strong global partnership to accelerate sustained economic growth and sustainable development in LDCs, to end marginalization by eradicating poverty, inequality and deprivation in these countries, and to enable them to integrate into the global economy.

2. This Programme of action is based on the international development targets, actions by LDCs and commensurate support measures by their development partners, and on the values, principles and objectives of the Millennium Declaration. These political, economic and social objectives and as appropriate, other UN targets are incorporated into the commitments of the Programme of Action.

3. The overarching goal of the Programme of Action is to make substantial progress towards halving the proportion of people living in extreme poverty and suffering from hunger by 2015 and promote the sustainable development of the LDCs. This will require, among other things, significant and steady increase in GDP growth rates in LDCs. To that end, LDCs, with the support of their development partners, will strive to attain a GDP growth rate of at least 7 per cent per annum and increase the ratio of investment to GDP to 25 per cent per annum. In this regard, civil society, including the private sector, is an important participant.

4. The programme of Action recognizes a number of cross-cutting priority issues, namely, poverty eradication, gender equality, employment, governance at national and international levels, capacity building, sustainable development, special problems of landlocked and small island developing countries, and challenges faced by countries affected by conflict. It identified seven commitments made by the least developed countries and their development partners in a spirit of genuine solidarity and shared responsibility.

5. Bangladesh is a densely populated country and faces formidable development challenges. When the Programme of Action launched in 2001, Bangladesh had a population of about 130 million with population density of 834 / square kilometer. The growth of GDP was 4.8 percent and per capita GDP was US\$ 326. National savings rate was 22.32 percent, investment rate 23.18 and share of manufacturing sector to GDP was 15 percent. Bangladesh's social development indicators were also poor in that time. About 44 percent population lived below poverty line. Infant mortality rate was 56 per thousand births and adult literacy rate was 56 percent. Life expectancy was 58 years and child malnutrition rate was 49 percent

6. Over the last few years, Bangladesh has made impressive gains in key human development indicators. In 2004 UNDP Human Development Report, Bangladesh ranked 138 among 177 countries with a Human Development Index (HDI) score of 0.509, which places it among countries considered to have achieved medium development. This is the result of macroeconomic stability, low population growth, increase in women's empowerment, reduction in aid dependence, food self sufficiency, effective disaster management capacity, promoting NGOs, free and fair parliamentary elections, etc.

II. Status of Implementation of the Brussels Programme of Action

Commitment I

Fostering a people-centered policy framework

7. The principal goal of the Bangladesh Government's economic policy is to reduce poverty so as to gradually lift the vast majority of the people above the poverty line and improve the quality of life for the average citizen. Since assumption of power in October 2001 the Government began preparation of an interim poverty reduction strategy paper. Bangladesh's Interim Poverty Reduction Strategy Paper (I-PRSP), titled "A National Strategy for Economic Growth, Poverty Reduction and Social Development" was completed in March 2003. The I-PRSP is prepared in line with the Millennium Development Goals (MDGs), which provides current state of country's policies and sets out plan for completing a full PRSP.

8. The I-PRSP proposes five measures for long-term poverty reduction and social development. These are: (i) pro-poor economic growth for increasing income and employment of the poor; (ii) human development of the poor for raising their capability through education, health, nutrition and social interventions; (iii) women's advancement and closing of gender gaps in development; (iv) social safety nets for the poor against anticipated and unanticipated income/consumption shocks through targeted and other efforts; and (v) participatory governance for enhancing voice of the poor and improving non-material dimensions of well being including security, power and social inclusion by improving the performance of anti-poverty institutions and removing institutional hurdles to social mobility.

9. I-PRSP sets a medium term macroeconomic framework that is supported by financing pattern and public resource provision to achieve the desired growth targets. The highlighted areas are: (i) macroeconomic framework; (ii) macro and trade reform; (iii) governance; and (iv) sectoral reform. It also presents national directions and priorities for achieving poverty reduction goals.

10. Bangladesh recently finalized its PRSP, titled "Unlocking the Potential: National Strategy for Accelerated Poverty Reduction". It is a road map for the socio-economic development of the country centering on eight policy priorities. These include maintaining macroeconomic stability, maximizing pro-poor benefits from the growth process, strengthening the social safety nets, advancing human development, empowerment of poor and in particular of women, promotion of good governance and

protecting the environment. This PRSP will now act as the guiding principle for all our development activities in future. But the most critical at this point of time is the mobilization of resources. The Government will utilize its own resources to implement PRSP, additional assistance from the development partners and other regional and international sources are welcomed for implementation of an extended development programme aimed at achieving faster economic growth and reduction of poverty.

Commitment II

Good Governance at the national and international levels

11. To improve governance the government has undertaken some incremental steps towards reform in five core areas. These are: (i) improving public expenditure and financial management; (ii) reforming public administration; (iii) strengthening revenue mobilization; (iv) establishing an independent Anti-corruption Commission and (v) reforming the civil justice system.

12. The new Public Procurement Regulations are a milestone achievement of the Government. The landscape of procurement has been reshaped since 2003 when the Government put in place a uniform procurement policy for all public sector entities in Bangladesh. The PPR substantially reduced layers in the procurement approval process and introduced a procurement tracking system through MIS. The new regulations have increased awareness among the contracting/business community and contributed significantly towards harmonizing donors and Government procurement procedures. Fiscal accountability and transparency are being improved through better Public Financial Management (PFM).

13. The National Board of Revenue has prepared a medium-term modernization strategy to improve low revenue yields, which are depriving the Government of resources needed for key social programmes. Tax revenues account for only 8 percent of GDP and Bangladesh relies unduly on highly protective trade taxes. The Government undertook at the start of the PRGF program with the IMF, to increase revenue as a share of GDP by 0.5 percent a year. In November 2003, the Large Taxpayer Unit (LTU) for income tax was restructured along functional lines (taxpayer services, revenue collection, accounting, audit, and enforcement). It was also given responsibility for collecting withholding taxes. Steps were taken to strengthen filing and payment procedures, improve detection of stop-filers, increase capacity for conducting audits, and introduce computerization of certain LTU operations. In October 2004, the NBR established an LTU for value added tax (VAT) and is in the process of operations. To improve enforcement and expedite the processing of appeals, two special High court tax benches have been established. In addition, to discourage fraudulent appeal cases, the Government has increased the amount that taxpayers will have to pay upfront from 15 percent to 50 percent of the difference between the contested and admitted amount. Finally, a Tax Ombudsman has been established, to assist citizens with their complaints against NBR.

14. An independent Anti-Corruption Commission Act was passed by the Parliament in February 2004, providing the Commission with a mandate to prevent corrupt practices

and investigate specific offenses. Major reforms in the civil procedure code were made in 2003, with the objective of modernizing court processes, reducing case backlog, expediting dispute settlement, and facilitating access to justice. The Money Loan Court Act 2003 provided money courts with exclusive jurisdiction over credit disputes and has vastly improved the loan recovery mechanism. As a step towards full separation, a Judicial Service Commission has been created under the jurisdiction of the Supreme Court to take over the recruitment process. Despite of these remarkable initiatives and success in the field of improving governance, improvement of law and order situation and combating corruption still remain the key challenge of the Government.

Commitment III

Building human and institutional capacity

15. Although the severity of poverty situation in Bangladesh has improved over the past three decades, its pervasiveness and depth is still the single most issue of concern. Given the existing resources constraints, this is indeed a formidable challenge. However, according to Human Development Report 2004 Bangladesh is ahead of 50 LDCs in terms of Human development Index and has graduated from low level to the medium-level group of countries.

16. According to a report on LDCs published by UNCTAD in 2004 Bangladesh has already achieved the Millennium Development Goals (MDGs) in respect of removing gender disparity in education and ensuring access to pure drinking water. The report also expects that by 2015 Bangladesh would be able to achieve the goal of providing primary education to the children and reduce the mortality rate of under-5 children by two-thirds.

17. The UNDP Gender Development Index (GDI) for 2004-ranked Bangladesh 110 among 144 countries, an increase by 13 positions since 1999. This improvement reflects a significant bridging of the gap between men and women in key indicators, including life expectancy. Bangladesh's success in increasing primary school enrolment has been one of the most notables. The gross enrolment rate in primary education in 2004 was 97 percent. Bangladesh has more or less achieved gender parity in education at the primary school level. Bangladesh almost achieved MDG targets in primary education and access to safe drinking water. Bangladesh's MDG progress Report 2005 indicates that the country is on track to achieve MDGs, provided the current momentum is maintained, substantial resources are available to address targets and global partnerships in trade and investment are achieved. The continued cooperation of development partners and international and regional financial institutions is also critical in this regard.

18. Development with a human face is the main thrust of the development agenda being pursued by the Government of Bangladesh. Bangladesh has been allocating over 20 per cent of the total public outlay for the social sector. The Government increasingly lays special emphasis on social sector especially on education and health sectors as the basis for human development. During the last four years, education sector received the highest allocation as the Government attaches top priority to this sector. Likewise, adequate provision has also been for the health sector. Reducing fertility rate, reducing child and

maternal mortality rates, containing the spread of contagious diseases including TB and HIV/AIDS, increasing average life expectancy, the Government is trying to have a healthy and strong population with the aim to involve them in the mainstream economic development activities and generate momentum in the poverty reduction programmes.

Commitment IV

Building Productive capacities to make globalization work for LDCs

19. Globalization has continued to be one of the dominant themes in international development policy. It requires integration of the economies into the world economy where there will be a free flow of goods, services, capital and technology. It is argued that free and unregulated flow of investment, trade, production and consumption will produce the best outcome for economic growth and human welfare.

20. The international framework for financial and economic transactions has significantly changed with the presence of various multi-lateral, regional and bilateral trade agreements. Bangladesh is an active member of the World Trade Organization (WTO) under the multi-lateral trading system. It has also been pursuing liberalization through many regional free-trade agreements like, South-Asian Free Trade Area (SAFTA), BIMST-EC (comprising of Bangladesh, India, Myanmar, Sri Lanka and Thailand, including new members-Nepal and Bhutan) Free Trade Agreement and the Bangkok Agreement. Besides, it has been negotiating bilateral free trade agreements with three important neighbors in the South Asia namely India, Pakistan and Sri Lanka.

21. No doubt that the international trading system has created new opportunities for developing and Least Developed Countries including Bangladesh in terms for improved market access, export diversification and legal protection from opening up the economies prematurely. At the same time, it has created a possibility of losing the fair share of the benefits of natural liberalization. Some studies show that most of the benefits of globalization might go to the developed countries, whereas the developing countries and particularly least developed countries might become marginalized in terms of gains from globalization. Since globalization through its channels of trade in goods and services, movement of capital and technology affects the liberalized economies, there is an emergent need for managing globalization either to absorb or lessen the shocks out of opening up the economies.

22. Bangladesh, a least developed country, is pursuing continuously the policies of liberalizing the economy despite limited human and institutional capacities. Trade and exchange rate liberalization has been the cornerstone of the government's policy to promote competitive efficiency in production and achieve neutrality of incentives between production for exports and import substitutes, while gradually making trade facilitation the centerpiece of customs administration. Bangladesh's trade liberalization effort picked up in the early 1990s as part of its structural reform program. It has introduced liberal trade policies that include reducing the coverage of quantitative restrictions, reducing the maximum tariff rate by 5 percentage points to 32.5 percent, rationalizing the structure of supplementary duties, withdrawing license fee on all

imports, introducing a unified exchange rate system and introducing to current account convertibility. These changes in trade policies have been accompanied by some important macroeconomic policies like liberalizing the investment regime for domestic and foreign investors significantly, liberalizing financial sector and introducing a value added tax. Bangladesh has also adopted the policies for promoting the exports of small and medium enterprises and non-traditional items in combination with the provision for incentives including cash and credit incentives.

23. For managing the globalization, Bangladesh is pursuing the strategies: (i) expansion of the existing narrow exports base of the country through the process of export diversification; (ii) promotion of exports of Bangladesh by expanding access to international export markets, technology, imported inputs and capital goods; (iii) develop product quality, design and production of high value added products; (iv) removal of constraints to supplies and improvement in the incentive structure in exports of the country; (v) expansion of production across the industries along with adaptation, development of products and skill development to compete in the overseas market to follow an export led growth; (vi) strengthening system of standardization to ensure the quality of exports through the establishment of product development councils; (vii) develop necessary infrastructures and in required cases develop backward and forward linkage industries to ensure production of maximum volume of exportable items; (viii) create new exports and provide all assistance to existing exporters and develop a business friendly attitude; (ix) allowing effective supports to both the new exporters and to exiting exporters; (x) establishing institutional facilities like trading house, export houses etc. for encouraging export development; (xi) initiating market intelligence, bargaining of higher prices of the exports etc. for the producers and exporters; (xii) organize single country export fairs for Bangladeshi products in abroad and offer assistance to exporters in participating trade fairs in different countries; (xiii) encouraging foreign investments in the export sector; (xiv) interacting with the trade bodies, businessmen and concerned professionals regarding the rules of the global trade; (xv) increasing export competitiveness in the garment sector through skill development and other trade supports for coping with shocks due to MFA phased out; (xvi) following competition policies to raise the efficiency of the business; (xvii) developing physical infrastructure (power, telecommunications, water supply, roads, ports etc.) for facilitating the exporters; (xviii) strengthening financial and capital markets through improving governance in the public financial institutions, raising the regulatory power of the central bank, removing the deficiency of the related legal framework; (xix) social safety net for the poor to cope with the shocks of globalization through employment generation and income transfer programmes; (xx) increased and effective participation in multi-lateral, regional and bilateral negotiations; (xxi) strengthening human and institutional capacity of the government through trade-related capacity development process.

24. In the last WTO Ministerial Conferences held in Mexico and Hong Kong Bangladesh underscored the issues: (i) binding commitment on duty-free and quota-free market access for the products originating from the LDCs with realistic, flexible and simplified rules of origin in order to raise LDCs market share in the world trade; (ii) access to developed country markets for temporary movement of less skilled and unskilled persons,

simplifying visa procedures and without asking for Economic Need Test (ENT); (iii) exemption of LDC products from anti-dumping, countervailing and safeguard measures; (iv) appropriate compensatory mechanism to address the erosion of preference margins due to lowering of tariffs; and (v) implementation of the Doha Declaration on Trade-Related Aspects of Intellectual Property Rights and Public Health.

Commitment V

Enhancing the role of trade in development

25. Since the early 1980s Bangladesh has promoted trade mainly through reforms of its trade regime and removal of the structural obstacles to production and trade. The liberalization programmes undertaken by successive governments focused on simplification of import procedures, reduction of quantitative restrictions, rationalization and diminution of import tariffs and maintaining a competitive exchange rate. The liberalization process has achieved considerable success through progress has been uneven at times. In the latest Import Policy Order (IPO) 2003-2006 the number of items appearing on the control list have been brought down to 63 (from 122 in the previous IPO), of which only 23 are due to trade reasons. The highest tariff rate has been brought down from 350 percent in 1992 to 25 percent in FY05. The number of tariff slabs (including zero) has come down from 24 in the 1980s to 3 in FY05. The liberalization and rationalization of tariff structures have caused the unweighted tariff rate to fall from 57.2 percent in 1991-92 to only 16.5 percent in 2002-03. The unweighted average duty rate has declined from more than 82 percent to 35.5 percent during the same period. Import weighted average duty rate stood at 40 percent in 1993-94, but fell to 27 percent in 2002-03.

26. An important element of trade policy of the Government has been the introduction of generous promotional measures for exports which include, inter alia, lower rates of interest on bank loans, duty free import of machinery and intermediate inputs, cash incentives, duty drawbacks, and exemption from value added and other taxes. A policy of dismantling tariff and non-tariff barriers along with export incentive schemes has led to the reduction of a policy-induced anti-export bias. It has been estimated that when unweighted protection of import duties are considered, the anti-export bias in Bangladesh's economy has fallen from as high as 59 percent in 1991-92 to 18 percent in 2002-03. On the other hand, with import weighted protective effects, the estimated comparable figure is found to have fallen from 22 percent to 13 percent during the same period.

27. The Government of Bangladesh has played an instrumental role in facilitating the private sector-driven growth of RMG exports by providing a range of generous support policies such as back-to-back LCs, and bonded warehouse facility. RMG sector now contributing more than 78 percent of export earnings. It is committed to continuing with such a supportive strategy so that RMG can maintain the momentum. The Bangladesh Government has also campaigned for duty-free and quota-free access to the markets of developed and some developing countries. It has obtained such access to virtually all developed markets except the USA. Both the Governments and BGMEA leadership are

continuing their effort to secure duty-free access to the US market-the single largest market for RMG exports of the country.

28. To help promote export diversification, the Government is offering a number of attractive incentives. The export policy 2003-06 has identified 5 products, viz. (i) software and ICT products, (ii) agro-products and agro-processed goods, (iii) light engineering products, (iv) leather goods, and (v) high-value ready made garments, to be considered as sectors with the highest priority. A number of other commodities, viz., pharmaceuticals, cosmetics and toiletries, luggage and fashion goods, electronics, CR coils, cards and calendars, stationary items, silk cloths, handicrafts have been listed as special development sectors. Sectors with the highest priority and under special development programmes are to receive various generous facilities that include, among others: (i) project loans at lower interest, (ii) income tax rebate, (iii) cash support, (v) export credit on easy terms and reduced interest rates, (v) reduced costs for air cargo, (vi) duty drawbacks, (vii) infrastructure development support, (viii) expansion of institutional and technical facilities for product quality, (ix) providing support for marketing of products, (x) to support market search activities abroad, and (xi) to help attract foreign investment. In the current budget of FY2004-05, a 30 percent cash incentive scheme has been introduced for exporters of agro-products and agro-processed goods.

29. Export Policy 2003-06 aims at increasing export, creating job opportunities and alleviating poverty. It is characterized with stressing need on product-based and sector-based development. Three business promotion councils on ICT, light engineering and leather sectors have already been formed and some more councils (e.g. pharmaceuticals products, agro-processing products, herbal and medical products, poultry etc.) are at the formation stage. These councils are unique examples of public-private partnership. A seal of quality organization has been set up to ensure quality and trace ability at all stages of shrimp hatching, growing, processing, packaging and shipping of frozen shrimps. Modern slaughtering houses are being set up in major municipal corporations to ensure production of better quality leather. Steps have also being taken to establish a leather service centre with financial support from International Trade Centre (ITC), Geneva. The centre will encompass quality testing and certification of leather and leather products.

30. Bangladesh seeks co-operation in trade, transport, ICT, finance and integration of national economy into the global economy through sub-regional and cross-regional organizations like SAPTA, BIMST-EC, Bangkok Agreement etc. The SAARC countries have formed SAPTA. The Govt. of Bangladesh signed SAPTA in January 2004. Discussions and progress have also been made for establishing SAFTA. Bangladesh has signed Bangkok Agreement. BIMST-EC member countries are working towards the establishment of a preferential trade agreement, which would later culminates a free trade agreement. The agreement will be signed by member countries in July, 2006.

31. The majority of Bangladesh's exports to the EU and Canada are errantly quota and duty free and account for almost 48 percent of its woven garments and knitwear to the US amounted to almost US\$ 2.2 billion in 2001, facilitated by MFA quota, while non-quota items face an average tariff of 12 percent. However, this quota system has been phased

out on 1st January 2005, which raises concerns for Bangladesh's RMG sector, a major foreign exchange earner, accordingly for 78 percent of total exports in 2002-03.

Commitment VI

Reducing vulnerability and protecting the Environment

32. The Government of Bangladesh has been laying special emphasis on protection and development of environment. Bangladesh is one of the signatory countries to 28 agreements, conventions and protocols on environment. Notable among them are: Convention on climate change, Agenda 21, Convention Concerning the Protection of the World Culture and Natural Heritage, Convention of International Trade in Endangered Species of Wild Fauna and Flora (CITES), Convention on Biological Diversity, Ramsar Convention on Wetlands, Convention to Combat Desertification, Marine Pollution Convention (MARPOL), Global Tiger Forum, etc.

33. A report titled "The State of the Environment: Bangladesh 2001" published by the United Nations Environment Programme (UNEP) has identified five nationally important environmental issues. These are: land degradation, water pollution and scarcity, air pollution, bio-diversity and natural disaster. Bangladesh is a densely populated, a deltaic low-lying country. Given its bio-physical and environmental parameters, it can be regarded as a country with low environmental sustainability but high in environmental performance. The effectiveness of environmental performance in Bangladesh is based on a broad partnership with the stakeholders, such as the private sectors, NGOs, and development partners. To complement the Government initiatives for improving the environmental sustainability, a wide range of NGOs are engaged in activities promoting sustainable use and management of natural resources in forestry, homestead gardening, regenerative agriculture and fisheries. Enactment of laws for banning polythene bags through wide campaign, promoting social forestry and tree plantation, organic fertilizer based agriculture, phasing out of two-stroke scooters and introduction of CNG-based 4-stroke scooters, are some of the success in environment sector. In PRSP, emphasis has been given on the conservation and sustainable use of biological resources, forestation, increased use of surface water for drinking and irrigation purposes, control of air pollution and waste management in urban areas and capacity building for environment. For conservation of the declining natural resources, such as forests, wetlands, fisheries and protection of bio-diversity, the Government has initiated measures aimed at enhancing forest cover, protecting ecologically critical areas, conservation of the biodiversity of Sundarban, the largest remaining mangrove forests and a World Heritage Site. A detailed National Conservation Strategy and Biodiversity Action Plan have been drawn up for managing natural resources and biodiversity.

34. Disaster Profiles of the Least Developed Countries, 2001 published by the UNDP indicate that among countries, particularly in Asia, Bangladesh has been most adversely affected by natural disasters. Natural disaster in Bangladesh has their roots in the nature of its terrain, the physical geographic features, its long coastline and the tropical climate. The increasing density of population, by causing ecological damage, also adds to the

misery. Bangladesh is a land of rivers and it has adjusted itself to a wet season when every year about 20 to 25 percent of its land area remains under water. The estimate of the economic impact of disasters like cyclones, tornadoes, droughts and arsenic contamination of water are either hardly made or are not available publicly. Estimates of macroeconomic losses due to floods in Bangladesh do indicate significant impacts on the aggregate output of the country. A comparison of the 2004 floods with the floods in 1988 and 1998 shows that the floods in 2004 have been less severe in terms of inundated area, duration, persons affected and loss of human lives. However, the 2004 floods have caused much greater damage to the economy in areas adjacent to the major rivers.

35. The Government of Bangladesh has drawn up a Five-Year Strategic Plan for the Comprehensive Disaster Management Programme (2004-2008). The plan is a collaborative effort of the Government and the development partners. It envisages bringing a paradigm shift in disaster management from conventional response and relief practices to a more comprehensive risk reduction culture. The plan incorporates programmes to strengthen the capacity of the Bangladesh's disaster management system in order to reduce unacceptable risk and improve response and recovery management at all levels.

Commitment VII

Mobilizing Financial Resources

36. The Government has taken measures to increase domestic resources mobilization (tax and non-tax) through better compliance, collect arrears, reduce exemptions, extend the VAT net and improve tax and customs administration, rationalize public expenditure, reducing subsidies to SOEs, implementing non-productive expenditure control measures and improving procurement and financial accountability. Tax and non-tax revenues are the principal domestic sources of funds for financing the administrative, development and public welfare-oriented programmes. Because of the measures taken by the Government to improve revenue collection and to rationalize public expenditure, the rate of borrowing by the Government from the banking system reduced which had an important impact on the reduction of growth of domestic borrowing and helped to generate more funds for financing development programmes. The size of ADP and contribution of domestic resources in financing the programme has been increasing gradually. A Commission on Reforming the Public Revenue System has been set up in order to find out ways to improve the taxation system and further domestic resources mobilization.

37. External assistance is considered a significant factor in the economic development of Bangladesh in order to bridge the savings-investments and exports-imports gap. Till 30 June 2004, a total of about US\$ 50.57 billion of external assistance was committed by the donors, out of which, 12.56 percent was food aid, 21.85 percent was commodity aid and 65.58 percent was project aid. Since independence until 30 June 2004, a total amount of about US\$ 41.77 billion of foreign aid was disbursed, of which 46.2 percent was grant and 53.8 percent was loans. If foreign aid is classified by purpose, 14.70 percent was disbursed as food aid, 26.06 percent as commodity aid and 59.24 percent as project aid. Over the years significant changes have taken place in the total aid package to the

country. The share of grants has been declining gradually. Bilateral aid, which was 75.4 percent in total aid during FY 1973-1978, has decreased to 49.0 percent in FY 2003-04. Multilateral aid, on the other hand, has grown from 24.6 percent to almost 51.3 percent over the same period. The decreasing volume of grants has resulted in a large proportion of loans in the total aid package. The share of grants, which was 89.0 percent in FY 1972-73, declined to 53.2 percent in FY 1979-80, 55.4 percent in FY 1984-85 and 33.8 percent in FY 2003-04. The flow of Food aid and Commodity aid has been showing a declining trend. Food aid has declined consistently from 47.9 percent of total aid in FY 1971-72 to 3.1 percent in FY 2003-04. Commodity aid similarly has declined from 50.8 percent to 0.0 percent during the same period. However, project aid has increased sharply from 1.3 percent to 96.9 percent over the same period.

38. Among the bilateral donors, Japan tops the list in terms of cumulative disbursement followed by USA and Canada. International Development Association (IDA), the soft lending window of the World Bank is the largest amongst the multilateral development institutions followed by the Asian Development Bank.

39. Bangladesh's large structural trade deficit, savings investment gap, slow growth of revenue and rapid growth of current public expenditure have contributed to the public debt. Foreign economic assistance to Bangladesh is becoming more competitive because of budget constraints. Development partner's assistance to Bangladesh is now contingent on implementation of reforms programmes and better utilization of foreign aid.

40. Despite prevailing adverse global economic situation, the current account balance of the balance of payment in Bangladesh registered a surplus of US\$ 240 million in 2001-2002, which was 0.5% of GDP. This trend continued in FY2003-04 and the surplus stood at US\$328 million, which was 0.63 % of GDP.

41. Coordination with the development partners has an important bearing on the mobilization of foreign economic assistance. It is secured through a means such as holding frequent dialogues with the development partners and inter-ministerial consultations on a regular basis. There is a local consultative Group of donors regarding foreign assistance to Bangladesh.

42. The Government has streamlined the processing of worker's remittances through official channels by establishing banks/exchange houses at different strategic places of the world and setting remittance cells in all nationalized banks. Because of the prudent and timely steps taken by the Government, the remittance flow of the expatriate Bangladeshi workers increased from US\$ 2.5 billion in 2001-2002 to US\$ 3.06 billion in 2002-2003. Anti-money laundering surveillance procedures have been prescribed by Bangladesh Bank in terms of the newly created Money Laundering Prevention Act 2002 to purge any handling of money originating from or associated with criminal activities.

III. Conclusions

43. The Government has identified a national focal point to monitor and follow up the national implementation of the Programme of Action. It has also established a national forum for regular and systematic overseeing of progress in the implementation of the Programme of Action. Representative from private sector and NGO's have been included in the forum.

44. Like some other developing countries, Bangladesh has prepared its Poverty Reduction Strategy Paper (PRSP). The goal of PRSP is to unlock the full potential of the people and to apply it to achieve economic growth and accelerate poverty reduction. This document is now working as the guiding principle of all development activities of the Government. The programme of actions adopted by LDCs at Brussels has almost been incorporated in the PRSP.

45. The Government of Bangladesh placed before the 59th session of ESCAP a proposal for implementation of the BPOA. The session adopted a resolution on that proposal in its 59th session held during 1-4 September 2003.

46. Bangladesh has been able to integrate its national economy into the global economy through pursuing some regional agreement in trade, transport, ICT and finance. The SAARC countries have formed SAPTA. The Govt. of Bangladesh signed SAPTA in January 2004. Discussions and progress have also been made for establishing SAFTA. Bangladesh have signed Bangkok Agreement. BIMST-EC member countries are working towards the establishment of a preferential trade agreement, which would later culminate in a free trade agreement. The agreement will be signed in July, 2006

IV. Recommendations

47. The United Nations Organizations and other multinational agencies need to mainstream the Programme of Action to their country strategies with adequate financial support.

48. To implement the programme of action, resource mobilization is essential. Without adequate financial resources, it is hardly possible to see the face of success of the Programme of Action.

49. To achieve MDGs and BPOA, rich countries must respond to the need of developing countries, particularly that of the LDCs. It is unfortunate that rich countries could not yet comply their commitment that made at the Monterrey Consensus of dedicating 0.7 per cent of their GNI as aid to the developing countries and 0.15-.20 percent to LDCs.

50. The flow of ODA to LDCs has fallen recently. Bangladesh is deeply concerned to the decreasing trend of ODA to LDCs. If commitments made by donor countries at the UN international conference on Financing for Development in Monterrey in 2002 are

fulfilled, it will add US\$ 15 billion per annum to ODA. ODA needs to be doubled from its present level if the poorest countries are to achieve the targets of MDGs and BPOA.

51. The success of attaining the objectives of the BPOA requires the arrangements for continuous follow-up and coordination and for monitoring and review the progress in implementation. Frequent seminars, workshops and conferences at national, regional and international level need to be arranged on this regard. OHRLDC and regional United Nations Commissions may come forward to that extent and should provide full support to facilitate the initiative of arranging such programmes.

52. Developed countries need to open up their markets for the products of LDCs, reduce internal subsidies as well as tariffs to allow the LDCs to compete on an equal basis. But in practice this has not happened to that much extent.

53. Since the adoption of the Programme of Action, the OHRLDC organized workshops and seminars to mainstream and review the progress of the POA. Bangladesh has been able to attend such programme only once. This sort of review programmes could be organized regionally in order to make enhanced participation from all LDCs.