

Graft, high taxes hinder business, development

Economists, policy experts tell BIDS meet

FE REPORT

Economists and policy experts Wednesday appreciated Bangladesh's advances but spotlighted lapses like factious politics, lack of governance, corruption, inequality and high tax incidence that taint business climate and affect investment.

Those factors are prompting money laundering out of the country rather than investing inside the country, they said at a Bangladesh Institute of Development Studies (BIDS) meet.

The speakers were also critical about some unproductive public-fund expenditures without quality development and on the slow progress of the projects.

Local and foreign economists, researchers, development analysts, and policymakers were speaking on the first day of the three-day 'Annual BIDS Conference on

- ❑ Higher taxes hinder foreign direct investment
- ❑ Debt-GDP ratio rises 4.0-percentage points to 40.75pc in two yrs

Development 2021'.

Planning Minister MA Mannan attended its inaugural session as the chief guest while economic adviser to the Prime Minister Dr Masiur Rahman was the special guest. BIDS Director-General Dr Binayek Sen was in the chair.

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Graft, high taxes hinder business, development

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Finance Minister AHM Mustafa Kamal, who was also to join the programme as a special guest, didn't turn up.

Economist and former Deputy Chairman of the Planning Commission (PC) Dr Nurul Islam, economist Dr Rehman Sobhan, former World Bank Lead Economist Dr Zahid Hussain, US economist Dr Calla Weimar and BIDS Research Director Monzur Hossain also spoke, among others.

Dr Nurul Islam said: "Politics is the main reason behind the rising income inequality in the country. When a country has lack of political stability, investment there will be a far cry. And the money will be siphoned off the country."

Besides, the higher-tax regime is impeding foreign direct investment in Bangladesh, he added.

When the money is being laundered out of the country, nobody is questioning that, said Dr Islam, who was the first Deputy Chairman of the PC.

Hailing Bangladesh's achievement in poverty reduction, Dr Islam said quality and accurate data from neutral sources are imperative at this moment for taking best policies for the development of the country by 2041.

Dr Rehman Sobhan in his speech said there had been significant development especially in the rural areas in Bangladesh over the years as the non-governmental organizations had also worked with the government.

"The NGOs have played vital role in social enterprise development, education and health improvement, especially for the deprived women. For this reason, there are some social trans-

formations along with their economic condition," he added.

Although the country is going forward with its poverty reduction and economic development, but there are still corruption and lack of governance, resulting in a vulnerable growth, Dr Sobhan told the cutting-edge meet on economy and development.

Former World Bank Lead Economist in Dhaka Dr Zahid Hussain said although public investment is growing, year on year, but expected level of quality development is still far behind the potential due to those leakages.

Over the last two years, the country's debt-GDP (gross domestic product) ratio had been enhanced by around 4.0 percentage points to 40.75 per cent.

"But the public funds are not being utilized properly, which is eroding the poten-

tial development ambition of the country. There's huge lack of quality sectoral expenditures here."

"Corruption, limited political energy, substantial procedural blockages are compromising the good intention and initiatives of the government," Dr Hussain told his audience.

Dr Binayek Sen, hailing Bangladesh's development over the last two and a half decades, said the country has outperformed Pakistan and even India in many indicators.

He said: "Bangladesh's per-capita GNI was 55 per cent of Pakistan in the 1990s. But in 2010s, Bangladesh's per-capita GNI is 10 per cent higher than Pakistan's."

In terms of growth rate, Bangladesh has consistently been outperforming India and Pakistan since early 2010s, the DG of the autonomous body on development studies told the

meet.

In his inaugural speech Planning Minister MA Mannan said Bangladesh is now a development model in the global arena.

"This development history of Bangladesh has got a new shape from 2010s when the Sheikh Hasina government took over," he added.

Replying the critical view on development expenditure Mr Mannan said although there are some political influences in selecting the development projects but the PC always gives the priority-one of the country. His ministry is working independently on this issue as the PM helps a lot.

Urging the BIDS in present ing the country's economy properly, the planning minister assured that the Institute would work independently till his ministerial job.

The conference ends Friday.

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Neutral research vital for dev, say experts

FE REPORT

Accurate, unbiased and independent data analysis and research are very important for development, experts underlined at the inauguration of a three-day international development conference.

They opined that methods for proper agricultural marketing, poverty reduction and inequality are the major aspects that should be given due focus for academic research.

Organised by the Bangladesh Institute of Development Studies (BIDS) at a city hotel, the event titled "Annual BIDS Conference on Development (ABCD)" will be held from December 1 to 3.

Binayak Sen, director general of BIDS, read out the inaugural note for the event delivered by Prime Minister Sheikh Hasina.

There is a need for revisiting the assessment of economic and social performances of Bangladesh at its 50, the BIDS DG said.

At the time of independence, Bangladesh was lagging behind Pakistan in most economic and social indicators but by late 2010s, it has crossed the level of Pakistan in most economic and social indicators, he added.

Meanwhile, in many social indicators, especially in gender-specific indicators, Bangladesh outperformed India.

And, this is true for some economic indicators such as manufacturing sector's share in the GDP, female labour force participation rate and urbanisation rate, he added.

It clearly appears that the major turn-

He pointed that the RMG sector and the remittance inflow are the forefronts of Bangladesh's current journey towards development.

Remittance is the source of income of the country and it contributes to rural development in Bangladesh.

He termed income inequality an issue that lies with political problems.

"Accurate, unbiased and nonpolitical data analysis and research are important for development. Independent research is an important tool for development," he continued.

He underlined the need for training up the labour forces so that they can attain and take the advantage of the government inputs and modern technology.

Planning Minister MA Mannan said Bangladesh is now quite a different country in terms of its journey towards development.

"In terms of giving freedom it is a very fundamental issue here for us to work in organisations like BIDS. The prime minister has given us a wide path to work in an independent manner," the minister continued.

There were some issues years before over the inter-ministerial lack of cooperation but the friction among ministries no longer exists in Bangladesh, and it was achieved over years of work, he added.

He also supported independent research urging the people and government agencies involved in research to do research independently as they feel, adding "the BIDS will unconditionally enjoy the work free-

"BD is now a different country in terms of its development journey," says Planning Minister MA Mannan

around point for Bangladesh in economic and social progress was in the decade of 2010s, he said.

International Food Policy Research Institute's (IFPRI) Research Fellow Emeritus Nurul Islam, also former deputy chairman of the Planning Commission, presented the keynote paper at the event.

dom in the future at least as long as I remain the planning minister."

He urged the BIDS to take the economic terms and development scenario to the people living in the village in their language so that they can understand the change and

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Neutral

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take advantage of the development that has been made.

Women participation in the workforce is among the major factors behind the development scenario in Bangladesh, the minister mentioned.

Dr Mashiur Rahman, Economic Affairs Adviser to the Prime Minister, also spoke at the event as special guest.

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Recovery of micro enterprises yet to reach pre-Covid level

FE REPORT

Recovery of most micro enterprises in the country is yet to reach pre-pandemic level, according to a new study.

The study further said that the coronavirus outbreak made female workers more vulnerable.

Besides, light engineering firms have been facing troubles due to a supply crunch of raw materials, it added.

The study - 'How has Covid-19 affected micro enterprises and workers in Bangladesh' - was presented at a session of three-day Annual BIDS Conference on Development on Wednesday.

Bangladesh Institute of Development Studies (BIDS) organised the conference on the occasion of 50 years of Bangladesh independence, at a city hotel. Participants also joined the event through a virtual platform.

Executive Director of the

Finds a new study presented at BIDS conference

Economic Research Group (ERG) Sajjad Zohir chaired the session, while Professor Asadul Islam of Monash University presented the research paper.

As per the study, small and medium enterprises (SMEs) contribute to one-fourth of Bangladesh's GDP and generate employment for 56 per cent of total employment.

For conducting the study, two rounds of surveys were conducted among enterprises and workers in two rounds since the pandemic began in early 2020.

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Recovery of micro

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Round 2 was conducted in January 2021 when many enterprises were concerned over the lessening of the order quantity and high price of raw materials.

"Some 56 per cent of light engineering enterprises were concerned about raw materials becoming expensive," the paper said.

Many entrepreneurs didn't know about the stimulus package; however, their knowledge on it increased over time, said the paper, adding that only 1.0 per cent received the package in January this year.

"55 per cent of the respondents who know about the package, but have not applied, showed willingness to apply in future," said the study.

In addition, the conference session hosted presentations of two other papers.

Reshad Ahsan presented the second paper on 'The Performance of Value Chains during the

Pandemic: Evidence from Bangladesh'.

BIDS Senior Research Fellow Kazi Iqbal presented the third paper, titled 'Have Clustered SMEs Performed Better than Non-clustered SMEs during the Pandemic in Bangladesh? Evidence from Three Rounds of Worker-Linked Enterprise Surveys'.

The final paper said about 6.0 per cent of the sample SMEs winded up their business while around eight per cent of the respondent workers lost their jobs, including both surviving and closed-down businesses.

According to the paper, clustered SMEs had an advantage over the non-clustered SMEs.

However, both clustered and non-clustered SMEs relied more on other sources like borrowing from formal and informal sources, than the government subsidised credit scheme.

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