



# **Economical Development Of Bangladesh- Problems & Solutions**

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<p><b>Abstract:</b></p> <p>The aim of this paper is to discuss and suggest ways to overcome the barriers hindering the economic development of Bangladesh, including the steps the government has taken and is taking for a better future. The inefficiency of government policies, administration, systems and managements has been discussed and the importance of education to raise awareness among the mass illiterate population of the nation has been pointed out. Researches and Developments made by the Agriculture Department Of Bangladesh to multiply the harvest to feed the huge population and theories applied to prevent flood water washing away crops has been mentioned. The paper-work deals with corruption at different levels of the government and how corruption can be reduced in the nation through introduction of strong judiciary laws and how the taxation system can be improved to increase the annual national revenue such that the country does not have to depend completely on foreign funds and aids for developmental works and infrastructure development. The opinions of renowned economists concerned with the economy of Bangladesh has been discussed and the work has been made supported by their views.</p>	
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## Table Of Contents

<b>List Of Figures</b> _____	<b>5</b>
<b>List Of Tables</b> _____	<b>5</b>
<b>Abbreviations</b> _____	<b>6</b>
<b>1.INTRODUCTION</b> .....	<b>8</b>
Chapter 1.1 <b>History &amp; Background</b> .....	9
Chapter 1.2 <b>Motivation To Choose The Topic</b> .....	9
Chapter 1.3 <b>Research Aim</b> .....	10
Chapter 1.4 <b>Research Questions</b> .....	10
Chapter 1.5 <b>Limitations</b> .....	11
Chapter 1.6 <b>Bangladesh In Brief</b> .....	11
Chapter 1.6.1 <b>Geography &amp; Climate Of Bangladesh</b> .....	11
Chapter 1.6.2 <b>Demography Of Bangladesh</b> .....	12
Chapter 1.6.3 <b>Economy Of Bangladesh</b> .....	13
<b>2.THEORY</b> .....	<b>15</b>
Chapter 2.1 <b>Short Review On Literature On Economical Development; Views Of Experts Followed</b> .....	15
Chapter 2.2 <b>Towards A Theoretical Framework</b> .....	16
<b>3.PROBLEMS BARRICADING THE DEVELOPMENT OF BANGLADES</b> .17	
Chapter 3.1 <b>Barriers To Growth &amp; Economical Development</b> .....	24
<b>4.POPULATION</b> .....	<b>25</b>
Chapter 4.1 <b>Population of Bangladesh And Its Effect</b> .....	25
Chapter 4.2 <b>Solution To Population Problem:-</b> .....	28

<b>5.NATURAL CALAMITIES &amp; ENVIRONMENT PROBLEM .....</b>	<b>29</b>
Chapter 5.1 <b>Natural Calamities And Its Effect.....</b>	<b>29</b>
Chapter 5.2 <b>How To combat and minimize the effect of Natural Calamities:</b>	<b>31</b>
<b>6.POLITICAL INSTABILITY .....</b>	<b>33</b>
Chapter 6.1 <b>Background .....</b>	<b>33</b>
Chapter 6.1.1 <b>Bangladesh From 1971-1990.....</b>	<b>33</b>
Chapter 6.2 <b>Unending Political Instability.....</b>	<b>34</b>
Chapter 6.3 <b>Solution To Political Instability:-.....</b>	<b>38</b>
<b>7.INEQUALITY .....</b>	<b>40</b>
Chapter 7.1 <b>Introduction.....</b>	<b>40</b>
Chapter 7.2 <b>Tax, Taxation System &amp; Revenue Increases Through Taxation..</b>	<b>43</b>
Chapter 7.3 <b>VAT(Value-added Tax).....</b>	<b>46</b>
Chapter 7.4 <b>Tax Flexibility In Manufacturing Industries.....</b>	<b>47</b>
Chapter 7.5 <b>Luxury Tax .....</b>	<b>48</b>
Chapter 7.6 <b>Solution To Inequality:- .....</b>	<b>49</b>
<b>8.CORRUPTION .....</b>	<b>51</b>
Chapter 8.1 <b>Corruption in Bangladesh .....</b>	<b>51</b>
Chapter 8.2 <b>Possibilities To Call An End To The Corruption.....</b>	<b>54</b>
<b>9. DISCUSSION &amp; CONCLUSION.....</b>	<b>57</b>
<b>List Of References.....</b>	<b>60</b>
<b>APPENDICES</b>	

## **List Of Figures**

Figure-1 Map Of Bangladesh (Source: CIA World Factbook)

Figure-2 Demography Of Bangladesh (Source: WikiPaedia)

Figure 3 Population Graph Of Bangladesh (Source: Trade Economics; WorldBank)

Figure-4 Population Pyramid Of Bangladesh (Source: U.S. Census Bureau)

## **List Of Tables**

Table-1 Economics Of Bangladesh(Source: CIA World Factbook,2010)

Table 2: Key Socio-economic Indicators; 1970-2002 (Source:IMF Country Report No. 03/205, June 2003)

Table 3: Sources Of Growth During FY2000-FY2005 (Source: Centre For Policy Dialogue; Emerging Issues In Bangladesh Economy)

Table 4: Estimated Political Stability Index In Bangladesh; 1996-2008 Source: Daniel Kaufmann et.al. (2009)

Table 5: Comparison Ranking Of Political Stability Of Bangladesh Source: Akbar Ali Khan(2010), Humpty Dumpty Disorder

Table 6: Hartal Statistics; 1971-200 ( Source: *Beyond Hartals*. Dhaka: UNDP, 2005)

Table 7: Number & Percentage Of Population Below Hardcore Poverty Line (Source: HIES, 2005)

## **Abbreviations**

ADB – Asian Development Bank

AL – Awami League

ASEAN - The Association of Southeast Asian Nations

BNP – Bangladesh Nationalist Party

BPC – Bangladesh Petroleum Corporation

CIA - Central Intelligence Agency

DCI - Daily Caloric Intake

DCT - District Commissioner Of Taxes

DFID - Department For International Development

EPZ – Export Processing Zone

FBCCI - Federation of Bangladesh Chambers Of Commerce And Industries

FDI – Foreign Direct Investment

FY – Fiscal Year

GDI - Gross Domestic Income

GOB – Government Of Bangladesh

HDI – Human Development Index

HES- Household-Expenditure Survey

HYV - High Yielding Variety

IMF – International Monetary Fund

MDG - Millennium Development Goals

NBR – National Board of Revenue

NGO – Non-profit Organization

OAS - Official-assessment System

PPP - Purchasing Power Parity

RMG – Ready-made Garments

SAARC - South Asian Association For Regional Cooperation

SAS – Self-assessment System

SUV – Sports Utility Vehicle

UNESCAP - United Nations Economic And Social Commission for Asia

UNDP - United Nations Development Programme

VAT – Value-added Tax

WB – World Bank

WHO – World Health Organization

## Chapter-1: INTRODUCTION

Bangladesh, a country located in the south-east Asian region, inhabits above 160million people in 55.598 sq.mile.



Figure-1 Map Of Bangladesh (Source: CIA World Factbook)

The country is surrounded by India on all sides, except Burma(Myanmar) bordering the far southeast region and Bay Of Bengal to the south. The economy of Bangladesh is agriculture based, nearly half of the population is engaged in agriculture and farming.



## **Chapter-1.1 History & Background**

Bangladesh, since its independence in 1971, had to experience several military rules besides democratically elected government associated with major political assassinations. Regardless of all the aroused disputes, the country constantly pushed to achieve economical, social and developmental success through introduction and implementation of different policies during the ruling period of different elected governments as well as at the time when the country was declared to be under the emergency rule. Bangladesh, named in the list of the developing nations, is blessed with several natural advantages over developed countries. Examples of such are huge reserves of oil, natural gas, coal, timber and the only natural port of the world that connects SAARC and ASEAN business hub together. The utilization of such natural assets are close to zero. Foreign donors are granting financial aids for reformation and infrastructure development of the country. Loans are being taken on heavy interest, by GOB, from World Bank and Asian Development Bank for developmental purposes.

Henry Kissinger, US Secretary Of State(1973-1977), pointed Bangladesh as ‘‘a bottomless basket’’ in 1974. Considering foreign interests about Bangladesh developments, associated with improper management of the government, corruption, influences of power against the system, political conflicts between the political parties, fraudulent in tax and taxation system, lack of proper education, lack of family planning, etc. today resulted the nation to end up with unemployment rate of 4.8% and 36.3% population under poverty line(CIA Factbook, 2010).

## **Chapter-1.2 Motivation To Choose The Topic**

The mass population of Bangladesh is under poverty line, struggling hard to live with \$1 or below as daily expense. The distribution of income dilemma statistics is unpredictable and uneven. The variation of income and wealth possession between the upper-middle class (letting alone other classes lower than upper-middle class) and the rich class is too high. Being blessed by natural resources and assets, the cheap labor force utilization dragging

the interest of foreign multinational manufacturing and service companies in the country and ample land for cultivation of agriculture and agricultural based products, why would Bangladesh still be recognized as a developing nation? Why would the citizens be frustrated with the poor infrastructure of the country? Why would a group of citizens starve to death on the street while other certain group enjoys luxurious lifestyle and living in mansions? Why would the capital city of Bangladesh, Dhaka, be considered as the second worst city in the world to live in (EIU, 2011)?

### **Chapter-1.3 Research Aim**

The aim of the thesis is to point out the factors barricading the economical development of Bangladesh- how GOB is dealing to overcome the barricades by using different mechanism, to measure the success of GOB in implementing the policies and the effectiveness of the policies to shape-up the future success of the nation. Necessary suggestions are included to ensure better execution of the GOB policies. A part included in the study emphasizes on how the revenue collected through implementing strong taxation policy and taxes be utilized for infrastructure and economical development to benefit the citizens.

### **Chapter-1.4 Research Questions**

1. What are the possible factors barricading the development of Bangladesh;
2. How to overcome the barricades;
3. What political reforms and judiciary changes are necessary to stop corruption and political instability in Bangladesh;
4. How could a strong and effective taxation system be helpful to ensure the implementation of future socio-economic development of Bangladesh based on internal resources; and

The research questions have been used by the author's own use to niche down the paperwork to specific points. General unofficial discussion had been carried on with several grades of government officials and citizens of different social classes. Two interviews have been conducted and have been supported in the review.

## **Chapter-1.5 Limitations**

As the topic is vast and is affected by different school of thoughts, it is difficult to pinpoint an absolute solution. There have been a lot of contradictions on reaching the exact solution. Datas which have been used are sometimes not recent. Moreover, datas taken from domestic research institutes may have lots of question marks. The unavailability of certain informations and securing materials from scattered sources has acted as a great barrier and time constraining. Extracting of information from the people of different walks of life was not helpful at all due to lack of knowledge about the subject and biased thinking.

## **Chapter-1.6 Bangladesh In Brief**

### **Chapter-1.6.1 Geography & Climate Of Bangladesh**

Bangladesh, a country of 55,598 sq. mile, is a low-lying land, located in the South-East Asia with a jungle coastline of 710km on the northern hub of Bay Of Bengal. The fertility of the soil is the result of deltaic plain of rivers such as Ganges(Padma), Brahmaputra(Jamuna) and Meghna and its tributaries. Apart from land fertility, being surrounded by number of rivers and their branches Bangladesh is highly vulnerable to flood and drought. Hilly areas of the country are located mostly in south-east and north-east region of the country.

The climate of Bangladesh, situated in Tropic Of Cancer region, warm followed by monsoon, heavy rainfall and high humidity. Natural disasters such as flood, cyclones, tides

and low magnitude earthquakes are often occurring in Bangladesh, yearly. Cyclones and tidal affects are likely to happen in southern region of the country which is embedded by the world's largest natural sea-beach, Cox's Bazar, on the coast of Bay Of Bengal. Regional climatic differences are minor in Bangladesh.

### Chapter-1.6.2 Demography Of Bangladesh

Bangladesh is a muslim country. People of other ethnics, according to descending numbers are Hindu, Buddhist, Christian, Chakma, Rahinga and Meitei.

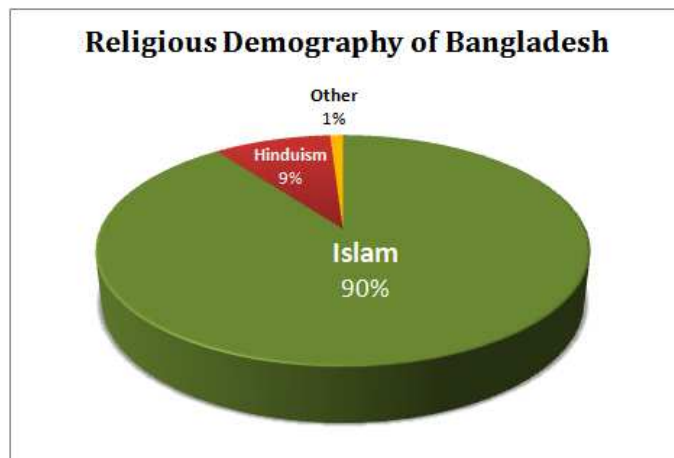


Figure-2 Demography Of Bangladesh (Source: WikiPaedia)

Bengali is the official and national language whereas english is the second language, followed by other languages spoken by different tribes and minority communities. People from different provinces of the nation have their own different harmonical/pitch style of speaking the bengali language.

Since its independence in 1971, the nation has experienced exploding population due to lack of family planning, child-marriages, lack of education and underestimations of

women. Population distribution throughout is unequal, since people migrate towards cities for better life and opportunities, as a result the rural side remains under populated.

### **Chapter-1.6.3 Economy Of Bangladesh**

Bangladesh is an agriculture driven economy. Total of 54% of the population of the nation is directly and indirectly involved in farming and lives in rural areas (WorldBank, 2011). Due to soil fertility and ample supply of water, having the blessing of thousands of rivers and its branches zigzagging nationwide, Bangladesh can harvest three crops every year. Apart from the fact that cyclones and floods damage crops every year, the production of crops meets substantial local consumption demand but are not grown sufficiently enough for export purposes. Labor-intensive manufacturing is the second sector, specially RMG (Ready-made garments industry), where both men and women are engaged in generating foreign revenue and contributing to the GDP. The third sector which contributes greatly to the economy of the nation is the export of manpower which brings remittances by Bangladeshi workers working abroad, such as in Middle-East, Singapore, Malaysia, etc.

Due to cultural and religious norms, women previously stayed within the compound of their houses and were liable to take care of the house-hold activities, whereas men were regarded as the only earner and head of the family. As a result of high living costs, not sufficient enough earned by men in the family, women had to involve themselves in labor workforce to live a better life.

According to CIA World Fact-Book, published in 2010, economy structure of Bangladesh is as follows:-

<b>GDP(PPP)</b>	<b>\$259.30 Billion</b>
<b>GDP Growth</b>	<b>6.00%</b>
<b>GDP(Per Capita)</b>	<b>\$1,700</b>
<b>Public Debt / National Budget</b>	<b>39.30% / \$11.43 Billion</b>
<b>Inflation Rate</b>	<b>8.10%</b>
<b>Exports</b>	<b>\$16.24 Billion</b>
<b>Imports</b>	<b>\$21.34 Billion</b>
<b>External Debts</b>	<b>\$24.46 Billion</b>

**Table-1 Economics Of Bangladesh(Source: CIA World Factbook,2010)**

Released beat-up report of World Bank, in 2007, estimated Bangladesh of becoming a middle income country. It has been suggested, to reach the goal, Bangladesh should emphasize to deepen its industrial base, integrate more into global markets and prioritize urban economic development.

The country has large reserves of natural gas, petroleum deposits and low-grade coal. All these minerals are rare and demanding in the global market, specially for industrial and energy-generation purposes. Cheap labor-force advantages makes the local manufactured products highly competitive in global markets through FDI, introduced and encouraged firstly by the government formed in 1991. The major source of foreign earnings is being transacted from garments and textiles export and remittances sent home by Bangladeshi workers living abroad.

## **Chapter-2: THEORY**

### **Chapter-2.1 Short Review On Literature On Economical Development; Views Of Experts Followed**

Although the economic development and factors barricading the development has effected the growth of Bangladesh and millions of people are the victim of the situation, despite such barriers it can not be denied that the country has progressed, letting alone that it has not achieved significant growth as it should have. The economical development issue in Bangladesh encouraged hundreds of researches to be carried on to provide a proper solution to the problem and gave rises to hundreds of contradictions and questions.

Five major problems hindering the growth of Bangladesh has been pointed out; corruption, political instability, natural calamities, population and inequality.

Stanley A. Kochanek(1993) described Bangladesh as “extremely homogeneous” for the over exercise of power and patronage. While Akbar Ali Khan(2010) in his literature pointed out several drawbacks of single political party government formation than collaborated political party forming a single government administration. Researches to dissolve the factors hindering the growth of the nation has not yet reached any particular solution, but reasons for political instability has reached to a conclusion as urged by different economists and authors of different paper and research works.

Klitgaard(1998) defined corruption as the summation of monopoly and discretion, deducting the accountability and public sector salaries and is modeled as  $C = M + D - A - S$ . Theoretical debates exists based on the role and effect of corruption in the country’s economy. Global economists could not agree on whether corruption mobilizes wheels of commerce and business facilitating growth or does it does it act as a hindering element to the economic growth.

SR Osmani(Centre For Policy Dialogue, 2006) mentioned while Bangladesh focuses on economical development it should also keep its eyes wide open to respond immediately to

any natural disasters, which does not appear announced; and conscious about environmental hazards as it progresses to step into the world of industrialized nations.

Social political instability is increased by income inequality as urged by Alesina and Rodrik(1994), pointing out the positive relativity between growth and investment which results to lower growth as income inequality increases.

The author, despite not being comparable anyways to renowned economists working day and night to reach to a conclusion through introduction of such a model helpful to diminish global poverty, has a specific view on the relation between the population growth and economic development of a country. A poor country can be compared to a poor family. A poor family desires to manage all its necessary and basic expenses based on its limited house-hold income; such is the condition of a poor country as with its limited financial resources the country plans necessary development approaches to fulfill its emergency needs. The government is unable to diversify its limited financial resources to other sectors in need for development as it has to take care of the huge population's basic needs and accommodations. Contradiction regarding the population effect on the national economy has been urged by economists in different ways; to provide a single point out look, the author chose to combine all the available studies and niche out major effects to point a solution out.

## **Chapter-2.2 Towards A Theoretical Framework**

Different solutions of different studies from different point-of-view had been provided by economists of the nation to diminish the factors barricading the economical development. Several studies have been followed but the widely believed factors of several economists, citizens, journalists and authors have used as guideline and reference to this research work.

Because of the contradictions and question marks in most of the past research carried out on the similar topic, the author emphasizes mostly on the major barricades of the economic development mentioned previously- population, political instability, natural calamities, corruption and inequality which are directly responsible in hindering the development and



has largely coincided with the works from Akbar Ali Khan(2010). Additionally, study shall describe related arenas involved directly and indirectly to the growth and development from the literatures of renowned economists composed together in ‘‘A Review Of Bangladesh’s Development 2005-06’’ issued by Centre For Policy Dialogue which has identified fourteen strategic issues on the development of Bangladesh in the years to come. For the cross-checking purposes and in the process to understand precisely the sight with which the economists views the barricades and its over-come methods, a collection of studies by different economists and social scientists, working mostly on the economic and social policies and issues in Bangladesh have been followed.

### **3. PROBLEMS BARRICADING THE DEVELOPMENT OF BANGLADESH**

Plan International Australia in its summary report of 2010 on Bangladesh, surveyed that half of the Bangladesh’s population struggles to survive on less than US\$1 per day, which falls in international recognized poverty line, whereas the country’s GDP per capita is US\$1700(2010 est.). The difference in per day Income per capita and GDP per capita clearly shows that high social class of the country holds enormous wealth while the middle and lower class is still struggling everyday for their food and living.

The term economical growth is an increase in GDP. It implies progressive changes in the socio-economic structure of a country. Viewed in this way, economical development involves a steady decline in agricultural shares in GNP(Gross National Product) and continuous increase in shares of industries. The process of development is far more extensive apart from the rise in out as in the case of growth, it involves changes composition of output, shift in the allocation of productive resources and elimination of reduction of poverty, inequalities and unemployment.

In the words of Amartya Sen(winner of Nobel Prize in Economic Sciences in 1998), ‘‘development requires the removal of major sources of unfreedom poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation neglect of

public facilities as well as intolerance or over activity of repressive states''(Foreign Affairs, 2000).

Professor Michael Todaro sees three objectives of developments and are mentioned as producing more life sustaining necessities such as food shelter & health care and broadening their distribution, raising standards of living and individual self esteem, finally expanding economic and social choice and reducing fear (Economics For Development Concepts).

	<b>1970-1975</b>	<b>1980-1985</b>	<b>1994-2001</b> □	<b>2002</b>	<b>Low Income<sup>2</sup></b>
<b><u>Population</u></b>					
•Total Population, mid-year(millions)	75.6	97.1	131.1	135.7	2495.0
•Growth Rate(per cent, annual average for period)	2.6	2.6	1.7	1.7	2.0
•Urban Population(per cent of total population)	9.8	17	24.5	26.1	31.9
•Total Fertility Rate(births per women)	6.6	5.3	3.1	3.0	3.6
<b><u>Poverty(per cent of total population)</u></b>					
•National headcount index	-4	-	35.6	-	-
•Urban headcount index	-	-	14.3	-	-
•Rural headcount index	-	-	<b>39.8</b>	-	-
<b><u>Income</u></b>					
•GNI per-capita(US\$)	200	200	370		410
•GNI per-capita(PPP\$)			1280	1720	2040
•GDP growth(1990-95; 1995-2002, %)			4.4	5.2	3.9
<b><u>Income/Consumption Distribution</u></b>					
•The Gini index			33.6		-
•Lowest Quintile(% of income or consumption)	-	-	8.7		-
•Highest Quintile(% of income or consumption)			<b>42.8</b>		-
<b><u>Public Expenditure</u></b>					
•Health(% of GDP)	-	-	1.7		1.2
•Education(% of GDP)	0.8	1.4	2.4		3.4
<b><u>Net Primary School Enrolment Rate<sup>3</sup> (% of age group)</u></b>					
•Total	50	56	104		-4
Male	66	65	106		-
Female	33	47	102		-

(Table 2 cont.....)

	1970-1975	1980-1985	1994-2001 <sup>□</sup>	2002	Low Income <sup>2</sup>
<b><u>Access to improved water source(% of population)</u></b>					
•Total	-	-	97		76
•Urban	-	-	99		88
•Rural	-	-	97		70
<b><u>Immunisation Rate(% under 12 months)</u></b>					
•Measles	-	1	71		57
•DPT	-	2	72		57
•Children Malnutrition(% under 5 years)	-	68	61		-
<b><u>Life expectancy at birth(years)</u></b>					
•Total	46	52	61	62	59
Male	47	52	61	62	58
Female	45	51	61	62	60

**Table 2: Key Socio-economic Indicators; 1970-2002**

**Source: IMF Country Report No. 03/205, June 2003** (<http://www.imf.org/external/pubs/ft/scr/2003/cr03205.pdf>)

Note: □ Latest Available Single Year. <sup>2</sup> Countries With 2001 GNI per- capita of US\$745 or less. <sup>3</sup>Net Enrolment Ratios Exceeding 100 indicate Discrepancies. -4 Denotes That Data Are Not Available

Looking at the economy of Bangladesh, we can see that the country has come a long way since its independence in 1971. The destruction of physical infrastructure, loss and dislocation of workers as well as other productive resources during the independence war has severely damaged the production capacity of the nation's economy. Despite post war foreign aids, foreign loans and subsidiaries; the nation failed to make an impact and the country's economy gradually deteriorated.

Famine in 1974 proved ineffective political administration through the incapability of handling the emerging socio economic crisis.

Over the last four decades, the economy has not only survived but has started to show signs of sustained vibrancy. The growth rate of the nation's economy is hardly high but the encouraging part lies in its sustained acceleration.

Being the fourth largest rice producing country in the world, the agricultural sector of the country is heavily dependant on the weather. The introduction of modern method in agricultural methods and Higher Yielding Variety(HYV) technology, government subsidiaries on seeds and fertilizers, availability of low interest bank credits, information guiding and training provided by agriculture department to the farmers have contributed immensely to the growth of the sector.

Bangladesh being an agriculture driven economy, the agricultural sector has been losing its importance in the growth dynamics. GDP in the agricultural sector has declined from 21% in 2000 to 20.4% in 2005 (Centre For Policy Dialogue, 2008).

Sector	Between FY2000 and FY2005		Sectoral Share		Gain/Loss
	Average Sectoral Growth	Incremental Share	FY 2000	FY 2005	
Real Sector	4.45	30.43	40.42	38.14	-7.71
Others	6.90	69.57	59.58	61.86	7.71
Agriculture Sector	2.20	9.17	21.03	20.37	-11.19
1. Agriculture&Forestry	2.45	7.77	16.35	15.80	-8.03
Crops	1.50	3.57	11.82	11.31	-7.74
Livestock	5.47	2.69	2.81	2.80	-0.11
Forestry	4.95	1.51	1.72	1.70	-0.19
2. Fisheries	1.42	1.40	4.67	4.56	-3.16
Industry Sector	8.68	36.30	27.95	28.73	7.57
3. Mining & Quarrying	8.69	1.45	1.12	1.15	0.30
Gas & Non-refined Oil	10.96	1.04	0.68	0.71	0.33
Other Mining	5.72	0.41	0.43	0.44	-0.03
4. Manufacturing	7.90	19.80	16.45	17.17	2.63
Large&Medium Scale	7.60	13.61	11.69	12.24	1.37
Small Scale	8.65	6.18	4.76	4.93	1.26
5. Electricity, Gas & Water Supply	9.71	2.27	1.59	1.57	0.70
Electricity	9.68	1.90	1.33	1.30	0.60
Gas	9.12	0.24	0.18	0.19	0.06
Water	11.86	0.12	0.08	0.08	0.04
6. Wholesale & Retail Trade	7.42	16.12	13.56	13.68	2.44
7. Construction	10.02	12.78	8.80	8.84	3.94
Service Sector	6.42	50.88	48.96	49.08	1.80
8. Hotel & Restaurants	8.13	0.84	0.66	0.67	0.17
9. Transport & Communication	8.21	12.30	9.69	9.85	2.44
10. Financial Intermediaries(total)	32.35	4.1	3.3	3.34	0.76
11. Real Estate & Housing	3.77	5.44	7.58	7.38	-1.94
12. Public Administration & Defense	8.09	3.35	2.61	2.66	0.70
13. Education	8.95	3.21	2.40	2.45	0.76
14. Health & Social Works	6.48	2.32	2.18	2.21	0.11
15. Community, Social & Personal Services	3.97	5.26	6.98	6.85	-1.59
<b>Import Duty</b>	<b>5.69</b>	<b>3.65</b>	<b>2.07</b>	<b>1.82</b>	<b>1.82</b>
<b>Total</b>	<b>5.91</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

**Table 3: Sources Of Growth During FY2000-FY2005**

**Source: Centre For Policy Dialogue; Emerging Issues In Bangladesh Economy**

Looking closer at the manufacturing sector, it is seen that this sector has domination over the agriculture sector, as 76% of the export earnings coming from manufacturing sector and which is also responsible for employing more than 3 million people. The gradual transfer from agricultural to non-agricultural activities also occurred largely in service sectors, including construction, transportation, personal services, etc.

Starting from 1980, Bangladesh has become an important country to export manpower globally. As announced by Bureau Of Manpower, officially 3.92 million people are employed in different sectors abroad and is an important source of foreign exchange earnings for Bangladesh. Remittances sent home by workers in the year 2011 amounted to US\$974.46million (Bangladesh Economic News, 2011).

Bangladesh, since 1971, has received more than US\$40 billion as aids and loans(Khan, 2010). The shark part of the amount has been used for economical and social infrastructure development. The construction of roads, bridges, hospitals, schools, etc. has created opportunities for jobs as well as economic activities and businesses through improving the communications between different regions of the country together. Example of such is the construction of Jamuna Multi-Purpose Bridge; the 11<sup>th</sup> largest bridge of the globe and the 6<sup>th</sup> largest in South Asia established strong communicational and transportation link between the eastern and western part of the country(Wikipedia, Jamuna Bridge). Strengthening the communication through the construction of Jamuna bridge facilitated the transportation of natural gas, electricity and telecommunication faster and cheaper. Transportation costs have been reduced and access to key consumption centers like Dhaka(Capital City) has improved and the distribution of non-leafy vegetables from the Northwestern region to the Eastern part of the country has increased by at least 50% (World Bank, 2007).

Despite achieving such a growth the question remains- has it been enough? Total of 30% of the nation's population is below the poverty line. The unemployment rate is reasonably high. 60% of the population is deprived of electricity supply. All these questions tell us that Bangladesh has not achieved growth as it should have.

### **Chapter-3.1 Barriers To Growth & Economical Development**

Definitely there are factors that are barricading the growth and development of the country. What could the barricades be? Accepting the fact that Foreign analyzers and citizens of Bangladesh could list as many as hundreds of factors hindering the growth and economic developments, but all these factors can be put under the banner of 5 major factors.

According to my view these factors are:

1. Population;
2. Natural calamities & Environmental problems;
3. Political instability.
4. Inequality; and
5. Corruption;

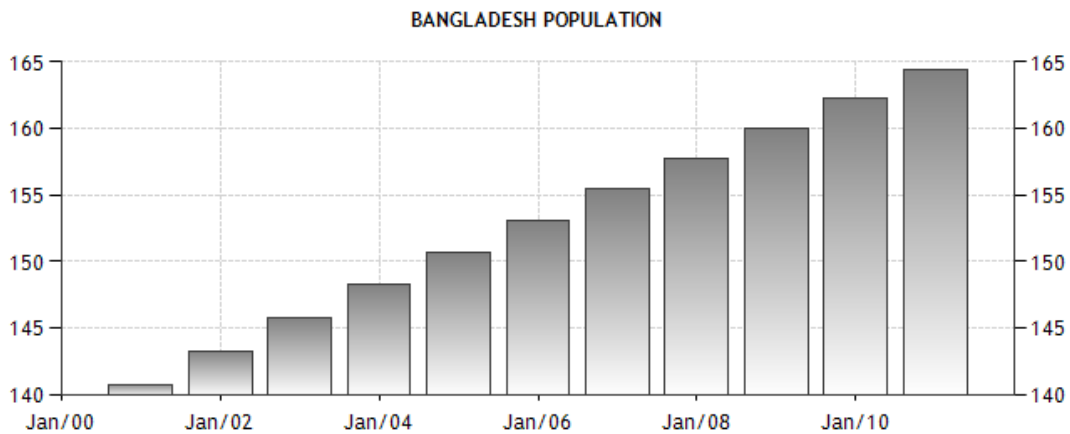
The views of renowned authors and economists concerned on the studies of the economy of Bangladesh expressed the similar opinion, pointed out the five above barricading factors along with several others that can be integrated into these barricades, and proved that economical reforms are possible through the solution presented at different stages while investigating and studying the past and present economical situation. Models have been provided by economists which are taken into considerations. The author of this paper work have represented such references and solutions at the solution part to the each of the above barricades



## **4. POPULATION**

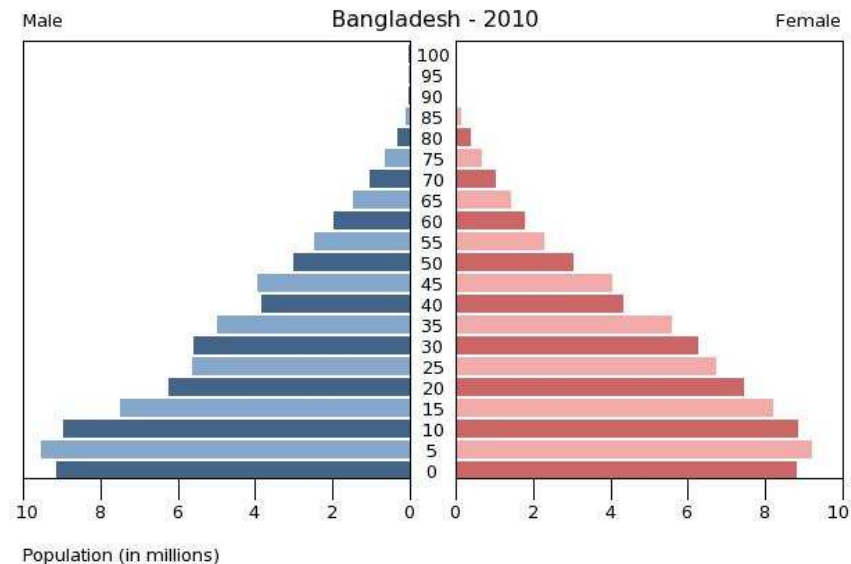
The population of Bangladesh has been one of the major problems to the economical growth. Policies and programmes by GOB and NGOs have been constantly trying to reduce the birth and growth rate.

### **Chapter 4.1 Population of Bangladesh And Its Effect**



**Figure 3 Population Graph Of Bangladesh (Source: Trade Economics; WorldBank)**

Bangladesh is the eighth most populated country in the world, having a population above 160million people in 55.598 sq.mile, which gives a population density of almost 1000 people/kilometer. The estimated crude birth rate is 26/1000 and the crude death rate is 10/1000 population(2010 est.). CIA mentioned that the growth rate of population in the nation is 1.566% (2011). If the population growth rate is not prevented, according to the steady growth calculation, the population is expected to be more than 300million people by 2050.



**Figure-4 Population Pyramid Of Bangladesh (Source: U.S. Census Bureau)**

The alarming fact is that there are high proportion of young age population below the age of 15 years and reproductive woman between the ages of 15 years to 49 years, which is 39% of the total female population in the country. These two indicates the potential population boom in the future. As known to all, a country's growth potential is built on the basis of age structure of its population. Presently, the age structure of Bangladesh is heavily pyramidal with a large base of young population. If viewed positively, it would increase the working force of the country, while viewing negatively- it would exert more burdens on the resources of the nation which is already over-suffocated. As per population, area and resources dilemma; the country is over populated and has already created a strain on the national economy.

The maximum portion of the national budget is spent in the education sector, specially primary education to increase the rate of literacy. Secondly, the health sector where free treatments and medications is provided to the underprivileged citizens, specially in rural areas, to prevent diseases and to decrease the rate of mortality. Mass immunization, family

planning, health awareness and other health-issue programmes implemented to educate the population to be in good health are a part of the fund allocated for the sector.

Gradual increase in population has squeezed the agricultural lands; lands once used for cultivation are now used for building houses and accommodations for the increasing population. Lack of land for cultivation and in search of better opportunities to live a better life, part of the rural population are migrating to the urban areas and are creating a strain on the cities' amenities. The struggle of the government in providing jobs to people and maintaining the over-populated nation through expanding the fiscal policy is continuously resulting into the national budget deficit. Increases of population has contributed to the deficit of the national budget as well as to the social unrest as the unemployed population are resorting to different types of anti-social activities which with time shall prove to be a threat to social and domestic security.

The over-sized population has thrown a severe challenge for the future development of the country's economy exerting huge pressure on environment and available resources, limiting agricultural growth and food grains production through reduction of arable land for housing and non-agricultural purposes; raising requirement for food grains and increasing the number of poor population, thus slowing down the rate of poverty reduction(Bangladesh E-journal Of Sociology, 2011).

The government has to import 2.5million tons of food grains each year on average besides local production (WordPress, June 2008) to feed the huge population. Upward trend in the world food price exerted economical pressure, as the government has to spend substantial amount to provide subsidies to lower the food prices for its citizens.

## **Chapter 4.2 Solution To Population Problem:-**

The government is doing the right thing by allocating highest amount of budget to the education sector. If people are educated, they can understand the problems of having large families. Educated and skilled people would be more oriented towards career which would help containing population. Government has made primary education free and has made education upto graduation level free of cost. Educating female population shall not only help them in their emancipation but also make them aware of different factors which would help to decrease population. The following has been supported by Haque(2006) in (p.111) which he proved that education of the population is directly linked with the drastic population boom. He mentioned after calculation and analysis that women with urban residential background have three-tenth less children compared to women residing in rural areas. Such is the effect of education; people residing in urban areas are mostly literate as having the ability to achieve tallest primary education, whereas in rural areas people can not.

The use of contraceptives can reduce the rate of population growth and criticalities related to birth. Family Planning Department under GOB has been involved in relentless effort in popularizing four-member family, husband-wife and their two children. Clinics ran by Family Planning Department and NGOs are providing different types of contraceptives for free to slow the rate of population growth. Such effort to increase the use of contraceptives among people has been successful in declining the fertility rate from 6.78% in 1961 to 5.07% in 1983 and further to 2.98% in 1998 (Bangladesh Bureau Of Statistics, 2002). Educating the reproductive females on their diets and carefulness during pregnancy to avoid premature birth is also offered free by GOB Family agencies and NGOs.

Recent MDG award to Bangladesh tells us about the progression made in this field.

Social classes above the poor-class group are aware of the family planning and drawbacks of having large families. Raising family planning awareness among the poor people of the country, the group mostly responsible for the population boom, has become frustrating. Despite relentless efforts, policies, measures, family planning educations, benefits and

incentives provided by GOB and NGOs, the poor are never to understand their irresponsibility creating a burden on the national economy and increasing the infant and maternal mortality rate. Legislation must be introduced against these groups, restricting on the number of children each family can have and to attract poor people of the country to practice such, GOB shall introduce certain financial benefits limiting four member families; husband-wife and their two children. A database of such families enjoying benefits must be preserved at the local constituency office and a regular observation over the families shall be kept in order to ensure that the size of the family has not increased, if so, the family shall immediately stop receiving incentives and benefits any further.

Deputy Editor of Prothom-Alo, the country's largest newspaper agency, emphasized on developing the practice of democracy and the human-labor export industry to increase the nation's revenue and at the same time to decrease the pressure of over-sized population in the country.

## **5. NATURAL CALAMITIES & ENVIRONMENT PROBLEM**

Environment and natural calamities plays a vital role against the economical and infrastructure development of Bangladesh. The disastrous effect of several cyclones and hurricanes are still imparting pressure on the national economy.

### **Chapter 5.1 Natural Calamities And Its Effect**

Bangladesh is a land of different natural calamities such as floods, storms, droughts and erosions. Estimated amount of 20.5% Bangladeshi inhabitants are flooded annually(Mirza, 2001). In 1998, flood had devastation effect on the economy and the agriculture of Bangladesh, where 75% of the land was submerged, loss of crops in 700,000 hectares cultivated land and infrastructure damages were experienced(BBC, 1998). Re-building the infrastructures took years and financial loans had to be realized from foreign communities. Flash flood occurs regularly, rendering damages to crops, livestock and makes million

people homeless. The loss of navigability of rivers and sudden flow of water from upstream are main reasons for erosion and has been a major problem for the inhabitants on the river bank.

The effect of the second tropical storm Alia still has the negative impact on the economy of Bangladesh, economy suffered a loss of \$14.4million from the disaster(Wikipedia, Alia). Storm Alia made most of cultivatable land of Southern Bangladesh saline. Rice scientists have invented a gene named Saltol. Saltol is inserted into the chromosome of low-yielding salt tolerant varieties and high-yielding varieties to grow crops in saline waters. Scientists are hoping that use of such gene shall double the yield of rice grown in 2-4 years(Hossain, 2008).

Scientific researches suggested that Bangladesh has fallen into the risky zone for earthquake. Several small earthquakes has been experienced in the country sooner and indicating the possible effect of the disastrous earthquake in the near future. Having poor infrastructural base and neglecting building codes and guidelines, small earthquakes have had enough impact on the lives and infrastructure of the nation's major cities. The effect of any big earthquake, such with a magnitude of 7.5 Richter scale or above, would prove disastrous to the nation, its population, infrastructure and the economy would suffer for couple of decades.

Arsenic poisoning in the northern part of Bangladesh, due to deteriorating level of ground water and arsenic-rich materials in the region's river system has caused a big alarm to the world community. As per Unicef report in 2008, about 20 million people in the country's 8,000 villages are using tube-well water contaminated with arsenic. Random testing of 4.7 million tube-wells were carried out of which 1.4 million has been found to have arsenic above the government-set drinking water level of 50ppb(parts per billion), whereas WHO guideline states that 10ppb is the highest limit of arsenic present in water is drinkable(Unicef, 2008).

## **Chapter 5.2 How To combat and minimize the effect of Natural Calamities:-**

The geographical location of Bangladesh is the top most reason for its natural disasters. Being one of the largest deltas of the world and located confluentially with the Bay Of Bengal of the country's three major river systems; Padma, Meghna and Jamuna- flood, cyclones and tornadoes occur every year, damaging lives and properties.

Global warming is one of the reasons for continuous occurrence of natural disasters in Bangladesh. The nation is playing active role and voicing its concern about the issue. Foreign communities have pledged almost £2billion to combat global warming issues. Countries like Bangladesh which are not much responsible for carbon emission and green house effect are paying the price for irresponsible behavior of few industrialist nations. Minimizing the level of carbon emission and global warming related issues can not be left to the Department Of Environment(Environment Agency Under GOB) alone.

Industrialists, while setting-up of industry, and financial institutions, while financing any projects; must agree jointly to prevent the effect of carbon emission and other industrial hazards to environment. The guideline known as the 'Equator Principles' which has been followed as a model by 57 large private banks around the globe as their contribution to prevent global warming and environmental hazards through laying down voluntary set of standards for determining, assessing, managing social and environmental risk in project financing stating in simple words, 'We will not provide loans directly to projects where the borrower will not or is unable to comply with our environmental and social policies and processes'(Khan, 2010).

Building of dams can check and reduce the intensity of flood. Flood waters are washing away millions of tons of crops every year shall be reduced through such construction and reduce the economical stress of the national budget as to balance the destroyed or washed away crops, to meet the local demand, the government has to import the shortage amounts. Although rainfall has both negative and positive effect on the cultivation, the present effect of rain, causing flood, is negatively affecting the economic growth rate output as Bangladesh is an agriculture based economy, the share of agriculture in output is heavily related to any national economic growth equation (Boyce, 1987). There is a matter of

encouragement that Bangladesh Rice Research institute has been trying to develop a unique variety of rice which can stand the flood and saline water, successful result of the carried on research would save tons of loss of crops washed away by flood water every year.

Moreover, proper dredging and embankment might reduce river erosion. Building of cyclone and flood shelter could also minimize the effect of loss which can shelter people and their livestock.

Bangladesh has experienced less numbers of fatal earthquakes, it must prepare itself for the worst. The nation experienced severe earthquake of 6.8 magnitude, the highest record till September 2011 which prolonged for almost two minutes. Seismologists said that an earthquake with an magnitude of 7.5 would devastate the country's capital city, Dhaka. Precautions are being taken through diminishing of buildings that has violated building construction codes and through educating the people about surviving tactics during earthquake.

Mass awareness programme has been undertaken by the government and NGOs to avoid arsenic contaminated water. GOB was first notified about its citizen being contaminated by arsenic in 1985 by West-Bengal(India Western Part) government while medical checking some Bangladeshis crossing the border(Bangladesh-India Land Border). Till 1998 the government and its development partner has not taken any measures to mitigate the harmfulness effect of arsenic (Khan, 2010). Programmes and researches are being carried upon to identify sources of arsenic contaminated water and to provide alternative source of safe drinking water, to aware people from drinking such and emergency treatment of arsenic victims made available.

As we know, rivers are the life of a country. To ensure that rivers are not polluted, GOB has taken different steps, one such includes sincere action against those found guilty of polluting the river as confirmed by the Supreme Court. Government has banned the use of wood in the brick fields as preservations of trees as well as from to stop polluting the air.



## **6. POLITICAL INSTABILITY**

Political instability is probably a never ending problem for Bangladesh. The instability of politics has imparted severe problems in education system, economy and poverty reduction.

### **Chapter 6.1 Background**

Looking back into the history of Bangladesh, one could find it as a legacy of blood.

#### **Chapter 6.1.1 Bangladesh From 1971-1990**

Bangladesh has two main political parties, Bangladesh Awami League(AL) and Bangladesh Nationalist Party(BNP). Leader of Awami League is Sheikh Hasina, present Prime Minister(2009-2014) and the eldest daughter of the Father Of The Nation(Bangabandhu Sheikh Mujibur Rahman). Leader of BNP is Begum Khaleda Zia, the wife of slain President Ziaur Rahman. Several other small political parties exist in the country but all those are sheltered by these two major political parties.

After the independence of Bangladesh in 1971, Father Of The Nation and founder of AL formed the first government of the new nation in 1972. After the assassination of the Father Of The Nation in 1975, Ziaur Rahman, founder of BNP and the then Army Chief, instituted state of emergency under martial law and became the President of the country. In 1981 Ziaur Rahman was assassinated and H.M Ershad, Army Chief during the presidency of Ziaur Rahman became the second President of the nation in 1982. Since the formation of the nation's first government till bringing down of H.M Ershad's military era, through revolutions in 1990, the country had to go over several coups and counter-coups, resulting into 19 years of social, political and economical unrest. In 1991, the first democratic government was formed by BNP.

## **Chapter 6.2 Unending Political Instability**

One might ask the question that the country gained its independence just 41 years out of which 19 years were passed through unrestness, and the journey of the first democratic government began just 21 years back, the country is still at the infant stage of democracy so a mature democratic environment is a far cry. As stated by Ripan Kumar Biswas, freelance writer of New York Times in 2008 ‘‘There is no denying that things in Bangladesh today are not the way they ought to be, let alone what they promised to be’’. He added, ‘‘after 37 years, people of Bangladesh are facing mortal challenges while they are remembering the supreme sacrifices and gallantry of the country’s bravest and enlightened people but till now, is Bangladesh free from any blueprint? Secularism, democracy, scarcity of essential livelihoods, freedom of rights even tolerance, and communal harmony are being thrown overboard today’’.

Country which follows a democracy form of government are yet in the hands of politicians and business syndicate groups. Political conflicts, inefficiency of local administration, taxation fraudulent, corruption at government levels, cartel of business syndicates are barricading the country from prospering ahead and achieve development as it was supposed to have. The complains of the nation’s population and foreign conglomerates remains on the pace of prosperity and development, regardless of constant effort and finances exerted in Bangladesh by International organizations and foreign countries, in terms of loans and aids.

Political instability has cost Bangladesh a lot. To quantify political instability is a tough practice, but the World Bank has come up with a composite index of political stability. The composite index has been developed on the basis of assassination, civil unrest, military coup, insurgency, terrorism, violation of human rights, etc. The index has revealed the gradual deterioration of political instability in Bangladesh.

<b>Year</b>	<b>Estimated Index Of Political Stability</b>
1996	-0.80
1998	-0.52
2000	-0.60
2002	-0.85
2003	-1.08
2004	-1.14
2005	-1.61
2006	-1.39
2007	-1.40
2008	-1.54

**Table 4: Estimated Political Stability Index In Bangladesh; 1996-2008**

**Source: Daniel Kaufmann et.al. (2009)**

For cross country comparison of political instability, following indices are well-known;

1. Governance indicators of World Bank
2. Economist Intelligence Unit's political instability index
3. Failed state index of Foreign Policy

The ranking of Bangladesh according to these indices are shown below:-

Rank From The Bottom(Worst)	World Bank's Index of political stability(instability) (2008)	Failed State Index (2009)	Political Instability Index Of Economic Intelligence Unit (2009/10)
1	Somalia	Somalia	Zimbabwe
2	Iraq	Zimbabwe	Chad
3	Afganisthan	Sudan	Congo Dem. Rep.
4	Pakistan	Chad	Combodia
5	Sudan	Congo Dem. Rep.	Sudan
6	Congo Dem. Rep.	Iraq	Iraq
7	Sri Lanka	Afghanistan	Cote de Ivoire
8	Nigeria	Central African Rep.	Haiti
9	Lebanon	Guinea	Pakistan
10	Chad	Pakistan	Zambia
11	Cote de Ivoire	Ivory Coast	Afghanistan
12	Guinea	Haiti	Central African Rep.
13	Yemen	Burma	North Korea
14	Nepal	Kenya	Bolivia
15	Ethipia	Nigeria	Ecuador
16	Central African Rep.	Ethiopia	Angola
17	West Bank	North Korea	Dominican Republic
18	Colombia	Bangladesh(Total Sample 177)	Ukraine
19	Myanmar		Bangladesh(Total Sample 165)
20	Zimbabwe		
21	Bangladesh(Total Sample 204)		

**Table 5: Comparison Ranking Of Political Stability Of Bangladesh**Source: Akbar Ali Khan(2010),  
**Humpty Dumpty Disorder**

The statistics shows Bangladesh as a political instable nation. Investigating further, it is found that two economic costs are involved with political instability; a direct cost and an indirect cost. The direct cost includes strike or Hartal. The word HARTAL, derived from hindi words meaning HAT-market and TAL-locked. Locked market or closure of shops or

business activities in protest or to realize any demand was common in 17<sup>th</sup> century in India. Mahatma Gandhi used Hartal as political weapon against the British in India.

Number of Hartals in Bangladesh would make anyone raise their eyebrows

Period	Average Number Of Hartal/Year Including Local Hartals
1971-1974	12.0
1975-1986	14.4
1987-1990	81.6
1991-1994	72.0
1995-1998	93.0
1999-2000	110.6

**Table 6: Hartal Statistics; 1971-2000**

**Source: *Beyond Hartals*. Dhaka: UNDP, 2005**

Hartal brings a lot of violence, destruction of properties, loss of production as well as loss of working hours. According to UNDP during 1991 to 2000 there has been an average loss of 4.5% GDP while during 1995 to 1999 the economy of Bangladesh suffered a loss of \$10billion, due to hartal.

Indirect costs include the loss of confidence in foreign and local investors. Political instability has created negative impression in the minds of foreign investors about Bangladesh and local investors are uncertain about the future of their investment. While in an effort to contain HARTAL activists government enforces excessive force which ends up as a violation to human rights, creating a negative picture about Bangladesh abroad.

### **Chapter 6.3 Solution To Political Instability:-**

The malady of political instability has no easy way out of our society. Political instability is the greatest threat to the economy of Bangladesh. Dynastic politics, inadequacies of the constitution, mistrust among people, power hunger, etc. promoted political instability. When two main political parties fight each other to come to power and form government, vicious cycle of violence and conflict is created. Supporting the statement Khan(2010) showed three possible ways out to overcome political instability (p. 204) and possible end to dynastic rivalries, although it will take time. Firstly, the members and leaders of both political parties believe that political instability can be ended through execution of their rival, since such is almost impossible and has fueled fierceness, realistically either of the party must get eliminated totally. Secondly he suggested establishment of liberal democracy realizing that neither of the two parties can eliminate each other. The third and the last suggestion said that the weakening of dynastic loyalties can gradually end the dynastic rule and end political instability. Doing so would dissolve 60% of political instability.

The Prime Minister of Bangladesh enjoys absolute power which is guarded by the constitution. Reducing of Prime Minister's power and diversifying few to the opposition could reduce political tensions. The Prime Minister of Bangladesh enjoys supreme power such compared to monarchs of the past. Minimizing the power Prime Minister, political parties, judiciary, legislators and chief executives shall reduce the political tension(Khan, 2010). Strong lawful action against any political leaders and government high officials if found guilty through the amendment of the constitution shall raise fear in the minds of dispute planners and executors.

A constitution that promotes democracy and gives clean guidance for the future development is indeed essential for Bangladesh. NGOs and civil society can play active role in building trust among local people. Civil people can give advises to the local government to bring in end to violation and start a harmonical relationship. Bangladesh where 95% people speak the same language, share the common culture, 90% follow the same religion the question keeps ringing in people - how could a country being so homogenous in major issues be deeply divided into two factions? Recently members of the civic society has voiced concern about the growing division which has already taken toll to the economy of the country as stated in an article by Heritage(2003) that the Bangladesh government has attempted to stimulate other sectors other than agriculture to diversify the economy but political instability, investment restrictions, and high tariffs continue to undermine these efforts.

Syed Ashraful Islam , Minister for Local Government & Rural Development and General Secretary of ruling part suggested election to be held on every four years instead of five years. This suggestion would have brought patience in the opposition party as a long five years wait for an election makes them very restless. But people from both the camps threw cold water to the proposal of Mr Ashraful.

Political parties never initiated any steps to soothe political tensions. The National Parliament has to have certain power to control the political disputes; although the Parliament is dominated by the government where oppositions are so marginalized as a result they prefer streets rather than parliament to press its demand. The dynastic politics needs to come to an end, old generation politicians needs to be replaced, making places for new people and injecting fresh blood having modern thinking. Constitution can be amended limiting the number of Hartals and stopping other political movements which are destructive to the economy carried out by opposition parties every year.

Political parties of Bangladesh are heavily influenced by foreign elements. The foreign elements can come forward and play a vital role in reducing the rate of political instability through increasing the social interaction between leaders of different political parties. Mr Stephan Evans, High commissioner of The United Kingdom in Bangladesh, during an interaction with local journalists, said that the political mistrust and confrontational politics run deep in this country and that the country cannot afford to return to the politics of deep-seated division and violence of the past. He even mentioned political instability as a biggest threat than global warming. Emphasizing on resolving issues through dialogue, Evans said that he has repeatedly conveyed to all political parties over the past three years - strongly encouraging the government and the opposition - to engage in constructive politics and hold dialogues to resolve the issues. So the bottom-line of solving political instability is dialogue. Government must take opposition into confidence and pursue for solving disputes through discussion and dialogues instead of showing heavy handed attitude.

## **7. INEQUALITY**

### **Chapter 7.1 Introduction**

Growth and equality are the important factors for the development objectives. There are different logics regarding linkage between growth, income distribution and poverty. How much does the growth benefit poor? Or does it increase the gap between the poor and the rich? Are the questions that are paradoxical to the economists.

Using data from 143 growth episodes, a research at the Institute Of Development Studies under University Of Sussex(United Kingdom), showed, supporting Dollar and Kraay(2000) proposition that the ratio of the poorest quintile's mean income to national mean income does not change systematically as a result of growth(Eastwood&Lipton, 2001).

According to UNESCAP, several cases exist where the rate of poverty reduction is positively related to the rate of growth. Sometimes slow growth is accompanied by a relatively high reduction in poverty or fast growth going hand-in-hand with slower reduction in poverty. It has been well accepted that broad-based growth and low initial equality are the two factors which are quite critical to accelerating progress towards the poverty goal.

Several under-developed nations successfully managed to reduce poverty, but progress of Bangladesh in poverty reduction is quite moderate.

Steady economic growth and restrained population growth has helped considerable progress in per capita income since 1990. In the last one and a half decades(1991-2005), the growth rate was on average of 5% per year. Despite 5% per year growth trend, the poverty has not declined fast enough in the country. Various Household-Expenditure Survey(HES) report shows that according to the Daily Caloric Intake(DCI) method, the trend in poverty reduction remained largely the same between 1988-1989 and 1995-1996 respectively. The percentage of people below the poverty line fell to 44.3% in 2000 and to 40.4% in 2005. The improvement in the poverty rate was not strong enough in relation to



population growth to reduce the absolute number of poor people. The absolute number increased continuously from 55.3 million in 1995-96 to 55.9 million in 2000 and again to 56.0 million in the year 2005. The above linear statistics shows that the percentage of people under the poverty line decreased by 7.4% in 16 years but the number of poor people increased by 11.3%.(Khan, 2010)

Looking at the rural-urban scenario, we would find that from 1995-2005 there has been a decline at rural poverty, whereas urban poverty increased till the year 2000 in terms of both absolute and relative numbers.

Survey Year	National		Rural		Urban	
	No. In Million	Per cent	No. In Million	Per cent	No. In Million	Per cent
2005	27.0	19.5	18.7	17.9	8.3	24.4
2000	24.9	20.0	18.8	18.7	6.0	25.0
1995-96	29.1	25.1	23.9	24.6	5.2	27.3
1991-92	30.4	28.0	26.6	28.3	3.8	26.3

**Table 7: Number & Percentage Of Population Below Hardcore Poverty Line**

**Source: HIES, 2005**

Recently, world recession and high price of food items in the world-food market has cast a glooming effect on the people of Bangladesh, specially those living in urban areas as rural people being directly involved in primary sector, find food items relatively in cheaper price in villages. Bangladesh has been experiencing a double-digit figure of inflation of 10.2% (2009 est.), which has put a lot of people under the poverty line. The persistent devaluation of Bangladesh's domestic currency, Taka, to favor garments export has increased the rate of inflation, which has compelled the importers of the nation to pay more for import bills and has ultimately being passed to the consumer resulting into more inflation transmission into the economy.

The high price of oil in the global market has put Bangladesh under economical pressure. The demand for fuel-oil in domestic market rises every year, the increase in furnace-oil generated power plants in the nation, to meet the shortages of electricity boosted the demand even further. Under pleading from International Monetary Fund(IMF) and World Bank(WB) to adjust the price of oil with its neighboring country, India and Burma, Bangladesh had to raise the price of fuel-oil in the domestic market earlier September this year. According to the economists, such hike in the price shall increase the rate of inflation which is already at 11.29%. The hike in the price shall relatedly increase the transportation fares and carrying costs of goods including foods items which shall badly affect the lives of low and fixed income people.(Financial Express, 2011). Government is subsidizing the price of fuel to its citizen. In 2010, fuel subsidy cost the government \$1.1billion. The Chairman of Bangladesh Petroleum Corporation(BPC), Muqtadir Ali, stated that if the fuel oil price is not hiked, due to increased domestic demand, the government shall have to subsidize \$3.5billion this year. Even after the subsidized rate, farmers are finding it tough to cope up with the fuel cost for cultivation and irrigation, which is turn is raising the cost of rise, wheats, etc. Inflation popularly known as ‘‘cruellest tax of all’’ has put low-class as well as middle-class income groups under tempting pressure.

One of the important aspects in Bangladesh to notice is the taxation system. According to the National Board Of Revenue(NBR), despite having a population of 160 million, only 2 million people pays tax. World Bank stated that Bangladesh is the lowest of all the countries in South Asia in terms of tax-GDP ratio, even lower than that in Nepal.

The growing tendency of tax evasion resulted rampart roll of black money in the economy. Tax incentives and evasion costs the economy of the nation a loss of US\$15 billion per year(Akram, 2006). The growing black money economy has made a lot of people ultra rich. It is a very common sight on the streets of Dhaka, capital city of Bangladesh, poor and half-clothed children, aged between 8years to 15years old, turns into wiping luxurious cars & SUVs struck in traffic-jam with an expectation for US\$0.013- US\$0.020 in return of their work.

## **Chapter-7.2 Tax, Taxation System & Revenue Increases Through Taxation**

Tax revenues are regarded as the fundamental source for the welfare development of a nation. Tax payers in Bangladesh is classified into 6(six) section; Private Ltd. Companies, Public Ltd. Companies, Financial Institutions, Rental Tax Payers, Professionals(Doctor, Lawyer, Engineer) and Individuals.

Tax is one of the most important assets of nations which is collected from the citizens in different forms and are being utilized by different developmental schemes for the country through which the citizens are benefited and is one of the most prime source of domestic resource mobilization.

In Bangladesh, the taxation policies are liberal and are classed into two parts; individual tax and corporate tax. Taxes are payable for the year of assessment of fiscal year July-June.

Individual taxes are schemed as per income, setting a certain amount as the starting base, such as(Asia Trade Hub, Bangladesh Tax)

**On the first Tk. 60,000.00(apprx. €600) of total income - no tax obligation**

**On the next Tk. 40,000.00(apprx. €400) of total income - 10%**

**On the next Tk. 50,000.00(apprx. €500) of total income - 15%**

**On the next Tk. 1,50,000.00(apprx. €1.500) of total income - 20%**

**On the balance of total income - 25%**

Corporate taxes are classified into two segments; industrial companies' tax and services companies' tax. For industrial companies whose shares are being publicly traded is accountable to pay 35% taxes while those whose shares are not publicly traded have to pay 40% taxes off its total income. Service companies such as banks, financial institutions, leasing companies, insurance companies, etc. has to pay 45% taxes (Asia Trade Hub, Bangladesh Tax).

Tax holiday system exists in Bangladesh as per NBR(National Board Of Revenue) rules and regulations. Local companies that are suffering from long term lose or foreign companies that started its operation in the country under trial basis are among few that enjoys this facility.

Tax exemptions are provided to each of those sectors that create employment opportunities. Still loss of revenue, every year, due to tax fraudulent and tax evasion is experienced. ‘As export helps increase demand for production, we provide various incentives and tax holidays for exports’ said M.A.Muhit, Minister of Finance (Government of Bangladesh, Budget Speech 2010-11). The Government of Bangladesh has initiated some administrative and policy reforms in the tax system. An improved tax administration in association with some pragmatic policy initiatives has resulted in a modest improvement in the tax-GDP ratio of late. However, the performance is still unsatisfactory as compared to other countries at a similar stage of economic development(excludedvoices, tax injustice in Bangladesh).

Bangladesh is not the only country where tax fraudulent is common. Developed nations are truly victims of such incidents too, although it is not to be denied that severe judiciary law exists against such an act and control over the issues of fraudulent is strong. Tax-payers possesses the tendency not to pay the required amount of tax deserved by GOB, through tax avoidance, bribing and evasion, tax-payers constantly keeps on frauding the tax-payable amount. Bangladesh being backward through technological point-of-view is repeatedly failing to gain strong control to stop tax fraudulent and materialize datas to obtain full knowledge and information on the exact number of business entities existence. GOB initiated several policies to stop tax fraudulent and to ensure that required taxes are being deposited by the payers to the tax authority and NBR.

The introduction of SAS(Self-assessment System) by the Finance Act, under Direct Taxation gained subsequently little benefit for the government revenue. SAS was first introduced as a prototype in 1981(Sarker, 2003). The number of tax return files has increased till then. In 1991, the government extended the system along with OAS(Official-assessment System), in this procedure, the tax-payer is required to file their return along

with the evidence of payment of tax payable by them, assessed by themselves (Zahid, 2005). The tax files must be presented before the authority on due time, along with tax payment receipts. Since, most of the rich people live in urban areas, least dodging in tax filings results in a good amount of government revenue loss. Among all the files that have been submitted, through SAS/OAS method, for tax-return, random files are being chosen by DCT (District Commissioner Of Taxes) for audit in order to check whether the tax-payer has reported and paid the taxes accurately or not. However, generally 5% of all the files are being chosen for audit, randomly. According to Rules 43 and 47 of Value Added Tax Rule, 1991 (Tax Law, NBR) is in charge of auditing. If the audit report is negative, the tax payer is penalized with five times the tax sought for evasion (Zahid, 2005). Hiding the income to pay less tax, or showing general losses in the tax filing or to white out black money (untaxed) are the main reasons of tax evasions.

Government officials and high authorities of tax department, NBR, DCT and government auditors (those chosen for auditing the companies to check for the truthfulness of the report) are assisting business companies, business people and individuals in lowering the tax amount by faking reports and through auditing the company account in such a way that no doubt arises while tax is pilferaged. During tax evasion procedure, the tax payer needs to involve officers in charge, at times, involvement of higher authority or senior officer is unavoidable due to them pursuing the case. Through direct or indirect communication, the tax-payer and the officer(s) reaches a conclusion, after assessing the risk involved and demand pattern of the officer, about the amount they must be paid in order to assist the payer to evade taxes. Many officers in the tax department, who on top of assisting the tax payer through corruption again tries to exploit the new tax-evader. Some officers on the other hand are sharp, based on win-win situation that is after assessing the benefit they are providing to the tax payer, while calculating their part. The officers and the tax-payer are the gainer, as the tax-payer is paying less tax in exchange of bribes, while the country is the ultimate loser, losing its national revenue in the process (Tax Law, NBR).

### **Chapter-7.3 VAT(Value-added Tax)**

VAT(Value Added Tax) being collected from sales and purchases in the local market is another main form of revenue earner. Bangladesh is lacking enough technological and informational support to calculate actual VAT that must be paid to the GOB by local businesses. A 15% VAT rate is applicable for goods and services in Bangladesh, for wholesalers and retailers. All tax-payers are entitled to keep records of every purchases, raw materials, sales, finished products, etc. under the VAT system. VAT is the gross margin of each transaction, in the process and is tax-paid. Business-to-Business sales and purchases pays VAT which are in turn returned back while the annual tax payment period circulates. While Business-to-Business VAT comes into account, it is observed that the seller has no record of sales, whereas the buyer when applied for tax-return shows the record of purchase. The certain circumstance is due to the artifact that the seller is hiding the sale in order to prevent paying the VAT amount. Most businesses in Bangladesh, especially those in the service sector, do not keep a proper account of their sales or keep multiple sales accounts as a result of which the tax collected from the end consumer goes into the pockets of the businesses rather than to the government exchequer, thus the government has so far failed to develop a serious mechanism to check the fraudulent activities of the businesses(Financial Express, 2010).

In order to prevent such acts GOB has made it mandatory for all shops and supermarkets to install cash register. The VAT collection from wholesale and retail shops are still under the target expectation. Federation of Bangladesh Chambers of Commerce and Industries (FBCCI), businessmen organization in the country, claimed that VAT amount of 600 Crore Taka(equivalent to €59million) can be collected from small retail shops through introduction of strong VAT judiciary policy, let alone wholesalers, supermarkets and big outlet stores.

It has been noted by NBR that out of 47,965 small enterprises in the country, only 11,595 enterprises paid tax, of amount 10,605 Crore Taka(apprx. €1.002million) during the fiscal year of 2004-2005, which accounts to only 23% of the total expected collections(Vat Collection, 2005). In 2009-2010 fiscal year, NBR collected a VAT revenue of 27,092

Crore Taka(apprx. €2.901million) as a result of strong implementation of tax policies, also that only 600,000 TIN(Trade Identification Number) holders out of 27,00,000 pays tax/VAT regularly(Bangladesh Economic Update, 2010).

The data collected and reviewed resulted in the outcome that regular exercise and monitoring with effective information system in collecting VAT would itself be sufficient to develop the national structure and could thereby be invested in various sectors which would develop the economical cycle of the country.

#### **Chapter-7.4 Tax Flexibility In Manufacturing Industries**

Discussed above is the policy on how the VAT taxation revenue can be increased through strengthening the concerned taxation authority. Another sector that plays crucial role in annual taxation revenue increment is the manufacturing industries and businesses. It is rather an easy matter to understand that business is meant to be done for profitability, let alone other cases. Target of all manufacturing business companies is to emphasize on cutting the cost in order to increase profitability and ensure a quality-competitive product. The total expenditure, starting from til to tal, is distributed equally among the numbers of product manufactured, thus increasing the unit price of the product. Similarly, if the total expenditure is decreased the unit price of the product decreases or the profitability increases. GOB has several taxation policies that are burden for manufacturing business industries. Such are PSI (Pre-shipment Inspection charge 1% of C&F value), customs duty, advance income tax, Value Added Tax (VAT) assessed on duty paid value and other surcharges. As mentioned earlier in this paper-work that the people of Bangladesh, no matter in what profession they are in, has the tendency to evade tax. According to the phenomena, it is normal that manufacturing companies are evading while paying taxes related to business or personal income and while the burden of tax imposition is extreme on such business companies during importing of industrial raw materials, they tends to fraud taxes there too. Thus GOB is losing its taxation revenue from both the ways. To attract FDI(Foreign Direct Investment), introduce flexible taxation policy for

manufacturing companies and to resist manufacturing companies from frauding import taxes, GOB is convinced that imposing taxes for importing industrial raw materials be made flexible through introduction of EPZ(Export Processing Zone) in major industrial cities of the country. Let the entire country be treated as an EPZ, by eliminating the need to pay taxes on the imported industrial raw materials. However, the Government may impose VAT on the goods to be sold within Bangladesh as consumer items and no tax imposed on goods to be sold out side. If this scheme is implemented, the growth of industries will be exponential(AABEA, 2002). Although, the export tax of different products is not much, still it is adding something to the GOB annual tax budget, at the stage. Once the VAT payment policy and ensuring all business companies from smallest to the largest are regularly paying taxes flows in through strengthening the VAT policy strongly, export taxes for products and import taxes of raw materials may be eliminated.

Elimination of taxes and duties on imported raw materials for production purposes would however make the product labeled our country's name on it globally competitive both in local and international market. Bangladesh would then rather be a nation known for its duty and tax free production. It would drag more investors and FDI into the industrial market and open door for job opportunity. While more jobs are created, decrease in the rate of unemployment and increase in taxation revenue would take place since income taxes from personal reasonable income shall be taken into account.

### **Chapter-7.5 Luxury Tax**

Early discussion gave rise to the vast difference of wealth possession among two immediate social-classes of people and how the lifestyle differs based on the classified classes of the nation. Major change in taxation system has been incurred by GOB since 2009 National Fiscal Budget through increase of the tax amount in luxurious goods and items by several digits. The country where 41% of the population fights to survive by less than \$1 per day and 84% by less than \$2 per day(UNICEF, 2007), goods or items such as cars and foreign manufactured products imported in Bangladesh and sold in the market are



considered as “luxurious”. Increasing the tax rate and imposing supplementary taxes on the mentioned criterion goods or items would increase the revenue and also encourage the selling of domestic manufactured products rather than the imported ones. Sales of domestic product bring in Vat revenue and other taxes associated at different stages of manufacturing, starting from raw materials till the finished product, to the GOB. Thus imposing taxes on “luxurious” goods or items experienced increase in revenue.

“More effective monitoring and information system must be established by different organizations of the government associated with tax and revenue collections in order to stop tax evasion”, said M.A Muhith, Minister Of Finance. In his speech during presenting the annual country budget on July 23, 2010 finance minister announced Bangladesh Infrastructure Finance Fund of Tk 1,600 crore(apprx). would “hopefully” meet the infrastructure needs.

To make payments of taxation hassle free, the government has already initiated several reforms. Such as, filing of tax returns online and one-stop tax filing. DFID has helped by providing assistance to upgrade the taxation system, which will pave the way to collect tax revenue and can be used to pull up the population living under the poverty line.

### **Chapter 7.6 Solution To Inequality:-**

Solving inequality in the country, at the time, could be very complex and unwelcoming since the GOB has to take tough and unpopular decisions in this regard.

Proper formulation and implementation of Monetary and Fiscal policy is very crucial to narrow the gap between rich and poor. As we know Monetary policy which is a restrictionist or deflationary one may attempt to reduce inflation but there might be the risk of worsening unemployment. And expansionist or a reflationary monetary policy may attempt to reduce unemployment and stimulate national economy but it may have the disadvantage of high inflation. Here government has to be very careful regarding controlling the money supply in the economy.

As we know Fiscal policy can be explained as policies of government towards taxation, expenditure and public sector borrowing. It is an important tool to affect the level of demand which in turn affect the level of employment.

We can examine the present taxation system of Bangladesh which can give us a picture of country's fiscal policy.

Creation of jobs shall narrow the gap between the poor and the rich. For that government has to take measures to increase the skills and education among the young people. Setting up technical institutes and universities can cater the demand for professionals in the sectors such as IT , medicine,etc. Too much government expenditure might increase the rate of inflation, thus it has to strike a balance somewhere in the mid path, making expenditures for creating jobs and containing the inflation. The Government of Bangladesh has put a serious emphasis to reduce poverty which would narrow the gap between rich and poor. The recent budget of 2010 and 2011 the Government has allocated 194.97billion Taka(aaprx. €1.76billion) for strengthening various safety net programmes. The Unnayan Onneshan ,an independent think tank, projection based upon the past with the assumption of business as usual reveals that the rate of poverty may come down to 27.9 per cent in 2021, which is higher by 12.9 per cent than the targeted rate of 15 per cent(Financial Express, 2011).

Quazi Mesbahuddin Ahmed, Member of the General Economics Division of the Ministry of Planning and one of the architects of the country's draft paper on poverty reduction stated that UN has a very important plan and role to play in the country's poverty reduction. He continued that a sea change here in the process of development for Bangladesh is taken into consideration and recommendation given by the ministry for a broad-based, transparent system that builds productive partnerships with multilateral organizations, NGOs and the private sector in order to advance development and reduce poverty and inequality(UNFPA,2005).

## **Chapter-8 CORRUPTION**

Corruption is one of the major barrier to economical development of a nation. The cancer ‘‘corruption’’ is a global problem, heavily in under-developed and developing nations.

### **Chapter 8.1 Corruption in Bangladesh**

Corruption is an old age problem. Klitgaard(1998) defined corruption as,

$$C = M + D - A - S, \text{ where}$$

C = Corrruption

M = Monopoly

D = Discretion

A = Accountability

S = Public Sector Salaries

Corruption is the result of weak state management and it exists when individuals or organizations have monopoly power over a good or service, discretion over making decisions, limited or no accountability and low level of income.

World Bank describes corruption as ‘‘the abuse of public office for private gains’’. James D. Wolfensohn, President of the World Bank in 1996, at an annual meeting declared that to achieve growth and poverty reduction in developing countries ‘‘ we need to deal with the cancer of corruption’’. A study on 69 developed and developing countries in 2005 by Transparency International Global Corruption Barometer found that 75% of the respondent said that political life affected by corruption in their countries are moderate or large in extent, while 65% said it affects the business sector and another 58% said that corruption is affecting their personal life directly (Vinay,2004).

Bangladesh is one of the poorest and most underprivileged countries of the world. United Nations Human Development Index(2002) listed Bangladesh ranking 145 out of 173 countries. More than 40% of the total population of the country lives below the poverty line. Poor governance and dysfunctional institutions have made the present situation more worse. The pervasiveness and rampant abuse of power has earned the country a dubious reputation as one of the most corrupted country in the world.

The question now lies on how corruption crept into our society? The people of the then East-Pakistan(now called Bangladesh after independence) had to live under the direct governance of West-Pakistan(Pakistan) since 1956 and were suppressed and avoided. The independence war broke out between the two countries in 1971, which longed for 9 months. Since 1956 till 1971 the people of Bangladesh had experienced tortures and barbaric periods. Naturally, after the independence, when the nation founded its own first government, the citizens of the new nation would have huge expectations from its first ‘own-government’. The newly formed government had a huge challenge ahead to reform the nation, re-build destructed infrastructure, plan fresh national strategies and policies, etc. with its limited financial resources and amateur administrations.

During the liberation war in 1971, millions of people of different religious backgrounds of Bangladesh fled to the neighboring country, India, while people of West-Pakistan(Pakistan) living in East-Pakistan(Bangladesh) fled to their own nation to protect themselves and their families from the war, thus vacating hundreds of acres of lands. Post-independence, those among who took shelter in India returned back, while others preferred to stay back in India(mostly Bangladeshi Hindus) and the people of West-Pakistan(Pakistan) to return back to Bangladesh is out of question. Hundreds of vacated lands and properties remained unclaimed, aids and loans from foreign countries to the young nation for reformation, both economically and infrastructure wise, gave an opportunity to the powerful people of the nation to plunder right from the very beginning and the citizens started feeling uncertainty as expected economic emancipation seemed to become a distant dream to them.

The uncertainty of expectations made people of the nation hungry for wealth and power. Rich people started to crave for power. The word ‘power’ since then, associated itself with the abusive use for earning money illegally. Till date, it is widely practiced, that rich people gets involved into politics, using the power of money in a form of investment to earn more and multiply their wealth, they manage to succeed and win the election and later becomes a powerful part of the government or opposition. Presently, among 300 members of the Parliament, 50% are businessmen or businesswomen. Once becoming a powerful body, the game of earning money illegally starts a race competing one with another. Government officials, from top to bottom are corrupted, as when they seek for job, starting from fifth-class clerk till high officials, they have to pay bribes to the corrupted personnel or authority and in turn when they are confirmed to be in the post for the job, they try to regain the money spend as a bribe to get the job plus more for themselves, through unethical means. In such a way, hundreds of other examples can be given that has given the rise to the ‘culture of corruption’ in Bangladesh and is growing unabated. A survey of Transparency International Of Bangladesh showed that the most corrupted sector in the Bangladesh is the Public-Government sector among which Police and Judiciary wings are the most popular ones. The loss of confidence from the law and judiciary system of the country has affected the economy and the life style of the people.

Foreign investment has dipped down to a recordable level. Several studies proved that Bangladesh has become unfriendly to foreign investors due to the practice of corruption by the government authorities. Foreign aids and loans coming to Bangladesh declined, thus the country which is economically unstable and had to rely heavily on foreign investments, aids and loans for developmental, infrastructural and economical reformations is gradually losing its trust from the donors and investors; for all these only one word is to be blamed and that is ‘corruption’, specially noting politicians, high government officials and government itself. The truth that the inflow of foreign money into the economy of Bangladesh has decreased to a recordable level due to corruption in the nation has been confessed by the several finance ministers during the period of different elected government.

Corruption has resulted in excess price of the developmental and infrastructural projects and sub-standard works. Corruption as a whole, affected the gross domestic investment of Bangladesh. Reducing corruption would increase country's GDI-GDP ratio by 5.3%-6.4% and inflow of foreign finances through different forms would increase steadily, in turn, the economy of the country would develop enormously. Supporting the author's view renowned businessman, Salahuddin Ahmed, director for One Bank Limited, the fourth largest private bank of the country, and also an owner among many NGOs in the country during an interview emphasized in bringing end to the corruption to develop the country economically and to literate its citizens to understand the problematic areas.

## **Chapter 8.2 Possibilities To Call An End To The Corruption**

Corruption is one of the greatest obstacles to development. It hinders proper allocation of resources as well as the performance of government. But reduction of corruption can not be done overnight. Anti corruption strategies should be formulated where broad based participation of every group must be ensured. Petter Langseth, Ph. D, Programme Manager, Global Programme Against Corruption presented a paper at the ISPAC Conference on responding to the challenges of corruption on 19 November 1999 in Milan.

The anti-corruption strategy advocated in this paper (p.2) rests on four pillars:

(a) economic development; (b) democratic reform; (c) a strong civil society with access to information and a mandate to oversee the state; and (d) the presence of rule of law.

On the basis of these four broad contexts, there are four basic arenas in which action can be taken against corruption within a country:

First, the basic institution of good governance needs to be strengthened. At the head of this list is the judiciary, which is itself the guardian of laws and integrity. But if the judiciary is itself corrupt, the problem is compounded and the public at large without

rule of law. Secondly, the capacity and integrity of enforcement need to be enhanced. The best law has no value if it is not enforced. The best judges and magistrates are wasted if cases are never brought to them. Good investigations are wasted effort if the judge or magistrate is corrupt. Third, a government needs to put in place a solid set of preventive tools. Codes of Conduct and strong independent oversight bodies can help ensure that the acceptable standards of behavior are respected in both the private and public sector. Political leaders in all branches of government, legislative and judiciary can be required to have transparency in their own financial dealings through asset disclosure for themselves and their family members. Fourth, the public needs to be educated on the advantages of good governance and participate in promoting it. The public itself bears a large share of responsibility for insisting on honesty and integrity in government and business. The public needs to learn: (a) not to let anybody buy their vote; (b) not to pay bribes themselves; (c) to report incidents of corruption to the authorities; and (d) to teach their children the right values; e.g. that integrity is good and corruption is bad.

Based on the above discussion the following steps can be identified as tools for reducing corruption in Bangladesh.

1. Education: If people are educated they would be able to know their rights and relevant laws. If people are educated, there shall be no chance for a corrupt public servant to make them fool and ask for bribes to get work done which falls their citizenship right. Surveys proved that regions with a higher number of educated population has thwarted the corruption practice of officials;

2. Reforms: Bringing reforms in the electoral process shall result in bringing down corruption. Law must be introduced by the Election Commission allowing only clean people to participate in the election and preventing tax evaders, loan defaulters, law breakers from running in the election. Such practice shall ensure honest and clean people at the helm of power, who shall not indulge themselves in practicing corruption.

3. Access to information and civil-society rights can bridge the gap between the government and the public. Free flow of information can be effective to counter corruption. Making pros and cons of public development, infrastructure development, programmes and policies available to citizens, the officials involved would not resort to any corrupt practice in fear of public outcry.

4. Punishment: Government should make anti-corruption cell stronger and appoint impartial administrator to investigate corruption committed by any politicians and officials, finding such people guilty shall result straightly into imprisonment, wealth and properties seizure.

5. Formation of special team representing the foreign donors to observe the movement of the donated funds for the development of the nation must be acquired to ensure its proper utilization for which it has been intended. Such team should have ready excess into the government level and right to questions, within the area of their interest. Such reformation shall reduce the vulnerable rise of project values and the government require less amount in loans for developmental purpose from the donors for each specific project which in turn shall result into paying less interest amount, thus easing the economy of the country. The payback time period shall also be reduced while requests for new loans can be made once the previous credit(s) amount is paid back which shall also rapidize the infrastructure development.



## **9.DISCUSSION & CONCLUSION**

Bangladesh, since its independence has come a long way in terms of achieving economic development. But in comparison other countries which are more or less the same age have exceeded Bangladesh in economic development. Reasons for not achieving adequate growth in the view of this author are

1. Population;
2. Natural calamities & Environmental problems;
3. Political instability.
4. Inequality; and
5. Corruption;

Bangladesh which is 8<sup>th</sup> most populated country in the world has found herself back footed due to the burden of over population. The density of population is 1600 per kilometer tells the magnitude of the problem. The limited resources should go to meet the basic needs of the population or be used to build infrastructure which would pave the way for greater economic growth- this dilemma has put Bangladesh Government at a vulnerable position. No doubt major portion of the earnings is spent on the import of edibles. This has hindered the growth as expenditure on capital goods as well as infrastructure development suffered a lot.

The corruption which has spread into the branches of all the system in Bangladesh could be one of the most important barricading factors in the economic development of Bangladesh. It has eaten up the society from the core. Politicians who are mainly responsible for cultivating corruption are challenging the whole system. People have lost faith in administration and judiciary and are well aware of that without resorting to unethical means nothing can be done in this country. This ferocious claw of corruption has set up its claws in all the development work of the country. As a result any development work undertaken has question mark. Moreover, FDI is discouraged by the corrupt officials in the pretext of red tapes.

The growing gap between the rich and the poor created vulnerability in the country. Rich getting richer and poor getting more poorer has put the middle class virtually non-existent. Such has created a great social unrest. A country of 160 million people, having 30% population below the poverty line and experiencing social and political unrest clearly makes anyone understand the gravity of the problem. The poverty has forced most on poor people to take work as a result education, health, etc. have been put into the backseat. Huge number of population, mostly children and women, are being exploited in all the fronts such as in workplace, home, etc. As discussed earlier, below 2% of the population pays tax which tells us how limited country's internal resources are. Such has made the country dependant on foreign donors for infrastructure development.

Bangladesh is widely known as the country of natural calamities. It is a common phenomenon for the people of the country to fight floods, erosions, cyclones, draughts, etc. The continuous occurrence of natural calamities cause widespread damage to crops as well as to the infrastructure, putting the country into economic constraint. The population not being recovered from one calamities finds themselves facing another. As a result they hardly make a recovering and find themselves reeling in poverty.

With all these factors barricading the economic development of the country still the country has set up some unique examples for success to the world. For example, Grameen Bank which helped millions of destitute people to overcome the poverty through the introduction of micro-credit which are taken as the role-model by many developed nations. The receiving of MDG award also proves the acknowledgement of population control as well as steps taken to eradicate poverty. Bangladesh is one of the few countries whose people as well as government has become an example for the pre and post natural calamities specially flood and cyclone preparedness programme. Thousands of flood and cyclone shelter centers which are also work as schools premises have helped lowering damage of people and property.

The huge population of Bangladesh does not mean only stomachs to be filled every two hands of each and every person is eager to work. About more than 10million(unofficial)/3.92million(official) Bangladeshi are working abroad and

remittances sent by these people have helped grow foreign currency reserve. The women folk of Bangladesh who were once remained in closed door now have become very active in generating income and their lots. The micro-credit loan (invention of Bangladesh and many developed nations followed the model), to these women who were able to stand up on their own feet. Millions of women are directly employed in the garments manufacturing industry and have made the country as one of the leading garments exporter in the world. The opportunity of cheap has attracted a lot of attention from different countries to set up their businesses and to have edge in the competitive world. Bangladesh has become even more liquoritive than China and Vietnam in terms of cheap labor.

Government and non-government effort have improved literacy in Bangladesh and has put its name before Pakistan and Bhutan in south Asia. As we know, increase in literacy will be immensely helpful in containing population, corruption and contribute significantly in the improvement of standard of living. Knowledgeable people will not be carried away by empty promises made by politicians as a result people will be benefited from the democratic system as politicians would be answerable to the general public.

Finally, the author believes Bangladesh has got immense potentiality and if all these barricading factors are taken sincere care of it would not be too long to see that the country, Bangladesh, would become middle income nation.

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## Appendices

### Appendix-1 Interview Questions

1. What are the main problems, from your point of view, that are barricading the development of our country?
2. What steps shall be taken by the government and where to start from to end such problems, as mentioned by you, to achieve development?
3. Do you feel that necessary measures are being taken by the government to develop the economy of the country and its infrastructure?
4. What steps should the government take to reduce the rate of unemployment?
5. How can corruption be dusted away from our society?
6. Do you feel that the country is heading towards the right direction, please suggest?

Bangladesh being a least developed country has several natural endowments which most developed countries do not have, such as huge reserves of natural gas, coal, only natural seaport and longest natural sandy beach of the world, cheap labor force, etc ? How can such assets be utilized to economically develop our nation?

**Interview Date: 9<sup>th</sup> November, 2011**

**Name Of The Interviewed Person: Anisul Hoque**

**Profession: Journalism**

**Name Of The Organization: Prothom-Alo**

**Designation: Deputy Editor**

**What are the main problems, from your point of view, that are barricading the development of our country?**

There are many problems. Politics and political instability is the mother of all the problems; lack of good governance and inefficiency of the administration has resulted due to this. Our country was under British colony for a long period of time, I still feel that our people like to be dominated, which is another problem you should note. Population is increasing and it needs to be controlled. The incredible rise of the population is affecting our community, society, health affairs, social affairs and economics.

**What steps shall be taken by the government and where to start from to end such problems, as mentioned by you, to achieve development?**

Democracy must be practiced and emphasized to solve the problems. We say we are a democratic country and it runs on the parliamentary form of government. But if one sees deeply and understands, it is not true. Prime Minister is the supreme power, whatever she decides is the law. Starting from minute to major problems the Prime Minister needs to take the step to solve while others are silent and inefficient.

**Do you feel that necessary measures are being taken by the government to develop the economy of the country and its infrastructure?**

No. Our problem is the government. Government is making no moves to develop the economy and infrastructure. It is baseless and wastage of money in building such infrastructures that are not beneficial the population. The government shall develop such infrastructures which is beneficial and is required by the major portion of the citizens.

**What steps should the government take to reduce the rate of unemployment?**

Easiest of all shall be to send all our people abroad gradually. Annually 1.2 million people goes abroad for work, it must be increased by 3 times. Our government shall emphasize in making human labor export a separate industry, it has a huge scope. Services, efficiencies of our embassies abroad, supports, financial loans, etc. must be developed so that it becomes easier for the people to find jobs abroad, does not get captured into the hand of fraud human labor export agencies and that our embassies abroad responds to any need of our people immediately. Millions of people are working abroad and are sending remittances home. The tax earnings from the remittances play a major role in the country's revenue. This is the only sector where tax fraudulent and tax evasion does not exist, so the government is getting exactly what it is supposed to get.

**How can corruption be dusted away from our society?**

It is very hard since all the sectors are corrupted. Actually the word ‘‘corruption’’ is used by political parties to bring bad images about their opposition or counter parties in the mind of the citizens. When the opposition comes into power later, they are also involved into corruption. The fact is that maximum politicians are corrupted, there are only countable numbers who are not. Thus the political people who are considered as the main part of the nation’s decision making has no intention in bringing end to the corruption.

**Do you feel that the country is heading towards the right direction, please suggest?**

Yes, upto certain extent it is. It is not because of the government, but for our people. Our people are very much hard working and efficient. The education of our country has developed and the rate of educated people increased, they found out ways themselves to live better rather than relying on the government. I would say that the barriers the country is having to develop will come to an end with time and such will be the result of the efforts of our citizens not our government. Later after, let’s say 20 years, the population that are taking education seriously at this very stage and the generations after this, shall enter the job markets and business markets. This people shall have full knowledge of what is bad and what is good for our country. They will prevent themselves from corruption and other unethical means of income. They will work for that which will bring good to our country and its people.

**Bangladesh being a least developed country has several natural endowments which most developed countries do not have, such as huge reserves of natural gas, coal, only natural seaport and longest natural sandy beach of the world, cheap labor force, etc ? How can such assets be utilized to economically develop our nation?**

Many multinational companies are taking advantages of our cheap labor force through establishing manufacturing industries in the country. Our country is benefiting from such establishments too. Millions of our people are employed into such industries. The cheap labor force has earned our country fames, due to such, Bangladesh has been listed third in the garments export and manufacturing industries of the world and gave rise to ship-building industries; companies from Germany, Singapore, Switzerland, etc. are building ships at our yards and supplying to their customers.

There are many historical places, monuments and ofcourse the longest beach of the world that is already attracting many tourists. We should show more hospitability to foreign tourists so that number increases gradually every year.

## **Appendix-2 Interviews**

**Interview Date: 7<sup>th</sup> November, 2011**

**Name Of The Interviewed Person: Salahuddin Ahmed**

**Profession: Business**

**Name Of The Organization: One Bank Limited**

**Designation: Director**

**What are the main problems, from your point of view, that are barricading the development of our country?**

The most serious problem I would say is education. The standard of education must go up, as the society needs educated and knowledgeable people to understand the problems of our country. Secondly, I would say that the laws to do business are so indigent that it is nearly impossible to make profits if one has to pay such high taxes and utility bills. Ordinary entrepreneurs face harassment. The government must set flat taxation rate so that it is

flexible for every businesses, small or big, then everyone is going to pay rather than evading and frauding taxes.

**What steps shall be taken by the government and where to start from to end such problems, as mentioned by you, to achieve development?**

Raise the standard of education by recruiting competent teachers from primary level by raising their salaries. Since the salaries of teachers and professors are so less that people are losing their interest from this profession because they must cope up with the high living cost.

Taxes should be reasonable and the process for paying taxes and utility bills should be simplified such that people does not face any problems and can avoid corrupted officers.

**Do you feel that necessary measures are being taken by the government to develop the economy of the country and its infrastructure?**

No, not at all. The government is planning to build prestigious projects, such as fly-overs, express-highways, metro-rails, etc. etc. rather than concentrating on basic infrastructure development. 68% of the total roads and highways of Bangladesh needs to be re-built as soon as possible. Goods are delaying in being transported from one point to the other due to weak roads and highways thus businesses are suffering and so is the economy in the cycle.

**What steps should the government take to reduce the rate of unemployment?**

Well, it is very true that the rate of unemployment is very high. The only way to reduce unemployment is the growth of industries. As I mentioned you before that the people will invest when they see they can make profit, but taxes and utility bills are so high that people thinks twice-thrice before investing. Simplification of paying taxes and utility bills and flat

taxation rate must be implemented to encourage industrial investments. Foreign investors can not rely on the judiciary system of Bangladesh. FDI is gradually decreasing due to such reason. We are poor country, we need money our people needs money, we can not disappoint investors through which our country will be benefited. Government must emphasize on strengthening the judiciary system and separate law codes must be conducted to build trust among foreign investors to invest in Bangladesh.

### **How can corruption be dusted away from our society?**

Corruption will never end but can be reduced. Corruption exists even the first world countries. The government must lessen its role in certain areas and encourage private sectors to take up those roles instead. Encouraging private sectors to collect bills, must simplify the payment of taxes in one-stop which the government is already doing and permit financial institutions and banks to issue certain business licenses on their behalf. Because these are the major sector-areas where the certain classes of government officers are making money.

### **Do you feel that the country is heading towards the right direction, please suggest?**

It is not. Government's revenue budget should decrease and the development budget should increase. GOB should interfere less in controlling the economy of the country just the way they want. It must be spend in the welfare of the country and her citizens.

**Bangladesh being a least developed country has several natural endowments which most developed countries do not have, such as huge reserves of natural gas, coal, only natural seaport and longest natural sandy beach of the world, cheap labor force, etc ? How can such assets be utilized to economically develop our nation?**

To economically develop, I will say that Bangladesh needs to take advantage of its geographical position and its physical features. Although there are many controversies going on regarding the construction of deep-sea port and Trans-Asian highway, but it must be introduced. Along with other reasons, Singapore in a span of time recovered from its poor economy just because it allowed ships with different flags to anchor at their port. Bangladesh can play a major and important part in connecting SAARC countries with ASEAN countries through constructing Trans-Asian highway. In such case it is true that rails and roads infrastructure should be made strong, but many SAARC and ASEAN countries showed interest in investing on such infrastructure without any return as in long term it is going to benefit them.

There are many tourists coming to visit Cox's Bazar, the longest sandy beach. I do not think Bangladesh has any problem to hospitalize tourists despite its economical drawbacks. There are so many tourists visiting Laos every year, Bangladesh is better off than that place. Maybe our Government needs to do some international advertisement to people of the other countries know about Cox's Bazar.