

Economic Dialogue on Inclusive Growth in Bangladesh

Summary of first meeting 8th May 2017 Inclusive Growth Policy Forum (IGPF)



The Asia Foundation



The first meeting of the Inclusive Growth Policy Forum (IGPF) under the Economic Dialogue on Inclusive Growth (EDIG) Programme was held on 8 May 2017 at the NEC Conference Room, Planning Commission, Sher-e-Bangla Nagar, Dhaka. The Chief Guest was Mr. A H M Mustafa Kamal FCA, MP, Hon'ble Minister of Planning. The meeting featured a presentation and discussion of the first EDIG research paper, and a discussion about which topics EDIG should examine in more detail in the future. This is a discussion summary of the first meeting.

1. Introductions

The IGPF is comprised of 31 influential high-level policy leaders from government entities, private sector actors, civil society organizations, think tanks, and the media. The first meeting was convened and presided over by Dr. Shamsul Alam, Member (Senior Secretary), GED, Ministry of Planning. Mr. Hasan Mazumdar (The Asia Foundation) and Mr. Dirk Willem te Velde (ODI) introduced the EDIG programme and the IGPF. Ms. Tasneem Rahman (DFID) expressed DfID's expectation that IGPF and BRING will act as platforms for constructive and fruitful dialogues with the government toward a goal that no one is left behind.

The Chief Guest, Mr. A H M Mustafa Kamal FCA, MP, the Honourable Planning Minister, Government of the People's Republic of Bangladesh, emphasized the government's support for inclusive growth during his speech. The Honourable Minister explained various initiatives taken by the government to heighten economic growth, and highlighted that Bangladesh is expected to achieve 7.4% growth by next year with a goal of reaching 8% by 2021. He also emphasized Bangladesh's success in reducing poverty from 40% to 23% in the last ten years, and described how the establishment of special economic zones in rural areas will create new opportunities for rural communities while reducing the pressure of urbanization on major cities. The Honourable Minister also highlighted Bangladesh's success in exporting its workforce export, which has raised remittances in recent years. Finally, the Honourable Minister recognized the importance of policy reforms and evidence-based strategies in order to help Bangladesh achieve its full potential in regard to inclusive growth.

2. Presentation & Discussion on Research Paper 1

Dr. Selim Raihan, Professor at the Department of Economics of the University of Dhaka, Executive Director of the South Asian Network on Economic Modelling (SANEM), and lead author of the Bangladesh Sectoral Growth Diagnostic, the first paper produced under the EDIG Programme, presented the paper. Using three main criteria – growth drivers, diversification and government's policy buy in – suggested in the paper identified three sectors with great potential to stimulate inclusive growth in Bangladesh: agro-processing, leather and leather goods, and information and communication technology (ICT). For each sector, Dr. Raihan highlighted the reasons for which the sector has the potential to drive inclusive growth, major constraints to achieving that potential, and critical policy suggestions to overcome those constraints. The paper also



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identified several common constraints across all three sectors, in particular, weak infrastructure, lack of finance, and lack of skilled labour, as well as constraints specific to each sector.

Market access, challenges at the processing stage, and lack of acceptance by other countries of the testing certification done by the Bangladesh Standards and Testing Institution (BSTI) are major constraints to growth in the **agro-processing** sector. Policy recommendations included enhancing the domestic capacity of Bangladeshi exporters, managing traffic conditions to ease the movement of products within Bangladesh, improving access to electricity, and flexible tax and lower tariff policies.

Constraints in the **leather and leather goods sector** include lack of skilled labour, health and environment hazards, and the high cost of doing business. Policy recommendations include: enhancing technical education, access to power sources, flexible loan facilities, developing a tannery in a new location, and incentives for business owners to comply with health and environment standards.

Dr. Raihan highlighted low start-up costs, available English speakers, a growing market, employment opportunities, and various supportive government initiatives as reasons the **ICT sector** has the potential to be a thrust growth sector. One significant barrier to growth in this sector is the mismatch between required skills and the curriculum of universities, resulting in an under-skilled labour force. Policy recommendation include expansion of ICT training programmes, subsidies and tax holidays/incentives for ICT firms, and establishing ICT export desks at Bangladeshi embassies overseas.

Discussion Highlights:

- The Honourable Minister of Planning expressed interest in participating in future detailed discussions related to inclusive growth under the auspices of the EDIG programme.
- Dr. Shamsul Alam highlighted the need for future research to better understand the potential impact of Special Economic Zones (SEZ), including whether and how SEZs will make growth inclusive or whether big industries will benefit the economy most.
- At the suggestion of a representative from the Metropolitan Chamber of Commerce and Industry (MCCI), GED agreed to include the National Board of Revenue (NBR) as a member of the IGPF moving forward so that the group can better understand and address the role of tax incentives in driving inclusive growth through business and investment.
- In response to the Bangladesh Sectoral Growth Diagnostic finding that many countries do not accept BSTI testing/certification, IGPF participants also recommended the inclusion of BSTI in the IGPF, and highlighted the need for the Government to take action to build the capacity of BSTI in order to improve export potential in the agro-processing sector.
- Despite a number of initiatives undertaken by the Bangladesh Bank to increase access to finance, discussants noted that many business owners or potential business owners do not avail themselves of these opportunities because other facilities needed for business are still not very accessible, such as delays in establishing gas and electricity connections. Further investigation as to why demand for finance does not match supply and how to reduce this gap would be beneficial to the broader discussion of inclusive growth in Bangladesh.
- The Director General of BIDS discussed the importance of structural transformation for the creation of jobs in those sectors that are driven by comparative advantage as identified and pioneered by Justin Lin.

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The views presented in this paper are those of the authors and do not necessarily represent the views of ODI, The Asia Foundation, DFID or the UK Government. The authors take full responsibility for any errors or omissions contained in this report.

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