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## **DRAFT COUNTRY REVIEW PAPER**

### **Implementation in Asia and the Pacific of the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010: progress made, obstacles encountered and the way forward**

#### *Bangladesh*

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## ABBREVIATIONS

BPoA	Brussels Declaration and Programme of Action
DFQF	Duty Free Quota Free
DOE	Department of Environment
ERD	Economic Relations Division
EC	European Commission
GDP	Gross Domestic Product
GNI	Gross National Income
GO B	Government of Bangladesh
ICT	Information and Communication Technology
IMF	International Monetary Fund
IPRSP	Interim Poverty Reduction Strategy Paper
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MOEF	Ministry of Environment and Forest
MTBF	Medium Term Budgetary Framework
MTMF	Medium Term Macroeconomic Framework
NCBs	Nationalized Commercial Banks
NGOs	Non-governmental Organizations
NHRC	National Human Rights Commission
NSAPR	National Strategy for Accelerated Poverty Reduction
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PPA	Public Procurement Act
PPR	Public Procurement Regulations
RMG	Ready Made Garments
RMP	Rural Maintenance Programme
SAARC	South Asian Association for Regional Cooperation
SMEs	Small and Medium Scale Industries
UNDP	United Nations Development Programme
Vat	Value added Tax
VGD	Vulnerable Group Development
WTO	World Trade Organizations

## Executive Summary

1. Each LDC is required to prepare a country report on the implementation of the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010. It would be a comprehensive appraisal of the implementation of the Brussels Programme of Action, Progress made so far and obstacles encountered. As advised by the UN ESCAP Bangladesh prepared a country report for its onward transmission to the UN ESCAP and UN OHRLLS.
2. Bangladesh participated in the Third United Nations Conference on the Least Developed Countries held in Brussels on 20 May, 2001. Bangladesh along with other LDCs prepared and endorsed the Brussels Declaration and Programme of Action (BPoA) for LDCs for the decade 2001-2010. The Programme of Action aimed at significantly improving the human conditions of more than 600 million people in 49 LDCs during the present decade. 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.
3. The principal goal of the Bangladesh Government's development vision is to eliminate poverty and inequality by raising the standard of living of its population through providing them with food, employment, education and health services. To achieve this goal, the government prepared and implemented PRSP, NSAPR-1 and 2. The present government has revised the NSAPR-2 to conform with its Election Manifesto. The thrust has now been shifted to putting Bangladesh into a trajectory of high performing growth, stabilizing commodity prices, minimizing income and human poverty, securing health and education for all, enhancing creativity and human capacity, establishing social justice, reducing social disparity, achieving capacity to tackle the adverse effects of climate change, and firmly rooting democracy in the political arena. The government has also adopted a long term vision for the development of the country which will be reflected in the long term Perspective Plan (2010-2021), under preparation by the government. In the light of the long term vision, the government has identified five priority areas for medium term action: (i) maintenance of macroeconomic stability and control over commodity price hike in the face of the present global economic crisis; (ii) effective action against corruption; (iii) sufficiency in power and energy; (iv) elimination of poverty and inequality; and (v) establishment of good governance.
4. Amidst a range of constraints, both internal and external, Bangladesh has made remarkable progress in macroeconomic management. Acceleration of economic growth, gradual decline of budget deficit, high rate of export and import growth, steady rise of foreign currency reserve at a satisfactory level are some of the major achievements that Bangladesh attained during the past few years till FY 2007-2008. The GDP growth rate was 6.21 per cent in FY2007-2008. However, due to global financial crisis the growth for FY 2008-2009 was slightly reduced to 5.9 per cent. Domestic and national savings as percentage of GDP in FY1998 were 17.4 and 21.8 while it rose to 20.1 and 29.2 in FY2008 respectively. On the other hand, as percentage of GDP, public and private sector

investment in Bangladesh was 6.4 and 14.3 in FY98 that reached to 5.0 and 19.2 in FY2008. The government deliberately attempted to control inflationary pressure through combined fiscal, monetary and other supportive policies consistent with the economic growth and prosperity of the country. The annual average rate of inflation during FY 2001-2005 was 5.5-6.5 per cent. In FY 2006 and FY 2007 were 7.17 and 7.22 per cent respectively and it stood at 9.93 per cent in FY2008. The inflation rate in September-October 2009 was around 6 per cent. The government has been pursuing a prudent fiscal policy to establish discipline in fiscal sector. In FY2008 revenue-GDP ratio stood at 10.92 per cent. According to the Medium Term Macroeconomic Framework, revenue-GDP ratio is projected to be 11.4, 11.9 and 12.2 per cent of GDP in FY2010, FY2011 and FY2012 respectively. To achieve this target, reforms in tax structure are continuing. As a part of reform initiatives the government has reformed the budgetary system, financial institutions, banks including the central bank, money and financial markets.

5. Bangladesh has made significant progress towards attaining the MDGs by 2015. Bangladesh has successfully achieved gender parity in primary and secondary education. The country is on track to achieve the targets of halving the proportion of people living below the poverty line and suffering from hunger, net enrolment ratio in primary education, and reduction of child mortality. There are some lagging areas like primary school completion rate, adult literacy rate, access to safe drinking water by the rural people, and maternal mortality ratio which indicate the need for sustained government efforts and generous donor support.

6. The incidence of poverty registered a declining trend in 2005 as compared to 1991-1992 based on CBN method. The incidence of poverty at the national level declined from 58.8 per cent in 1991-992 to 48.9 per cent in 2000 based on the upper poverty line. During this period, the compound poverty reduction rate per year is recorded at 1.8 per cent. But the rate of reduction of poverty is higher in urban area (yearly compound rate 2.2 per cent). On the other hand, during 2000 to 2005, income poverty also reduced from 48.9 to 40.0 per cent and the compound reduction rate is 3.9 per cent. The reduction rate during this period is faster for the urban area (yearly 4.2 per cent).

7. The poverty reduction strategy framework of NSAPR 2 consists of five strategic blocks and five supporting strategies. The strategic blocks are:

- (a) Macroeconomic environment for pro-poor growth;
- (b) Critical areas for pro-poor growth;
- (c) Essential infrastructure for pro-poor growth;
- (d) Social protection for the vulnerable; and
- (e) Human development.

The supporting strategies comprises of:

- (a) Ensuring participation, social inclusion, and empowerment;
- (b) Promoting good governance;
- (c) Ensuring efficient delivery of public services;

- (d) Caring for environment and tackling climate change; and
- (e) Enhancing productivity and efficiency through science and technology.

The critical concern of the strategy is to achieve higher growth as well as equity and poverty reduction simultaneously. In this context, the focus is on agriculture and rural development, expansion of social safety nets for the ultra poor and targeted approach towards employment generation.

8. To improve governance, the Government, over the last few years, 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, Election Commission and reforming Public Service Commission; and (v) separating Judiciary from Executive branch and reforming the civil justice system.

9. Over the last few years, Bangladesh has made improvements in key human development indicators. According to human development report of the UNDP released on October 2009, Bangladesh ranked 146 among 182 UN member states with the human development index score of 0.543 which is + 0.008 points than the previous index. Bangladesh is among the countries which are considered to have achieved medium human development. The country has made substantial progress towards universal primary education. School enrolment rate is now around 92 per cent. Proportion of male and female education is 48.6:49.1. Literacy rate is 52 per cent. Gender disparity in education has been reduced through implementation of female stipend programme during 1990s and 2000s in the secondary level. This has increased the number of girls in the secondary education which has now become more than 50 per cent. The government has introduced stipend programme in the primary and the higher secondary levels also. Infant mortality has been reduced to 43 per one thousand births in 2009 which was 66 in 2000. Life expectancy on average is 67 years. Deadly diseases (e.g; HIV/AIDS) are very minimal. The government has taken steps for prevention of HIV AIDS through various motivational programmes. Malaria and tuberculosis is almost under control and the incidence has been reduced.

10. Bangladesh attaches great importance to trade and considers trade as an engine of growth and development. The country has been pursuing export-led open and liberal economy since 1990s. It has reduced the coverage of quantitative restrictions and reduced the maximum tariff rate to 25 per cent with only 5 slabs including 0 slab.

Some of the important reforms/Changes of our trade policy towards liberalization are:

- (a) Abolition of licensing for commercial and industrial consumers;
- (b) Shortening of the list of banned and restricted items;
- (c) Simplification of registration procedures;
- (d) Opening LC for import of capital machinery and primary spares without import registration certificate;

- (e) Facility for importing secondhand machinery for industrial development without any value limits
- (f) Special facility for import of raw and packing materials for the export oriented RMG industry; and
- (g) Facility to import restricted items by the export oriented industry; etc.

Bangladesh exports registered significant growth in last few decades. Export earnings in 1972-1973 was US\$ 348 million, in 2001-2002 it was around US\$ 6 billion and in 2008-2009 the export earnings has reached to US\$ 15.56 billion, meaning that growth is almost 4.472 per cent over the period for 1972-1973 to 2008-2009 and 159 per cent from 2001-2002 to 2008-2009.

11. Over the years as part of the Government's liberal trade policy in keeping with the fast changing global trade scenario and within the framework of World Trade Organization (WTO) charter Bangladesh engaged to integrate the country's trade regime into the best suitable regional trading arrangements. During the period 2001-2010, Bangladesh has successfully concluded and is in the process of concluding a number of trade arrangements at regional level. These include, among others: South Asian Free Trade Area (SAFTA), Asia-Pacific Trade Agreement (APTA), Bay of Bengal Initiative for Multi-Sectoral, Technical and Economic Cooperation (BIMSTEC). Bangladesh is contemplating the formation of Bilateral FTA with India, Pakistan and Sri Lanka. Bangladesh as founding member of WTO and as an LDC has been playing an active role in WTO and the benefits to be enjoyed as an LDC, including exemption from new commitments in many areas are under negotiation. Main concerns are duty-free/quota-free access (DFQF), preference erosion, services, market access for semi-skilled workers under Mode 4. Bangladesh wishes to see progress on Mode 4. GOB is interested in early conclusion of Doha Development Agenda and gratefully acknowledges DFQF access accorded by EC and asked EC to support GOBs endeavors to secure similar treatment by others such as the United States of America. The government of Bangladesh has taken several programmes focusing on diversification/expansion of export, identification and appraisal of advantages provided for LDCs under WTO rules, capacity building intended to create awareness and capacity to accelerate reforms necessary for the creation of an enabling environment for the private sector and to reduce the cost of doing business in Bangladesh.

12. Bangladesh is widely recognized to be one of the most climate vulnerable countries in the world. For Bangladesh, climate change is a serious long term threat for sustainable development. Global warming induced climate change effects are floods, cyclones, tidal surge etc. The environmental challenges in the forms of water and air pollution, land degradation, extreme degradation of terrestrial and aquatic ecosystems, unsustainable agricultural practices and unplanned urban growth will be met by undertaking measures in the areas of policies, planning, regulations and capacity building. Appropriate measures are being taken to adapt to and mitigate the impact of climate change. Climate adaptation will be strengthened by undertaking sectoral, multi-sectoral and cross-sectoral measures. As one of the worst affected countries, Bangladesh demands 15% share of the Climate Fund to be established by the World Community.

13. The government have undertaken measures to increase domestic resource mobilization through better compliance, collecting arrears, extending VAT and Tax-net, rationalization of existing tax policy and improving tax administration. External assistance is considered to be a significant source in financing development projects. Generally foreign aid to Bangladesh hovers around 2 per cent of GDP. The decreasing trend of ODA flow from developed countries to LDCs is a great concern for Bangladesh in order to achieve MDGs and BPOA. In this connection, developed countries should undertake urgent efforts in accordance with the Monterrey Consensus to contribute 0.7 percent of their GNI as aid to the developing countries and 0.15 to 0.20 per cent to the LDCs.

14. Although Bangladesh economy has not been affected much due to global financial crisis, some effects have been visible such as: decreasing growth of exports and imports, negative growth of exports of some important commodities such as: leather, frozen foods, jute goods, ceramics, tea, electronics etc. Out migration of Bangladeshi workers was also significantly lower in 2008-2009 due to global financial crisis. Many Bangladeshi migrant workers lost their jobs and returned back to Bangladesh. However, Bangladesh government has taken some steps to reduce the effects of financial crisis which includes, among others – stimulus package, policy support, social safety-net programme, agricultural development, employment generation through micro-credit and promotion of investment through public-private partnership.

15. In pursuing implementation of the Brussels Programme of Action, Bangladesh faces the following challenges:

- (a) Limited investible resources;
- (b) Corruption and law and order situation of the country;
- (c) Low Capacity for project implementation;
- (d) Population growth and influx of population in the cities;
- (e) Administration of justice;
- (f) Poor local governance structure;
- (g) Lack of transparency in Government procurement and public financial management;
- (h) Lack of sufficient infrastructure development.

16. The success of implementation of the BPOA depends on effective national strategies, policies and their implementation by different ministries, agencies, NGOs and other stake holders. The development partners will play a supportive role through incremental financial and technical assistance. The essential element is the proper implementation and monitoring of the development agenda as envisaged in the planning documents.

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## I. INTRODUCTION

Bangladesh is a small nation with a huge population. In spite of its utmost efforts and growth prospects Bangladesh is yet to reach to the stream of the middle income countries and to improve effectively the quality of life of its people because of its age old poverty, structural weakness of its economy and lack of productive capacities for development. Against the backdrop of several limitations, the growth pattern of Bangladesh economy has been relatively strong during the 1990s and 2000s showing considerable improvement over the previous two decades. The biggest challenge of the country is to maintain high performing growth through increasing production, minimizing human poverty, stabilizing commodity prices, securing health and education for all, enhancing creativity and human capacity and tackling the adverse effects of climate change.

As the coordinator of LDCs Bangladesh had been an active player in all the international movements and events that took place around the globe during the last two decades or so to improve the conditions of these countries. However, LDCs are being bypassed by the process of globalization, leading to their further marginalization.

Bangladesh participated in the Third United Nations Conference on the Least Developed Countries held in Brussels on 20 May, 2001. The present Prime Minister of Bangladesh HE Sheikh Hasina, led the delegation as the then Prime Minister of the country. Bangladesh along with other LDCs prepared and endorsed the Brussels Declaration and Programme of Action (BPoA) for LDCs for the decade 2001-2010. The Programme of Action aimed at significantly improving the human conditions of more than 600 million people in 49 LDCs during the present decade. 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.

Accordingly Bangladesh engaged itself into reducing poverty, increasing trade for development, protecting environment, developing human resources and fostering growth for real economic development. The fourth UN conference on LDCs is going to be held in 2011 in Turkey where Bangladesh will also participate to present its position as well as prepare further action programme for development.

The present report contains (a) a comprehensive assessment of the social, economic and environmental development of Bangladesh (**Part II**), (b) evaluation of the status of the implementation of the BPoA for the Decade 2001-2010 in respect of Bangladesh which includes progress report of the commitments, the obstacles and constraints encountered and challenges need to be overcome (**Part III**), (c) impact of global financial crisis on the economy of Bangladesh (**Part IV**), and (d) measures to reduce poverty and achieve sustainable development (**Part V**).

## II. TREND OF MACROECONOMIC PERFORMANCE AND POVERTY REDUCTION INITIATIVES IN BANGLADESH

Amidst a range of constraints, both internal and external, Bangladesh has made remarkable progress in macroeconomic management. Acceleration of economic growth, gradual decline of budget deficit, high rate of export and import growth, steady rise of foreign currency reserve at a satisfactory level are some of the major achievements that Bangladesh attained during the past few years until FY2007-2008. Success in achieving these significant milestones is largely attributable to a set of policies and reforms implemented in order to attain macroeconomic stability accompanied by acceleration of economic growth. Despite global economic recession during 2008-2009, Bangladesh is managing its economy remarkably well and maintaining its growth momentum.

### A. Growth Performance

The growth performance of Bangladesh economy had been relatively strong during the 1990s showing considerable improvement over the previous two decades. During the 1990s Bangladesh growth hovered around 5 per cent per year with an impressive 4.3 per cent growth of per capita GDP. The GDP growth rate was 4.5-6.5 per cent during 2001-2008 and it was 6.21 per cent in FY 2007-08 i.e, immediately before the effect of recession. However, due to global financial crisis the growth for 2008-09 was slightly reduced to 5.9 per cent. According to the projection of Medium Term Macroeconomic Framework (MTMF), the real growth of GDP for the fiscal year 2008-2009, 2009-2010 and 2010-2011 has been projected to 5.9 per cent, 6.0 percent and 6.7 per cent respectively.

The growth performance of the 1990s was underpinned by relatively steady rates of investment, which reached 24.3 per cent of GDP by the end of the period. The growth was propelled mainly by increasing private sector investment from 10.27 per cent in FY 91 to 19.15 per cent of GDP FY08.

The country, however, needs to invest more to create new employment opportunities for absorbing its growing labor force.

**Table 1: Growth Performance FY2001-2008**

Particulars	FY01	FY02	FY03	FY04	FY05	FY06	FY 07	FY 08
Real GDP Growth	5.27	4.42	5.26	6.27	5.96	6.63	6.43	6.21
Per capita GNI (in US\$)	374	378	411	440	463	476	523	599

Source: Bangladesh Bureau of Statistics (BBS).

### B. Savings and Investment

Both domestic and national savings have been on a steady rise since FY98 through FY08. Domestic and national savings as percentage of GDP in FY98 were 17.4 and 21.8 while it rose to 20.1 and 29.2 in FY08 respectively. On the other hand, as percentage of GDP, public and private sector investment in Bangladesh was 6.4 and 14.3 in FY98 that reached to 5.0 and 19.2 in FY08. Investment in private sector has been

rising following a set of reforms in the economy. Currently private sector accounts for about 79 percent of total investment. Steps are, however, underway to attract both local and foreign investment to raise the investment profile that exists as of now.

### C. Inflation

The government deliberately attempted to control inflationary pressure through combined fiscal, monetary and other supportive policies consistent with the economic growth and prosperity of the country. The annual average rate of inflation during FY 2001-2005 was 5.5-6.5 per cent. In FY 06 and FY 07 the rate of inflation were 7.17 and 7.22 per cent respectively and it stood at 9.93 per cent in FY08. However, this rate started sliding down since September 2008 and stood at 6.06 per cent in January 2009. The inflation rate in September-October, 2009 was around 6 per cent.

### D. Fiscal Sector Developments

The government has been pursuing a prudent fiscal policy to establish discipline in fiscal sector. In FY08 revenue-GDP ratio stood at 10.92 percent. According to the Medium Term Macroeconomic Framework, revenue-GDP ratio is projected to be 11.4, 11.9 and 12.2 per cent of GDP in FY10, FY11 and FY12 respectively. To achieve this target, reforms in tax structure are continuing. Side by side with this, the government has also a plan to augment expenditure-GDP ratio. The expenditure-GDP ratio was 15.84 percent in FY08 and 13.8 per cent in FY09, which is projected to be 16.5, 16.9 and 17.0 per cent of GDP in FY10, FY11 and FY12 respectively.

Despite saddled with resource constraints, trend in government expenditure in the priority social sectors like human development, building rural infrastructure and poverty reduction has been consistently on the increase. Revenue receipts as percentage of GDP, development outlays and expenditure as percent of GDP and overall budget deficit are shown in the following tables:

**Table 2: Revenue Receipts (Actual)**

(As percentage of GDP)

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total Revenue	9.40	10.09	10.31	10.14	10.26	10.32	10.20	10.92
Tax Revenue	7.60	7.65	8.26	8.19	8.22	8.17	8.14	8.87
Non-tax Revenue	1.80	2.43	2.05	1.94	2.03	2.15	2.06	2.05

Source: CGA, Finance Division.

**Table 3: Public Expenditure (Actual)**

(As percentage of GDP)

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total Expenditure	14.05	14.23	13.69	13.33	13.98	13.97	13.40	15.84
ADP	6.37	5.57	5.42	5.04	4.99	4.68	4.04	3.36
Rev. & Others	7.68	8.65	8.27	8.29	8.99	9.29	9.36	12.48

Source: CGA, Finance Division.

**Table 4: Overall Budget Deficit (Actual)**

(As percentage of GDP)

FY	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Deficit</b>	-4.65	-4.14	-3.38	-3.20	-3.72	-3.65	-3.20	-4.92

*Source: CGA, Finance Division.*

## **E. Macroeconomic Challenges of Bangladesh**

### **1. Food Price Hike and Macroeconomic Stability**

The historical movement of inflation indicates that inflation in Bangladesh varies proportionately with food prices. Higher food inflation obviously stimulates overall higher inflation as the weight of food items in the CPI is 58.84 per cent. The situation of quick rises in international prices during 2006-2008 attributed to higher cost of domestic food production. The prices of fuel, seeds, fertilizers, labor wages, insecticides and transport cost went up. Moreover, in 2007 two consecutive floods and devastating cyclone Sidr and activities of business syndication contributed to higher food inflation.

The major macroeconomic variables of Bangladesh economy such as revenue, expenditure and balance of payment position were badly affected by the higher prices of food items. The overall trade deficit increased significantly by 57.1 per cent. The highest ever trade deficit was 397.11 per cent. Total import payments for food items went up by 142.70 per cent in FY08 as compared to the previous year.

Rapid increase in the prices of food items enormously eroded the purchasing power as well as standard of living of hard core poor, government and non-government employees, industrial workers, the unemployed and the people with limited income which forced a good number of people below the poverty line. To tackle the higher inflation, the government undertook several precautionary measures such as reducing import duty on food items, raising food grains imports, extensive rehabilitation programmes for flood affected areas and effective measures for higher food production. Moreover, the government introduced a guaranteed employment Programme for rural people during lean seasons. The rate and coverage of social safety-net programme was also expanded.

### **2. Fuel Price Hike and Macroeconomic Stability**

The persistent oil price hike in the international markets prompted the government to increase its administered prices in the domestic market for seven times from May 2004 to July 2008.

All the four major petroleum items have experienced around threefold increase in price from May 2004 to July 2008. This fuel price hike caused higher inflation in the domestic market. At the same time, the Government had to bear a huge quasi-fiscal loss for providing subsidy on fuel and petroleum products.

### 3. The Global Financial Crisis

The global financial and economic crisis that started around the world since 2007 has affected the economy of both developed and developing countries. This global financial and economic crisis has been a challenge for our economy. The effect of the crisis on Bangladesh economy has been discussed in **part IV**.

#### F. Medium-term Macroeconomic Framework

Despite the effects of global economic slowdown and adverse impacts of two consecutive floods and cyclone Sidr that hit Bangladesh in FY08, the economy remained mostly stable and growth in FY2009 was estimated at 5.9 per cent showing high resilience of the economy. Nevertheless, the aftermath of the deepened global economic crisis and the apprehension that the crisis might linger for a while pose great challenge for the Bangladesh economy at least until FY2010.

The Medium term macroeconomic framework (MTMF) has been drawn against this backdrop (Table:5)

**Table 5: Medium Term Macroeconomic Framework**

Indicator	Actual	Actual	Provisional	Revised	Projection	Projection
	2006-07	2007-08	/Actual 2008-09	2009-10	2010-11	2011-12
Nominal GDP (billion Taka)	4724.8	5458.2	6149.4	6910.9	7802.9	8834.4
Nominal Growth (%)	13.7	15.5	12.7	12.4	12.9	13.2
Real Growth (%)	6.4	6.2	5.9	6.0	6.7	7.2
<b>Inflation (%)</b>	<b>7.2</b>	<b>9.9</b>	<b>6.7</b>	<b>6.5</b>	<b>6.1</b>	<b>6.0</b>
Investment & Saving (% of GDP)						
<b>Gross Investment</b>	<b>24.5</b>	<b>24.2</b>	<b>24.2</b>	<b>24.6</b>	<b>26.1</b>	<b>27.4</b>
Private	19.0	19.3	19.5	19.4	20.7	21.7
Public	5.4	5.0	4.6	5.2	5.4	5.6
Gross Domestic Savings	20.4	20.3	20.0	20.5	20.9	21.3
<b>Gross National Savings</b>	<b>28.7</b>	<b>30.2</b>	<b>32.4</b>	<b>32.8</b>	<b>33.5</b>	<b>34.0</b>
Aggr. Budgetary Position (% of GDP)						
<b>Total Revenue</b>	<b>10.2</b>	<b>10.8</b>	<b>10.4</b>	<b>11.4</b>	<b>11.9</b>	<b>12.2</b>
NBR Tax	7.7	8.4	8.2	8.8	9.3	9.6
Non-NBR Tax	0.4	0.4	0.4	0.4	0.4	0.4
Non-Tax Revenue	2.2	2.0	1.8	2.2	2.2	2.2
<b>Total Expenditure</b>	<b>13.4</b>	<b>15.9</b>	<b>13.8</b>	<b>16.5</b>	<b>16.9</b>	<b>17.0</b>
<b>Overall Balance</b>	<b>-3.2</b>	<b>-5.1</b>	<b>-3.4</b>	<b>-5.1</b>	<b>-5.0</b>	<b>-4.8</b>
<b>Net Foreign Financing</b>	<b>1.0</b>	<b>1.6</b>	<b>0.6</b>	<b>2.4</b>	<b>2.3</b>	<b>2.2</b>
Domestic Financing	2.1	3.5	2.8	2.7	2.7	2.6
<b>Balance of Payments (% of Change)</b>						
Export	15.8	17.4	10.1	13.0	14.5	16.0
Import	16.6	25.6	4.2	13.5	16.0	17.5
Remittance	24.5	32.4	22.4	16.0	16.5	16.5
<b>Current Account Balance (% of GDP)</b>	<b>1.4</b>	<b>0.9</b>	<b>2.8</b>	<b>2.3</b>	<b>1.6</b>	<b>1.1</b>
<b>Debt (% of GDP)</b>						
Outstanding Total Debt	49.6	46.8	45.1	48.3	46.9	45.3
Domestic Debt	19.3	20.2	20.6	23.6	23.6	23.4
<b>External Debt</b>	<b>30.3</b>	<b>26.8</b>	<b>24.4</b>	<b>24.7</b>	<b>23.3</b>	<b>21.9</b>
Interest Payment	2.0	2.5	2.4	2.5	2.3	2.3

The medium term macroeconomic framework takes into account the adverse impact of the global economic slowdown and reflects the election pledges of the government to tackle the impact of global recession, maintain macroeconomic stability, and steer the economy to recovery and move to higher growth. The projections reflect a cautiously optimistic scenario that is consistent with recent trends and takes into account the commitment of the government to reduce poverty and inequity.

Annual GDP growth is projected to be 6.0 percent in FY 10, 6.7 per cent in FY11, and 7.2 per cent in FY12. These growth targets are consistent with the Election Manifesto, which sets GDP growth at 8.0 per cent by 2013 and 10.0 per cent by the year 2017. Inflation rate is projected to decline during the NSAPR-2 period, investment/GDP is projected to improve in FY11 after sluggish growth in FY10, revenue/GDP and government expenditure/GDP are projected to improve in FY10 and FY11. However, the budget deficit will also increase in next two years. In the external sector, both import and export growth would be higher in FY10 and FY11.

## **G. Reform Initiatives in Fiscal, Monetary and Banking Sector**

### **1. Revenue Sector Reforms**

As part of the process of budget decentralisation, steps have been taken to empower the line ministries to formulate their own budgets within the indicative resource ceilings using Medium-term Budget Framework (MTBF). MTBF has been introduced successfully in 20 ministries and the rest are in the process of being included. Within the new framework revenue and development budget are being merged into a single document. Guidelines have been prepared on how to make pro-poor and gender-focused budget and the implementation of the guidelines is under way.

### **2. Legal Reforms**

To expedite the settlement of disputes regarding loan recovery of financial institutions, the "Money Loan Court", 2003 (Artha Rin Adalat, 2003) has been made effective. In order to strengthen the process of recovering defaulted loans, banks, under this Act, are now empowered to sell the collaterals without prior approval of the court.

### **3. Reforms in the Banking Sector**

#### *(a) Reforms in the Bangladesh Bank*

Implementation of "Central Bank Strengthening Project" is underway which is tasked to formulate and implement a prudent monetary policy, enhance the regulatory capability of Bangladesh Bank to supervise financial institutions, establish banking policies and regulations that conform to international standards and increase operational efficiency of Bangladesh Bank through computerisation. A Policy Analysis Unit has been established in Research Division of Bangladesh Bank under this project, in order to conduct high level research activities on macroeconomics including monetary policy and central banking along with increasing the efficiency of policy reviewing capacity.

*(b) Reforms in Nationalised Commercial Banks (NCBs)*

With a view to monitoring overall performance of banks including capacity enhancing, bringing financial solvency, and improving performance of NCBs as part of financial sector reform programmes, the following steps have been taken:

Bangladesh Bank allowed three nationalised commercial banks, namely, Agrani Bank, Janata Bank and Sonali Bank to undertake their business operations as Public Limited Companies under the Bank Company Act 1991. The asset, liabilities and the capital of the previous NCBs have been transferred to the newly constituted Public Limited Companies (PLCs). These banks have been asked to prepare “Three Years’ Transitional Plan” to come out of the financial insolvency.

*(c) Money and Financial Market Reforms*

Measures have been taken to build the existing banking system to an international standard and also to strengthen the overall banking system of the country. Important among the initiatives taken in FY 2007-2008 are as follows:

(a) Enhancing the quality of the clientele service and to modernize and update the banking system, Bangladesh Bank asked all commercial banks to introduce the online banking facility.

(b) Introduction of 15-year and 20-year Bangladesh Government Treasury Bond (BGTB) from 2007-2008 in order to create a benchmark yield curve of government securities by attracting the long-term investment fund from the Insurance company, Provident fund, mutual fund and so on.

(c) Strengthening the capital base and to implement Basel-II Accord, the commercial banks are directed to maintain 10 per cent capital of the risk weighted assets and to maintain core capital at least 5 per cent of their risk weighted assets.

(d) Encouraging infrastructure development by private sector entrepreneurs, Bangladesh Bank is implementing a project titled “Investment Promotion and Financing Facility (IPFF)”. This project aims at providing long-term financial assistance for infrastructure development projects and creating value addition in the domestic financial market.

## **H. Poverty Reduction**

(a) The incidence of poverty registered a declining trend in 2005 as compared to 1991-1992 based on CBN method. The incidence of poverty at the national level declined from 58.8 percent in 1991-1992 to 48.9 per cent in 2000 based on the upper poverty line (Table: 6). During this period, the compound poverty reduction rate per year is recorded at 1.8 per cent. But the rate of reduction of poverty is higher in urban area (yearly compound rate 2.2 per cent). On the other hand, during 2000 to 2005, income poverty also reduced from 48.9 per cent to 40.0 per cent and the compound reduction rate is 3.9 per cent. The reduction rate during this period is faster for the urban area (yearly 4.2 per cent).

**Table 6: Trends of Poverty based on CBN Method**

Head Count Index	2005 (%)	2000 (%)	Annual Change (%) (2000-2005)	1991-92 (%)	Annual Change (%) (1991/92-2005)
National	40.0	48.9	-3.9	58.8	-1.8
Urban	28.4	35.2	-4.2	44.9	-2.2
Rural	43.8	52.3	-3.5	61.2	-1.6

Source: BBS, HIES-2005.

**(b) Extreme and Chronic Poverty:**

At present 19.5 per cent of the country’s population suffer from extreme poverty. People living in remote and vulnerable areas like river banks and char areas, remote hilly areas, and certain groups of indigenous and disadvantaged people are the usual victims of extreme poverty. About 25-30 million people live in chronic poverty. Investment in infrastructure, creation of employment opportunities in the lean period, and increased coverage of social safety net programmes will improve their poverty situation.

**1. The Development Planning Process or Vision**

The Poverty Reduction Strategy Paper (PRSP) was initiated at the behest of the Bretton Wood Institutes (World Bank and IMF) during the early Nineties of the last century, and made it mandatory for all the developing countries to be eligible to access their concessional loans in pursuit of their respective development objectives. Under this condition, all developing countries including Bangladesh were required to formulate Interim PRSP by June 2002. Accordingly, Bangladesh implemented IPRSP during FY 2003-FY 2004. The then Government thereafter decided to adopt full blown PRSP as a strategy for pursuing Bangladesh’s development objectives sacrificing planned development process. The first NSAPR (National Strategy for Accelerated Poverty Reduction) was implemented during the period FY 05 to FY 07, tenure of which was extended up to FY 2008. Thereafter, the Caretaker Government prepared and approved the Second NSAPR for the period FY 09 to FY 11.

The present government has placed elimination of poverty and inequity at the forefront of its development strategy. The development vision of the current government as reflected in its Election Manifesto necessitated a revision of the second NSAPR (FY2009-FY11) prepared by the immediate past interim government. Accordingly it was revised reflecting the government’s national development strategy in terms of poverty reduction, economic growth and other social and economic goals as enunciated in the election manifesto.

The government has also adopted a long term vision for the development of the country which will be reflected in the long term Perspective Plan (2010-2021), under preparation by the government. Incidentally the terminal year of the Perspective Plan will coincide with the Golden Jubilee of Independence of Bangladesh. For realizing the Vision, the government would start the implementation of the Sixth Five Year Plan (2010-2015) from July 2010. The present NPAPR 2 shall remain in force until FY11 and its performance will be reviewed each year in normal course. Eventually, the time frame



for MTBF (Medium-Term Budget Framework) shall be extended from three to five years, which shall facilitate continuation of spill over projects or programmes as well as inclusion of new ones.

In the light of the long term vision, the government has identified five priority areas for medium term action: (a) maintenance of macroeconomic stability and control over commodity price hike in the face of the present global economic crisis; (b) effective action against corruption; (c) sufficiency in power and energy; (d) elimination of poverty and inequality; and (e) establishment of good governance.

## **2. Progress in attaining MDGs**

Bangladesh is committed to achieving the MDGs by 2015. The goals were included in the country's first Poverty Reduction Strategy Paper (*Unlocking the Potential: National Strategy for Accelerated Poverty Reduction*). The National Strategy for Poverty Reduction (NSAPR)-1, NSAPR-2, the Medium-term Budgetary Framework and the Annual Development Programmes have also been tuned to the MDGs.

(a) Bangladesh achieved MDG-3 (gender parity in primary and secondary schooling) in 2005.

(b) It is also on track to achieve MDG 1 (halving the proportion of population below national poverty line and minimum level of energy consumption), as well as MDG 2 (achieving universal primary school enrolment), and MDG-4 (reducing the under-five child mortality and the infant mortality rate). The achievement of MDG-1 is expected to be possible by 2017. The vision of the present government is to reduce the poverty level to 15 per cent by 2021.

(c) The country is also on schedule for some of the MDG 6 targets (containing the spread of communicable diseases like HIV/AIDS, malaria and tuberculosis), and also those of MDG 7 (reducing the proportion of population without safe drinking water and reforestation).

(d) It is, however, behind schedule on MDG-1 (share of poorest quintile in national income/consumption), MDG 2 (completion of primary schooling), MDG 3 (gender parity in tertiary education), MDG 5 (reducing maternal mortality), and some of the targets for MDGs 6 and 7.

(e) Bangladesh's march towards meeting the MDGs has been near possible largely due to its steady economic growth of nearly 5 per cent annually on average in the 1990s, and nearly 6 per cent annually on average in the new millennium. Although necessary, higher growth will not in itself ensure that the MDG targets are met. Some of the country's shortcomings to date are due to its failure to make growth processes sufficiently pro-poor.

## **3. Poverty Reduction Strategy Framework**

The poverty reduction strategy framework of NSAPR 2 consists of five strategic blocks and five supporting strategies. The strategic blocks are:

- (a) macroeconomic environment for pro-poor growth;
- (b) critical areas for pro-poor growth;
- (c) essential infrastructure for pro-poor growth;

- (d) social protection for the vulnerable; and
- (e) human development.

The supporting strategies comprises of:

- (a) Ensuring participation, social inclusion, and empowerment;
- (b) Promoting good governance;
- (c) Ensuring efficient delivery of public services;
- (d) Caring for environment and tackling climate change; and
- (e) Enhancing productivity and efficiency through science and technology.

The critical concern of the strategy is to achieve higher growth as well as equity and poverty reduction simultaneously. In this context, the focus is on agriculture and rural development, expansion of social safety nets for the ultra poor and targeted approach towards employment generation.

### **III. IMPLEMENTATION STATUS OF THE BRUSSELS PROGRAMME OF ACTION**

The Brussels 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.

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 percent 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.

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.

The following are the status of implementation of BPoA in respect of Bangladesh:

#### **A. Commitment1: Fostering a people-centered policy framework**

(1) During the decade Bangladesh achieved more or less a steady growth in its economy. GDP growth rate during FY 2001 to 2008 was steady ranging from 5 to 6.3 per cent. Domestic and national savings as percentage of GDP in FY 1998 were 17.4 and 21.8 which rose to 20.1 and 29.2 respectively in FY 08. On the other hand, public and

private sector investment in Bangladesh was 6.4 and 14.3 in FY 98 which reached to 5.0 and 19.2 in FY 08. Investment in private sector has been rising following a set of reforms in the economy. Currently private sector accounts for about 79 per cent of total investment.

(2) The incidence of poverty has been declining in Bangladesh. People below the poverty line declined from 56.6 percent in 1991-1992 to 40 percent in 2005 which was more or less same in 2007. During the period, urban poverty reduced as a faster rate than rural poverty. At the same time, all indicators of human poverty like life expectancy at birth, infant mortality rate, population having access to drinking water, and adult literacy rate have shown improvement.

### **(3) Selected Programmes for Poverty Alleviation**

Both the government and non-government organizations have been implementing a number of programmes for employment and income generation for the upliftment of the poor.

About 55-60 per cent of development and non-development budget have been allocated for direct and indirect poverty reduction activities in FY2007-2008 and 2008-2009. These programmes continue to enhance the entitlement of the poor and at the same time their empowerment and awareness building.

Besides, Food for Works programme, VGD programme, construction and maintenance of rural infrastructure etc. are also generating employment for the poor.

On the other hand, education expansion programmes like food for education, special stipend and financial assistance, free primary education are directly reducing the burden of educational expenses as well as playing an important role in human resource development. There are also some on-going programmes such as cash transfer programme for education, rural maintenance programme (RMP), Food for Works Programme, Vulnerable group developed of programme etc.

### **(4) Social Safety-Net Programmes**

In addition to the above ongoing programmes the government introduced some social safety net programmes during 1996-2001 which were continued by the subsequent governments. The present government has significantly increased the amount and the number of beneficiaries of Old-Age Allowance Programme, Allowances Programme for Widowed, Deserted and Destitute Women and Honorarium Programme for Insolvent Freedom Fighters. After the introduction of National ID card the government is linking the same in determining the age of the recipients.

The government has also adopted new programmes that would contribute to the welfare of the poor and also the underprivileged community like Allowance for the Physically Handicapped and Seasonal Unemployment Reduction Allowance (100 day employment programme).

Social safety-net programmes have been proved to be one of the most successful programmes for keeping the hardcore poverty within manageable limit in the face of rising international prices during 2007-08 and recent global financial crisis.

Side by side, the government has also revitalized the micro-credit programmes to further expand the social safety-net programmes for poverty reduction.

**Micro-Credit Programmes:**

- The government has taken up a few special credit programmes under both revenue and development budgets for creation of employment for the poor.
- Besides, Palli Karma Shahayak Foundation (PKSF) have been provided Budgetary allocation to implement micro- credit programme through NGOs.
- Nine NGOs namely BRAC, ASA, PROSHIKA, Swanirvar Bangladesh, TMSS, Caritas, RDRS, BURO and Shakti Foundation disbursed major share of the total micro-credit.

**(5) Macroeconomic Policy for pro-poor growth**

Higher economic growth will require (a) increased accumulation of capital facilitated by reductions in the cost of borrowing and improvement in total factor productivity; (b) promoting growth of sectors (broadly defined) like agriculture, industry and services focusing on the more pro-poor segments of the sectors; and (c) improved business and investment climate. The government has introduced a broad range of policy and institutional changes having positive impact on private sector development. Enhanced efforts will be made to support the private sector-led development during the NSAPR 2 (2009-2011) through maintaining macroeconomic stability to provide a conducive environment for private investment, removing infrastructural constraints, creating a deeper and more efficient financial sector, developing best practices for micro finance, developing the capital market, addressing skills shortages in the labor market, promoting regulatory transparency, technology development, promoting public-private dialogue, and competition.

The country has taken steps to increase power and energy supply capacity, build necessary infrastructure, develop human resources, diversify exports. The government will also take steps for water resources development and management, urban development through developing road transport, establishing highways and elevated expressways and capacity expansion through construction of tunnel.

Growth of population has been reduced to 1.2 per cent per annum. However, according to the size of the country the present population (around 150 million) is still high. So, the government is to take necessary steps to reduce the growth further down to less than 1 per cent. Annual per capita income has risen to US\$ 621.

**B. Commitment 2: Good governance at national and international levels**

(1) Bangladesh has taken steps to improve governance through consolidating democracy, strengthening parliamentary oversight, improving budgetary control, reducing corruption through regulatory reforms, strengthening anti-corruption commission, ensuring human rights and gender equality.

(2) Since 1991 Bangladesh introduced caretaker government system for 3(three) months to hold free and fair election immediately after the tenure of the term of government for five years. The three general elections held in 1991, 1996 and 2001 were

reasonably neutral, free and fair compared to other past elections held in Bangladesh. The last general election held in December, 2008 was neutral, free and fair meeting all international standards.

(3) Women empowerment is increasing day by day. The present cabinet has got five female ministers including the Prime Minister. In addition to 45 reserve seats in the parliament, a handsome number of female members (19) have been elected in the parliament through direct election. At present the number of women parliamentarians in the present national assembly has become 19 percent of the total seats. Female participation in the government (both in local bodies and services) has also been increasing day by day. Gender disparity in education has been reduced through implementation of stipend programme for girl students in the secondary level which has been extended to primary and higher secondary level. Female students in the secondary schools are now more than 50 percent.

(4) Bangladesh has developed comprehensive national development strategies for implementing national policies in accordance with the Paris Declaration on Aid Effectiveness. It has introduced a Public Procurement Act 2008 and Public Procurement Regulations 2006 of international standard. The PPR and PPA 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.

(5) Fiscal accountability and transparency are being improved through better Public Financial Management (PFM).

(6) Bangladesh has created independent Anti-Corruption Commission providing the commission with a mandate to prevent corrupt practices and investigate specific offenses.

(7) 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.

(8) The Money Loan Court Act 2003 provided money courts with exclusive jurisdiction over credit disputes and has vastly improved the loan recovery mechanism.

(9) Judiciary has been separated from the Executive branch of the government with effect from 1 November, 2007 which is a landmark in the process of establishing good governance. All courts have been under the Supreme Court. The government is introducing some reforms in the judicial system such as; (a) appointing a court Ombudsman according to article 77 of the Constitution; (b) recruitment and selection of competent judges in a transparent, independent and fair process; (c) establishing a separate Pay Commission for Judges; (d) introducing a system of disclosure of their assets at the time of entry and during the tenure intermittently.

(10) During 2007-2008 the government reformed the Election Commission by promulgating an act. Preparation of a voter's list with photograph was a commendable job undertaken by the Election Commission. The Securities and Exchange Commission and the Public Service Commission have also been reformed at that time.

(11) The government has taken steps for access to information by all people towards independence of press and media. The right to information act has been promulgated during 2009 for disclosure of Information. The Information Commission has been established to oversee the right to information and independence of print and electronic media. The government will consider employing a TV channel to disseminate information in an effective manner to a wide range of people on various issues.

(12) For establishing self governance in the local bodies the Upazilla parishads and Union parishads would be gradually strengthened assigning more functions and responsibilities.

(13) The government has approved the National Human Rights Commission Ordinance 2007 and setup the National Human Rights Commission (NHRC).

(14) The road map for promotion of good governance will focus on the following issues: (a) making parliamentary process effective; (b) reforming and strengthening the public service system; (c) reforming the legal and judicial system to ensure judicial help for the poor and women; (d) changing roles of law enforcing agencies; (e) strengthening of local government; (f) promoting e-governance; (g) combating corruption; (h) ensuring human rights; (i) accessing to information; (j) improving project implementation capacity; and (k) improving sectoral governance.

### **C. Commitment 3: Building human and institutional capacities**

(1) Although the severity of poverty situation in Bangladesh has improved over the past two decades, its pervasiveness and depth is still the single most issue of concern. Given the existing resources constraints, this is indeed a formidable challenge. According to human development report of the UNDP released on October, 2009, Bangladesh ranked 146 among 182 UN member states with the human development index score of 0.543 which is + 0.008 points than the previous index. Bangladesh is among the countries which are considered to have achieved medium human development.

(2) The country has made substantial progress towards universal primary education. School enrolment rate is now around 92%. Proportion of male and female education is 48.6:49.1. Literacy rate is 52%. Gender disparity in education has been reduced through implementation of female stipend programme during 1990s and 2000s in the secondary level. This has increased the number of girls in the secondary education which has now become more than 50 percent. The government has introduced stipend programme in the primary and the higher secondary levels also.

(3) Infant mortality has been reduced to 43 per one thousand births in 2009 which was 66 in 2000. Life expectancy on average is 67 years. Deadly diseases (e.g; HIV/AIDS) are very minimal. The government has taken steps for prevention of HIV AIDS through various motivational programmes. Malaria and tuberculosis is almost under control and the incidence has been reduced. This has been made possible through increasing immunization coverage and increasing spending on health and nutrition in the rural areas. Functioning of upazilla health complexes (UHCs) and Union Health and Family Welfare centre's (UHFWCs) have been strengthened thorough providing adequate manpower, drugs and other medical aids. Department of Public Health and Engineering has been

undertaking several projects to providing universal access to pure drinking water by 2011 and sanitation by 2013.

(4) Bangladesh has been making significant progress in achieving many of the Millennium Development Goals (MDGs). Bangladesh has already achieved MDG 3 (gender parity in primary and secondary schooling). It is on track in achieving the targets of 'halving the proportion of population below national poverty line', 'halving the proportion of people who suffer from hunger', achieving universal primary school enrolment', reducing the under five child mortality rate', 'reducing infant mortality rate' and 'reducing the proportion of population without safe drinking water'. Bangladesh is also on track for achieving the targets of 'containing the spread of communicable diseases like HIV/AIDS, malaria and tuberculosis'. However, Bangladesh is lagging behind in respect of some other targets like 'raising the share of poorest quintile in national income/consumption', reducing maternal mortality', completion of primary schooling' (i.e, reducing dropout), and 'attaining gender parity in tertiary education'.

Apart from these achievements, the areas in need of attention are poverty reduction and employment generation (Goal-1), increases in the primary school completion rate and adult literacy rate (Goal-2), creation of more wage employment for women (Goal-3), reduction of the maternal mortality ratio and increase in the presence of skilled health professionals at delivery (Goal-5), increase in correct and comprehensive knowledge of HIV/AIDS (Goal-6), increase in forest coverage (Goal-7), and coverage of Information and Communication Technology (Goal-8).

The Head Count Rate (HCR) of the incidence of poverty, using the upper poverty line, has been declining at an annual rate of 3.6 per cent in Bangladesh during 2000 to 2005. If this trend continues, the MDG target of 29 per cent would be achieved by 2015. The rural-urban disparity in the poverty level has also been declining in the country. In addition to the level of poverty, the poverty gap also shows improvements irrespective of the place of residence. There is a reduction in the poverty gap in both rural and urban areas with no disparity expected at the terminal year of 2015. The incidence of hardcore poverty (those who consume less than 1805 cal per day) is declining. In rural areas, at the present trend, the target will be achieved by 2010. If the present trend continues, 11 percent of the people in rural areas will be below the minimum level of dietary energy consumption in 2015 against the target of 14 percent. District level poverty data indicates that one-third of the districts, mostly from the central part of Bangladesh, have already achieved the MDG target, i.e. they have a poverty level of less than 30 per cent. On the contrary, most of the coastal districts and districts from *monga (drought)* prone areas are still carrying a high burden of poverty, with more than half of their population below the poverty line.

Out of the three indicators under Goal 2, the net enrolment rate in primary education is on track and the target will be achieved before 2015. The net enrolment ratio in 2007 was more than 91 per cent, with dominance of girls' enrolment. If this trend continues, complete coverage in primary enrolment will be achieved within 2010. There was slow progress in the completion rate of primary education, while the baseline rate was only 40 per cent. The completion rate of primary education for boys was less than 49

percent in 2007. In 2015, two-third of the school-going children will complete their primary education.

The challenges under Goal-2 include attaining the targets of primary education completion rate and the adult literacy rate. Poverty leads to student absenteeism in general due to the high opportunity cost and other hidden costs of attending school. A significant number of students are from the marginal and vulnerable classes in rural areas, urban slums, coastal and tribal areas. A large part of the physically and mentally retarded children remains out of the schooling system. Quality of education is also a challenge at primary education, in particular for the public schools. There are varieties of actions that have been taken by the government at the programme and policy levels in order to retain students in the schools. The ongoing interventions to retain students in the schools include programmes such as food for education programme and the female scholarship scheme at the primary and secondary levels, etc.

Most of the indicators for achieving the targets under Goal 5 are not on track. The maternal mortality data from the Sample Vital Registration System (SVRS) of 2007 shows that there was a remarkable decline in the maternal mortality ratio (MMR) from 574 in 1990 to 391 in 2002. However, in recent years, it has not been declining at the desired level, making it difficult for Bangladesh to achieve the target by 2015. The MMR in Bangladesh is one of the highest in South Asia. The presence of low-skilled professionals at the time of delivery still continues, along with low institutional delivery. Some other challenges in maternal health are low antenatal care received (4+ visits), high adolescent fertility and the overall traditional mindset about childbirth. Poor maternal health condition requires significant attention immediately to achieve Goal 5, i.e. to improve maternal health.

(5) The number of Information and Communication Technology (ICT) users is low in the country, as only three internet connections were available per 100 population in 2008. The present government has taken holistic initiatives to promote ICT by taking positive steps such as tax and import duty cuts on computers, promoting ISP services, etc. in order to improve the situation. There needs to be infrastructural development and technology transfer throughout the country to diffuse ICT knowledge to even the remote regions of the country. The government has been taking interventions to promote ICT among all spheres of people, including the population in hard-to-reach areas, in order to fulfill the government vision of a “*Digital Bangladesh*” by 2021.

(6) Developed countries have so far failed to perform their responsibility to address the problem of unfair trade and global financial system, providing 0.7 per cent ODA of their GNIs, and transferring new technologies for productive youth employment in developing countries to achieve MDG-8. Developed countries should come forward and assist the least developed countries in exploiting potentials of international trade and should fulfill their obligation as signatories to the MDGs.



#### **D. Commitment 4: Building productive capacities to make globalization work for the LDCs**

(1) The country has undertaken various monetary, fiscal, trade and investment reforms to make globalization work. Banking reform programme is also under implementation.

(2) During the period of two political governments from 1996 to 2006 there was tremendous infrastructure development particularly in the road communication. The development of road sector emphasized construction of major bridges, high ways, link roads and development of rural communication. To improve the road communication and transportation system of Dhaka city efforts are under way to build flyovers, elevated express ways, metro rails and construction of tunnels. Construction activities of Padma bridge will be started soon which is targeted to be completed by 2013. Construction of Karnafuli hanging bridge will also be completed soon. Award of contract for the construction of four lane Dhaka-Chittagong high way has been given in December, 2009 and the work will start soon. However, power and energy sector infrastructure didn't grow up to the expectation. In 2007 electricity generation capacity reached to about 4500 MW against the demand of much higher amount of electricity. The present capacity of electricity generation is about 5,100 MW while the available generation is 4,200 MW. Electricity generation grew at about 6 percent per annum during last 10-12 years. Despite intensive efforts to increase coverage, only 45 per cent of the total population has access to electricity.

(3) Cost of doing business has been reduced. Capacity of Bangladesh Investment Board has been increased and a one stop service in the Board of Investment (BOI) has been introduced. Several incentive programmes including tax exemption, remittance of 100% profit etc are available for foreign investors. Export processing zones in different parts of the country have been setup where both local and foreign investors have been establishing export-oriented industries. Entrepreneurs who establish industries in the EPZ gets some concession in terms of tax exemption, duty free import of raw materials and buy-back arrangements of their products. During the last decade or so, small and medium enterprises have been promoted through several incentives and banking concessions. The SMEs will play a pivotal role in achieving the national goal of accelerated pro-poor growth. The government will play the role of a facilitator to provide them level playing field.

(4) Presently national saving rate is 32 per cent and national investment rate is 24%. The government is trying to reduce Saving-Investment gap through appropriate investment policy, developing SMEs and promoting public-private partnership in the national investment. The government is also trying to promote growth of Telecommunication, Energy and Power, Information Technology sectors to keep pace with modern age. In this context, the present government's aim to digitalize the country by 2021 is worth mentioning.

(5) Bangladesh attaches great importance to trade and considers trade as an engine of growth and development the country has been pursuing export-led open and liberal economy since 1990s. It has reduced the coverage of quantitative restrictions and reduced the maximum tariff rate to 25 percent with only 5 slabs including 0 slab.

Some of the important reforms/changes of our trade policy towards liberalization are:

- (a) Abolition of licensing for commercial and industrial consumers;
- (b) Shortening of the lists of banned and restricted items;
- (c) Simplification of registration procedures;
- (d) Opening LC for import of capital machinery and primary spares without import registration certificate;
- (e) Facility for importing secondhand machinery for industrial development without any value limits
- (f) Special facility for import of raw and packing materials for the export oriented RMG industry; and
- (g) Facility to import restricted items by the export oriented industry; etc.

**(6)** Bangladesh exports registered significant growth in last few decades. Export earnings in 1972-1973 was US\$ 348 million, in 2001-2002 it was around US\$ 6 billion and in 2008-2009 the export earnings had reached to US\$ 15.56 billion, meaning that growth is almost 4,472 per cent over the period from 1972-1972 to 2008-2009 and 159 per cent from 2001-2002 to 2008-2009. Though Bangladesh at present exports about 160 products, only 6 products account for around 90 per cent of export earnings. The single product RMG accounts for 79 per cent of export earnings. Diversification of export and overcoming supply side constraints are the central issue of our export policy.

**(7)** For managing the globalization, Bangladesh is pursuing several strategies. Some of them are:

- (a) Expansion of the existing narrow exports base of the country through the process of export diversification;
- (b) Promotion of exports of Bangladesh by expanding access to international export markets, technology, imported inputs and capital goods;
- (c) Develop product quality, design and production of high value added products;
- (d) 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;
- (e) Develop necessary infrastructures and in required cases develop backward and forward linkage industries to ensure production of maximum volume of exportable items;
- (f) Developing physical infrastructure (power, telecommunications, water supply, roads, ports etc.) for facilitating the exporters;
- (g) 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;
- (h) Social safety net for the poor to cope with the shocks of globalization through employment generation and income transfer programmes;
- (i) Increased and effective participation in multi-lateral, regional and bilateral negotiations;
- (j) Strengthening human and institutional capacity of the government through trade-related capacity development process.

(8) However, Bangladesh and other LDCs have been unable to reap significant benefit from globalization due to unequal distribution of resources, although global output, trade and investment have increased substantially. In order to address this challenge we need strong supports from our development partners in the form of foreign aid, direct investment, market access for our exports, simplification and relaxation of rules of origin etc.

#### **E. Commitment 5: Enhancing the role of trade in development**

(1) International trade plays a major role in the development of the LDCs. Since the early 1980s Bangladesh has promoted trade mainly through reforms in 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.

(2) 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.

(3) 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.

(4) To help promote export diversification, the Government has been offering a number of attractive incentives. The export policy 2003-2006 identified 5 products, viz. (a) software and ICT products, (b) agro-products and agro-processed goods, (c) light engineering products, (d) leather goods, and (e) 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: (a) project loans at lower interest, (b) income tax rebate, (c) cash support, (d) export credit on easy terms and reduced interest rates, (e) reduced costs for air cargo, (f) duty drawbacks, (g) infrastructure development support, (h) expansion of institutional and technical facilities for product quality, (i) providing support for marketing of products, (j) support market search activities abroad, and (k) help attract foreign investment. In the budget of FY2004-2005, a 30 per cent cash incentive scheme was introduced for exporters of agro-products and agro-processed goods.

(5) The subsequent export policy (2006-2009) also emphasized, in addition to above, (a) to liberalize export regime in consistent with the requirement of the WTO and globalization; (b) to encourage production of labor intensive (particularly women labor)

export product; (c) to increase productivity and diversify products; (d) to create new exporters and extend all sorts of assistance to existing exporters; and (e) to help develop skilled manpower through proper training for administering international trade.

#### **(6) Trade Negotiations, Commodities, and regional trading arrangements**

Over the years as part of the Government's liberal trade policy in keeping with the fast changing global trade scenario and within the framework of World Trade Organization (WTO) charter Bangladesh engaged to integrate the country's trade regime into the best suitable regional trading arrangements.

During the period 2001-2010, Bangladesh has successfully concluded and is in the process of concluding a number of trade arrangements at regional level. These include, among others: South Asian Free Trade Area (SAFTA), Asia- Pacific Trade Agreement (APTA), Bay of Bengal Initiative for Multi-Sectoral, Technical and Economic Cooperation (BIMSTEC). An overview of these agreements is given below:

##### *(a) The Agreement on South Asian Free Trade Area (SAFTA)*

The Agreement on South Asian Free Trade Area (SAFTA) was signed on 6 January 2004 in Islamabad. SAFTA came into force from 1<sup>st</sup> January 2006. The member countries of the Agreement are Afghanistan, Bangladesh, Bhutan, Maldives, India, Pakistan, Nepal and Sri Lanka. Tariff reduction under SAFTA started from 1 July 2006. Under the Agreement, Developing member states (India, Pakistan and Sri Lanka) will reduce tariff to 0-5 per cent for commodities outside the respective sensitive lists for LDC member states by 2009. On the other hand, LDC member states will reduce tariffs to 0-5 per cent for commodities outside their respective sensitive lists by 2016.

##### *(b) SAARC Framework Agreement on Trade in Services (SAFAS):*

The south Asian trading bloc SAFTA has attempted to expand its coverage through inclusion of trade in services in the agreement. This decision of establishing SAFAS dates back to the decision of the 13<sup>th</sup> SAARC Summit held in Dhaka in 2005 and 14<sup>th</sup> SAARC Summit held in New Delhi in 2007 and SAFTA Ministerial Council. Two rounds of negotiations were concluded.

##### *(c) Asia Pacific Trade Agreement (APTA)*

APTA was initiated in the Bangkok Agreement in 1975 at the initiative of UNESCAP. Member countries are Bangladesh, India, Sri Lanka, China, the Republic of Korea and Lao People's Democratic Republic. The Bangkok Agreement has recently been renamed as the Asia Pacific Trade Agreement (APTA). The APTA has come into force from 1 July 2006. The APTA contains consolidated list of tariff concessions granted by member countries to each other. Presently, in the 4<sup>th</sup> round of tariff negotiations member countries negotiating on exchange on tariff concessions, Trade Facilitation, Trade in Services, Investment and Rules of Origin. APTA members are working for deepening and widening cooperation among the members in the perspective to achieve free trade Union among the member countries.

(d) *BIMSTEC*

The BIMSTEC (Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation) Framework Agreement was signed in June 1997 and Agreement on FTA concluded in February 2004. Member countries are Bangladesh, India, Myanmar, Sri Lanka, Thailand, Nepal and Bhutan. The agreement covers (i) trade in goods; (ii) trade in services, and (iii) Investment. At present, the agreement on Trade in Goods has been finalized. Negotiations on trade in services and investment are underway.

(e) *SAARC Preferential Trading Arrangement (SAPTA)*

To promote and sustain mutual trade and the economic cooperation among the SAARC countries SAARC Preferential Trading Arrangement (SAPTA) was signed in 11<sup>th</sup> April 1993 and operationalized in December 1995. The member countries are Bangladesh, Bhutan, Maldives, India, Pakistan, Nepal and Sri Lanka. The last round (fourth) of negotiation was completed in December 2002. At the end of the fourth round, a total of 6243 tariff line concessions were exchanged, of which 3942 were exclusively for the four LDCs—Bangladesh, Bhutan, Maldives and Nepal, as against 2301 for non-LDC members. The LDCs thus received relatively more favorable treatment in the exchange of tariff concessions.

(f) *Trade Preferential System among the OIC Members (TPS-OIC):*

Under the Framework Agreement on Trade Preferential System among the OIC Member Countries (TPS-OIC) Trade Negotiations of TPS-OIC in started in April 2003 and concluded in November 2005 with finalization of a protocol on Preferential Tariff Schemes for TPS-OIC (PRETAS). Bangladesh signed TPS-OIC (PRETAS) on 26<sup>th</sup> November 2006. Cabinet approved the Ratification of the TPS-OIC (PRETAS) recently. TPS-OIC (PRETAS) will start working when ten member countries of the OIC will ratify it.

(g) *Preferential Trade Agreement (PTA) among D-8 Countries*

D-8, also known as Developing-8, was officially established by the Summit of Heads of State/Government in Istanbul on 15 June 1997 (Istanbul Declaration). The objectives of D-8 are to improve positions of the developing countries' in the world economy, diversify and create new opportunities in the member countries: Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. Bangladesh signed Preferential Trade Agreement (PTA) Among D-8 Countries in 2006. Presently Rules of Origin (RoO) of D-8 PTA and its Operational Certification Procedures (OCP) negotiations are in progress. Bangladesh has submitted its product list for D-8 PTA to the Secretary General of D-8 Countries. Bangladesh is negotiating for special and differential treatment as Least Developed Country (LDC) under this agreement.

(h) *Bilateral FTA with India, Pakistan and Sri Lanka*

Bangladesh is contemplating the formation of Bilateral FTA with India, Pakistan and Sri Lanka. An inter-ministerial meeting was held to firm up Bangladesh's position regarding bilateral FTA with India, Pakistan and Sri Lanka in August 2008. A Core Group was formed under the CEO of Bangladesh Foreign Trade Institute with representatives from different relevant stakeholders. The committee has already submitted a report to

Secretary, MoC recently. After examining the report and consulting the stakeholders, future decision will be taken.

#### **(7) Duty-free market access**

Bangladesh as founding member of WTO and as an LDC has been playing an active role in WTO and the benefits to be enjoyed as an LDC, including exemption from new commitments in many areas are under negotiation. Main concerns are duty-free/quota-free access (DFQF), preference erosion, services, market access for semi-skilled workers under Mode 4. For those countries enjoying non-reciprocal arrangements, preference erosion posed a threat. The approach to "disproportionately affected countries" should take Bangladesh's needs into account. As regards services, there was no mechanism to operationalise the special priority for LDCs in GATS and Bangladesh wished to see progress on Mode 4. GOB was interested in early conclusion of Doha Development Agenda and gratefully recalled DFQF access accorded by EC and asked EC to support GOBs endeavors to secure similar treatment by others such as the United States.

Bangladesh actively participated in the sixth Least Developed Countries (LDC's) Trade Minister's meeting during 14-16 October 2009, Dar Es Salam, Tanzania. The meeting called upon the WTO Members to agree on the core principle of special and differential treatment (S&DT) and development dimensions of the Doha Round of negotiations by granting all LDCs more preferential treatment than non-LDCs. Bangladesh reiterated its position for implementing the decision on DFQF market access for all products originating from all LDCs by 2010.

#### **(8) Support for trade capacity building**

Bangladesh Govt. has taken several programmes focusing on diversification/expansion of export, identification and appraisal of advantages provided for LDCs under WTO rules, capacity building intended to create awareness and capacity to accelerate reforms necessary for the creation of an enabling environment for the private sector and to reduce the cost of doing business in Bangladesh. The ongoing Trade Related Technical Assistance (TRTA) projects in Bangladesh are as follow:

1) Trade-Related Research and Policy Development (2004-2009) valued US\$ 4.7 million supported by CIDA.

2) EC/DFID jointly funded 'Bangladesh Investment Climate Fund' (BICF) valued EUR 43 million.

3) EC supported 'The Intellectual Property Rights Project' (EUR 1.2 million) Programme.

4) EC is funding 'The Bangladesh Trade Policy Support Programme (TPSP), which is a follow-up programme to the recently finished 'Bangladesh Trade Support Programme(BTSP), which completed on 30 September 2009.

Bangladesh recognizes that aid for trade is essential in an era of trade-driven globalization and urges to the developed countries to support in developing the capacity of LDCs to comply with the WTO sanctioned technical and sanitary and phytosanitary

standards, trade facilitation, e-commerce, trade-related intellectual property rights as well as building up their capacity in respect of infrastructure and industry.

(9) In order to increase investment, both local and foreign, Bangladesh government allows the export-oriented industries to import their capital machineries at a zero tariff. Some export-oriented industries, e.g. in the garments sector, are also allowed to import their raw materials and accessories free of tariff duties.

The non-export oriented industries that cater to domestic demands are also allowed to import their capital machineries at a concessionary tariff rate of 5 per cent. The authority has also accorded a number of similar concessionary incentives to various other industrial sectors, such as the textiles, the poultry sector, the agricultural sector etc.

Bangladesh wants incorporation of special provisions in the modalities to maintain trade preferences including GSP for the developing countries, and favors existence of compensatory mechanism for any erosion of such preferences.

#### **F. Commitment 6: Reducing vulnerability and protecting the environment**

(1) 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 Bangladesh is widely recognized to be one of the most climate vulnerable countries in the world. For Bangladesh, climate change is a serious long term threats for sustainable development and towards achieving MDGs. Global warming induced climate change effects are floods, cyclones, tidal surge etc which trigger a host of other effects with far reaching consequences for its vulnerable people. Permanent replacement of houses, settlement leading to out-migration has already a surge in squatter and slum dwellers with physical, financial, psychological and social security. Recurring and intensified floods and cyclones adversely affect our economy by damaging infrastructure, agriculture crop, live-stock and poultry and small and medium industry. To face the climate change effects, ministry of Environment and Forest, ministry of Food and Disaster Management, ministry of Water Resources, ministry of Local Government and Rural Development and other related ministries have taken separate programmes for mitigation, adaptation, infrastructure development, flood control, building cyclone shelters, power generation and waste management etc.

The vision of the government is to achieve poverty-free environmental sustainability in Bangladesh, that is, to meet the needs of current and future generations by ensuring environmental friendly development to enable common peoples’ access to public lands and resources and tackling pollution of various kinds that harms mainly the poor, particularly poor women and children.

#### **(2) Progress made so far**

In 2004 the Government of Bangladesh had drawn up a Five-Year Strategic Plan for the Comprehensive Disaster Management Programme (2004-2008). The plan was a collaborative effort of the Government and the development partners. It envisaged bringing a paradigm shift in disaster management from conventional response and relief

practices to a more comprehensive risk reduction culture. The plan incorporated 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.

The government has adopted the Bangladesh Climate Change Strategy and Action Plan 2009 which is built on six pillars: (a) food security, social protection and health; (b) comprehensive disaster management; (c) infrastructure to ensure that existing assets are well maintained and fit-for-purpose and that urgently needed infrastructure is put in place to deal with likely impacts of climate change; (d) research and knowledge management; (e) mitigation and low carbon development; and (f) capacity building and institutional strengthening. The Climate Change Action Plan comprises immediate, short, medium, and long term programmes with priority given to the needs of the poor and vulnerable, including women and children, in all activities implemented under the Action Plan.

Government of Bangladesh has established a 45 million US dollar Climate Change Trust Fund. Climate Change Cell of the Department of Environment has undertaken a series of Adaptation Research activities and Impact Prediction modeling.

### **(3) Environmental Governance**

Bangladesh is committed to the cause of global environmental sustainability and has signed and ratified various international conventions, treaties and protocols (ICTPs). Such ICTPs include: United Nations Framework Convention on Climate Change (UNFCCC) and Kyoto Protocol, United Nations Convention on Biological Diversity (CBD) and Cartagena Protocol on Bio Safety, Montreal Protocol on Substances that Deplete the Ozone Layer, Basel Convention on the Control of Trans Boundary Movements of Hazardous Wastes and their Disposal, Stockholm Convention on POPs, and United Nations Convention to Combat Desertification (CCD). The Rules have been updated and, accordingly, responsibilities assigned to appropriate agencies and departments. The policies, plans, acts and rules supporting environmental activities are: The Environment Policy 1992 and Implementation Programme; The National Environment Management Action Plan (NEMAP) 1995; The Environment Conservation Act 1995 and its subsequent amendments; The Environment Conservation Rules 1997 and its subsequent amendments; The Environment Court Act 2000 and its subsequent amendments; Sustainable Environment Management Programme (SEMP); Bangladesh National Adaptation Programme of Action (NAPA); Bangladesh National Capacity Self-Assessment (NCSA) for Global Environmental Management.

### **(4) Institutional Arrangements**

The Ministry of Environment and Forest (MOEF) is the focal point for several environment-related ICTPs. As the technical arm of the ministry on environment-related affairs, the Department of Environment (DOE) has been taking necessary steps towards ensuring compliance to these ICTPs. Some of the important tools used for environmental protection with emphasis on poverty reduction are the Environmental Impact Assessment (EIA)/Environmental Management Plan (EMP)/Effluent Treatment Plan (ETP) to be applied to all policies, programmes and projects. The government's capacity for assessing professional impact and enforcement needs augmentation.



As far as the policy measures of Bangladesh for caring environment and tackling climate change, appropriate methods will be adopted by undertaking sectoral and cross sectoral measures in the NSAPR-2 and future five year and perspective plans.

### **G. Commitment 7: Mobilizing financial resources**

**(1) Domestic resource mobilization** is a serious problem in the country. Only 11% of GDP is available through domestic resource mobilization.

Despite saddled with resource constraints, trend in government expenditure in the priority social sectors like human development, building rural infrastructure and poverty reduction has been consistently on the increase. Revenue receipts as percentage of GDP, development outlays and expenditure as percent of GDP and overall budget deficit were shown in table 2, 3 and 4 in part II.

From the trend of revenue collection it is observed that, tax revenue until recently could not exceed 9 per cent of GDP and total revenue was below 11 per cent. The government has taken measures to increase domestic resources (Tax and non-tax) through better compliance, collecting arrears, extending VAT and tax net etc. The following steps are considered to be taken to increase revenue:

- a) Full automation of tax and customs administration;
- b) Review the existing tax policy; rationalization and updating of tax, VAT and customs laws; give more importance to direct tax
- c) Shorten the list of tax exemption;
- d) Expand the existing tax base. Tax assessments of new tax payers would not be questioned for at least two years;
- e) Commercial activities of NGOs would be brought under tax payment;
- f) Improve and strengthen monitoring of tax collection;

### **(2) Foreign Aid**

External assistance is considered a significant source in financing development projects of Bangladesh. As has been mentioned earlier our national savings constitutes about 32 per cent of GDP and investment constitutes 24 per cent of GDP, but our export-import gap is generally negative signifying more imports than exports. Bangladesh' large structural deficit, savings investment gap slow growth of revenue and rapid growth of current public expenditure including development expenditure have contributed to reliance on foreign aid. However, foreign economy assistance to Bangladesh is becoming more competitive and its getting contingent upon implementation of reform programmes and better utilization. However, generally foreign aid to Bangladesh hovers around 2% of GDP. Flow of ODA is around US\$ 1.8 billion per year. However, if the LDCs could get around 0.20 per cent of the GNI of the OECD countries as aid, the share of ODA for Bangladesh could increase.

**Table 7: Foreign Aid to Bangladesh at a Glance (1971/72-2008/09)**

(US\$ Million)

Purpose	Commitment			Disbursement		
	Grant	Loan	Total	Grant	Loan	Total
1	2	3	4	5	6	7
Food Aid,	5994.363	762.557	6756.92	5731.636	762.557	6494.193
Commodity Aid, Project	5696.447	5376.018	11072.465	5650.833	5257.007	10907.840
Aid	13570.475	30077.612	43648.087	10532.619	22401.832	32934.451
Grand Total	25261.285	36216.187	61477.472	21915.088	28421.396	50336.484

It is worth mentioning that, foreign remittance flow to Bangladesh is increasing day by day and as a result central bank foreign currency reserve is also being accumulated. The reserve crossed US\$ 10 billion in November, 2009. The government is taking steps to use the reserve in productive investment activities.

### (3) Debt management:

The country has an excellent track record of debt management. National strategies to monitor and manage external liabilities should include sound macroeconomic policies and public resource management in order to reduce the vulnerability that has risen with rapid globalization in recent years. In Bangladesh external public debt is managed by Economic Relations Division (ERD), Ministry of Finance and domestic debt is managed by Finance Division and Central Bank. Bangladesh's external debt obligation comprises mainly of public sector debt. The total public sector external debt has increase from US\$ 501.4 million in 1973/1974 to about US\$ 20.71 billion in 2006/2007. The total debt outstanding in 2006/2007 represents 30.6 per cent of country's GDP and 105.5 per cent of our export of goods and services (XGS). External debt service payments on total public sector debt rose from US\$ 100.9 million in 1974/1975 to about US\$ 1.51 billion (including purchase of crude oil) in 2006/2007.

External aid management policy of Bangladesh has been made in such a way as to maintain debt sustainability. Bangladesh takes concessional external aid (grant and soft loan) from both bilateral and multilateral sources. Borrowing from IMF and IDB as well as other creditors for purchase of Crude oil, Ship, Air craft and food grains are on deferred payment terms and not of hard terms. Bangladesh never borrows from capital market and commercial bank.

Sound debt management is crucial for external debt to maintain sound financial stability. To avoid debt crisis and currency crisis debt sustainability analysis has always been done through monitoring debt burden indicator regularly. To improve the functional areas of External Debt Management, such as analysis of aid utilization, currency composition, interest rates, maturity profiles, the different sources of financing and overall formulation of debt strategy sophisticated debt management instruments should be used. Accordingly Debt Management and Financial Analysis System (DMFAS) software has been used by ERD since 1992 aiming at improving the country's capacity to manage its external debt. DMFAS is a standard computerized debt management system for the recording, monitoring and analysis of public debt.

Although the external debt obligation in the total aid package of Bangladesh has increased over the years, it is still within manageable limit as compared to many

developing countries. Bangladesh never approaches to development partners for Paris Club Rescheduling. With the increasing trade volume, the country is trying to rely more on trade than on aid. Given the fact that most of the debt is owed to multilateral creditors, Bangladesh is not encountering any debt problem at present. It has managed its external debt portfolio quite prudently, meeting all debt service obligations without the need for any re-scheduling. At present ERD sends annual and quarterly report to World Bank in their Form-1 and Form-2 on regular basis. At the yearend WB also reviews Bangladesh debt position and its sustainability. According to a recent classification by the World Bank, using present value of total debt service, Bangladesh is a less indebted country (Global Development Finance, 2007).

#### **(4) Challenges for Implementation of the Brussels Programme of Action**

Like other developing and least developed countries Bangladesh has also been trying to implement the Brussels programme of action through reducing poverty, increasing growth, improving governance, social and human development and generating employment both in agriculture and industrial sector. In its pursuit of development, the following issues have been identified as major challenges:

- (a) Limited investible resources;
- (b) Corruption and law and order situation of the country;
- (c) Low Capacity for project implementation;
- (d) Population growth and influx of population in the cities;
- (e) Administration of justice;
- (f) Poor local governance structure;
- (g) Lack of transparency in Government procurement and public financial management;
- (h) Lack of sufficient infrastructure development.

### **IV. IMPACT OF GLOBAL FINANCIAL AND ECONOMIC CRISIS ON DEVELOPING AND LEAST DEVELOPED COUNTRIES: THE CASE OF BANGLADESH**

Financial crisis that took place in the world's largest economy (USA) was mainly due to unrealistic confidence in the self correcting strengths of market regulatory failures, unbridled greed of the executives of financial institutions, high increase in household debt and public debt, high levels of consumption and poor asset qualities compounded by an overall lack of transparency and financial integrity. The crisis has mutated into, initially, a slowdown in the developed countries and subsequently a global economic crisis and a development crisis, particularly for the developing and least developed countries. It was apprehended that the year 2009 would experience the first contraction of the global economy in the post world war-2 era and severe recession would likely to continue until 2010. For the developing economies, the impact of the crisis has been mainly through finance, trade, and investment channels affecting the performance of the real economy. The social impact of the crisis is also unfolding in terms of rising vulnerabilities in economic and social life especially for the poor and the vulnerable through job losses, wage reductions, lower consumption, cuts in health care and education expenditures, and insecurity in livelihoods. The extent of impact of course

depends on the degree of integration of an economy into the global economy. The more integrated an economy, the more severe would be the adverse effect of the shock that resulted from the recession of the developed countries.

### **A. Impacts of the crisis**

A UN conference that took place in New York in June, 2009 on the world financial and economic crisis and its impact on development identified the following impacts of the crisis which are disparate, and may vary by region and level of development:

- Rapid increases in unemployment, poverty and hunger
- Deceleration of growth, or severe economic contraction
- Negative effects on trade balances, balance of payments and foreign reserves
- Dwindling levels of Foreign Direct Investment
- Large and volatile movements in exchange rates
- Growing budget deficits and falling tax revenues
- Drastic reduction of world trade
- Sharp contraction in exports
- Falling prices for primary commodities
- Declining remittances to developing countries
- Sharply reduced revenues from tourism
- Massive withdrawal of private capital flows, also increasing the funding problem of the private sector in emerging and developing countries
- Drastically reduced access to credit, and trade financing
- Reduced public confidence in financial institutions

The crisis is, no doubt, having a disproportionate negative impact on the LDCs. The sharp contraction in exports, falling prices for primary commodities, declining remittances, severe credit crunch, and a massive withdrawal of private capital flows have led to contraction in their economic growth as well as rising unemployment and poverty. They are at the lowest ladder in development pyramids. LDCs have been facing numerous perennial challenges in achieving sustained economic growth and sustainable development. They are already hard hit by the food and fuel crises. They are constantly facing natural hazards caused by climate change. The predictions for LDCs from the financial crisis are greatly pessimistic. They are therefore highly susceptible and do not have resilience to face this crisis.

### **B. Impacts of the crisis on Bangladesh economy**

Bangladesh economy has been increasingly integrated with the global economy over the recent past years, through trade, inflow of remittances, inflow of FDI and portfolio investment. The extent of globalization is equivalent to 56.6 percent of GDP. Net export and remittance inflow are equivalent to 20 percent of GNI. About 85 percent of Bangladesh's exports are destined to developed economies and about 60 percent of her imports are sourced from those countries. Therefore, exposure of Bangladesh economy to crisis driven developed countries is quite significant. Although the Bangladesh economy has shown considerable resilience against financial and real economy vulnerabilities of

the global crisis and not much effect was visible till the last quarter of 2008, the situation started to change as the advanced economies entered into deeper recession by end-2008. Since then the Bangladesh economy was showing signs of slowdown; and consequently, the country's growth and other macroeconomic projections were revised downwards. The following table shows how projections of growth, exports, imports, and remittances of Bangladesh have been revised for 2009 and the next two years as a result of the impact of the global crisis.

**Table 8: Revised Projections for Selected Macro Indicators of Bangladesh**

Indicators		2007	2008	2009*	2010*	2011*
Real GDP growth (%)	After crisis	...	..	5.9	5.5	6.0
	Before crisis	6.4	6.2	6.5	7.0	7.2
Export growth (%)	After crisis	...	...	10.3	12.5	17.5
	Before crisis	15.7	15.8	15.5	19.3	20.3
Import growth (%)	After crisis	...	...	4.1	13.0	17.0
	Before crisis	16.6	25.6	26.7	28.8	31.1
Remittances (US\$ million)	After crisis	...	...	9,400	10,575	11,632
	Before crisis	5,979	7,915	9,500	12,100	15,500

\*As projected in the Medium-Term Budgetary Framework of the Ministry of Finance.

Source: Ministry of Finance, Bangladesh Bank, and Export Promotion Bureau.

While the overall export of Bangladesh during last July-April of FY 2008-2009 was impressive, some slowdown was visible afterwards. Export of Bangladesh primary products has been relatively more affected because of the global economic slowdown. Although export of readymade garments showed a positive trend up to February 2009, significant decline in the value and volume has been recorded during subsequent months. During 2009, although Bangladesh's overall export grew by more than 10 per cent its monthly growth performance shows fluctuating and declining performance with sharp fall in growth rates since November 2008. The quarterly export of major commodities shows rising adverse effects of global recession especially on frozen food (mainly shrimp), leather and jute goods. Woven and knitted garments, two most important export commodities, are also experiencing falling growth and during the last quarter of the fiscal year 2009, woven and knitted RMG exports could attain only 4 per cent and 3.7 per cent growth respectively compared with 37 per cent and 52 per cent growth achieved before the effects of crisis began. Although Bangladesh's exports of RMGs face a positive but declining growth, its performance is better than its competitors both in the United States and EU markets. During the second quarter of 2009, while countries like China, India, Pakistan, Philippines, Sri Lanka, and Vietnam were facing contraction in their exports to the US, Bangladesh managed to achieve a positive growth of 11.4 per cent. Similarly, Bangladesh's export growth to EU in the first quarter of 2009 was 19 per cent compared with negative export growth of China, India, and Sri Lanka.

**Table 9: Quarterly Growth of Major Export Commodities, FY2009**

Commodities	Share in total exports (%)	Export growth (%)					
		Q1	Q2	Q3	Q4	FY2009	FY2008
Woven garments	38.0	36.7	6.5	14.3	4.1	14.5	10.9
Knitwear	41.3	52.0	4.7	10.8	3.7	16.2	21.5
Frozen food	2.9	15.7	-24.3	-32.5	-21.0	-14.9	3.6
Home textile	2.0	27.8	9.3	5.6	-9.1	7.6	13.4
Jute goods	1.7	-4.3	-32.0	-18.3	-7.2	-15.4	-0.8
Leather	1.1	-6.4	-50.2	-41.6	-46.8	-37.7	6.9
<b>All products</b>	<b>100</b>	<b>42.3</b>	<b>-1.6</b>	<b>6.0</b>	<b>-0.6</b>	<b>10.3</b>	<b>15.9</b>

Source: Export Promotion Bureau.

Export data also reveals that many of our important export sectors registered negative growth during 2009. Declined sectors are frozen food (14.9 per cent) leather (37.7 per cent), tea (13.47 per cent), raw jute (17.65 per cent), jute goods (15.4 per cent), ceramics (10.69 per cent), electronics (57.03 per cent). In spite of negative growth in some of the items overall export growth of 2008-2009 was positive (10.30 per cent) which is significantly lower than earlier year's growth (15.87 per cent).

Imports in Bangladesh have also declined in FY2009 due mainly to two reasons: first, fall in international prices especially oil and food commodities; and second, decline in import volume. The growth in imports was only 4.1 per cent in FY2009 in contrast with 26.1 per cent growth in FY2008. The import of food grains has declined due to two consecutive good harvests of rice (the staple food) and some softening of domestic demand resulting from growth slowdown. Import data also show that import of capital goods and equipment as well as industrial raw materials are two of the negatively affected groups reflecting contraction of economic activities and reduced investments.

However, remittance inflow from Bangladeshi workers was robust in spite of the financial and economic crisis. In FY 2007-2008 about 6.1 million migrant workers estimated to have sent about \$7.9 billion. During FY2009, Bangladesh received US\$9.7 billion as remittances, which was 22.4 per cent higher than the remittance inflow of FY2008. Remittance inflow till now is quite robust. The following table shows the flow of remittances since 2001-2002.

**Table 10: Flow of remittances**

(in million US dollar)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
1	2	3	4	5	6	7	8	9
Remittance	2503.0	3060.0	3372.0	3848.0	4801.9	5978.5	7914.8	9689.3
Growth (%)	33.0	22.3	10.2	14.1	24.8	24.5	32.4	22.4

Source: Bangladesh Bank.

Due to constant growth of remittance inflow the foreign currency reserve of Bangladesh Bank reached to US\$10 billion in November, 2009. This was possible because the nature of work undertaken by Bangladeshi workers is such that, the demand of their job didn't fall substantially. However, the growth of out migration was significantly lower in 2009 compared to the recent past due to impact of the ongoing crisis. Already many countries including UAE, Saudi Arabia, Kuwait, Malaysia and Singapore have indicated caution with respect to recruitment in the face of sluggish economic growth. Malaysia stopped recruiting the Bangladeshi workers. In the United Arab Emirates many Bangladeshi workers lost their jobs and many workers who are now in the job are not getting their salaries for months together due to slowdown of the economy and closedown of many firms and industries by their employers. Many employers ran away from the UAE (Dubai) because of loss in their business. A recent media news said that, about 100,000 Bangladeshi workers working in the Dubai are feared to return back to Bangladesh soon.

### **C. Steps taken by Bangladesh**

(1) In the face of imminent financial crisis in 2007-2008 the Central Bank took some immediate measures by safeguarding the reserves through withdrawal of risky investment from foreign banks, taking measures to reduce interest rates and bank charges. Government has also taken some fiscal measures such as reduction in duties and taxes on exportable, tax relief for SMEs, VAT relief for some production items, tax holiday for agro processing industries and so on.

(2) In line with stimulus packages of other countries to face the financial crisis, Bangladesh government has also declared a stimulus package of Tk. 34240 million for the FY 2008-2009 and 2009-2010. In addition to fiscal and financial package government has taken policy support and administrative reform plan which will be implemented simultaneously. The subsidy under the financial package will consist of: Tk 4500 million in the export sector, Tk. 15000 million in the agricultural sector, Tk. 6000 million in power sector, Tk. 5000 million in agriculture credit and Tk. 3740 million for social safety net programme. Export subsidy will be given to commodities like Jute goods, Leather and leather goods and frozen shrimp as these items have already been affected by financial crisis. Export development fund has been increased to US\$150 million. The government has also declared maximum commercial bank lending rate up to 13 percent. The government expects that, with the implementation of this stimulus package the economic activities will increase and already affected export sector will be able to sustain. Since the largest export item RMG has not yet been affected, it has not been considered for any financial support/subsidy, rather it will be given policy support, credit rescheduling, the benefit of lower interest rate and imposition of lower taxes.

(3) As part of policy support government will increase the tax base and expand tax administration, use remittances for productive purposes, promote public private partnership in investment, give maximum effort for poverty alleviation and implement social safety net programmes to increase aggregate demand. In addition to that, government will increase employment through micro credit programmes, undertaken by different government and non government organizations.

#### **(4) Stimulus and fiscal programme Declared in Budget of FY10**

The proposal for the fiscal stimulus package was designed in line with the strategies for poverty reduction, economic growth and macro stability. Programmes under stimulus package would continue to be expanded consistent with the need and affordability of the Government. A provision of US\$714 million has been made in the FY10 budget to continue the programme.

In the RMG and Textiles sector, the incentive package includes:

- bonded warehouse facilities through which the exporters can import duty free fabrics and other raw materials;
- duty draw-back facilities which are extended to those who cannot avail bonded warehouse facilities;
- providing 5 per cent of the export value to those who use local yarn and fabrics to make their products; and
- a zero tariff on imports of cotton in the interest of yarn producers.

#### **D. Reasons for Bangladesh being less affected**

Bangladesh has so far remained somewhat less affected by the global economic slowdown<sup>1</sup>. Although economic growth has slowed down, and exports and remittance inflows, two of Bangladesh's critical parameters of macroeconomic strength, have grown at slower rates relative to pre-crisis projections, the quantitative nature of these impacts in Bangladesh are much less compared with impacts experienced by comparable countries especially in the Asia-Pacific region. Moreover, Bangladesh's growth prospects remain relatively less affected. Inflation has eased with falling global commodity prices and good domestic production especially in agriculture. Although Bangladesh suffered significant loss of income in the external sector since 2003 from severe terms of trade shock mainly originating from higher food and petroleum prices, this large loss of income was largely met by compensating growth in remittances and thus Bangladesh enjoyed a surplus in its current account balance. In addition, despite large scale challenges, Bangladesh has maintained relatively sound macroeconomic fundamentals, stable external balances, and good foreign exchange reserves. In short, one can identify several reasons behind the relatively low level of impact of global economic recession on the Bangladesh economy:

(a) Bangladesh's financial system has reasonable resilience with capacity to safeguard the stability of banking and financial systems. The financial institutions were not exposed to complex financial derivatives and synthetic securitization instruments. As such, contagion effects of the global financial markets were non-existent. There has been no sign of any crisis of confidence or liquidity problem. Prudential regulations and strong monitoring by Bangladesh Bank has ensured relatively good health of the banking sector including lending-deposit ratio within acceptable limits. Bangladesh's positive current account balance has also reduced the risks emanating from short run fluctuations in the exchange rate and foreign reserve situation.

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<sup>1</sup> "Social Impacts of Global Economic Slowdown: The case of Bangladesh" (BIDS)



(b) The robust growth of agriculture, led by crop (mainly rice) production having a growth of more than 5 per cent in FY2009 compared with 2.7 per cent in the previous year supported the growth of income as well as employment (more than half of the labor force are engaged in agriculture) especially in the rural areas. The government's policy of providing subsidy to fertilizer and diesel for irrigation enhanced profitability and helped the farmers to go for higher production. The informal sector, being the largest source of employment and income for the majority of households, also flourished with support of high agricultural growth.

(c) Given the overwhelming dominance of RMGs in the export basket, the impact on RMGs has determined the impact on Bangladesh's exports. Since Bangladesh's RMG exports mainly cater to the low-price segment of the apparel market where income elasticity is lower than that in the high-price segment, the country's RMG exports remained less affected. With incomes falling, even some diversion of demand from high-end garment segment to low-end segment probably took place in the developed country markets counterbalancing the otherwise negative impact. Also recession driven fall in prices of imported industrial raw materials helped domestic RMG industries to maintain low production cost. Moreover, in view of the country specific nature of changes resulting from the crisis, RMG importers in advanced economies (especially in the United States and EU) introduced adjustments in sources of procuring apparel products (e.g. diversion of orders from countries like China to Bangladesh) which compensated, at least partly, Bangladesh's loss in RMG exports and enabled it to capture greater market shares in these countries.

(d) In case of imports, the changes favored Bangladesh through lowering the growth of the import bill. In the international market, prices of commodities for which Bangladesh is a net importer (especially food, oil, fertilizer, and other essential products) experienced significant decline since the global recession. In particular, sharp fall in prices of oil, fertilizer, imported raw materials, and machinery/equipment helped in reducing production costs and improving competitiveness.

(e) The remittance inflow was not much affected since bulk (around 64 percent) of the inflows originates in the Gulf region where recession has been less severe and growth prospects marginally declined. Remittances from advanced economies (especially from the United States, United Kingdom, and Germany which together account for nearly 30 per cent of the total) were also not affected to a significant extent. The net impact so far has been steady growth in remittance inflows especially since the low-skilled jobs in which Bangladeshi migrant labor is mostly concentrated are unlikely to be much affected due to growth slowdown. The measures to reduce the cost of remittance and bring more efficiency in remittance related operations also encouraged more migrant workers to send money through official channels.

It has been seen that policy response at global level was swift and unprecedented in size with varying measures adopted by different countries. Financial crisis is now in recovery stage: Asia-Pacific economies have proved their resilience by emerging faster and with greater force than the developed world.

## V. CONCLUSION AND THE WAY FORWARD

It is well established that effective national strategies, policies and efforts are essential for implementing the Brussels Programme of Action through pro-poor balanced growth and sector specific development. The LDCs must have to focus on the following priority areas:

- 1) Reducing poverty and hunger through sustainable and inclusive development;
- 2) Attaining food security through sustainable agricultural development;
- 3) Infrastructure development in communication, energy, power and information technology;
- 4) Maintaining macroeconomic stability through prudent monetary and fiscal policy;
- 5) Enhancing role of trade through market access, export diversification, regional integration, aid for trade and capacity building;
- 6) Protecting environment and reducing vulnerability of climate change effects; and
- 7) Developing human resources and institutional capacities through sustainable development in social sectors.

Given the above priorities, Bangladesh has initiated the poverty reduction strategy since 2003 and has been implementing the strategy till date. The present government also has placed elimination of poverty and inequality at the forefront of its development agenda. The poverty reduction strategy (NSAPR-2) has been revised up to FY-2011. It will be followed by Sixth five year plan (2010-2015) and twenty year perspective plan. To achieve the goal of poverty reduction, attainment of MDGs, social development, infrastructure development and human development, the country has to maintain a road map for pro-poor growth. The key elements of the road map and pro-poor growth are suggested to be as follows:

- 1) **Sustaining macroeconomic stability** through maintenance of appropriate monetary and fiscal policy, increasing the Investment/GDP ratio, increasing revenue, improving export performance, sustaining remittance growth, providing productive employment to the labor force and improving business and investment climate. The Central Bank should pursue such monetary policy as would reduce inflation and promote higher growth through maintaining an adequate flow of credit to productive activities;
- 2) **Promoting descent employment** through job creation programmes. A comprehensive employment guide line should be formulated to create employment opportunities in rural areas, in small and medium enterprises and in large scale industries also. Special training should be given to the laborers. Industrial growth should be linked with export.
- 3) **Enhancing private sector development** through public private partnership and providing conducive environment for private investment. In this context, financial sector should be made efficient through developing capital market,

promoting regulatory transparency, promoting developing of economic zones, technology development, women entrepreneurship development and promoting corporate social responsibility and competition.

- 4) **Improving performance in agriculture sector** through increasing productivity, diversification to high value crops, market based input distribution with effective monitoring, facilitating agricultural marketing system, agribusiness and agro processing activities, introducing climate change adaptive technology, extension of irrigation, flood protection and drainage coverage and agricultural subsidy.
- 5) **Developing fisheries and livestock sub-sector** through intensification of aquaculture by species and ecosystems, addition of export oriented species, product diversification and development of appropriate marketing infrastructure. In the livestock sub-sector development strategies will focus on dairy development and meat production, poultry development, veterinary services and animal health, feeds and animal management, hides and skins and marketing of livestock, poultry and milk products.
- 6) **Development and management of water resources.** The strategies of water resources management are : (a) dredging the main rivers and their development for multipurpose use of water resources (b) flood protection and storm water drainage measures (c) disaster management programme with provisions of cyclone protection, early warning and forecasting system, flood and cyclone shelters, control of river bank erosion, public sector irrigation development and flood management.
- 7) **Developing essential infrastructure** such as: – power and energy, transport, post and telecommunication and ICT. For power and energy infrastructure development, both generation, transmission and distribution of electricity will have to be ensured. Efforts should be put to new gas exploration. At the same time renewable energy technology should be developed, disseminate and extended to rural people. The national Coal policy should be formulated to meet the growing energy demand. The development of transport sector should include road network connecting to all parts of the country, construction of major bridges, four lining of existing important high-ways, establishing elevated express-ways and development of rural road communication. Rail communication has also to be improved to connect all districts upazillas and important places. Moreover, railway services and their maintenance have to be improved. ICT facilities will have to be extended even up to rural areas to attain the vision of digitalization of the country.
- 8) **Social protection for the vulnerable** : In achieving faster poverty reduction, attention will have be given to extreme poor, women in poverty, landless poor and other vulnerable groups and bring them under social safety-net programmes. In this context, NGOs and private sectors should be encouraged to work with the government to expand the social safety-net programme.

Food security programme should include adequate supply of food through agriculture development, supply of nutritious food and access to food of women, children and person with disabilities.

Micro-credit programme has to be under taken and the coverage should be increased by including larger number of deserving house holds, participation of NGOs and introducing a regulatory frame work for micro-credit programme.

- 9) **Human resource development:** For human resource development through knowledge base education, training and research, attention had to be given to increase peoples access to information, research and capacity development.
- 10) **Health nutrition and population planning:** The government should be committed to ensure quality health, nutrition and family welfare services which are affordable and attainable to its citizens. Improved service delivery system for every one and expansion of existing facilities for poor and vulnerable should be ensured. There should be commitment of spending at least 60% of the HNP budget at rural areas.
- 11) **Caring for environment and tackling climate change:** The environmental challenges in the forms of water and pollution, land degradation, extreme degradation of terrestrial and aquatic ecosystems, unsustainable agricultural practices and unplanned urban growth will be met by undertaking measures in the areas of policies, planning, regulations and capacity building. Appropriate measures will bet taken to adapt to and mitigate the impact of climate change. Climate adaptation will be strengthened by undertaking sectoral, multi-sectoral and cross-sectoral measures.
- 12) **Promoting trade** for increasing exports through product diversification, capacity development, quality assurance and ensuring market access for our products. The exports sector should be encouraged through reasonable incentives such as: tax holiday, credit at affordable rate, simplification of banking arrangement, duty drawback facility etc.

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