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Bangladesh Country Paper: Employment Effects of Different Development Policy Instruments

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The developments in labor market lie at the heart of Bangladesh's on-going structural transformation processes having significant bearings on agricultural productivity, and farm and non-farm sectoral linkages and thus eventually overall growth and poverty alleviation prospects. Bangladesh has its basic comparative advantage in terms of endless supply of unskilled cheap labor, but it failed to ensure sufficient remunerative employment generation. Traditional sectors can't provide good remunerative employment to the new entrants in the labor force. Besides, modern industrial sectors are flourishing slowly and should be designed in a pro-poor labor intensive nature. Despite higher economic growth, employment grew at a relatively slow rate since the 1990s. At the aggregate level, agriculture is still the largest sector of employment. With the labor force growing faster than the employment potential, the number of unemployed persons increased over time. Against these backdrops, this paper provides an overview of the Bangladesh economy, development strategies, trade policies, labor market and associated dynamics and political economic issues.

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world trade institute

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I. INTRODUCTION

Bangladesh experienced an unstable and a low average growth rate of real GDP during the 1970s and 1980s. The average growth rate of GDP during the 1980s was 3.7 percent. However, since the early 1990s growth rate had been experiencing an increasing trend with some year-to-year fluctuations. The average growth rate in the 1990s was around 5 percent, which increased further to around 6 percent during 2000s. Bangladesh's economic growth rates in recent years have been higher than most of the South Asian countries (except India) and many of the sub-Saharan African countries.

The developments in labor market lie at the heart of Bangladesh's on-going structural transformation processes having significant bearings on agricultural productivity, and farm and non-farm sectoral linkages and thus eventually overall growth and poverty alleviation prospects. The involved issues require comprehensive empirical analyses for generating informed inputs that can be used in the development of relevant policies and their implementation. Salient features of Bangladesh labor market includes surplus labor, low wages and salaries, low participation of women in remunerative jobs, lack of technical and professional knowledge and efficiency, etc. Bangladesh has its basic comparative advantage in terms of endless supply of unskilled cheap labor, but it failed to ensure sufficient remunerative employment generation. Traditional sectors can't provide good remunerative employment to the new entrants in the labor force. Besides, modern industrial sectors are flourishing slowly and should be designed in a pro-poor labor intensive nature.

Notwithstanding the complexities associated with the new issues, the traditional nexus between growth and employment remains an issue of major interest and concern. Despite higher economic growth, employment grew at a relatively slow rate of 1.6 percent per annum since the 1990s. At the aggregate level, agriculture is still the largest sector of employment. With the labor force growing faster than the employment potential, the number of unemployed persons increased over time. Although the official unemployment rate is low (less than 5 percent), it does not provide a real picture of the supply-demand balance including the problem of very low labor productivity.

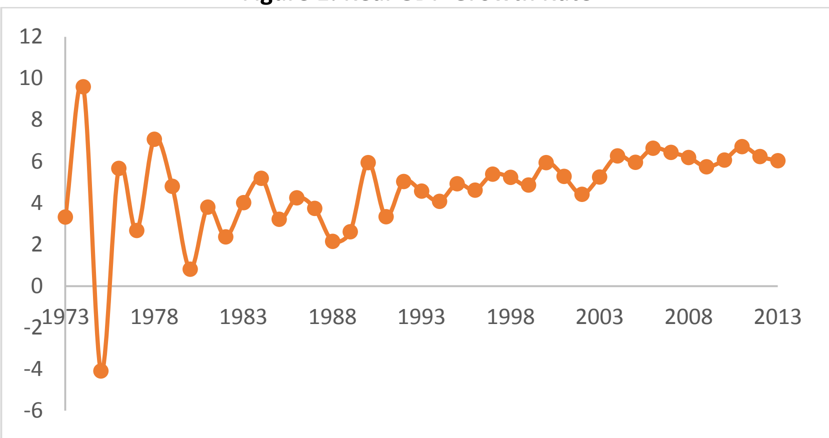
Against these backdrops, this paper provides an overview of the Bangladesh economy, development strategies, trade policies, labor market and associated dynamics and political economic issues.

II. ECONOMIC DEVELOPMENTS

Bangladesh achieved a consistently improving GDP growth from her independence. The long-term trend in GDP growth rate shows that Bangladesh has continued to improve its rate of growth steadily over the past 40 years after independence (Figure 1). From early 1970s till late

1980s, the growth rate expansion was subdued, below 4 percent per annum. The growth rate expanded significantly since early 1990s, shooting up to over 5 percent per annum on a 10 year average, but importantly exceeding the 6 percent mark for a number of years during 2000s. The expansion of growth did face a break in the wake of the global food, fuel and financial crisis of 2008-10, but this slowdown was fairly moderate by global standards and speaks well of the cautious macroeconomic management by policymakers over a long period. The rising trend of long-term growth gives comfort that even higher growth is possible provided policy reforms further strengthen the determinants of past growth.

Figure 1: Real GDP Growth Rate



Source: Authors' calculation from WDI data, World Bank

Even though there have been some spikes in growth rates, period averages of growth rates show upward trends. It is evident from Table 1 that major sectors also showed upward growth. The major rise in growth rates occurred during 2007 and 2013.

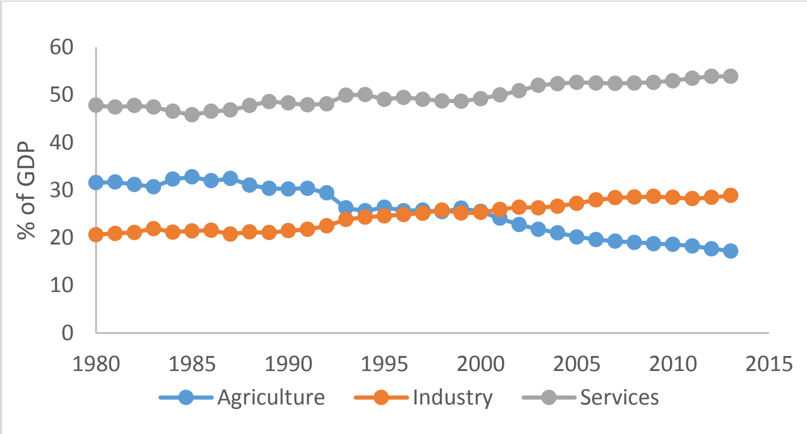
Table 1: Average GDP growth rates with broad sectors

Year	GDP	Agriculture	Industry	Service
1973 – 1980	3.68	1.86	5.26	5.17
1981 – 1990	3.90	1.84	3.16	5.43
1991 – 2000	4.90	3.03	7.37	4.56
2001 – 2006	5.76	2.89	7.80	5.84
2007 – 2013	6.10	5.60	8.25	6.84

Source: Bangladesh Bureau of Statistics

The overall structure of Bangladesh economy has undergone a significant transformation over the past four decades where the share of agriculture in GDP has declined and the shares of industry and services sectors have risen gradually (Figure 2).

Figure 2: Sectoral Composition of GDP



Source: Author's calculation from WDI data, World Bank

Table 2 shows the five yearly average shares and growth of different sub-sectors. The share of agriculture, forestry and fisheries declined from 25.57 percent in 1992-97 to 19.82 percent in 2007-12. The industry sector consists of four sub-sectors: mining & quarrying, manufacturing, electricity, gas & water and construction. Share of industry in GDP increased from 24.17 percent in 1992-97 to 28.71 percent in 2007-12. The manufacturing as a sub-sector contributed 15.44 percent in 1992-97, which increased to 17.17 percent in 2007-12. The service sector consists of wholesale & retail trade, hotel and restaurant, transport & communication, financial intermediaries, real estate business, public administration & defense, education, health & social services, and community and personal services. The overall service sector had a share of around 46 percent in 1992-2002, which increased to 47.88 percent FY 2007-12. Among the service sub-sectors, wholesale & retail trade has the highest share in GDP followed by real estate, renting & business service, and transport, storage and communication.

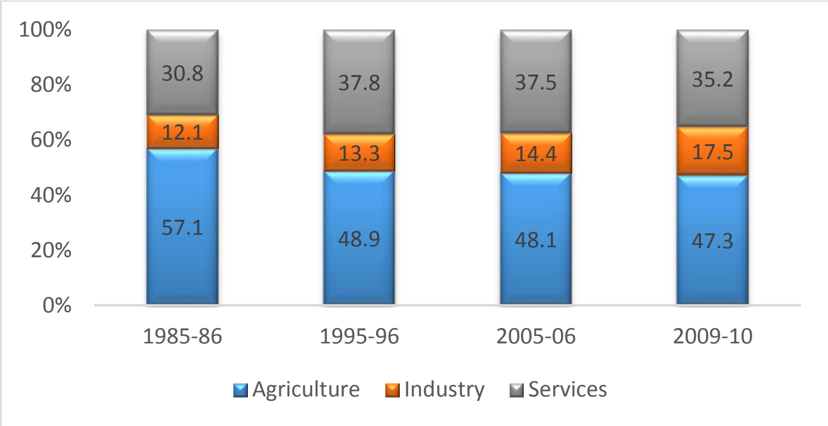
Table 2: Five yearly Share of Sectoral GDP

Sectors/ Activities	Share of value addition to GDP			
	1992-97	1997-02	2002-07	2007-12
Agriculture & forestry	20.56	18.58	16.58	15.41
Fishing	5.01	5.50	4.75	4.41
Mining & quarrying	0.96	1.00	1.08	1.21
Manufacturing	15.44	15.04	15.84	17.17
Electricity, gas and water supply	1.42	1.39	1.52	1.53
Construction	6.35	7.58	8.52	8.80
Wholesale and retail trade	12.22	12.85	13.37	13.90
Hotel and restaurant	0.59	0.61	0.65	0.69
Transport, storage & communication	8.68	8.96	9.47	10.23
Financial intermediation	1.51	1.52	1.61	1.78
Real estate, renting & business service	9.18	8.55	7.70	7.08
Public admin. & defense	2.42	2.46	2.54	2.71
Education	2.00	2.12	2.33	2.55
Health & social services	2.22	2.13	2.14	2.26
Community, Social and Personal service	8.74	7.86	7.06	6.68

Source: Calculated from the data from Bangladesh Bureau of Statistics

Despite the significant fall in the share in GDP, agricultural sector still employs 47 percent of total employment in the economy by the end of 2000s (Figure 3). The share of industry increased from 12.1 percent in 1985-86 to 17.5 percent in 2009-10. The share of the service sector stood at 35 percent by 2009-10.

Figure 3: Share in Employment



Source: Author's calculation from Labor Force Survey data, Bangladesh Bureau of Statistics

It is evident from Table 3 that overall labor force participation rate has increased from 52.0 percent in 1995-96 to 59.3 per cent in 2009-10. Total employment has increased from 34.8 million in 1995-96 to 54.1 million in 2009-10. Women largely remain outside of the labor force, though women's participation in direct economic activities has gradually increased during the last two decades. Female labor force participation rate has increased from 15.8 percent in 1995-96 to 36.0 percent in 2009-10, which is more than double. Unemployment rate among women is much greater than that of men (7.8 percent compare with 2.8 per cent). The number of unpaid family worker has increased over the years from 4.2 million in 1995-96 to 11.8 million in 2009-10. Female unpaid family worker has increased significantly during this period from 0.4 million in 1995-96 to 9.1 million in 2009-10. Although, the share of manufacturing sector in total female employment is higher than this sector's share in total male employment, women's participation in labor force is still very limited compared to their male counterpart and they are mostly involved in unpaid household activities, (Ahmed, Younus, and Bhuyan, 2009).

Table 3: Characteristics of labor force[1] in usual definition (numbers in million and %)

Activities		1995-96	1999-00	2002-03	2005-06	2009-10
Economically active population/ labor force (million)	Total	36.1	40.7	46.3	49.5	56.7
	Male	30.7	32.2	36.0	37.3	39.5
	Female	5.4	8.6	10.3	12.1	17.2
Total employed person (million)	Total	34.8	39.0	44.3	47.4	54.1
	Male	29.8	31.1	34.6	36.1	37.9
	Female	5.0	7.9	9.8	11.3	16.2
Labor Force Participation Rate (%)	Total	52.0	54.9	57.3	58.5	59.3
	Male	87.0	84.0	87.4	86.8	82.5
	Female	15.8	23.9	26.1	29.2	36.0
Unemployment rate (%)	Total	3.5	4.3	4.3	4.3	4.5
	Male	2.8	3.4	4.2	3.4	4.1
	Female	7.8	7.8	4.9	7.0	5.8

[1] Due to change in definition of labor force, we are not considering the labor force survey of 1991-92 and 2002-03 for our analysis. Although some of the tables contains some data from these two particular LFS survey.

Activities		1995-96	1999-00	2002-03	2005-06	2009-10
Underemployment rate (%)	Total		16.6	34.2	24.5	
	Male		7.4	23.1	10.9	
	Female		52.8	72.3	68.3	
Unpaid family worker (million)	Total	4.2	4.7	8.1	10.3	11.8
	Male	3.3	2.0	3.4	3.5	2.7
	Female	0.4	2.7	4.7	6.8	9.1

Source: Labor Force Survey (Various issues)

From the World Bank Enterprise survey 2013, some analysis at the firm level is done. Table 4 shows that 98.20 percent of the surveyed establishments are in domestic private sector (including full or joint venture), 1.39 percent of the establishments in foreign private investment, and only 0.21 percent owned by the government.

Table 4: Ownership structure of the Establishments in 2011/12

	Frequency	% of total
Private Domestic Individuals, companies, or organizations	1416	98.20
Private Foreign individuals, companies or organizations	20	1.39
Government or State	3	0.21
Others	1	0.07

Source: Enterprise Survey 2013, World Bank

Table 5 suggests that 75 percent of the establishments' are selling their products only to the domestic market, while 14.29 percent are selling their products only abroad; however, 11 percent of the establishments are selling their products domestically but part of those are indirectly exported though third party.

Table 5: Distribution of Sales structure of the Establishments in 2011/12

	Frequency	% of total
National Sales only	1078	74.76
Indirect export (sold domestically to third party to export)	158	10.96
Only exports	206	14.29

Source: Enterprise Survey 2013, World Bank

Table 6 shows the percent of firms exporting directly or indirectly. It appears around two-thirds of the firms in the garment sector are engaged in exporting activities.

Table 6: Percent of firms exporting directly or indirectly (at least 1% of sales)

Manufacturing (All)	30.4
Food	9.4
Garments	65.6
Leather Products	52
Chemicals & Chemical Products	13
Furniture	21.2
Other Manufacturing	14.7
Motor vehicles and transport equipment	7.2
Services (All)	1.8
Retail	3.3
Other Services	1.5

Source: Enterprise Survey 2013, World Bank

The Wage Rate Index from FY 2001-02 through FY 2009-10 is presented in Table 7. It appears that the nominal wage rate index kept on rising and in FY2009-10 the index rose by 10.67 percent compared to that of the previous fiscal year. The indices of all sectors increased by 10 percent in FY 2009-10. Of these, the wage rate index of agriculture and fisheries sectors increased by 16.65 percent and 14 percent respectively. In FY2009-10 the wage rate indices of manufacturing and construction sectors increased by 13.95 percent and 10.31 percent respectively.

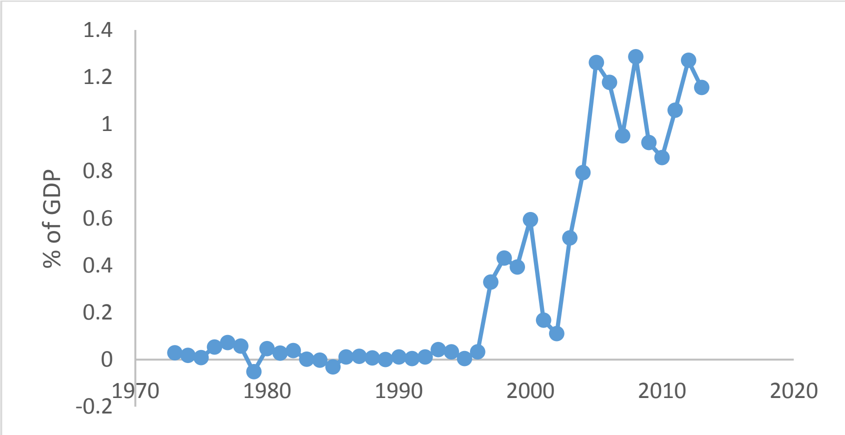
Table 7: Wage rate Index and increase in wage rate (Base year 1969-70 = 100)

Year	General	Agriculture	Manufacturing	Construction	CPI Industrial	Real Wage rate index
2001-02	2637 (5.95)	2262 (5.65)	3035 (7.17)	2444 (3.74)	2024 (1.25)	130 (4.00)
2002-03	2926 (10.96)	2443 (8.00)	3501 (15.35)	2624 (7.36)	2068 (2.17)	141 (8.46)
2003-04	3111 (6.31)	2582 (5.69)	3765 (7.55)	2669 (1.69)	2129 (2.95)	146 (3.55)
2004-05	3293 (5.85)	2719 (5.31)	4015 (6.64)	2758 (3.33)	2216 (4.08)	149 (2.05)
2005-06	3507 (6.50)	2926 (7.61)	4293 (6.92)	2889 (4.75)	2351 (6.09)	149 (0.00)
2006-07	3779 (7.76)	3156 (7.69)	4636 (7.99)	3135 (8.52)	2524 (7.36)	150 (0.67)
2007-08	4227 (11.85)	3524 (11.66)	5197 (12.10)	3549 (13.20)	2740 (8.56)	154 (2.67)
2008-09	5026 (18.90)	4274 (21.28)	6128 (17.91)	4311 (21.47)	2885 (5.30)	174 (12.92)
2009-10	5441 (8.26)	4808 (12.37)	6620 (6.40)	4633 (8.70)	..	..
2010-11	5782 (6.27)	5326 (10.87)	6778 (3.96)	4983 (7.55)	..	..
2011-12	6469 (11.89)	6143 (15.17)	7221 (6.54)	6583 (32.10)	..	..
2012-13	7422 (14.73)	7448 (21.44)	7978 (10.48)	7684 (16.73)	..	..

Source: Bangladesh Economic Review, Ministry of Finance

FDI in Bangladesh is still very low compared to many other developing countries. During the past five years the share of FDI in GDP has been around 1.1 percent (Figure 4).

Figure 4: FDI as % of GDP



Source: Author's calculation from WDI data, World Bank

III. DEVELOPMENT STRATEGIES

Growth literature emphasize that for a sustainable economic growth and curving down the poverty rate, boosting up of employment rate is a must. In macroeconomic analysis, for a policy formulation controlling inflation and unemployment problem is on top priority. In the SFYP it is evident that poor population has less access to durable assets, lack of institutional finance which may help them to boost their healthcare and quality education beside basic needs. However, apart from lack of assets, natural catastrophes affect children and women in different ways. The Sixth Five Year Plan (SFYP) (2011-2015) describes these factors as follows:

> " …………. Bangladesh is still a low-income country with substantial poverty, inequality and deprivation. An estimated 47 million people are living below the poverty line with a significant proportion living in households which are female headed, in remote areas, and consisting of socially excluded and other vulnerable people. Most of the labor force is engaged in informal low productivity and low-income jobs. The access to secondary and tertiary education is limited and the quality of education at all levels is deficient ………..."

As a result, despite these deeply rooted development challenges, the Government has adopted some policy measure called 'Vision 2021'. The Vision 2021 and the associated Perspective Plan 2010-2021 have set development targets for Bangladesh by the end of 2021. According to the plan, if it can be properly and systematically executed then Bangladesh will be transformed into middle-income country with higher living standard, better education and justice, improved socio-economic environment. The vision will be executed in two phases, first, FY 2011-15 and second, FY 2016-21. Strategies for the FY2011-15 are known as the Sixth Five Year Plan (SFYP), which will be considered as major guiding principle of the regulatory policies and institutional framework. Moreover, this SFYP also has guideline to balance between private and public investment programs to boosting economic structure.

The cross-country empirical literature shows that productive employment is the persuasive form of poverty reduction accompanying accelerated growth. This can be achieved in combination of both demand and supply side of labor market policies, which are mainly economic growth driven and quality adjusted labor force growth, respectively. As the central responsibility of SFYP is to develop strategies, policies and institutions, which will execute the strategies to accelerate growth, expand formal sector and thereby create new jobs. According to the LFS 2009, around 78 percent of our labor force is in lower-income and lower-productive informal sectors.

Stimulation of the growth rate requires a sizeable expansion in investment from the present level to 32.5 percent of GDP by the end of the plan period. These higher investments will be used to develop human recourses and reduce infrastructure problem. As a source of investment SFYP articulated domestic sources as major one of which private savings, remittances are major source. Apart from that, a substantial level of foreign financing and transfer of technology is essential to achieve this goal. Institution plays a significant role in attracting private investment on the priority basis and the SFYP also emphasized on financing under Public Private Partnerships (PPP).

Expeditious economic growth absorbs labor in higher income and higher productive sectors. Around 47 percent of labor force is engaged in agricultural sector, which is considered as lower income elastic (basic food items) compared to manufacturing sector. The scarce of land is one of the major predicaments for penetrating into the world agricultural export markets which, hinders the growth of agricultural sector same pace as the manufacturing or services grows. Currently, the average income in agricultural sector and also the average labor productivity are very low. As agricultural sector is mostly considered as informal sector, most of the labor force is engaged in informal sector. Moreover, apart from agricultural sector, informal services also occupy a major share of labor force, which are lower productive and income. Hence, SFYP recommends for expanding manufacturing base by creating more employment opportunities in the manufacturing and systematized service sectors and thereby transferring of a substantial number of workers employed in agriculture and informal services sector to these higher income manufacturing sector jobs. Thus, the higher productivity and the higher income jobs should be originated from domestic labor intensive, export oriented manufacturing sector and associated services. Furthermore, foreign investment into local firms should have to re-organize to increase productivity and job creation.

For labor-intensive domestic manufacturing sector, both small to larger enterprises need to contribute to this growth path. SFYP put emphasis on sub-contracting system in manufacturing production and modification of production process using imported contents but employing large labor force, like furniture, baby toys or foot-ware. In addition to the large enterprise, small enterprises are acutely essential to create employment base in rural areas for generating higher income and employment in the rural economy, which is essential for sustained poverty reduction.

SFYP predicts that the dynamism in manufacturing sector will help from larger ostensible orientation. Therefore, to increase the prospective export base the Sixth Plan suggested to reduce trade barriers more within the World Trade Organization (WTO) outline. SFYP also suggested that by active participation in international and regional/sub-regional conclave for better access to international export markets, by facilitating and reducing any non-trade barriers to Bangladeshi exports, encourage investments, increase trade in services including energy, promote regional connectivity, and establish best possible economic relations with all strategic countries including neighbors.

In Bangladesh, it is evident that the characteristic of poverty was attributed towards lack of sufficient food and some upward insufficiencies for earlier years. After 1980s, due to the green revolution in rice production reduced the lack of food insufficiency. However, strong agricultural base persists central to poverty reduction policy formulation as well as for food security. As a result, economic growth with employment creation embedded with enhanced income earning opportunities for the workers in agricultural sectors is a major challenge in recent time. SFYP emphasized the fact that due to population growth, diffusion of urbanization and thereby arable land scarcity, increasing the yield rate in production and increasing diversification of agricultural production is an indispensible need. Coherent with the need to mitigate food security and income smoothing, SFYP reiterate the agricultural diversification (both crop and non-crop sectors) and commercialization policy introduced in the national food policy and action plan (NFP/POA) 2008-2015, which indicates a sectoral planning with intra-ministerial harmonization in budgetary support for minimizing food security.

Moreover, in this line government of Bangladesh has accepted another policy guideline in 2010, as Bangladesh Country Investment Plan (CIP), which highlights the needs for investment to increase and diversify steady food supply, balancing the nutritional fact. This policy aims that the proper execution of this policy will help to maintain the MDG target on nutrition and hunger. Though, this policy was accepted by the government to ensure food nutrition, it was originated from some development partners to monitor food security issues across countries.

According to the World Bank (2014) Bangladesh is the 8th largest remittances receiving country. World Bank (2014) highlights that the average remittances receiving household in Bangladesh compared to non-remittances receiving households, have twice per capita income (almost 80 percent of their income). From literature, it is more evident that Bangladesh mostly sends lower skilled or no skilled emigrants compared to their counterparts. As a result, SFYP has suggested strengthening the skilled manpower export from non-skilled manpower export. Furthermore, SFYP also suggested finding new destination countries for manpower export with both skill and non-skill combinations.

Bangladesh is the most densely populated country in the world, which also experiencing a demographic transition along with her growth. Currently working age population is much higher than non-working age population, which creates an upward pressure on unemployment and under employment rate. This young age population in the labor force will continue in future due to the population momentum effect. Therefore, strategies for proper utilization of this huge human power into the growth process are a major challenge. Furthermore, this growing labor force has lower access to education (i.e. lower level of human capital), especially women in rural areas are more depraved. SFYP highlights these issues and suggested that technical education and training strategy and associated policies to reduce the gap between poor – non-poor, men-women and under-developed and lagging regions by investing for higher growth to develop the labor force.

Apart from proper utilization of growing labor force into the growth process and employment, SFYP suggests some measure to curb down population growth to reduce the momentum effect in future. Bangladesh has achieved a substantial improvement in reducing the population growth, though it's not enough for this small country. Analyzing the past experiences, SFYP highlights few paths to curb it down, like more access to girls' education, creating awareness on female re-productive health, easing and making available of population control service delivery.

Furthermore, aiming to diverge the economic growth and inequality based on employment effect, SFYP authorized special programs for the under-privileged population i.e., ethnic groups and socially excluded groups and or any natural disaster related vulnerable people. Government has already some measure regarding those socially or naturally vulnerable group of population[2], however, in addition to that SFYP added newer group of population for consideration namely the disable, the elderly, the tribal and children. Most of the recent policies emphasized that fact on employment embedded growth, therefore, re-designing the social protection programs to facilitate and create employment opportunities.

IV. TRADE AND INVESTMENT POLICIES

4.1. Trade Polices

Bangladesh pursued an import-substituting industrialization strategy in the 1970s, the key objectives of which were to safeguard the country's infant industries, reduce the balance of payments deficit, use the scarce foreign exchanges efficiently, ward off international capital market and exchange rate shocks, lessen fiscal imbalance, and to achieve higher economic growth and self-sufficiency of the nation. However, in the face of the failure of such an inward-looking strategy's delivering the desire outcomes along with rising internal and external imbalances, trade policy reforms were introduced in the early 1980s. Since then trade liberalization has become an integral part of Bangladesh's trade policy. Bangladesh has been able to reduce its protection for the domestic sectors quite significantly by undertaking substantial reductions in quantitative restrictions, drastic opening up of trade in many

[2] Strategies for socially vulnerable groups are discussed in details under section XI.

restricted items, significant rationalization and diminution of import tariffs, a move to a freely floating exchange rate system, and considerable adjustments to monetary and fiscal policies. Another important element of trade policy reform was the introduction of generous promotional measures for exports. While import and exchange rate liberalization were intended to correct the domestic incentive structure in the form of reduced protection for import-substituting sectors, export promotion schemes were undertaken to provide exporters with an environment in which the previous bias against export-oriented investment could be reduced significantly. The reform measures and export incentives have witnessed an impressive export performance.

However, one important concern is that the export growth has been overwhelmingly dominated by the readymade garment (RMG) sector alone, which grew taking advantage of the MFA quotas and preferential access in foreign markets. Export responses of all other major commodities have been rather weak. Therefore it is not clear to what extent the policy of liberalization benefited the diversification of the export sector. The government has introduced a number of incentives for export-oriented sectors. However, the RMG sector appears to be the prime beneficiary of these incentives, and for the non-RMG sectors such schemes have been proved to be less effective. Therefore, task of export diversification remains a critical challenge for Bangladesh.

Trade policy during 1972 and 1980 consisted significant import controls. Under the Import Policy Orders (IPOs), items were specified whether their importation were allowed, prohibited or required special authorization. With the exception of a few cases, licenses were required for all other imports. The import-licensing system was subject to criticism for not being sufficiently flexible to ensure its smooth functioning under changing circumstances. Moreover, it was characterized by complexity, deficiency in administration, cumbersome foreign exchange budgeting procedures, poor inter-agency coordination, rigid allocation of licenses and time-consuming procedures (Bhuyan & Rashid, 1993).

Since early 1980s, import liberalization had started to take place. The import-licensing system was abolished and imports were permitted against letters of credit (L/C). The long *Positive List* in the IPOs of importable was replaced by two lists, namely the *Negative List* (for banned items) and the *Restricted List* (for items importable on fulfillment of certain prescribed conditions) and imports of any items outside the lists were allowed. Since 1990, the Negative and Restricted Lists of importable had been consolidated into one list, namely the 'Consolidated List' (Raihan, 2007). The range of products subject to quantitative restrictions (QRs) had been curtailed substantially during 1980s, 1990s and 2000s. Whereas during mid 1980s, about 40 percent of all import lines at the HS-4 digit level was subject to trade-related QRs, these restrictions had drastically been reduced to less than 2 percent towards the end of 2000s (Raihan and Razzaque, 2007).

Beginning from the late 1980s the tariff regime had become increasingly liberalized. In 1991-92 the un-weighted average rate of tariff was around 70 percent (Raihan and Razzaque, 2007) and by 2013-2014 it fell down to 13.2 percent (Sattar, 2014). Much of this reduced protection was achieved through the reduction in the maximum rate. In 1991-92 the maximum tariff rate was 350 percent, which came down to only 25 percent in 2004-2005 (Raihan and Razzaque, 2007), and it has been kept at this rate in recent years. The number of tariff bands was 24 in the 1980s, 18 in the early 1990s and only 4 in recent years (Raihan and Razzaque, 2007). Bangladesh has no tariff quotas, seasonal tariffs and variable import levies (WTO, 2000). All these measures have greatly simplified the tariff regime and helped streamline customs administration procedures. A drastic reduction in un-weighted tariff rates during the 1990s also resulted in the fall in import-weighted tariff rates. The import-weighted average tariff rate declined from 42.1 percent in 1990-91 to around 13 percent towards the end of 2000s (Raihan and Razzaque, 2007).

One important aspect of the tariff structure in Bangladesh relates to the use of import taxes which have protective effects (also known as para-tariffs) over and above the protection provided by customs duties (World Bank, 2004). These taxes have been the infrastructure development surcharge (IDSC), supplementary duties (SD), Regulatory duties. One of the major reasons behind this is because of the fact that though the VAT was instituted in the early 1990s as a revenue replacing tax, the VAT was not successful in early years as the tax base for the VAT was too low. Therefore, it appears that, despite the lowering of customs duties, the presence of para-tariffs did not significantly lower the total protection rate during the 2000s (Table 8).

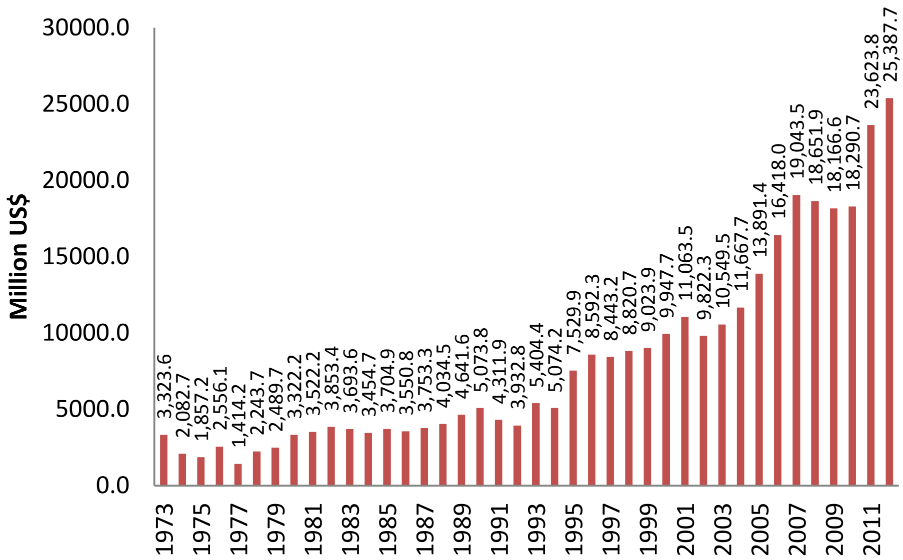
Table 8: Average Custom-duties and Para-tariffs in Bangladesh

Year	Customs Duties	Para-Tariffs	Total protection rate
1991-92	70.6	3.0	73.6
2001-02	21.0	8.4	29.4
2011-12	13.6	12.9	26.5

Source: World Bank (2004) and Sattar (2014)

The liberal import policies led to large growth in imports into Bangladesh as shown in Figure 5. In 1973, total import was only US$ 3,326.6 million, which rose to US$ 5,074.2 million in 1994, and increased further to US$ 25,387.7 million in 2012.

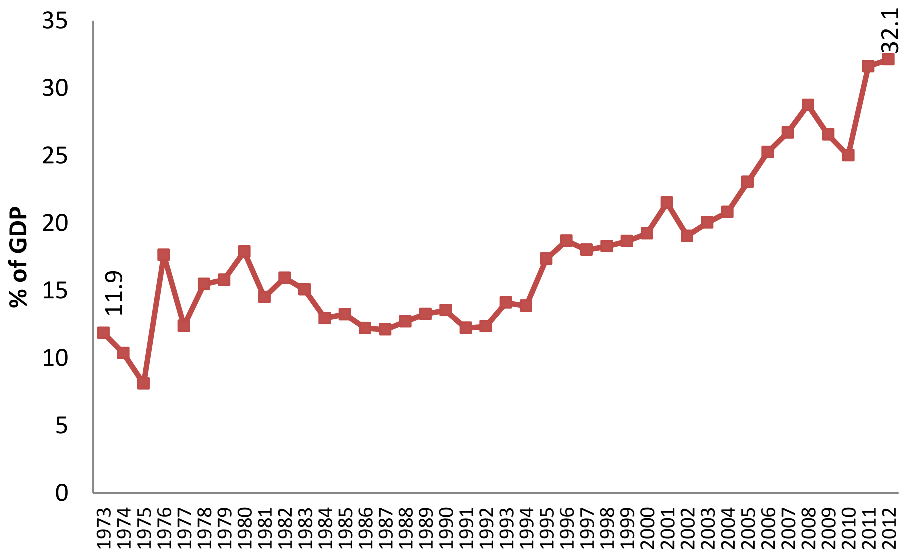
Figure 5: Trend in the total imports into Bangladesh (million US$)



Source: World Development Indicator (2014)

The surge in imports also resulted in rising import penetration ratio, defined as the share of total imports in GDP. Figure 6 shows that the import penetration ratio was only about 12 percent during the early 1970s, and it increased to more than 30 percent in recent years.

Figure 6: Trend in the Import-GDP Ratio in Bangladesh

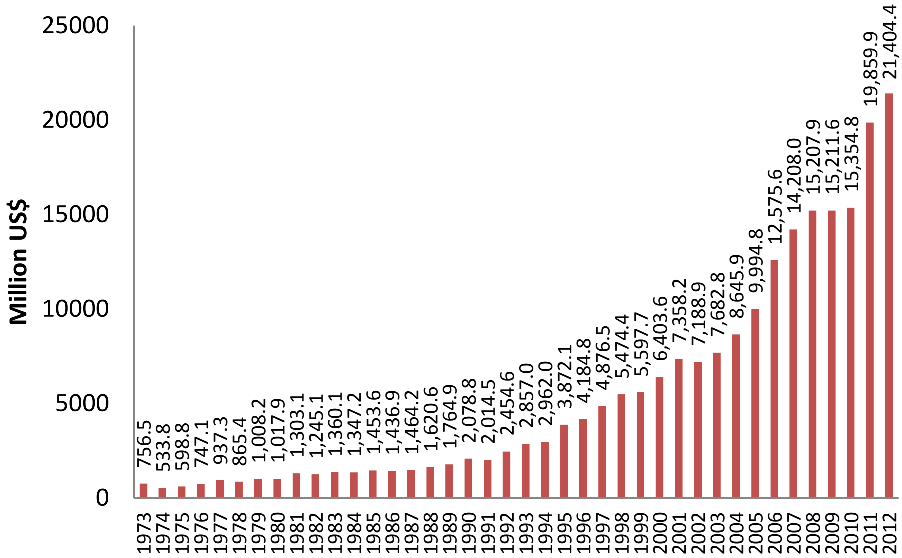


Source: World Development Indicator (2014)

An important element of trade policy reform has been the use of a set of generous support and promotional measures for exports. While the import liberalization was meant to correct the domestic incentive structure in the form of reduced protection for import-substituting sectors, export promotion schemes were undertaken to provide the exporters with an environment where the previous bias against export-oriented investment could be reduced significantly. Important export incentive schemes available in Bangladesh include, amongst others, export performance benefit (XPB), bonded warehouse, duty drawback, duty free import of machinery, back to back letter of credits (L/Cs), cash subsidy, interest rate subsidy, tax holiday, income tax rebate, retention of earnings in foreign currency, export credit guarantee scheme, special facilities for export processing zones (EPZs) (Raihan and Razzaque, 2007). Apart from the incentive schemes, the Government has also provided generous institutional support to the exporters. A few sectors, especially the ready-made garments (RMG), have been major beneficiaries of these reforms.

Extensive export-promotion measures and favorable market access in the EU and USA helped Bangladesh's exports rise remarkably during the past 40 years to so. Figure 7 shows from a figure of only US$ 756.5 million in 1973, Bangladesh's exports increased to US$ 21,404.4 million by 2012.

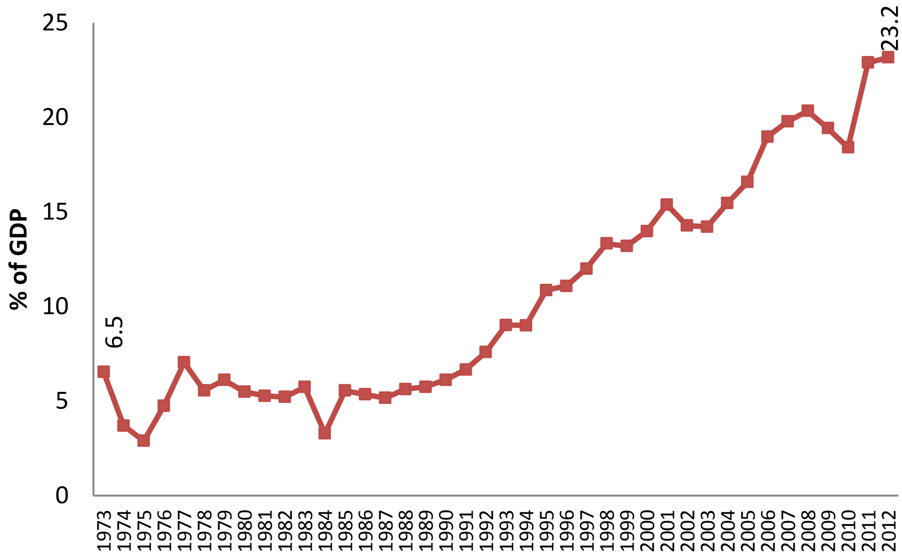
Figure 7: Trends in exports (million US$)



Source: World Development Indicator (2014)

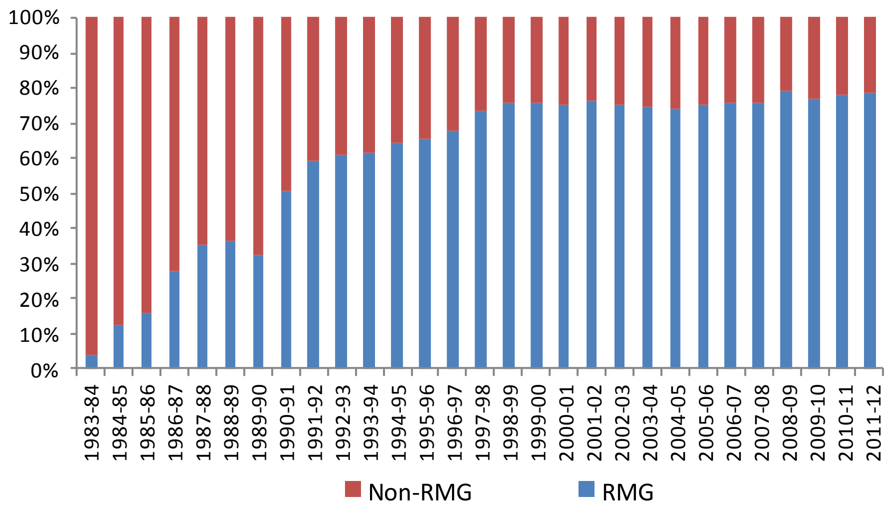
With the considerable rise in export earnings at a rapid pace, the export-orientation ratio, i.e. the ratio of exports to GDP, also rose significantly from only 6.5 percent in 1973 to 23.2 percent in 2012 (Figure 8). Therefore, if one juxtaposes the trade policy regimes and export performance, liberalization programs may be considered to have been successful in energizing exports. However, the export growth is overwhelmingly dominated by the dynamism in the readymade garment sector alone. Figure 9 shows that more than three-quarters of total export earnings, since late 1990s, had been due to woven and knit-RMG products, with the relative significance of all other sectors declining. The growth of Bangladesh's RMG exports had largely been attributable to international trade regime in textiles and clothing, which, until 2004, was governed by the Multi fibre Arrangement (MFA) quotas. The quota system restricted competition in the global market by providing reserved markets for a number of developing countries including Bangladesh, where textiles and clothing items have not been traditional exports. The Duty-free access for Bangladesh's RMG products in the EU has also greatly supported the growth of the sector. Therefore, the policy of trade liberalization is not the only reason for export success, since apart from RMG, export responses of all other major commodities such as raw jute, jute goods, tea, leather and leather products, and frozen food and shrimps have been very weak. Therefore, while on the one hand, there are other more dominant reasons than liberalization for Bangladesh's export success in RMG, export performance of other sectors despite the considerable policy reforms has been disappointing on the other. It is in this context it is argued that mere liberalization of the trade regime does not necessarily guarantee export success.

Figure 8: Trend in the Export-GDP Ratio in Bangladesh



Source: World Development Indicator (2014)

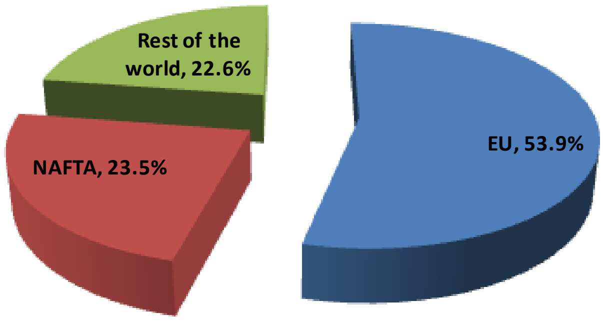
Figure 9: Share of RMG and Non-RMG Exports in Total Exports in Bangladesh



Source: EPB (2014)

It also important to note that, export markets for Bangladesh have been highly concentrated with North America and the EU being the major destinations. In 2012-13, around 54 percent of the country's total exports went to the EU, while another 23.5 percent was destined to the North America (Figure 10).

Figure 10: Regional market share of Bangladesh's export in 2012-13

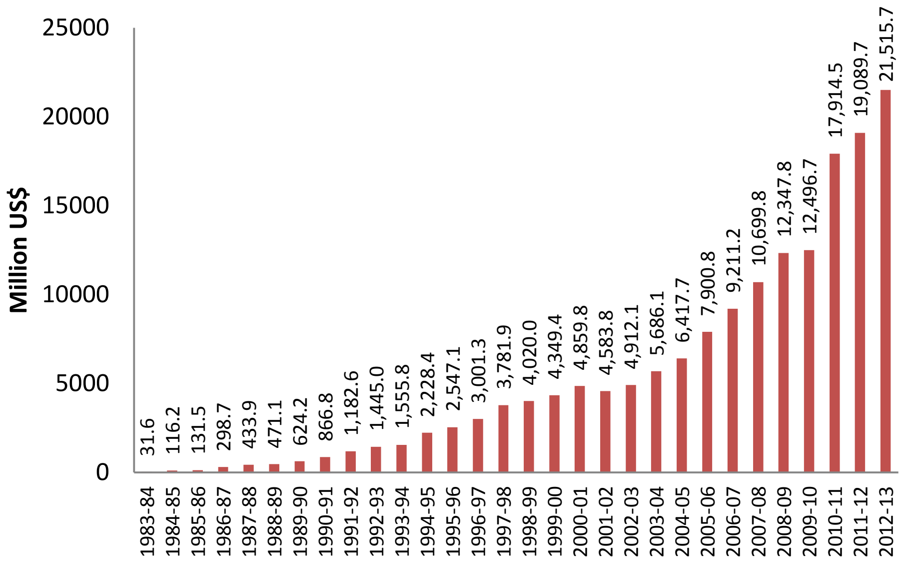


Source: Bangladesh Bank (2013)

It then follows from the above that despite the impressive growth record, the export base and the export markets have remained rather narrow for Bangladesh, which is a matter of great concern. Undiversified exports both in terms of product range and markets are likely to be much more vulnerable to various shocks than well-diversified exports. Despite the policy reforms and various incentives offered, it seems that Bangladesh has failed to develop a diversified export structure.

RMG has been the key export sector, and an important contributor to growth and employment generation, in Bangladesh. Woven and knitwear products are the two main RMG export items. Over the past two and half decades RMGs have emerged as the flagship products of Bangladesh's export trade. Almost unknown in the late 1970s, RMG climbed to its current position of prominence within a short span of time. Figure 11 shows that from a small base of only 31.6 million dollars in 1983-84, RMG exports have grown to more than 21 billion dollars in 2012-13.

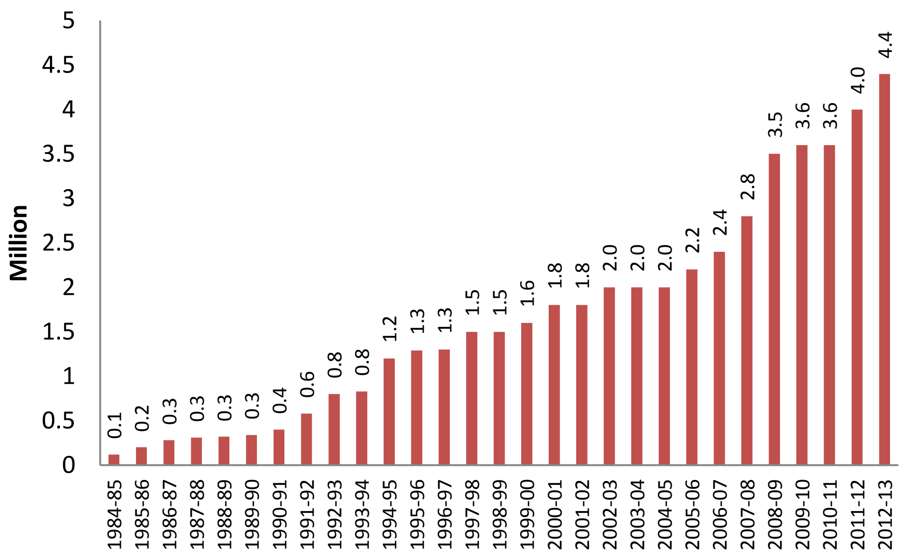
Figure 11: Growth of Bangladesh RMG exports



Source: BGMEA (2014)

Highly labor-intensive nature of production process characterizes the garment industry. Even as late as in 1984, just about 0.1 million people were employed in the export-oriented garment sector, but within the next two and half decades it grew rapidly to more than 4 million in 2012-13 (Figure 12). 80 per cent of the workers employed in the industry are women.

Figure 12: Employment in the RMG sector



Source: BGMEA (2014)

Raihan (2014) argued that the story of the growth of the manufacturing sector in Bangladesh over the past two decades has been the story of success of the RMG sector. RMG has been an important contributor to growth and employment generation in Bangladesh. The growth of RMG exports has favorable effects on macroeconomic balances. It has helped maintain a sustainable trade deficit, which has declined from around 10 per cent of GDP in the early-1980s to less than 5 per cent in recent times. The current account balance (deficit), also improved. This improvement has been accompanied by declining net external assistance flows. In fact, the reduced dependence on foreign aid has been a remarkable development for Bangladesh's economy, which is attributable to the RMG-led robust export growth and the recent surge in remittances. The rising shares of export trade and remittances in the economy brightly contrast the declining significance of foreign aid. In recent times, the ratio of external assistance to GDP has been less than 1 per cent as against of 35 per cent of exports and remittances taken together. It is in this context, the RMG-led export growth is argued to have transformed Bangladesh from a predominantly aid-dependent country to a largely trade-dependent nation. However, question remains whether the current structure of the manufacturing sector will remain as a sustained driver of economic growth and employment creation in Bangladesh in the future because of two reasons. Firstly, given the existing heavy reliance on the RMG sector and weak performance of most of the non-RMG manufacturing sectors, the prospect for sustained and long term growth in the manufacturing sector in Bangladesh remains a challenge. Secondly, it can be argued that the growth in the RMG sector in Bangladesh has also been, to a large extent, driven by some sizeable 'rents' generated in this sector, and there are possibilities of shrinking the sizes of such 'rents' in the future due to both domestic and international factors. There have been five major sources of such 'rents': MFA quota (which no longer exists) and GSPs, different forms of subsidies, tax exemption, maintenance of labor regime, and weak compliance. However, there are threats with regard to the continuation of GSP facilities in the future on grounds of lack of compliance, weak labor standards and conflicting political situations in Bangladesh. There are also budgetary constraints on continuation or enlargement of subsidies or exemption of taxes. A recent study has estimated that the size of the tax forgone in the RMG sector due to the tax exemption facility in recent year could be as high as 6.3 percent of the total tax revenue. Also, recent labor unrest over the hike of the minimum wage in this sector and pressure from the international community have exerted serious challenge over the 'sustainability' of a labor regime which has been maintained with a kind of political settlement over the years. Similarly, 'rent', from lack of compliance, especially with regard to working environment and factory standards, in the context of weak regulatory institutions, has become highly unsustainable due to the serious international pressure for enforcing compliance in the wake of recent incidences of fire and building collapses which resulted in a large number of deaths of RMG workers. All these suggest that the RMG sector in Bangladesh will need to undergo some major structural changes, in the forms of labor practices, compliance and diversification, in the future for its sustainability which will have important implications for the growth of the manufacturing sector as well as for the overall economy.

Raihan (2014) also highlighted that the manufacturing sector, to be a sustained driver of economic growth and employment creation in Bangladesh, needs to put much weight on expanding and diversifying its base. Supporting macroeconomic, trade and industrial policies are needed. The policy-induced and supply-side constraints, that have constricted the growth of non-RMG sectors, need to be addressed. Some of these constraints include lack of investment fund and working capital, high interest rate, shortage of skilled workers, lack of entrepreneurial and managerial skills, poor physical infrastructure, inefficient ports along with high transport costs, weak institutions, poor law and order situation, invisible costs of doing business, etc. However, it should be kept in mind that the way the RMG sector has been able to generate 'rents' is not sustainable and can't be replicated in other sectors. For the promotion of the non-RMG sectors, a well designed and effective industrial policy is needed where monetary and fiscal incentives should be transparent and time-bound.

One of the import issues in the import policy in Bangladesh is the further liberalization of the tariff regime. The main problem with further tariff rationalization is the concern related to the potential revenue shortfalls of the Government. Although the loss in revenue could arguably be made up either by expanding the domestic tax base or by increasing the VAT net or a combination of both, the tax administration in an LDC like Bangladesh is not as flexible as in developed countries for undertaking an increased revenue mobilization effort within a short period of time. Also, increasing the rates of revenue generating tax measures such as VAT is difficult given the dominance of the informal economy.

One difficult alternative for the future is to consider a tariff structure with the highest duty rate lower than the current one, but with necessary adjustment in other slabs (both across tariff lines and rates) so that on the aggregate it can be revenue neutral (or with a marginal effect on revenue) with respect to current collections from import taxes. This arrangement, however, may require considerable readjustment of tariffs rather than replacing the existing tiers with lower rates in a linear fashion. Also, the success in ensuring revenue neutrality will require information on tariff elasticity of imports (and/or price elasticity of import), which might not be readily available. It is to be noted that revenue neutral adjustments in tariff structure will keep the average nominal protection given to the domestic import-substituting activities unchanged and consequently the resultant policy-induced anti-export bias may not be affected.

Nevertheless, it would be unwise to reverse the process of liberalization and thus the progress achieved in the previous decade. The use of para-tariffs in recent years has increased the total protection rates, which appears to be incompatible with the liberalization measures that Bangladesh undertook earlier. It is, therefore, important to ensure the neutrality of supplementary duty and VAT by applying them to the domestic industries in a non-discriminatory fashion, which could contribute to increased government revenue on the one hand, and reduced anti-export bias on the other.

Another scope for tariff liberalization is the mutual exchange of tariff preference under Regional Trading Arrangements (RTAs) and Free Trade Areas (FTAs) involving Bangladesh. Such arrangements may result in significant trade creation with favorable effects on employment generation and poverty alleviation. While Bangladesh remains committed to multilateral trading system, options of trade expansion through regional cooperation should be given serious consideration.

In future Bangladesh may opt for an analytical approach to tariff liberalization. Under this approach there may be scopes to devise the tariff structure in such a way so that it has limited effects on the revenue position of the government, but contributes to lowering high rates of effective protection enjoyed by a number of sectors. Although the outcome may be diminished or unchanged nominal protection for the whole economy, the efficiency gains achieved through reduction in effective protection can be beneficial to resource allocation.

However, across the board tariff reduction may not be desirable not only because of the revenue concern of the government but also because of the need for providing some support to domestic industries with significant growth and poverty alleviation effects. By adopting pro-active and analytical policy regime effective support to the growth of small and informal sector activities with significant poverty alleviation effects can be provided. In fact, policies should be devised in such a way so that trade can act as a tool for development.

Furthermore, the strategy and scope of future tariff liberalization need to be put in the context of intended policy objective. Reduction in import tariffs is to reduce policy-induced anti-export bias, but this does not necessarily imply an improved export response. The existing level of policy bias against export is relatively low and even keeping aside the problem of potential revenue shortfall, it needs to be emphasized that while further reduction in anti-export bias through tariff-cuts is one thing, generating export supply response is another matter. Given a weak performance of non-RMG sectors, in future policy options and/or support measures for exports would be much more difficult and involved than such simple measures as removal of quantitative restrictions and reduction of tariffs.

Export policies and associated incentives are formulated to provide a predictable and secure environment for the exporters. It specifies objectives, designs strategies, and sets up export targets to achieve. Given the constraints to supply response, the export policy can play a significant role in energizing export and bringing diversification into the export basket. However, one major problem has been not having the strategies well- and narrowly defined. Lack of clear guidelines as regards implementation or ways to provide supports may result in ineffectiveness of the strategy. A policy of supporting or undertaking a program itself cannot ensure achievement of objectives.

Policy frameworks need institutions to become effective. In other words, it is institutions through which strategies are ultimately implemented. Besides, trade or export policies usually encompass a number of institutions or departments and coordination of their tasks has important implications for all eligible exporting firms' benefiting from incentives. Therefore, strategies need to be outlined in details and the roles and responsibilities of relevant institutions and departments should be articulated. Lack of coordination and integration in the various elements of export policy strategy has always been a problem in Bangladesh. Since strategies remain too broad, it is difficult to analyze whether they ultimate work or to identify the reasons for not their well-implementation and thus lessons to be learnt for similar future exercises.

For effective export promotion, in addition to the export policies, a set of other complementary policies and programs are critically required. Stabilities of the macroeconomic environment, effectiveness of the export promoting and supporting institutions, and smooth functioning of the financial markets are necessities. Furthermore, the quality of governance should be improved through promoting transparency and accountability, and by reducing the extent of corruption. The government should also take effective role in technology diffusion and in providing appropriate physical infrastructural facilities.

The export-led growth philosophy underscores the need for setting up an incentive structure that overcomes the problem of serious policy-induced anti-export bias. The notion of anti-export bias is related to the trade policy measures that act to favor the import-substituting sector and discriminate against the export activities. The principal route to this 'bias' or discrimination is accomplished by altering the domestic prices. While for exporters it is not possible to influence the world price, import tariffs and quantitative restrictions allow the producers to raise the domestic price of their commodities above the world price. The resultant profitability (and thus relatively high price of import substitutes to export goods) under the shield of protective measures encourages reallocation of resources from the production of exportable to that of import substitutes. Also, policy-induced domestic production may result in increased demand for non-tradable diverting further resources into this sector at the cost of exportable. Bangladesh has liberalized its economy quite considerably now and particularly in the 1990s the pace of liberalization has been very rapid. The trade liberalization has managed to reduce the policy induced anti-export bias at some moderate level. Further liberalization and rationalization of the tariff regime could contribute to improving the incentive for exports.

Supporting the export sector by removing the anti-export bias is one of the most important reasons for undertaking liberalization. However, it is worthwhile enquiring whether the policy induced anti-export bias is the only problem for expanding exports. While tariff rationalization and the liberalization of trade regime is one thing, how far this will stimulate export response is another thing. In the 1990s, Bangladesh's export growth has mainly been driven by RMG and thus it cannot be ascertained whether the liberalization measures or the peculiarities associated with the export markets contributed to the robust export performance. Export response to liberalization in other sectors had been either weak or non-existent. It may be that any significant export response in these sectors can only be stimulated by addressing other demand and supply side problems.

The strategy of export-led growth is to be supported by a more neutral policy regime and accordingly one of the basic objectives of trade reform has been to remove the policy-induced anti-export bias in the domestic economy. The removal of anti-export bias, therefore, will largely depend on correcting the price incentive structure so that resources can be allocated between export and non-export sector on the basis of comparative advantage. Liberalization of such trade restricting measures as high tariffs and quantitative restrictions contributes to the reduction of disincentive to export activities by curtailing the artificially maintained high domestic prices enjoyed by the import-substituting industries. It is important to note that a policy of subsidizing export production can mitigate the negative effects of protection. However, given the fiscal burden of the government such a strategy may not be a viable option especially in the long run.

4.2. Industrial Policy

After the independence in 1971, the government of Bangladesh nationalized all the heavy industries, banks and insurance companies. As a result of this mass nationalization program, by 1972 the nationalized units accounted for 92 percent of the total fixed assets of the manufacturing sector in Bangladesh (Rahman, 1994). Private sector participation was severely restricted to the medium, small and cottage industries (Sobhan, 1990). In 1974, there were some revisions in the industrial policy by relaxing the limits on private investment from 2.5 million taka to 30 million taka, and by providing scope for domestic and foreign private investment.

After the change in political power in 1975, the government moved away from the nationalization program and revised industrial policy with a view to facilitating a greater role for the private sector. Under the Industrial Investment Policy declared in December 1975, several significant changes were incorporated, which included increasing the private investment ceiling to 100 million taka, withdrawing restrictions on private sector participation in large-scale manufacturing, allowing direct foreign investment in the private sector and the reactivation of the Dhaka Stock Exchange (Rahman, 1994). Together with the denationalization and privatization process, the changing industrial policies led to a situation where, by the end of 1970s, only 19 out of 144 industrial sub-sectors remained exclusive to the public sector (World Bank, 1989). These changes led to a policy environment where major thrust has been to support the growth of private sector by amending the exclusive authority of the state in the economy.

During the 1980s, the private sector development agenda became more prominent in industrial policies, and emphasis was placed on a rapid expansion of the private sector in Bangladesh. This process was facilitated by the Structural Adjustment Program (SAP), prescribed by the Bretton Woods Institutions, which was initiated in 1986, with a view to expanding the role of private sector by relying more on the market forces and downsizing the role of the public sector in economic activities. The New Industrial Policy (NIP) was put in place in 1982, which was further modified by the Revised Industrial Policy (RIP) in 1986. The thrusts of these policies were to promote the agenda of private sector development and accelerate the process of privatization of public enterprises. These were accomplished through providing substantial incentives and opportunities for private investment. In addition, restrictions on foreign investments were further relaxed, and in some cases removed. Several incentives were also provided for foreign investment. Steps were also taken to improve the performance of public enterprise. These included the restructuring of public enterprises, greater pricing flexibility, capital restructuring, and the setting up of an improved performance appraisal system for public enterprises (Rahman, 1994).

The SAP was extensively and intensively implemented during the 1990s through various reform measures, and these had also been reflected in the industrial policies during this period. The Industrial Policy of 1991, which was revised in 1992, re-emphasized the leading role of the private sector in the development of industries, and clearly stated that the objective was to shift the role of the government from a 'regulatory' authority to a 'promotional' entity. The 1999 Industrial Policy also emphasized on encouraging domestic and foreign investment in the overall industrial development. This industrial policy also stressed the importance of developing export-oriented industries, creating forward and backward linkages and expanding efficient import-substituting industries in the economy. Apart from some reserved sectors, such as arms, ammunitions and other defense equipment and machinery, production of nuclear energy, forest plantation and mechanized extraction within the bounds of reserved forests and railways and air transportation (except air cargo and domestic air transportation), all other sectors had been made open for private investment. The industrial policy also allowed 100 percent foreign direct investment (FDI), as well as joint ventures, both with a local private partner and with the public sector. The current industrial policy in Bangladesh is the Industrial Policy 2005. The objectives of the Industrial Policy 2005 are to:

- set up planned industries considering the real domestic demand, prospect of exporting goods abroad, and discouraging unplanned industries;
- encourage a private sector led economic development while upholding the government's facilitating role in creating a favorable investment-atmosphere;
- privatize the SOEs and thus accelerating the privatization process;
- industrialize through government initiatives where national interest is involved and where private initiatives are insufficient;
- raise the level of product quality as well as the level of product diversification;
- enhance the value addition in the industrial sector;
- raise the productivity through the use of continuous, appropriate and advanced technology;
- encourage a rapid expansion of the cottage industries and SMEs;
- prioritize the growth of agro-based, agricultural (poultry, dairy, goat-sheep) and agricultural processing industries;
- encourage female entrepreneurs in various sectors with all required assistance;
- expand exports through its diversification;
- assist environment-friendly production, and create pollution-free industrial environment;

- expand the local market and establish more backward linkages to accelerate the export of high value-added garments; and
- develop the industrial sector through proper utilization of the country's resource base.

A number of revenue and fiscal incentives have been mentioned in the Industrial Policy 2005. For example:

- For the same industry there would be no discrimination in terms of custom duty or taxes across public or private sector;
- Tax holiday facility (5-7 years, 10 years in EPZs);
- Accelerated depreciation facility, if tax holiday is unavailable (conditions apply);
- Taxation at a reduced rate, if tax holiday/relief is unavailable;
- Duty concessions on importation of machineries;
- Continuation of the escalating duty structure;
- Special incentives for non-resident Bangladeshis;
- Special revenue facilities for thrust sectors, SMEs and cottage industries.

The Industrial Policy 2005 also encouraged private investment under Build-Operate-Own (BOO)/Build-Operate-Transfer (BOT) modalities in sectors, such as ports, power, transport, communications, and human resources developments. Also, this industrial policy identified few sectors as thrust sectors for the economy. The thrust sector is defined as the sub-sectors having important contribution to the country's industrialization and poverty reduction through positive impacts on GDP, employment and export earnings. Table 9 list the names of the thrust sectors:

Table 9: Sectors Defined as the Thrust Sectors in the Industrial Policy 2005

1. Agro-based and agro-processing industry.	18. Oil and gas.
2. Textiles industry.	19. Silkworm and silk industry.
3. Jute goods and jute-mixed goods.	20. Stuffed toys.
4. Readymade garment industry.	21. Tourism industry.
5. Computer software and ICT goods.	22. Basic chemicals/raw materials used in industries.
6. Electronics.	23. Dye and chemicals used in textiles industry.
7. Light engineering including automobiles.	24. Optical frame.
8. Pharmaceutical goods.	25. Furniture.
9. Leather and leather products.	26. Luggage fashion-based goods.
10. Ceramics.	27. Cosmetics and toiletries.
11. High fashion value added RMG.	28. CR coil.
12. Artificial flower production.	29. Handicrafts.
13. Frozen food.	30. Stationery goods.
14. Integrated shrimp cultivation.	31. Herbal medicines.
15. Flower cultivation.	32. Commercial plantation.
16. Infrastructure.	33. Horticulture.
17. Jewellery and diamond cutting and polishing.	

Source: Industrial Policy, 2005

However a close scrutiny of the sub-sectors reveals that many of the sectors classified as ‘thrust sector’ though may have potentials, are not currently in a position to influence the overall industrialization of the country. Also, given the present situation of some industries, their potentials for employment and export earning generation are doubtful, at least in the near future.

4.3. FDI Policy

Bangladesh offers a range of investment incentives under its industrial policy and export-oriented growth strategy, with few formal distinctions between foreign and domestic private investors. Bangladesh could attract greater foreign investment, which is currently around only 1% of GDP, if it improved the investment climate, developed greater power generation capacity and improved its infrastructure.

The Board of Investment (BOI) and the Bangladesh Export Processing Zones Authority (BEPZA) are the primary investment promotion agencies in Bangladesh. Companies must register with the BOI to obtain benefits such as tax incentives or preferential duties for imported equipment. The BOI also administers the approval of foreign loans and technology remittances on behalf of the Bangladesh Bank. Authority for managing foreign investment remains fragmented: the BOI can register investors in industrial projects outside the Export Processing Zones (EPZs) and assist them with tax inquiries, land acquisition, utility hook-ups, and incorporation. The BEPZA performs the same functions for companies investing in the EPZs; the authorities emphasize that BEPZA provides "one window same day service" to its investors, whereby operational and documentation procedures have been framed to make them simple to use. Investors in infrastructure and natural resource sectors, including power, mineral resources and telecommunications must seek approval from the corresponding government ministries. Although the BOI is housed organizationally in the Prime Minister's Office, regulatory and administrative powers remain vested in the line ministries. For example, foreign investment in telecommunications is regulated by the Bangladesh Telecommunications Regulation Act 2001 and the International Long Distance Telecommunications Services Policy 2010.

Major laws affecting foreign investment include: the Foreign Private Investment (Promotion and Protection) Act of 1980; the Industrial Policy Act of 2005; the Bangladesh Export Processing Zones Authority Act of 1980; the Companies Act of 1994; and the Telecommunications Act of 2001. The Foreign Investment Act guarantees the right of repatriation of invested capital, profits, capital gains, post-tax dividends, and approved royalties and fees.

Legislation offers incentives for investors, including: 100% ownership in most sectors; tax holidays; reduced import duties on capital machinery and spares; duty-free imports for 100% exporters of ready-made garments; and tax exemptions. Beneficiary industries include agro-processing; diamond cutting, steel production, jute industries; some textile sector units; and underground railway, monorail, and telecom infrastructure except for mobile phones. A tax rebate facility to non-resident Bangladeshi investors was also extended to induce investment from abroad. Trade has gradually been liberalized, although import duties and supplemental taxes remain high and constitute the largest single source of government revenue. Customs bonded warehouse facilities are provided to 100% export-oriented industries which can import inputs free of any duty or tax. Industries located in EPZs import inputs free of duty.

There are few performance requirements, and these do not generally impede investment. Free repatriation of profits is allowed and profits are almost fully convertible on the current account. Bangladesh Bank allows repatriation of foreign currency subject to furnishing required documents as specified in the "Guidelines for Foreign Exchange Transactions 2009". The Foreign Investment Act of 1980 bans nationalization or expropriation without adequate compensation, and there have been no instances of foreign property expropriation since the Foreign Investment Act was passed.[3] Although discrimination against foreign investors is not significant, some discriminatory policies and regulations exist. For example, 2006 licensing regulations governing freight-forwarding agents impose higher bonding and capital requirements on foreign-owned companies. Land registration has historically been prone to disputes over competing land titles but the Government has instituted legal reforms to address these problems.

Foreign and domestic private entities can establish and own, operate, and dispose of interests in most types of business enterprises. Four sectors, however, are reserved for government investment: arms and ammunition and other defense equipment and machinery; forest plantation and mechanized extraction within the bounds of reserved forest production; nuclear energy; and mining.

The Foreign Investment Act includes a guarantee of national treatment. National treatment is also provided in bilateral treaties for the promotion and protection of foreign investment. Treaties have been concluded with 29 countries, of which 26 have been ratified. A bilateral treaty between the United States and Bangladesh for the avoidance of double taxation was signed in 2004 and the treaty has been effective for most taxpayers since 2007. There are agreements on avoidance of double taxation between Bangladesh and 27 countries.

4.4. RTA and Bangladesh

Bangladesh has been involved in a number of regional trade and economic agreements, which include the South Asian Free Trade Area (SAFTA), the Asia-Pacific Trade Agreement (APTA), and the Bay of Bengal Initiative for Multi-Sectoral, Technical and Economic Cooperation

[3] In the years immediately following independence in 1971, widespread nationalization resulted in government ownership of over 90 percent of fixed assets in the modern manufacturing sector, as well as all banking and insurance interests, except those in foreign (but non-Pakistani) hands. Domestically owned cotton textiles, jute, and sugar manufacturing units, none of which was owned by foreigners, were placed under government control.

(BIMSTEC). Bangladesh is also engaged in bilateral trade agreements with a number of countries.

Regional integration in South Asia got the momentum in 1995 when the South Asian Association for Regional Cooperation (SAARC) Preferential Trading Arrangement (SAPTA) was signed. In early 2004, the SAARC member countries agreed to form a South Asian Free Trade Area (SAFTA), which has become a parallel initiative to the multilateral trade liberalisation commitments of the south Asian countries. SAFTA has come into force since July 01, 2006, with the aim of boosting intraregional trade among the seven SAARC members. The SAARC was founded in 1985 by seven members: Bangladesh, Bhutan, Maldives, Nepal, India, Pakistan, and Sri Lanka. Afghanistan joined the forum in 2005, and acceded to SAFTA on 7 August 2011. SAFTA was notified to the WTO in 2008.[4] All SAFTA countries maintain negotiated sensitive lists which do not come under the purview of trade liberalization but are reviewed on a periodic basis with a view to lowering the number of products on these lists. As an LDC, Bangladesh has to reduce its tariffs to 0%-5% by 1 January 2016 (instead of 2013). As of December 2011, Bangladesh had reduced tariffs by around 50% from the applied rate of 1 January 2006. On the other hand, non-LDC members of SAARC should have reduced tariffs to 0%-5% for LDCs by 1 January 2009. Bangladesh has excluded around 25% of its tariffs from any tariff-reduction commitments. As of December 2011, Pakistan had reduced and capped all its tariffs at 5%, while Sri Lanka reduced its tariffs to the range of 0-5%. India has unilaterally frontloaded its tariff reduction and has provided duty-free treatment on all but 25 tariff lines (alcohol and tobacco). SAARC members have further agreed to downsize their sensitive lists by 20%.[5] Tariff reduction on the items withdrawn from the sensitive lists would commence on 1 January 2012. The general criteria of SAFTA rules of origin are Change of Tariff Heading (CTH) plus 40% value addition for non-LDCs and CTH plus 30% value addition for LDC members. Product specific rules of origin apply to 191 items. Regional cumulation is allowed under SAFTA, where the regional value addition requirement is 50% of which 20% is to be in the final exporting country. Bangladesh and India are the two largest trading members under SAFTA. The SAARC Framework Agreement on Trade in Services (SATIS) was signed in 2010, and ratified by Bangladesh in the same year. The SATIS allow SAARC countries to provide preferential market access to LDCs. Although a number of SAARC members are yet to ratify the Agreement, negotiations on schedules of commitments have begun.

The 1975 Bangkok Agreement was revised in 2005 and renamed as the Asia-Pacific Trade Agreement (APTA). It is the oldest preferential trade agreement in the region aimed at boosting intra-regional trade. Bangladesh, India, Lao PDR, Korea and Sri Lanka are its founding members, with China acceding to the Bangkok Agreement in 2001. Mongolia is in the process of acceding to APTA. In the APTA, Bangladesh has offered tariff concessions on a small number

[4] WT/COMTD/N/26.

[5] The number of products in the sensitive list applicable to LDC members of SAARC, as of December 2011, are as follows: Afghanistan (858), Bangladesh (987), Bhutan (150), India (25), Maldives (277), Nepal (998), Pakistan (936) and Sri Lanka (845).

of tariff lines (around 3.4%) of its tariff with an average margin of preference of 14%.[6] Since the entry into force of APTA, three rounds of negotiations have been completed. The third round, which entered into force on 1 September 2006, led to tariff concessions among participants on more than 4,000 items, and on an additional 587 products that were offered exclusively to the LDCs. A fourth round is under way to deepen the concessions and widen the coverage of preferences to at least 40% of the number of tariff lines of each member, and at least 20% of the value of bilateral trade. At present, China offers concessions on the largest number of products (1,697) followed by the Republic of Korea (1,367) and both offer tariff concessions on products of export interest to Bangladesh such as jute goods, leather and leather products. Bangladesh made concessions on 209 products, which include products such as coconut, machinery and chemicals; India offers tariff concessions on some 570 items, and two of Bangladesh's major export items (Hilsha fish and Jamdani saree) benefit from duty-free access to India under APTA concessions. The general criterion of APTA rules of origin is 45% value addition for non-LDCs, while the value addition threshold for LDCs is 35%. Regional cumulation is allowed under APTA where the regional value addition requirement is 60% for non-LDCs and 50% for LDCs. The fourth round of negotiations under APTA was launched in October 2007, extending into areas beyond traditional tariff concessions in order to deepen trade cooperation and integration. Under this round, framework agreements on trade in services, trade facilitation and investment have been signed by the parties, and are awaiting ratification. In addition, APTA members are exchanging information on non-tariff measures. Bangladesh has ratified the Framework Agreement on trade facilitation and trade in services.

Bangladesh is a party to the Free Trade Agreement under the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC FTA), which was signed in 2004. The other members are: Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand. BIMSTEC parties have finalized three agreements, namely on trade in goods; on dispute settlement procedures, and mutual cooperation on customs matters, but they are yet to be signed by the members. Although the tariff reduction program had not begun as of 2011, the rules of origin have been agreed upon. Rules of origin for developing members of the forum is 35% plus change of Tariff Sub-Heading (CTSH), while LDC members enjoy a flexibility of 5 percentage points, i.e. 30% along with change in CTSH. Tariff reduction is likely to cover substantially all trade in goods, in the form of reduction and elimination of tariffs, with more flexibility granted to LDCs. Tariff reduction/elimination is divided into two tracks: fast and normal. Under the fast-track approach, which is expected to commence in 2012, tariffs will be eliminated on 10% of all tariff lines of each party within a shorter period. The BIMSTEC free trade area also allows for negative lists, to which no tariff reduction will be granted, but will be reviewed periodically.

The Framework Agreement on Trade Preferential System among the Members States of the Organization of the Islamic Conference (TPS-OIC) was adopted in 1990, but entered into force only in 2002. The first round of negotiations under TPS-OIC, including the tariff-reduction program, was completed in 2005 and is laid out in the Protocol on the Preferential Tariff

[6] WT/COMTD/62/Add.2, 7 March 2008.

Scheme for TPS-OIC (PRETAS). Bangladesh is one of thirteen states that have ratified the PRETAS. The rules of origin requirement under TPS-OIC has also been agreed to by the parties, and is now awaiting the required ratification for entry into force. Bangladesh is one of ten member states that have ratified the rules of origin. TPS-OIC rules of origin require 40% value addition for non-LDC and 30% for LDC members. Under regional cumulation, the content must be 60% for non-LDC and 50% for LDC exporting countries. The PRETAS covers 7% of total national tariff lines of each participating state. While the PRETAS has entered into force with the completion of required ratification, tariff reduction, which is yet to be implemented, will be done according to the following schedule: (i) above 25% is to be reduced to 25%; (ii) above 15% and up to 25% is to be reduced to 10 per cent; (iii) above 10% and up to 15% is to be reduced to 10%. LDC members of OIC are given a three-year grace period for the tariff reduction of products covered under PRETAS. As a result, the above tariff reduction will be carried out in six annual instalments by the LDCs while the same reduction will need to be completed by developing members of OIC in four annual instalments.

The Developing-8 (or D-8) was established in 1997 to promote development cooperation among the following countries: Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. Trade is identified as one of the priority areas of cooperation under D-8 to promote intra-trade among D-8 members, which mainly consists of a select group of OIC member states. The member countries of the D-8 signed a Preferential Tariff Agreement (PTA) in 2006. The PTA entered into force in August 2011. The tariff reduction program adopted similar to that of TPS-OIC. The PTA covers tariff reduction for 8 per cent of all tariff lines for each participating state, with tariff rates above 10%. D-8 members are undertaking necessary measures to implement the following tariff reduction modalities: (i) tariffs above 25% to be reduced to 25%; (ii) tariffs between 15-25% to be reduced to 15%; and (iii) tariffs between 10-15% to be reduced to 10%. Bangladesh, being the only LDC member of D-8, will enjoy a longer implementation period than other members in the Group. As a result, tariff reduction will be implemented over eight annual instalments for LDCs compared to four annual instalments for other members.

Bangladesh is one of the 43 member states of the GSTP. The third round of GSTP negotiations concluded in December 2010, after six years of negotiations, launched at UNCTAD XI in Sao Paulo in 2004. The agreement paves the way for participating countries, or for any other participant to the GSPT wishing to accede to the Sao Paulo Round, for an across-the-board, line-by-line, linear cut of at least 20% on at least 70% of their dutiable tariff lines. Bangladesh did not take part in the third round of negotiations. However, it took part in the previous two rounds held in 1988 and 1992 under which some limited concessions were offered to GSTP participants.

Bangladesh has bilateral trade agreements with 43 countries, namely: Albania, Algeria, Belarus, Bhutan, Brazil, Bulgaria, Cambodia, China, Czech Republic, Egypt, Germany, Hungary, India, Indonesia, Iran, Iraq, Kenya, Democratic People's Republic of Korea, Kuwait, Libya, Malaysia, Mali, Morocco, Myanmar, Nepal, Pakistan, the Philippines, Poland, Romania, Senegal, Sri Lanka, Sudan, Thailand, Turkey, Uganda, Ukraine, the United Arab Emirates, Uzbekistan, Viet Nam, Zambia and Zimbabwe. All the agreements are general in nature and aimed at promoting bilateral trade.

Under the Generalized System of Preferences (GSP), Bangladeshi products currently receive preferential market access from almost all developed Members of the WTO. In addition, Bangladesh is eligible for LDC preferential schemes adopted by emerging countries, including China and India. As an LDC, Bangladesh enjoys duty-free and quota-free access to the EU, mainly through the EU's *Everything But Arms* Initiative (EBA) which was adopted in 2001. As of 1 October 2009, the EBA has granted DFQF access for all products from all LDCs (except arms and ammunitions) as transitional provisions for imports of rice and sugar have been fully liberalized. The EU introduced revised rules of origin for the GSP, as of 1 January 2011, offering further simplification and relaxation of rules in favor of LDCs. In general, the GSP rules of origin stipulate minimum local value content of 30% (mainly manufacturing). In the case of apparels, which is the single most important export item of Bangladesh to the EU markets, LDCs are now allowed to use a single stage of transformation in many cases (i.e. manufacturing from fabric), instead of the two stages of transformation required by the previous rules.[7] The benefits to Bangladesh from the EU's rules-of-origin simplification have been immediate. Exports of woven and knitted garments to the EU increased in 2011 (January - August) by 47% and 35% respectively compared to the same period in the previous year. The overall GSP utilization rate was nearly 80% in 2010, compared to 65% in 2005.[8] The EU remains the largest market for Bangladesh, with its share in total exports accounting for more than 50% over the last five years.

LDCs receive additional preferences under the U.S. GSP scheme for developing countries. In 2009, the US provided duty-free access to 82.4% of its tariff lines.[9] The U.S. applies across the board rules of origin criteria, which is minimum local value content of 35% for all products including apparels. Some products of export interest to Bangladesh are not included in the GSP, such as articles of apparel and clothing, footwear, leather products. As a result, Bangladesh pursues DFQF market access to the U.S. market, in particular under the DDA negotiations. The US is the second largest destination for Bangladesh garment exports. Importantly, Bangladesh is the second largest supplier of woven garments to the U.S. (HS Chapter 62). In 2009, imports were registered on 583 tariff lines with import value of US$3.6 billion. Bangladesh exports to the U.S. under preferences are insignificant. Nearly 99.6% of Bangladesh exports to the U.S. in 2009 entered with MFN duty, 4% of which entered on an MFN duty-free basis. GSP treatment received in 2009 was 0.4% of total exports.[10]

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[7] The new rules of origin applicable within the framework of the EU's GSP were notified by the EU in April 2011, which has been circulated as WT/COMTD/N/4/Add.5.
[8] Figures supplied by Bangladesh authorities on the basis of data from Eurostat.
[9] WT/COMTD/LDC/W/51.
[10] Figures supplied by Bangladesh authorities on the basis of data from USITC website.

Bangladesh is a beneficiary of Canada's Least Developed Country Tariff (LDCT) GSP program, under which most products from LDCs have been made eligible for duty-free entry with effect from 1 January 2003. Bangladeshi exports to Canada have increased considerably since the introduction of flexible rules of origin criteria in 2003. Canada imported goods worth US$0.7 billion from Bangladesh in 2009, 98% of which were entitled to duty-free treatment. For certain items of apparel and clothing, Bangladesh was the second largest exporter to Canada in 2009. The rules-of-origin criteria associated with Canada's GSP program are considered to be flexible. Canadian GSP rules of origin stipulate minimum local value content of 40% (half of which can be cumulated from a GSP beneficiary country) for most products other than apparel. Two possibilities for apparel exist: (i) single transformation (if fabrics are sourced from among the LDCs or Canada), with no value-added requirement; (ii) minimum local value-added of 25% if fabrics are sourced from GSP beneficiary countries.

Bangladesh, along with other LDCs, enjoys duty-free status to Japan which significantly expanded DFQF access to LDCs in 2007, covering 98% of its tariff lines.[11] Concerning rules of origin in general, change in tariff classification rule is followed. Product-specific rules are applied for a number of products (e.g. minimum local-value content of 50 to 60% for electronics, vehicles and some agricultural products). For articles of apparel and clothing, single jumping rule is applied for apparel of woven fabric, while three-stage jumping is required for knitted apparel. In 2010, imports into Japan from Bangladesh registered a value of US$214 million, 98% of which was eligible for duty-free treatment. The principal exports of Bangladesh enjoying duty-free treatment in Japan include raw hides and skins, leather and textile items. Bangladesh could benefit from China's duty-free and quota-free program for LDC products which was launched on 1 July 2010. Currently, the program covers products of 4,788 tariff lines (8-digit level), accounting for 60% of all China's tariff lines. China has reiterated its commitment to further open its market to LDCs by expanding the program's coverage to 97% of all tariff lines. The program was notified to the WTO in 2011.[12] While the rules of origin requirements are not laid out in that notification, the Bangladeshi authorities indicated that the rules-of-origin criteria associated with China's DFQF program stipulate a value addition of 40% or a change of tariff heading (CTH). At present, the LDC DFQF program covers around 92% of Bangladesh's current exports to China. Bangladesh is among the 48 LDCs which are eligible to access India's unilateral Duty-free Tariff Preference Scheme (DFTP). The DFTP has been operational since August 2008, and envisages having 85% of its total tariff lines duty-free by 2012. In addition, tariff concessions will be available on 9% of the tariff lines over the same timeframe, with a prescribed margin of preference, while the remaining 6% of the lines are excluded from any preferential treatment. The DFTP scheme was notified to the WTO in 2011.[13]

[11] In terms of the import value, the coverage of the DFQF to LDCs is well over 99%.
[12] WT/COMTD/N/39, and WT/COMTD/N/39/Add.1/Rev.1
[13] See WTO document WT/COMTD/N/38.

4.5. WTO and Bangladesh

Bangladesh has been a Member of the WTO since 1 January 1995 and applies at least MFN treatment to all countries with which it trades. Bangladesh actively participates in the work of the WTO, advocating in particular the issues of interest to LDCs in the multilateral trading system (MTS). Since the last review, Bangladesh has served twice as the Coordinator of the LDC Group in Geneva, in 2007 and 2011. Greater market access, increased flexibility in the development of multilateral trade rules as well as targeted assistance to trade infrastructure are some of the objectives of Bangladesh in the WTO. It subscribes to the view that the trade regime of the WTO, which is more responsive to the needs of LDCs, could help LDCs better integrate into the global economy.

The main issues of interest to Bangladesh in the DDA negotiations include, *inter alia*, duty-free and quota-free (DFQF) market access with flexible rules of origin, preferential treatment to services and service suppliers of LDCs, transition period to comply with WTO Agreements, such as in the area of TRIPS, trade facilitation, assistance to build capacity to effectively participate in the work of the WTO as well as to tackle supply-side constraints, etc. In addition, as part of the LDC Group, Bangladesh has taken a proactive approach in articulating other LDCs interests in the DDA negotiations, such as agriculture, preference erosion and reasonable resolution of DAC (Disproportionately Affected Country) issues. Bangladesh has extended its support to ending trade distorting policies in cotton.

At the 8th WTO Ministerial Conference in December 2011, Bangladesh acted as the spokesperson for the LDCs and called for an "early harvest" in terms of (i) implementation of Decision 36 of Annex F of the Hong Kong Ministerial Declaration on measures in favor of LDCs; (ii) operationalization of the services waiver; (iii) an ambitious outcome for cotton; and (iv) special and differential treatment for LDCs in other areas of the negotiations.[14]

In the DDA negotiations, Bangladesh has been asking for commercially meaningful DFQF market access for all products originating from all LDCs. Since almost all developed country Members of the WTO now provide nearly total DFQF market access to the LDCs, the prime interest of Bangladesh is to secure DFQF market access mainly in the US market. Bangladesh also attaches importance to the need for simple and flexible preferential rules of origin to facilitate LDC exports. On behalf of the LDC Group, Bangladesh made a submission on preferential rules of origin in 2011, proposing an across-the-board percentage criterion for LDC products.[15] The Bangladesh authorities believe that rules of origin should reflect the manufacturing capacity of the LDCs and the changing dynamics of the global production structure.

[14] Declaration of LDC Trade Ministers' meeting (WT/MIN(11)/13).
[15] The proposal is contained in document TN/CTD/W/30/Rev.2.

Bangladesh is predominantly an exporter of non-agricultural products. In view of its heavy reliance on apparel and clothing exports, the negotiations on non-agricultural market access (NAMA) are of critical importance. While the draft NAMA modalities make provisions for LDCs' market access, the uncertainty surrounding the implementation of Hong Kong DFQF Decision and the proposed treatment of preference erosion in the draft NAMA modalities, has led Bangladesh (along with Cambodia and Nepal) to claim that they are potentially "disproportionately affected countries" (DAC) as a result of granting a longer implementation period of tariff cuts on the tariff lines identified in the draft NAMA modalities.[16] The authorities indicated that they would continue to pursue obtaining the inclusion of its important tariff lines for DAC treatment, so that tariff reduction on those lines is done in accordance with the normal implementation period.[17] Another area of concern to the trade community are sectoral initiatives of the NAMA negotiations, which could harm export interests of LDCs.

Bangladesh takes an active interest in the services negotiations, in particular the liberalization of market access for sectors, and modes of supply of export interest to LDCs. It has been seeking preferential market access for LDC services and service suppliers, in particular temporary movement of natural persons supplying services under mode 4. In 2003 Bangladesh was instrumental, in the adoption of the modalities in the services negotiations for the special treatment for LDCs (document TN/S/13) and more recently in the adoption of the services waiver by the 8th Ministerial Conference of the WTO (document WT/L/847). It will continue to attach priority to enhancing its participation in services trade, including through the operationalization of the services waiver.

Bangladesh champions the cause of various special and differential (S&D) instruments, including longer implementation periods to allow LDCs to comply with WTO rules and disciplines, together with the provision of technical assistance and capacity building.

V. LOCAL FIRMS' INTEGRATION INTO INTERNATIONAL MARKETS: RELEVANT INSTITUTIONS

The process of formulating and implementing trade and trade-related policies in Bangladesh is regulated by several ministries and agencies. The principal responsibility for making trade policy in Bangladesh is shared between the Ministry of Commerce and the Ministry of Finance. Commerce Ministry has the lead in shaping the Government's multilateral, regional and bilateral trade policies, and in dealing with dumping, safeguards and countervailing duties. It does this through the Bangladesh Tariff Commission, the Export Promotion Bureau, and the Office of the Chief Controller of Imports and Exports. The Bangladesh Foreign Trade Institute is responsible for providing analysis. A formal WTO Cell within the Ministry of Commerce handles WTO and other multilateral trade issues. The Ministry of Finance (MoF) makes the

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[16] The latest version of the draft modalities for NAMA is contained in TN/MA/W/103/Rev.3.

[17] A number of Members have considered that slow pace of liberalization proposed for some identified tariff lines would make them disproportionately affected.

final decisions regarding tariffs through the National Board of Revenue (NBR). The NBR is the central authority for tax administration in Bangladesh and is under the Internal Resources Division (IRD) of the MoF.

Under the Ministry of Industries, the Bangladesh Standards and Testing Institute is the main body on standards and the Department of Patent Designs and Trademarks deals with patents, industrial designs and trademarks. Under the Prime Minister's Office, key agencies are: the Privatization Commission, the Board of Investment, the Bangladesh Export Processing Zones Authority and the important Public-Private Partnership Office, which maintains close working relations with the Ministry of Finance. In the area of services, the Bangladesh Bank, controlled by the Ministry of Finance, performs the main functions of a typical monetary and financial sector regulator including the regulation and supervision of banks and non-bank financial institutions, and the development of domestic financial markets.

The following sections give some snapshots about the motives and functions of key public and private institutions that play crucial roles in the trade sector of Bangladesh.

5.1. Public institutions

The Ministry of Commerce

The Ministry of Commerce, Government of the People's Republic of Bangladesh is responsible for overall trade and commerce related activities of Bangladesh. The roles of the Ministry of Commerce include:

- Promoting and regulating the internal commerce. Applying commercial intelligence and statistics and publications thereof. Constructing the companies Act, Partnership Act, 1932, Societies Registration Act, 1860 and the Trade Organizations Ordinance, 1961. Controlling and Organizing the Chamber of Commerce. Regulating the price advising Boards.
- Accountancy including Chartered Accountancy. Monitoring matters relating to vested and abandoned commercial properties.
- Constructing export policies including protocols, treaties agreements and conventions bearing on trade with foreign countries. Reviewing export policies and programs. Regulating and controlling import trade and policies thereof.
- Attending trade delegation to and from abroad, overseas trade, exhibitions and trade representation in consultation with the Ministry of Foreign Affairs.
- Monitoring purchase and supply of internal and external stores.
- Regulating Transit trade through Bangladesh.
- Constructing International Commodity Agreements.
- Performing export promotion including administration of export credit guarantee scheme.
- Monitoring the Tariff Commission, tariff policy, tariff valuation, commonwealth tariff Preference, general and international agreements on tariff.

- Controlling quality, standardizing and marking of the agricultural products/animals products for the purpose of export.
- Administrating the Commercial Wings in Bangladesh missions abroad and appointment of officers and staff thereof.
- Monitoring the secretariat administration including financial matters.
- Liaison with International Organizations and matters relating to treaties and agreements with other countries and world bodies relating to subjects allotted to this Ministry.

Export Promotion Bureau (EPB)

Export Promotion Bureau (EPB) of Bangladesh, under the Ministry of Commerce is a government agency of the country, entrusted with the responsibilities of promoting export of the country. EPB also assists the Ministry in formulating policies related to export of the country. It is mainly responsible for:

- Coordinating export development efforts at different sectors and production levels;
- Formulating and adopting of policy and program for active promotion of exports;
- Coordinating, monitoring and evaluating national export performance and analyzing export trends;
- Carrying out promotional activities in product development and expansion of supply side capacity;
- Exploring markets of exportable items abroad;
- Collecting and disseminating trade information to the stakeholders;
- Organizing participation in international trade fairs abroad;
- Imparting training for human resource development ;

The National Board of Revenue (NBR)

The National Board of Revenue (NBR) is the central authority for tax administration in Bangladesh. Administratively, it is under the Internal Resources Division (IRD) of the Ministry of Finance (MoF). NBR is responsible for:

- Formulating and continuously evaluating tax-policies and tax-laws
- Negotiating tax treaties with foreign governments and participating in inter-ministerial deliberations on economic issues having a bearing on fiscal policies and tax administration
- Collecting domestic revenue (primarily, Import Duties and Taxes, VAT and Income Tax) for the government
- Performing administrative roles for all matters related to taxes, duties and other tax producing fees.

The Bangladesh Tariff Commission

The Bangladesh Tariff Commission, an autonomous advisory public institution of the Ministry of Commerce, works for the protection of indigenous industries facing unfair competition from foreign firms. Any matter relating to the protection of or assistance to domestic industries or the efficient use of resources in any industry may be referred to the Commission by the government or the business community for recommendations on appropriate course of action. The Commission also advises the government inducing greater competition in industrial production; encouraging efficient use of resources in the economy, obtaining greater market access through bilateral, regional and multilateral trade agreements; and taking remedial measures against dumping and other unfair trade practices in respect of imports into Bangladesh. Bangladesh Tariff Commission acts as an advisory body of the Government of Bangladesh. It provides advice through consultations with stakeholders and in-depth study on the following issues:

- All policy issues directly and indirectly affecting trade including tariff policy, import and export policy, industrial policy.
- All bilateral, regional and multilateral trade agreements
- Antidumping, countervailing and safeguard measures through investigation
- Defending Bangladesh’s Interest in various countries.

Bangladesh Bank:

Bangladesh Bank is the central bank and apex regulatory body for the country's monetary and financial system. BB performs all the core functions of a typical monetary and financial sector regulator, and a number of other non-core functions. The major functional areas include:

- Formulation and implementation of monetary and credit policies
- Regulation and supervision of banks and non-bank financial institutions, promotion and development of domestic financial markets
- Management of the country's international reserves
- Issuance of currency notes
- Regulation and supervision of the payment system
- Acting as banker to the government
- Money Laundering Prevention
- Collection and furnishing of credit information
- Implementation of the Foreign exchange regulation Act
- Managing a Deposit Insurance Scheme.

5.2. Private sector policy consultative bodies

There are a number of private sector policy consultative bodies that help to ensure well-coordinated trade policy formulation with positive effects on the performance of domestic and export sectors. The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) is the apex body representing the private sector at the national level. Sector-specific trade associations like Bangladesh Garments Manufacturers and Exporters Association (BGMEA) are also included in the advisory bodies.

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) is the apex trade organization of Bangladesh playing a pivotal role in consultative and advisory capacity, safeguarding the interest of the private sector. FBCCI 's broad objectives and functions are:

- To coordinate and promote the interest of its federating units-Chambers of Commerce, Trade and Industrial Association;
- To project, encourage and safeguard the cause of the private sector through effective participation in the process of consultation and inter-action with the Government, Ministerial Consultative Committees and other inter-ministerial bodies and agencies;
- To assist the Chambers of Commerce and Industry and Associations in organizing of Trade and Industry Fairs in different parts of Bangladesh;
- To collect and disseminate statistical and other information for advancement of trade and industry;
- To study and undertake research for promotion and growth of trade and industry;
- It maintains close relation with Overseas National Chambers of Commerce and other Trade and Industrial Associations including related economic organization;
- The FBCCI as the Apex Trade Organization plays the pivotal role in consultative and advisory capacity in formulation of Commercial, Industrial and Fiscal policies at the national level. It has been playing a very vital role in all Forum of the Government and Economic Development organizations for mutual sharing of views on all vital issues concerning and affecting the national economy;
- FBCCI represents the Private Sector in different permanent committees of the Government and autonomous bodies;
- FBCCI also represents the Private Sector in various Committees and Task Forces on specific issues, constituted by the Government from time to time.

Metropolitan Chamber of Commerce & Industry, Dhaka (MCCI)

Metropolitan Chamber of Commerce & Industry, Dhaka (MCCI) is the oldest and most representative trade organization of Bangladesh. The chamber has a long history of joint collaboration, corporate understanding and maintains very high group effort among the trade bodies and governments around the world about collaborative approaches in solving business problems and reaching solutions like Singapore Malay Chamber of Commerce, Turkish Industries and Business's Association, Istanbul, the China Council for the Promotion of International Trade – Jinan Sub-Council, the Warsaw Chamber of Commerce, Confederation of Indian Industries (CII), Thai Chamber of Commerce, Bengal Chamber of Commerce, Bangladesh Foreign Trade Institute, Bangladesh International Arbitration Center, Business Initiative Leading Development and few others. MCCI is one of the 28 partners of SAARC Trade Promotion Network and the only Private Sector Liaison Officer Network of Enterprise Outreach Service (EOS) of the World Bank Group in Bangladesh. Members have great access to these networks and can connect with the private sector around the world.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

The Bangladesh garment manufacturers and exporters association is one of the largest trade associations in the country representing the readymade garment industry, particularly the woven garments, knitwear and sweater sub-sectors with equal importance. Starting its journey in 1983 till today BGMEA is involved in the policy advocacy to the government for the garment industry.

Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA)

Bangladesh knitwear manufacturers and exporters association was formed to protect the interest of the sector, to promote and develop the market and the sector, to build the capacity of the sector, to enhance the social compliance status, to raise the basic rights education and awareness, to improve productivity improvement and to facilitate arbitration.

The Leather goods and Footwear Manufacturers and Exporters Association of Bangladesh (LFMEAB)

The Leather goods and Footwear Manufacturers and Exporters Association of Bangladesh (LFMEAB) is the recognized trade body that represents most of the major export oriented manufacturers & exporters of leather goods & footwear in Bangladesh. The fundamental objective of LFMEAB is to establish a healthy business environment for a close and mutually beneficial relationship between the local manufacturers & exporters of leather footwear & leather goods and foreign buyers.

Bangladesh Shrimp and Fish Foundation (BSFF)

Bangladesh Shrimp and Fish Foundation (BSFF) is a non-profit private research and advocacy organization created through a USAID project. It is one of the leading organizations in fisheries sector of Bangladesh.

VI. MICROFINANCE AND OTHER TYPES OF NON/QUASI STATE DEVELOPMENT INITIATIVES INVOLVING NGOS

Over the last 15 years Bangladesh has shown stark progress on a number of social indicators mostly due to multifaceted service provision regime. With the expansion of the services by Non –governmental Organizations (NGOs) during this period, the possibility of scaling up innovative anti- poverty experiments into nationwide programs has become evident. Innovations in providing access to credit to previously “unbanked” poor, development of a non-formal education system for poor children, particularly girls and door to door health service through thousands of village-based community health workers are some of the notable ones. Despite a strong patriarchal society, the large portion of NGO beneficiaries comprising of poor women is evidence of the institutionalization of a large segment of NGO beneficiaries.

Delivery of social services and pro-poor advocacy are not the only unique features of NGOs. They have developed commercial ventures aimed at creating a bridge between poor farmers and input output market and internal revenue generation model as well. Their pro-poor services have become an indispensable part of national poverty reduction targets through providing pro-poor services.

NGOs identify themselves according to their spread of operation within the sector. There are about 2000 development NGOs, some of which are among the largest of such organizations in the world. Big NGOs such as BRAC, ASA and PROSIKA have tens of thousands of employees and multi-million-dollar budgets with their operations spreading throughout the nation. Other NGOs are mostly smaller in scale and spread with limited managerial and staff capacity.

Microfinance is one of the key reasons behind the growing presence of NGOs’. Micro-credit now reaches as many as 43 per cent of all Bangladeshi households and about 70 per cent of poor households. The sector is dominated by the Grameen Bank, BRAC, ASA, and Proshika, which between them lend to almost 87 per cent of all borrowers from non-government microfinance institutions. Though micro-credit generally has succeeded in its outreach towards the poor, however several geographical pockets still prevail where the numbers are relatively low. In contrast with popular perception, a significant number of poorest Bangladeshis are micro-credit group members, although the participation is potent to amplify through scaling up of successful financial services inclusion of the extreme poor.

The effect of micro-credit on smoothing livelihoods and diminishing family powerlessness to regular and different stuns is of discriminating criticalness to the rustic poor. Enhancements in key social markers of prosperity are additionally connected with micro-credit acquiring, most quite measures of female strengthening, youngsters' educating, and wellbeing status. These social increases to a limited extent reflect the corresponding social activation, preparing, and mindfulness raising exercises that regularly run as one with micro-credit. While micro-credit has brought profits to getting families, these have not been sufficiently expansive to have had a critical effect on group level work creation and development. The solid accentuation on budgetary supportability, indispensable to the part's prosperity, has prompted contention about purportedly high investment rates. The similar under regulation of microfinance likewise postures clear dangers.

NGOs use rural based group health laborers to give door-to-door health administrations, concentrating fundamentally on preventive consideration and basic remedial nurture ladies and youngsters. While an across the nation system of these NGO para-experts is effectively stretching out medicinal services to huge quantities of poor family units, NGO office based consideration is generally inadequate. Subsequently, while consumptions by NGOs on wellbeing have become altogether since the mid-1990s, they constitute just around one-third of open part uses and short of what 10 every penny of aggregate consumptions on wellbeing (the last incorporate family spending on private consideration). NGOs additionally help wellbeing results by giving water and sanitation administrations, with eminent triumphs in group based projects advancing behavioral change. Accomplishments in wellbeing incorporate projects on kid nourishment and tuberculosis treatment in organization with the legislature.

Around 1.5 million children which is about 8.0% of primary enrollment are in NGO run schools which is the most popular form of non-formal primary education. It's highly skewed as only BRAC is receiving three fourths of donor resources and also accounting for the similar share of primary enrollment in NNGO schools. BRAC has also franchised its model to 200 other smaller NGOs to deliver non-formal education.

Donors provide financing to NGOs in a number of ways the common form being for specific projects. If the needs are large, funds donor funds are pooled and a donor –liaison function is introduced to coordinate support and cut on transaction costs for the NGOs. Often, when donors provide fund for the entire project, the institutions transform into a new legal entity at the end of the funding period. As partnerships with smaller NGOs appear to bear high transaction cost, wholesale vehicles like fund managing agencies are more relied upon now-a-days for which smaller NGOs compete.

VII. GEOGRAPHY AND ITS RELATIONSHIP WITH ECONOMY

Bangladesh is among the most densely-populated countries in the world with nearly 160 million inhabitants on a landmass of 147,570 square kilometres. Geography here is a key determinant of development. The country is bounded by India on the west, north, and north-east, Myanmar on the south-east, and the Bay of Bengal on the south. 80% of its area consists of floodplains created by more than 300 rivers and channels, including three major rivers: the Ganges, the Brahmaputra, and the Meghna.

Some major opportunities for Bangladesh are growing importance of South Asia in International politics, its geo-political importance for neighbor countries such as land locked neighbors like Nepal and Bhutan who are interested to use its sea ports (e.g. Chittagong Sea port) which could foster the country's strategic position in South Asia.

On the other hand, Bangladesh's geographical position and high population density makes it vulnerable to natural disasters like floods, drought and cyclones. Global climate change has increased these vulnerabilities manifold. Anywhere from 30% to 50% of the country is affected by floods every year. In the past decade, the country has become better prepared to deal with weather uncertainty and emergency responses, making recent events less deadly than earlier disasters. However, climate change is increasing Bangladesh's frequency and severity of weather events. The long-run impact of climate change is uncertain, but it is estimated that a four degree rise in global temperature would raise the sea level by 100cm by 2100, inundating 15% of the country's land area and displacing 20 million people. Thus, adaptation to climate change enhancement preparedness to deal with disasters related to it are key policy priorities for Bangladesh.

VIII. INFRASTRUCTURE

Infrastructure and doing business indicators in Bangladesh remain substantially weaker than those achieved in other region of the world. According to the World Bank's Logistic Performance Index (LPI), Bangladesh is behind all South Asian countries (except Afghanistan) in 2014 (Table 10).

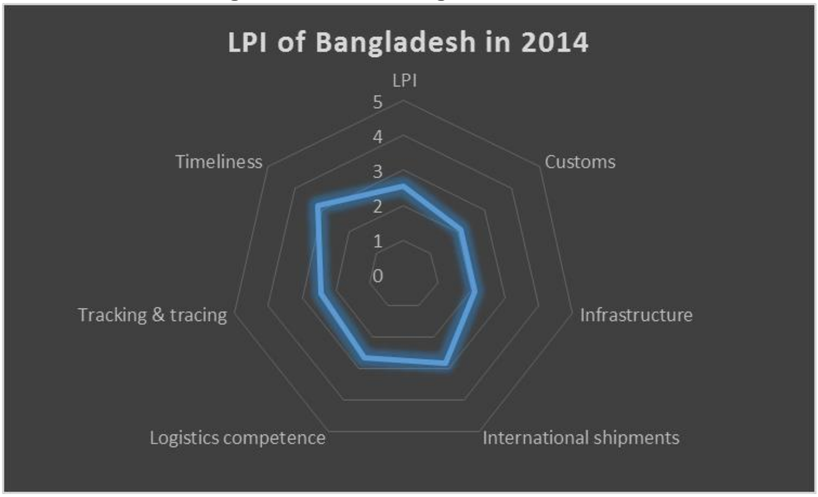
Table 10: LPI Ranking of South Asian Countries in 2014

Country	Overall LPI	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
India	54	65	58	44	52	57	51
Pakistan	72	58	69	56	75	86	123
Maldives	82	49	82	72	74	92	148
Sri Lanka	89	84	126	115	66	85	85
Nepal	105	123	122	104	107	87	92
Bangladesh	108	138	138	80	93	122	75
Afghanistan	158	137	158	156	152	159	149

Source: Source: LPI 2014, World Bank
Note: Ranking is among 160 countries

Figure 13 shows the LPI scores of Bangladesh. In all 6 indicators, Bangladesh's scores are much lower than the best values.

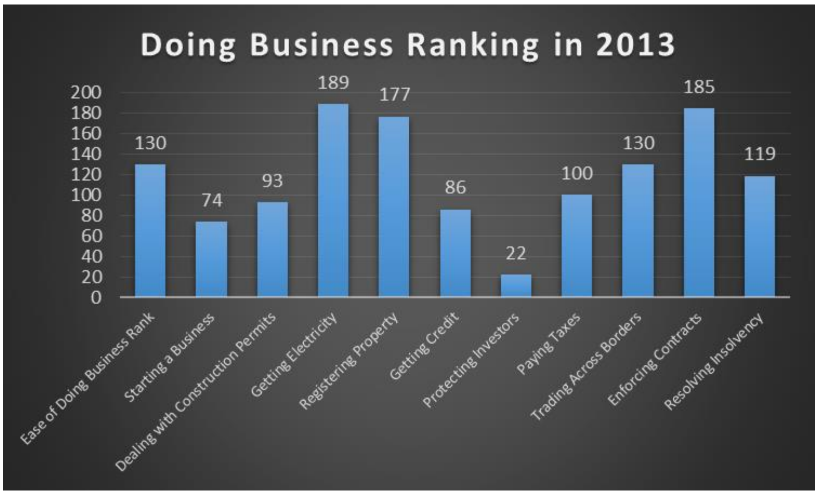
Figure 13: LPI of Bangladesh in 2014



Source: LPI, World Bank

The Doing Business Indicators show that Bangladesh is in far behind many developing countries in terms of business environment. Apart from 'protecting investors' in all other indicators, the performance is very poor (Figure 14).

Figure 14: Doing Business Ranking of Bangladesh in 2013



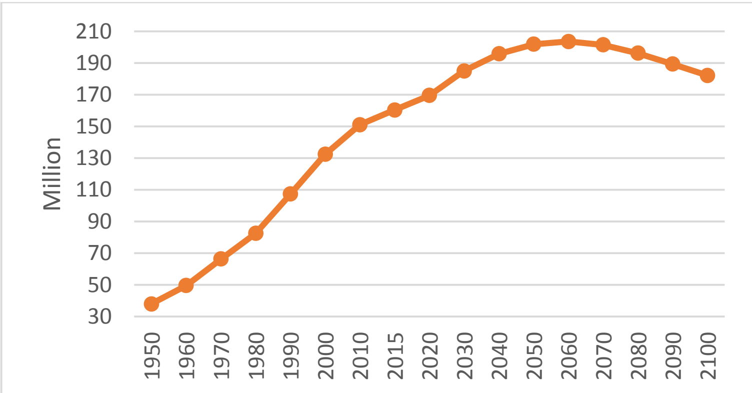
Source: Doing Business Survey, World Bank

IX. DEMOGRAPHIC TRENDS

Bangladesh is the most densely populated country in the world, excluding city-states such as Singapore, Bahrain, and the Vatican. During the past century, the population of Bangladesh has increased exponentially. Between 2001 and 2011, about 19.8 million people were added to the population, which represents a 15 percent increase and a 1.37 percent annual growth rate. Between the 2001 and 2011 censuses, life expectancy in Bangladesh increased by about two years for males and by more than three years for females. Female life expectancy is slightly higher than male life expectancy (69 years versus 67 years).

The country is now experiencing a demographic transition. The continuous decline of the natural growth rate is expected to lead to a smaller population increase in the coming decades. In comparison with other countries in the region, this population growth rate places Bangladesh in an intermediate position between low-growth countries, such as Thailand, Sri Lanka, and Myanmar, and medium-growth countries, such as India and Malaysia (BBS, 2011a). The 2010 projections by the United Nations estimated that the population of Bangladesh in 2050 would be about 194 million (medium variant) (Figure 15) and 226 million (high variant (UN, 2010).

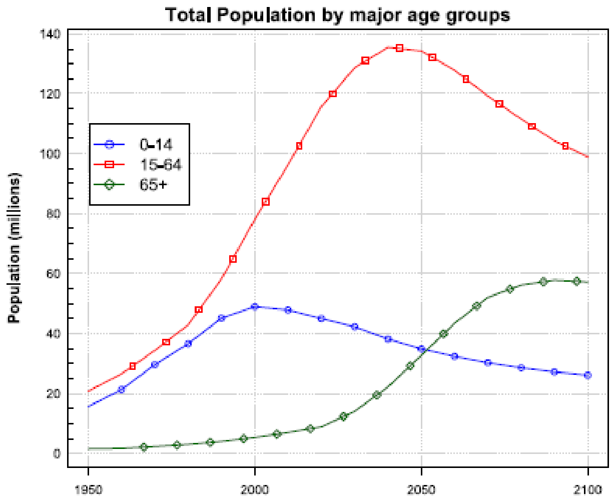
Figure 15: Bangladesh Population (thousands) Medium variant 1950-2100



Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: The 2012 Revision*, http://esa.un.org/unpd/wpp/index.htm

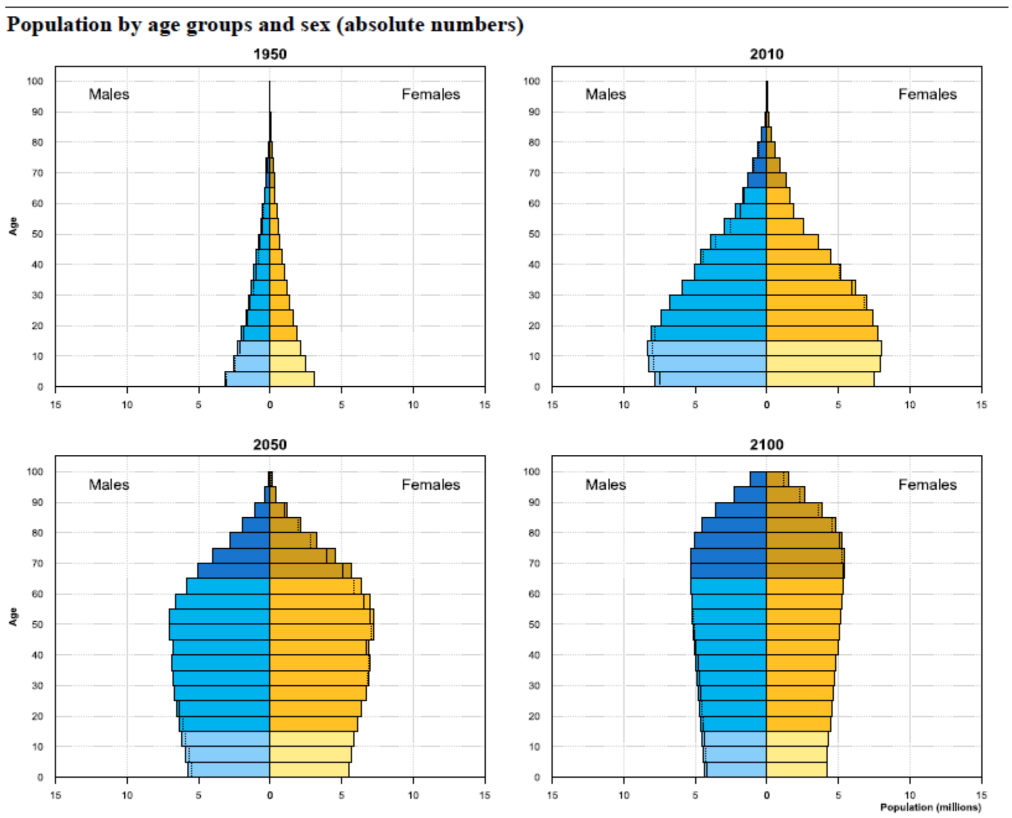
Figure 16 and 17 however show that Bangladesh is enjoying a demographic dividend as the working age population will continue to rise until late 2040s.

Figure 16: Total Population by Major Age Groups



Source: United Nations Department of Economic and Social Affairs/Population Division
World Population Prospects: The 2012 Revision, Volume II: Demographic Profiles

Figure 17: Population Pyramid of Bangladesh



Note: The dotted line indicates the excess male or female population in certain age groups. The data are in thousands or millions.

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: The 2012 Revision*, http://esa.un.org/unpd/wpp/index.htm

X. LABOR MARKET AND ITS REGULATION

The legal system regarding labor is more than a century old in Bangladesh. The first labor law has been enacted in the Indian sub-continent during the British period in 1881(Hossain, Ahmed and Akter, 2010). Subsequently, the British Government introduced several laws concerning different labor issues, e.g., working hour, employment of children, maternity benefit, trade union activities, wage, etc. The Factories Act (1881), Workmen's Compensation Act (1923), Trade Unions Act (1926), Trade Disputes Act(1929), Payment of Wages Act (1936), Maternity Benefit Act (1939), and the Employment of Children Act (1938) are remarkable labor laws enacted during the British period (Jabbar, 2003). After the separation of the Indian sub-continent in 1947, almost all the laws during the pre-partition period have been kept in force with some modifications and amendments, in the form of administrative rules, by the government of Pakistan (Hossain, Ahmed and Akter, 2010). After the independence in 1971, the government of Bangladesh retained the previous laws through the Bangladesh Laws Order (President's Order No. 48). It also enacted additional laws in response to the changing circumstances and needs of the working class and the country. In 2006, the country adopted the revised Bangladesh Labor Law (BLL) of 2006.

The BLL (Bangladesh Labor Laws) is fairly comprehensive and progressive with a consolidation and updating of the 25 separate acts. It’s comprehensiveness is immediately evident from its conditions of coverage of service and employment, youth employment, maternity benefit, health and hygiene, safety, welfare, working hours and leave, wages and payment, compensation for workers in injury, trade unions and industrial relations, disputes, labor court, participation of workers in companies’ profits, regulation of employment and safety of dock workers, provident funds, apprenticeship, penalty and procedure, administration, inspection, etc. (Jabbar, 2003). By removing certain old and diverse ambiguities and aligning the labor law system with the core conventions of ILO has made BLL a development consideration. On the removal of ambiguities, the definition of a “worker” is now very specific. Another example may be the exclusion under the term “wages” of the following items - expense for housing facilities like lighting and water supply, contribution of employers to the provident fund, traveling allowances and other sums paid to worker that are needed to cover work-related expenses (Jabbar, 2003). The BLL is also an advance because of its wider coverage, for example, workers and staff of hospitals, nursing homes and even non-governmental organizations are now covered by the law. Moreover, certain welfare and social benefits have been improved or instituted, e.g., death benefit (financial support to family of deceased worker), application of provident fund benefit to all workers in the private sector, expansion of maternity benefit from 12 to 16 weeks, adoption of group insurance for establishments with 200 or more workers, and increased compensation for employee in work-related injury, disability and death (Hossain, Ahmed and Akter, 2010).

Employment generation is key to raising productivity in the economy. Employers, workers and other outfits play a vital role in this regard. Maintaining industrial relations, labor welfare, industrial dispute settlement, skill development training and workers' education are also important to scale up the productivity of the labor force (BER, 2014). In this regard, some of the policies taken by Government of Bangladesh are as follows:

Skill Development Training

By instructing our huge unemployed labor force, human resources development could be achieved which would thus help to attain a sustainable economic-development. The Bureau of Manpower, Employment and Training has established 26 Technical Training Centers (TTC) among these TTCs, 6 centers have been set up exclusively for women where around 2000trainees are trained up each year for the overseas job markets. Bangladesh Institute of Marine Technology and Technical Training Centers have been providing scholarships to the trainees of a total of 38 training centers. The Government has also established four industry related training centers in Dhaka, Rajshahi, Khulna and Chittagong where skill development training is provided.

Women Development and Training

Comprising almost half of our total population, women are also a major share of the labor force. Hence, it's important to incorporate them into the labor force. To encourage our women society in developmental work there are 6 women handicraft training center in 6 divisions particularly for women. Every year those centers give training to 4320 woman, who are getting employment opportunities in our country and foreign country. With the help of Sheikh Fazilatunnesa Mujib Female handicraft training center every year 10000 young woman learn practical knowledge and take training like housekeeping trade and setup their career in abroad.

Reforms Undertaken to Ensure Labor Welfare

The Government is aware of the importance and need of protecting labor interests and improving their living standards as well. The Ministry of Labor and Employment has taken a few steps in this regard. To guarantee improved living conditions of the labor force, the Government has declared minimum wage award to 32 industries out of 42; the retirement age of laborers has been raised from 57 up to 60 by amending relevant labor law; new labor policy as "Bangladesh Labour Act, 2012" has been declared.

XI. SOCIAL POLICY AND ITS RELATIONSHIP TO EMPLOYMENT

Safety net programs have always been at the core of the anti-poverty strategy of previous governments. It mainly addresses two issues in Bangladesh, which are namely; risk and vulnerability. However, with the erosion of informal safety nets, rapid urbanization and economic integration worldwide along with political democratization spurring mitigation demands poses as crucial strategic issues now. Hence, a total restructuring of the safety nets or more broadly, of the social protection policies is needed. Safety nets, different types of social insurance, labor market policies, self-help etc are components of social protection. Thus, risk reduction and social protection are not only desired goals in themselves but rather a necessity to mitigate the negative psychological consequences on the works of the poor community in the face of unaddressed risk and vulnerability. The revised budget of 2011-12 had TK 172374.7 million in social protection which was 10.69% of budget for this fiscal period and 1.88% of GDP (Table 11).

Table 11: Expense on Social Protection: Budget (Taka in million)

	Expense (2011-12)
Total: (Social Protection - Taka)	172374.7
Social Protection (% to Budget)	10.69
Social Protection (% to GDP)	1.88

Source: Budget Documents

Depending on the economic situation and hardship, policy makers announces different types of measure to overcome it. Most of the individual assistance programs related to adverse conditions are for the poor people or the lower income group people. In Bangladesh, these policies are known as the poverty reduction and social safety net programs. Government has some programs to increase rate and coverage of allowances for the poor elderly citizens, destitute women, insolvent freedom fighters, physically handicapped and orphans to take them out of poverty.

Social safety net programs exist in Bangladesh can broadly be divided into the following groups: Cash transfer (mainly directly targeting the poor individuals or family); Income support to supplement consumption of the poor households; Conditional transfer to poor households (condition that these households will send their children to school); Access to or ownership of income-generating assets and house for the ultra-poor's; Creation of employment opportunities for the ultra-poor through providing collateral free credit, public works programs and various rural development programs (Roy et al., 2012).

11.1. Cash Transfer Programs under Social Safety-net Programs

Some selected cash transfer programs under the overall social safety-net program are briefly stated as follows:

Old-Age Allowance Program: The Government started this program in consideration of the socio-economic condition of destitute, neglected and financially insolvent elderly citizens. Under this scheme, initially 10 very poor elderly persons (5 males and 5 females) from each ward of a union throughout the country were given a monthly pension.

Allowance for the Physically Challenged Insolvent Citizens: To provide subsistence to the physically challenged insolvent citizens, the Ministry of Social Welfare is implementing this program.

Allowance Program for Widowed, Deserted and Destitute Women: This program was introduced to provide to the rural poor and destitute women specially the widowed and deserted women. The program for destitute, divorced, separated or abandoned women is popularly known as "Destitute Women's Allowance" (DWA) program and the beneficiaries are defined as aged 60 and above, landless, sick, disabled. However, those who work as a day laborer, domestic help or lead the life of a vagabond are also not eligible.

Maternity Allowance for Poor Women: This program was introduced for providing a monthly allowance as providing support to scale up nutrition for new-born babies and mothers and build awareness of mothers by providing training on health, nutrition and other issues.

Honorarium Program for Insolvent Freedom Fighters: This program is meant for improving the standard of living of freedom fighters. Apart from that a new *Training and Self-Employment Program for Insolvent Freedom Fighters and Their Dependents*: is introduced to train up the freedom fighters and their dependents for developing their skill and making them eligible for self-employment.

11.2. Conditional Transfer/Assistance Programs

Some selected conditional transfer programs under the overall social safety-net program are briefly stated as follows:

Stipend for Primary Education (PESP): Stipend for primary education is also known as the Food for education (FFE). FFE program was first introduced in 1993/94 and renamed it as PESP in July 2002. Primarily it is designed to support poor families by providing cash support so that they send their children to school. The program has four objectives: (a) increased school enrolment, (b) better school attendance, (c) lower dropout rates, and (d) higher quality of primary education. Children of households headed by destitute and widowed women, daily laborers, low-income tradesmen (potter, carpenter, cobbler, fisherman, etc.) and landless families owning less than 0.5 acre of land are eligible for cash for education program.

Vulnerable Group Development (VGD) Program: Under this program, beneficiaries receive food assistance.

Vulnerable Group Feeding (VGF) and Rural Infrastructure Maintenance Program (Test Relief-TR): The Ministry of Food and Disaster Management allocates food grains under the TR program. Moreover, the Government has been implementing diverse projects along with sector wise diversified program namely Employment Generation Program for the Ultra poor, National Service, Special Program for Irrigation and Waterlogging, Child Development Centre, Service and Assistance Centers for the Disables, Ekti Bari Ekti Khamar are the major ones.

Employment Generation Program for the Ultra Poor: In line with 100 days' employment generation program introduced in FY 2008-09, the Government launched similar larger program giving preference to the ultra-poor and capable unemployed people of rural areas all over the country. The objectives of these programs are (a) employment generation and enhancing purchasing power of the ultra-poor (b) creating assets for the poor (c) build up small-scale infrastructures and their maintenance and environmental development in rural areas.

Ekti Bari Ekti Khamar (One House, One Farm): The Rural Development and Cooperative Division has been implementing Ekti Bari Ekti Khamar (One House One Farm) as a priority project in 17,388 villages (9 villages from each Union) of 483 upazilas since 2009. The main objectives of the project are to: convert every house of the targeted villages into effective farm, establish 5 demonstration firms with credit facilities and ensure maximum utilization of rural assets including non-resident land owners' land. The project supplies cows, poultry, tin for houses, tree plants and seeds of various vegetables according to the need of the people and establish families as the main center of economic activities through village organizations.

XII. EDUCATION SYSTEM AND ITS RELATIONSHIP TO EMPLOYMENT

More than 40 percent workers in Bangladesh have no education. The proportion of high educated workforce is very small (Table 12). Most workers in Bangladesh are employed in the informal sector, with agriculture as the major sector of employment. The informal sector provided 80 per cent of the employment out of some 46 million people employed in the total economy. Despite accounting for just 21 per cent of GDP, the agriculture sector provided employment to over 50 percent of the labor force. Overseas employment has also become a significant source of employment. Every year about 250,000 Bangladeshis migrated abroad and about three million people of Bangladeshi origin lived and worked abroad around 2005 (World Bank 2006). These numbers have been rising; the estimate of Bureau of Manpower, Employment and Training (BMET) is that the yearly migration of workers currently is around 400,000.

Table 12: Labor force (15 years and +) by level of education in 2010 (% share)

	Total			Rural			Urban		
	Total	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
No education	40.1	39.9	40.6	44.1	44.1	44.1	27.1	26.1	29.3
Class i-v	22.8	22.9	22.7	22.9	23.2	22.3	22.6	22	23.9
Class vi-viii	14.3	13.8	15.3	13.6	13	15	16.4	16.5	16.3
Class ix-x	9	8.3	10.5	8.8	8	10.5	9.6	9.1	10.7
SSC/equivalent	6.2	6.5	5.6	5.5	5.8	4.8	8.5	8.8	7.9
HSC/equivalent	3.7	4	3	2.8	3.1	2.1	6.6	6.9	6
Bachelor degree/equivalent	2.1	2.5	1.2	1.3	1.6	0.7	4.6	5.4	2.8
Master degree/equivalent	1.4	1.7	0.8	0.8	1	0.3	3.6	4.1	2.4
Medical degree/engineering	0.2	0.2	0.1	0	0.1	0	0.6	0.8	0.4
Technical education/vocational	0.1	0.2	0.1	0.1	0.1	0.1	0.3	0.4	0.1

Others	0	0	0	0	0	0	0	0	0.1

Source: LFS 2010

Primary responsibility for overseeing the pre-employment training rests with two agencies: the Directorate of Technical Education (DTE) and the Bangladesh Technical Education Board (BTEB). The vocational and technical education (VTE) programs regulated by the BTEB attached to the Ministry of Education offer courses of one to four years duration after the junior secondary level (grade 8). The courses are offered by vocational training institutes, polytechnics, commercial institutes, technical training centers and specialized institutes. Private sector institutions are increasing, especially in the IT sector, in response to opportunity for work abroad as skilled and semi-skilled workers.

Certificate level courses (post-class 8) in various trades and skills are offered in approximately 100 public sector institutions (under Ministry of Education and Ministry of Labour and Employment—MoLE) and some 1,500 non-government institutions, other than secondary schools with vocational courses. The introduction of vocational courses as part of SSC and HSC and business course at the HSC level by the DTE (so far in approximately 1,200 institutions at SSC level and 500 at both SSC and HSC levels) has helped to raise the share of post-primary student enrolment in VTE somewhat. But it is still only around 2 per cent of enrolment after grade 8.

Diploma level courses (post-grade 10) were offered in some 600 institutions, the large majority of them in the private sector, including the higher secondary schools or colleges. The MoLE offers skill training in the Institute of Marine Technology and 13 Technical Training Centers. Another 22 Centers are in the process of being established. The trades offered in TTC's, after junior secondary general education, are taught through two yearly modules. The first module qualifies the trainee for the National Skill Standard III (Semi-skilled worker) and the second module meets the requirements for National Skill Standard II (skilled worker). The Centers also can offer tailor-made basic trade courses of 360 hours' duration in various trades for students of schools and madrasas or other interested groups. The TTCs produce 15,000 skilled persons per year through regular and special courses.

The Department of Youth Development (DYD) in the Ministry of Youth and Sports (MoYS) runs training of 1 to 6 months' duration on various trades with the aim of helping trainees engage in self-employment or paid employment. A 3-month long residential training course on livestock, poultry, and fish culture is offered in 47 training centers in 47 districts. Training of 6 months duration on computer, electronics, electric house wiring, and refrigeration and air conditioning is offered in some of the centers. The Department also provides training for women on dressmaking and block and batik printing in all districts. In addition, short-duration mobile training courses are offered at the upazila level.

Ministry of Women's and Children's Affairs provides short courses for women in such areas as poultry, dairy, livestock, food processing, plumbing and electronics, which have local demand. Other providers of these kinds of courses are the Ministry of Social Welfare, the Directorate of Ansar and the Village Defense Party (VDP) under the Home Ministry and the Bangladesh Small and Cottage Industries Corporation (BSCIC).

The sub-sector is characterized by paradoxes. People with vocational/technical skills are in short supply, but there is evidence that there is a mismatch of jobs and skills; the difference in remuneration for skilled and unskilled workers has narrowed which is an indication that the training content and quality are not valued highly in the market. Those with training often remain unemployed or cannot find employment in their area of training—an evidence of mismatch and poor quality of training.

The 2002-03 Labor Force Survey estimated that for every single person in the labor force with a technical/vocational qualification there are more than 104 others who have completed SSC or HSC; and 34 others who have gone onto a university degree or higher. At the same time, employers' perception is that the products from the vocational system are not meeting their needs; that the system continues to produce graduates for old and marginal trades, which have no market demand, while skill needs for newer trades remain unmet (World Bank 2006).

There are very limited opportunities for organized vocational and technical skill development (in contrast to informal skill development through on-the job experience and traditional apprenticeship) for the size of the population in Bangladesh is the defining characteristic of this sub-sector. Informal and traditional apprenticeship and on-the-job experience are the means for creating most of the skills that keep the bulk of the economy and production of the country running. A master craftsman, himself inheriting the skill from his father or another "master," training his assistants in exchange for free labor or a reduced wage, produces such skills as welding, turning, bricklaying, carpentry, furniture making, electrical maintenance, plumbing, bicycle repair, motor repair and so on. Not enough is known about the system and its strength and weaknesses. An attempt to bring the system under official regulation may not be a good idea. However, maintaining an overview of the system and considering how the more formal training programs of the government and the private sector can complement and supplement the informal system can enhance the effectiveness of the total nationwide skill generation capacity.

Stated government policies and goals are to increase substantially the proportion of post-primary students enrolling in VTE. The equity effect of this expansion is dependent on three interconnected questions: (a) the extent the clientele of the programs is the disadvantaged and poor segments of the population, (b) how effective the programs are in imparting sellable skills, and (c) whether there is an impact of the training programs on increasing employment opportunities and raising income of the poor.

The impact of public sector VTE on poverty alleviation is undermined in two ways. It mainly serves young males who have completed at least the eighth grade. This rule outs those who do not survive in the education system up to grade 9, mostly the poor. Secondly, failure to diversify its clientele and to make the program more flexible, adaptable and responsive to market needs and geared to the informal economy means that VTE is failing to help the poor improve their employment and income.

A wider clientele including the poor can be served to the extent that skill development activities adopt more non-formal, flexible and variable-duration approaches with eligibility criteria not strictly tied to formal education. There are many questions, as noted earlier, about internal efficiency and external effectiveness of programs and their actual contribution to poverty alleviation.

Should there be increased investment in vocational/technical education and what form should it take? Given the quality and relevance problems, especially in the public institutions, and mismatch of skills and jobs, just expanding what exists today would be hardly justifiable. On the other hand, there is shortage of appropriate skills and prospects for greater overseas employment opportunities. There is also a need to increase quality and opportunity for in-service training and apprenticeship as a part of a well-designed VET system. However, investing in the system does not necessarily mean that all of it has to be public financing.

National Skill Development Council (NSDC) has been established as the apex body for policy formulation on skill development with representation from the government, employers, workers and civil society. The National Skill Development Policy 2011 has been prepared under the auspices of the Council. This policy provides the vision and direction for skills development over coming years, setting out the major reforms that government will implement in partnership with industry, workers and civil society.

The critical issues related to the management, quality and relevance of the vocational education and training point to the need for new strategies. These would include new forms of public-private alliance, greater flexibility and market-responsive approaches, better links between jobs and training, and government lead in creating the conditions for defining and implementing these strategies. The new Skill Development Council has to pay special attention to strategic approaches noted below.

With an emphasis on the need to expand and improve quality and efficiency in skill development and, at the same time, contribute to generating employment and income for the poor, the public sector policy and programs need to find their spheres of comparative advantages. Experience in many developing countries has shown that the public sector finds it difficult to provide market-responsive and cost-effective skill training. A greater role has to be accorded to the private sector and various ways of public-private collaboration should be promoted. Direct public effort, in addition to overall policy-making and general system oversight, needs to be focused mainly on two areas: (a) support to collaborative programs with the private sector and non-governmental organizations including development of new modes of collaboration based on relevant international experience, and (b) enhance quality and efficiency of public sector programs and, through public-private collaboration, also of private sector programs. The Education Policy proposal for establishing vocational training institutions should be designed applying these criteria, rather than just replication of the present inefficient model (See below regarding linking training and jobs).

More than in any other area, vocational and technical education and trainin[g] has to be alert and responsive to signals from the job market. This responsiveness requires a change in mindset to move from essentially a focus on supply to attention to demand. Several interconnected measures are needed including: (a) opportunity for employers and entrepreneurs to influence policies and programs, (b) capacity and authority of individual institutions to assess local job markets and adjust programs including short and part-time courses, (c) possibility of public institutions to be at least partially self-supporting through providing appropriate commercial services and products that also offer hands-on experience to trainees, (d) cooperation with micro-credit providers to support self-employment of trainees, (e) special training courses, preferably in cooperation with the private sector, in response to overseas labor market opportunities, and (e) a strategy of skill development that promotes complementarity of public and private training activities including incentives for apprenticeship in service and production industries.

Further diversification of clientele and programs beyond the limited efforts made so far is necessary. Measures that need to be considered are: (a) more attention to underprivileged groups who do not make it to grade 8 or the SSC level by offering modular courses in income generatin[g] and self-employment skills linked to local market prospects, (b) exploring ways of supporting skill development in the informal sector through collaboration with NGOs and small entrepreneurs, and (c) more emphasis in technical education to upgrading of employed technicians and entrepreneurial training, information and advice to graduates.

Improving efficiency of programs and ensuring better value for money in the public sector would require: (a) recognizing that maintaining quality and credibility of skill training must be a high priority; and necessary resources have to be provided for equipment, skilled staff and consumable items for this purpose; (b) each institution to be made accountable for use of the resources including mobilization of at least some of the resources and for results based on agreed indicators; (c) providing government support to non-governmental institutions and organizations, (d) training of trainers and introduction of appropriate technologies and equipment, and (e) effective monitoring and assessment of performance of students, teachers and institutions and marketability of the trainees.

Collaboration with non-government training providers to widen opportunities for the poor can take the form of paying for training on per trainee basis in effective non-government programs, training instructors and helping with teaching materials and equipment, and development of policies conducive to complementarily and cooperation of government and non-government providers.

People with vocational/technical skills are in short supply, but there is evidence that there is a mismatch of jobs and skills; the difference in remuneration for skilled and unskilled workers

has narrowed which is an indication that the training content and quality are not valued highly in the market. Those with training often remain unemployed or cannot find employment in their area of training—an evidence of mismatch and poor quality of training.
Employers' perception is that the products from the vocational system are not meeting their needs; that system continues to produce graduates for old and marginal trades, which have no market demand, while skill needs for newer trades remain unmet (World Bank 2006). Very limited opportunities for organized vocational and technical skill development for the size of the population in Bangladesh. For improving the link between training and job markets vocational and technical education and training has to be alert and responsive to signals from job market.

XIII. EVOLUTION OF POLITICAL REGIME AND THE ROLE OF THE STATE IN ECONOMY

13.1. Regime during 1971 and 1975

After gaining independence from Pakistan in 1971, Bangladesh followed a strategy of "public-sector dominated economy" by nationalized industries under the Awami League led government regime of 1071-75. There were huge shortages of essential food grain and other staples as a result of wartime disruptions which led to three major gaps such as food, fiscal and balance of payments. The first five year plan was initiated in 1973 with a view of achieving a "socialistic economy". External markets for jute had been lost because of the instability of supply and the increasing popularity of synthetic substitutes. Foreign exchange resources were minuscule, and the banking and monetary systems were unreliable. Although Bangladesh had a large work force, the vast reserves of under trained and underpaid workers were largely illiterate, unskilled, and underemployed. Commercially exploitable industrial resources, except for natural gas, were lacking. Inflation, especially for essential consumer goods, ran between 300 and 400 percent. A crippled transportation system from the war of liberation where hundreds of road and railroad bridges had been destroyed or damaged, and rolling stock was inadequate and in poor repair. The new nation was still undergoing recovery from severe cyclone that hit in 1970, causing 250,000 deaths.

Throughout 1972-75, there have been severe lack of consensus between political parties on fundamental issues like the nature of private property ownership, ownership of the means of production and the policies and institutions needed to establish a socialist economy. During this time, it included three major gaps such as food, fiscal and balance of payments. Macro economy of the country was also characterized by low per capita income, low savings, low investment, and low productivity. Moreover, several destabilizing factors e.g. successive bad harvests due to droughts and floods and effects of the world-wide inflation and adverse movements in the terms of trade during the period created acute economic crisis. Along with a limited natural resource base, mounting population pressure (growing at a rate of about 3 per cent per year) and worsening economic situation, the sharp increases in oil prices and the concomitant decline in commodity prices resulted in severe external payments difficulties for the country. While agricultural production remained in the private sector, about 85 per cent of total industrial assets were brought under the public ownership. A ceiling on private investment in any industrial enterprise was fixed at Tk. 2.5 million with private foreign investment allowed only in participation with public enterprise. The predominant theme of development prospects of the country at the time was one of negative images with bleak possibilities of long term growth. Some observers even dubbed the country's take-off possibility as 'the test case of development' (Faaland and Parkinson 1975). Nonetheless, two significant developments of this period are firstly the emergence of the social safety net programs such as the Food for Works (FFW) and the Vulnerable Group Feeding (VGF) programs which continued to play important roles in the development efforts in subsequent years both as a means of developing rural infrastructure and as a system of targeted distribution of food grains to the extreme poor groups and secondly, policy emphasis on controlling the growth of population, which continued to receive priority as a national development goal in subsequent political regimes. The government was overthrown by military coups d' e'tat in August 1975.

13.2. Regime during 1976 and 1972

During 1976 and 1981, under the regime of the Military dictator General Zia Ur Rahman, a A fundamental shift occurred in the political philosophy and development strategy during the regime of Military dictator General Zia Ur Rahman spanning 1976-1981, which abandoned the strategy of the state-led economic development and emphasized a greater role for the private enterprises. This new and "Market Friendly" policy stance gained significant support from the donor community resulting in increased inflows of foreign assistance. An increasingly aid dependent economy began to encourage greater private sector participation in the economy by late 1975, a pattern that follows till date. Many state-owned enterprises like banking, telecommunication, aviation, media, and jute have been privatized. However public sector inefficiency is on the rise along with increased external resistance against the need for developing natural resources as well as power sectors including infrastructure have contributed to slowing economic growth.

This shift in economic policy approach filled two noteworthy needs: i) it affirmed that the state was no more a socialist one which helped the administration later to win the certainty and backing of western forces; ii) it in the long run set the stage for the progressive administrations of the nation to set out on the arrangement changes of the WB and IMF. The changed regime stressed a more prominent part for the private undertakings in all circles of monetary movement including exchange and industry for which measures were started for privatization of little scale endeavors, evacuation of limitations on private segment interest in the assembling division, and liberalization of the trade. Furthermore, a few measures especially in the range of monetary and credit approaches were received to advance the private area. In industry, liberal monetary support was made accessible under the state support through the improvement financial organizations (Dfis) both as credits and value capital by the state to supplement private value in private undertakings. An arrangement was likewise embraced to disinvest or exchange open ventures without limit as to the scale or the scale of operation. Such a system of advancing the DFI-supported ‘Industrial Capitalism’, be that as it may, was not effective in bringing the craved modern development. One essential component of the disappointment of the private undertakings to become rested with the political economy amid the period. The political administration (another military administration that came to power in 1975 and was concerned with gaining authenticity) received the DFI channel of giving mechanical capital all the more as a conductor of preparing the important political help instead of as a segment of a cognizant technique of open financing of private modern improvement. This brought about the advancement of an enormous 'default society' in the modern fund, the long haul results of which still frequent the money related area. The strategy administration of the horticulture part, in spite of a few changes in appropriation strategies, was described by a financed government-drove inputs conveyance framework to advance the 'green revolution' alongside attention on creating the provincial foundation through the rustic works programs. A large family planning drive was additionally launched to capture the rate of populace development. The new and 'market friendly' strategy stance of the administration got noteworthy backing from the benefactor group bringing about expanded inflows of foreign aid. The execution of the outside segment enrolled enhancements both because of more noteworthy help inflows and expanding settlements from the abroad specialists, which developed as a generally new wellspring of foreign trade profit of the nation. The recuperation to the pre independence level was attained to in 1981 with an every capita GNP of US $ 239(us $ 237 in 1970). Correspondingly, the terrible national funds as an offer of GDP was 14 every penny in 1970 which recuperated to such a level just in 1981 from a low of 9 every penny in the mid-1970s. The exchange rate additionally recouped in a comparable manner. In general, the macroeconomic essentials recuperated to their "ordinary" levels by the early-1980s by defeating the stuns and turbulence of the 1970s. The economy got to be more subject to remote help with outer aid to GNP proportion climbing to 6 every penny in 1981. The degree between outside support and terrible speculation expanded to 34 every penny while the offer of help and stock imports arrived at 46 every penny in 1981. With a low local asset preparation, more than 90 every penny of the administration's improvement plan was financed through concessional help streams into the nation. Such a high dependence on outside help was obviously unsustainable over the long haul and the issue of 'emergency of outer reliance' developed as a significant concern of the period.

13.3. Regime during 1983 and 1990

General Ershad took the power and imposed a martial law in 1983after the murder of General Zia in 1981, and continued his regime until 1990 before he was ousted through a huge democratic upsurge in 1990. During 1983 and 1990, economic growth was hampered by inefficiencies in key economic sectors and severe industrial and infrastructure bottlenecks. The situation was aggravated by inappropriate macroeconomic policies pursued by the government like over-expansionary fiscal and monetary policies and their inconsistent applications, poor performance of the public enterprises, inadequate pricing and institutional policies and inefficiency in the development administration and management. The military regime of the period started with a 'big bang' approach to privatization and economic reforms including setting up of private banks and insurance companies and creating local government structures at the sub-district (upazila) level. However, the policies failed in terms of growth, equity an stability. Low and inelastic revenue collection made fiscal conditions structurally weak in the face of rapidly rising government expenditure which was propelled more by current expenditure of the government rather than social and development needs. Moreover, the fragile fiscal conditions led to excessive monetary expansion creating high inflationary pressures and lack of access to credit to private entrepreneurs. These impediments to growth were compounded by adverse weather, particularly the successive floods of 1987 and 1988, which seriously disrupted agricultural production and the rural economy. There exists two conflicting features in the economy where on one hand weak production bases are constraining the country's export performance while on the other hand strong domestic demand is fueling import demands.

The adoption of economic reforms under the adjustment programs of the IMF and the World Bank has been a significant development in the arena of economic policy of the period in the face of growing macroeconomic instability and slow economic growth. A significant array of deregulation and structural adjustment measures were initiated as a part of it to strengthen productive capacity and promote economic growth through ensuring domestic and external stability to raise both domestic investment and savings and to improve the efficiency of production and resource allocation by relaxing the restrictive industrial regulations and liberalizing the trade policies. Even then, the adjustment program due to not being backed by strong social and political commitment, failed to provide any realistic policy framework.

The pursuit of the policies of household deregulation and disentanglement of the exchange administration, alongside modification in the administrative system and attention on foundation advancement, denoted the start of a procedure of grew part for private speculation. The boundaries to passage were diminished through the selection of strategies for making liberal modern and import-authorizing plans and remote coordinated effort. The continuous liberalization of the import policy, the imports of liberalized capital goods, the methodology of depending more on duty as opposed to on quantitative limitations for managing imports and securing the household business, the presentation of fare advancement measures and sponsorships to counterbalance the opposition to fare inclination of the current arrangements started to increase expanding grounds in outside division administration. Fantastic development in some non-customary fares, especially in the fare of readymade pieces of clothing and pharmaceutical industry were watched. Out of sight of the ingenuity of a "frail" express, the NGOs and the common society associations (CSOs) developed as vocal common associations and essential option instruments in guaranteeing star poor conveyance of microcredit and other social administrations. The period likewise saw the slow extension of the focused on methodology to aid the poor and the helpless gatherings (particularly the troubled ladies) in upgrading their emergency adapting limit amid regular catastrophes and troublesome and incline periods through different mediations like the nourishment supported projects (e.g. Sustenance for Works, Vulnerable Group Feeding, Test

Relief and Gratuitous Relief), rustic foundation improvement projects and microcredit programs. Thus, social pointers like the youngster death rate, all out richness rate and the grade school enlistment rate demonstrated alluring patterns

13.4. Regime during 1991 and 1995

Bangladesh saw the beginning of a democratic transition in 1991 through the newly formed Bangladesh Nationalist Party led government for the 1991-96 period. The government continued with accelerated deregulation and liberalization with structural changes in trade policies in the early 1990s, which resulted in significant reduction in tariff and non-tariff barriers. . The deregulation in the industrial sector, however, was slow and generated mixed outcomes. The emergence of the dynamic RMG sector has been a significant positive achievement although the rest of the manufacturing sector (with a few exceptions like the pharmaceutical industry) suffered from deep-rooted governance, finance, infrastructure and other problems calling for deeper and wider reforms.

From 1991 to 1993, the administration effectively emulated an enhanced structural adjustment facility (ESAF) with the International Monetary Fund (IMF) yet neglected to finish on changes in expansive part in view of distraction with the legislature's residential political inconveniences. Notwithstanding, the pace of execution of particular changes differed extensively. The changes in the money related, mechanical and financial divisions experienced generally abate usage while the changes in the outer part were far reaching and quick. A significant duty change, notwithstanding, was dispatched amid the period that prompted the presentation of the worth included assessment (VAT). With moderate changes, the money related area was tormented with an expansive volume of non-performing advances alongside poor administration and lacking administrative and lawful environment. The base segment, where a great part of the framework procurement and upkeep (e.g. power, information transfers, lines, ports, and street system) was the obligation of general society division, gave truly inadequate quality and amount of administrations without powerful approach and administrative structure for private provisioning of these administrations. The mechanical segment experienced colossal misfortunes of the SOEs without deeper changes. The effectiveness and development of the modern division, notwithstanding the fast development of the readymade pieces of clothing commercial ventures, was obliged by wasteful administration of open mechanical undertakings, absence of entrepreneurial conduct of the private speculators, and the disappointment of the nation to draw in sufficient remote venture In spite of the advancement in deregulating the info markets, moderate extension of local interest (especially for the real yield, rice, because of low wage flexibility of interest and diminishment in the populace development rate), lacking fare introduction of the horticultural items, low profit of non-rice yields, and inadequate water administration, base and advertising administrations made imperatives on the development of agrarian creation and benefit. The outside division changes of the period were composed at supporting and decreasing levies and other import expenses, and disposing of import preclusions and quantitative limitations. The arrangements for fare advancement underlined the need to differentiate the fare base, invigorate higher worth included fares, enhance the nature of fares, and create regressive linkage commercial ventures. For giving motivating forces to the exporters, uncommon reinforced stockrooms and fare handling zones (EPZs) were made and obligation disadvantages and different frameworks (e.g. fare credit ensures, pay expense discount, assessment occasion and different motivations) were presented. The legislature supplanted the arrangement of keeping up a numerous swapping scale framework by a bound together conversion standard in 1992 and the residential money (Taka) was pegged to a coin weighted wicker bin. A strategy of inching degrading was received to keep up conversion standard adaptability and fare intensity. The openness proportion, as measured by profession (stock fares and imports) to Gross domestic product degree, expanded from 20 every penny to 28 every penny somewhere around 1990 and 1995 contrasted with one and only rate point increment somewhere around 1985 and 1990. A few improvements of the period e.g. low rates of swelling, enhanced outside division execution, and changes in the legislature's monetary position made some level of good faith in regards to the accomplishment of macroeconomic adjustment and the likelihood of move to a higher development way. As opposed to the peripheral increment in the occurrence of neediness amid the 1980s, the head-include degree demonstrated declining patterns the period. The advancement in both monetary and social fronts of the period made the positive conditions for quickened improvement amid the later 50% of the 1990s.

13.5. Regime during 1996 and 2001

Economic policies of private sector led growth were continued during 1996 and 2001 by Awami League led government with economic policies becoming more entrenched. The enrollment rates, particularly at the primary level, increased sharply reflecting the government’s priority to education in providing the base for supporting human development and higher economic growth. The gross enrollment rate in primary education increased to 97 per cent by the late 1990s. The period also witnessed the country’s significant success in overcoming the phenomena of mass starvation and the threat of famine syndrome in the backdrop of endemic vulnerability to natural disasters. Increased disaster preparedness combined with expanded capacity to implement lean-season targeted wage employment and transfer programs played important roles in ensuring the minimum food entitlements for the poorest in times of crisis. With concerted efforts, gender parity was achieved in primary education and gender gap was removed in secondary education by the late-1990s. Likewise, women played important roles in the success of microcredit and RMG exports. This led to reducing population growth, increasing child nutrition, and in the spread of primary education.

Several features during the 1993/94-1999/00 are noteworthy among which the major ones are; Firstly, the rate of growth in per capita GDP, which was about 1.5 per cent per year during the eighties, rose to over 3 per cent during the nineties. In particular, there was a noticeable acceleration of economic growth in the later half of the nineties. Second, the overall higher growth of the economy was aided by a larger contribution of the agricultural sector and exports. Third, higher growth performance was accompanied by faster improvement in social indicators, including primary education, child mortality, child malnutrition, women's empowerment and reduction of gender gaps in education and health. The human poverty index (HPI) declined from 47 per cent in 1993/94 to 35 per cent in 1998/00. Fourth, the higher growth and social development performance during this period was remarkable in the backdrop of severe floods in 1998. The anti-rural bias in the economic incentive structure decreased due to adjustments in the real exchange rate, lowering of the rate of protection for import-substituting industry, reduced dispersion of tariff structure, and reduction in tariff anomalies. The external sector performance of the period was characterized by relatively high export growth and inflow of remittances. Due to this, the trade deficit as a percentage of GDP was lower in the 1990s compared with the 1980s despite a rapid increase in the import-GDP ratio. The increase in exports came largely from non-traditional sectors (e.g. readymade garments and knit wears) accounting for around 80 per cent of total exports in the late-1990s. This shows the extremely narrow base of the country's export sector with its associated disadvantages particularly making it dependent on global trading environment of specific commodities (e.g. readymade garments) and preferential treatment by its main trading partners. In short, building on favorable conditions of the earlier periods, the period witnessed a more facilitating macroeconomic environment and achieved higher economic growth. The GDP growth averaged 5 per cent per year compared to around 4 per cent in previous periods. The rate of inflation was contained at relatively low levels–less than 6 per cent on an average. Significant outward orientation of the economy was achieved: the share of foreign trade in GDP increased from less than 20 per cent to 30 per cent over the period. The efficiency in the use of physical capital also improved. Despite the progressive gains, there does not seem to exist any credible evidence as to whether Bangladesh's economy (and the society in general) had undergone a structural break in the 1990s as the budget deficit increased to more than 5 per cent of GDP, leading to a sharp increase of domestic financing of deficit.

Starting in 1980s, the deregulation in agriculture involved liberalizing the fertilizer and equipment markets. It had an overall positive impact on agricultural production and productivity. Particularly, the adoption of High Yielding Varieties (HYV) of rice helped to achieve faster growth of its productivity than population which ultimately led to self-sufficiency in 1990s. Reforms in financial sector and infrastructural policies lagged behind creating serious deficiencies in the quality and quantity of relevant services during the period. The weakening macroeconomic fundamentals since the late 1990s particularly due to slowdown of the export-oriented manufacturing sector, high fiscal deficit, increased domestic borrowing, falling foreign exchange reserves, adverse external factors, and slow pace of any meaningful structural reforms, was aggravated by the September 2001 events in the United States and subsequent shocks to the global economy slowed down overall growth rate of the economy declined in 2001/02.

13.6. Regime during 2001 and 2006

The national election in 2001 was won by the Bangladesh Nationalist Party (BNP) and BNP ruled until 2006.The export sector saw a growth of export earnings of 9.4 per cent over the previous year, and knitwear posted the strongest growth of all textile products in 2005-06, surging 35.38 per cent to US$2.82 billion. On the downside however, the sector's strong growth came amid sharp falls in prices for textile products on the world market, with growth subsequently dependent upon large increases in volume. However, the completion of Fifth Five Year Plan in 2002, Bangladesh's poverty reduction policy was overtaken by the Interim-Poverty Reduction Strategy titled "A National Strategy for Economic Growth, Poverty and Social Development" which was formally presented to the Board of Directors of the WB and IMF in June 2003 for getting access to aid of the WB and IMF. This I-PRSP is alleged to include many of the reform issues under the SAP of the late 1980s with its focus on import liberalization and privatization. Also, this I-PRSP was not opened to public debate. Nonetheless, at the global level, particularly in the aftermath the attack on the World Trade Centre and Pentagon on 11 September 2001, a perception among the policy makers of the West gained a strong ground that mis-governance or failure in governance produces religious extremism. As a result, the concern regarding governance issues, particularly over the deteriorating law and order, corruption was seen to be more prominent than any other economic issue during the Bangladesh Development Forum Meeting of March 2002.

13.7. Regime during 2007 and 2008

Towards the end of 2006, the country witnessed a serious political unrest with a demand for a "free and neutral" general election under a neutral caretaker government. This in course led to a formation of a "civil" caretaker government backed by military from 2007-2008. Historically Bangladesh has run a huge trade deficit which it financed largely through foreign aid and remittances. 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. 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. Government took several precautionary measures such as reducing import duty on food items, raising food grains imports, extensive rehabilitation programs for flood affected areas and effective measures for higher food production to tackle higher inflation. In addition, a guaranteed employment program for rural people and an expansion in the SSN program also took place.

On the other hand, growth for 2008-09 was slightly reduced to 5.9 per cent. Foreign reserves dropped markedly in 2001 but stabilized in the USD3 to USD4 billion range (or about 3 months' import cover).In January 2007, reserves stood at $3.74 billion, and then increased to $5.8 billion by January 2008, in November 2009 it surpassed $10.0 billion, and as of April 2011 it surpassed the US $12 billion according to the Bank of Bangladesh, the central bank. In addition imports and aid-dependence of the country has systematically been reduced since the beginning of 1990s. Both domestic and national savings have been on a steady rise since FY98 through 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. 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 FY 08. 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. Government was also prompted to increase oil price in the domestic market seven times from May 2004 to July 2008 to keep in line with persistent international oil price hike. It also bore a huge quasi-fiscal loss for subsidizing fuel and petroleum products.

13.8. Regime from 2009

In December 2008, Awami League came to power. 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. In 2009, 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. 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: (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. 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. One of the most important initiatives taken by the current government is the vision of a “Digital Bangladesh”.

Partly due to labor unrest in affected industries, the privatization of public sector has advanced at an insignificant rate. Although, one of the bold actions in this regard by the government is the shutting down of “Adamjee Jute Mill”, the nations’ largest and most costly public owned enterprise. Demand for wage raise has not been met as well by the government pared with impeded access to capital. State owned banks, which control about three-fourths of deposits and loans, are carrying 50% of classified loan burdens.

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