

## Graduation of Bangladesh from LDC: Financial Incentives and Expenditures

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### Bangladesh's Stance in the Way to Graduation from LDC

- **Criteria 1: GNI per capita**

Review	Inclusion threshold (Current USD)	Graduation threshold (Current USD)	Per Capita GNI of Bangladesh (Current USD)
2006	749	900	490
2009	905	1086	620
2012	992	1190	830

- Bangladesh's per capita GNI would have to exceed US\$1,006 to reach the lowest end of "low middle income" status.
- Nominal GNI per capita and total GDP will need to grow at a sustained 2.5 percent and 3.8 percent per annum gradually that may seem feasible considering the past growth achievement.

➤ *But this can be misleading* !!!!! As –

the income thresholds are revised from time to time to allow for international inflation, using the SDR deflator expressed in US dollars. The SDR deflator on most occasions has increased and the thresholds have moved up.

## Bangladesh's Stance (cont...)

- **Criteria 2: Human Asset Index (HAI)**

Review	Inclusion threshold	Graduation threshold	HAI of Bangladesh
2006	58	64	55.97
2009	60	66	56.74
2012	60	66	54.70

- **Criteria 3: Economic Vulnerability Index (EVI)**

Review	Inclusion threshold	Graduation threshold	EVI of Bangladesh
2006	42	38	22.68
2009	42	38	23.21
2012	36	32	32.41

## Required Growth Rate to Achieve Middle-Income Status by 2021

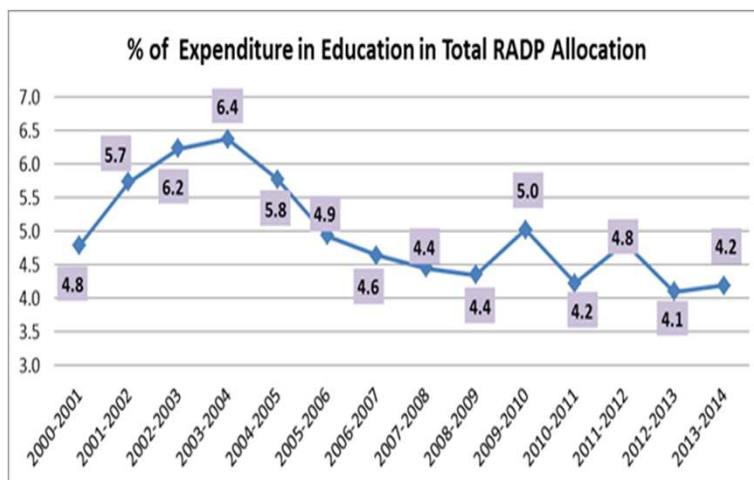
	GNI per capita Target				
	US\$1,006	US\$1,310	US\$1,310	US\$1,446	US\$1,446
Required Per Capita GNI					
Growth rate (%)	2.5	5.3	5.3	6.3	6.3
Share of Remittances in Atlas GNI	9	9	5	9	5
GDP per capita target for MIC Status	916	1192	1245	1316	1374
Required Per Capita GDP Growth Rate (%)	2.4	5.2	5.6	6.2	6.6
Required GDP Growth Rate (%)	3.8	6.6	7	7.6	8

Source: World bank Estimates

## Closing the gaps in HAI and EVI

- **Approaching threshold level of HAI for graduation by:**
  - Increasing rate of the index of Undernourishment (65 , 2012 Review):
  - Increasing the rate of index of Mortality (68.87 , 2012 Review)
  - Increasing the number of students enrolled in secondary schools(43.6, 2012 Review)
  - Increasing Adult Literacy rate(41.20, 2012 review)
- **Approaching threshold level of EVI for graduation by:**
  - Decline in Remoteness Index through (i) increasing export share of Bangladesh in total world export (ii) exploring new destination of export
  - Reducing merchandise export concentration by diversification of export across product and destination
  - Reducing export and agricultural instability
  - Decline in population in LECZ and victims to natural disaster

## Investment Scenario in Education Sector of Bangladesh

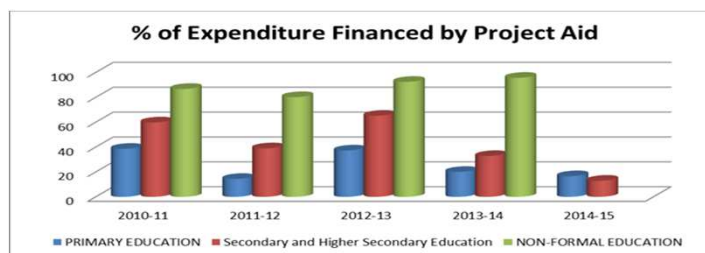
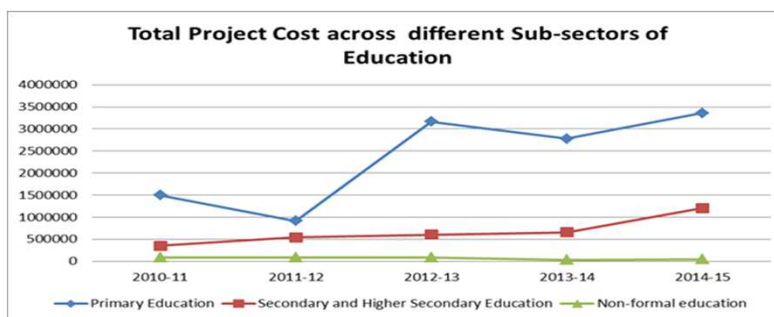


### Investment Scenario in Education Sector (cont...)

- No relationship can be drawn between increased investment in education and development of Secondary School Enrollment and Adult Literacy index.

Year	Secondary School Enrollment Index (SSEI)	Adult Literacy Index	share of expenditure in education to total RADP Allocation
2000-01	41	36.79	4.8
2004-05	39	42.92	5.8
2005-06	40	44.10	4.9
2006-07	41	45.27	4.6
2008-09	40.37	44	4.4
2011-12	43.6	41.20	4.8

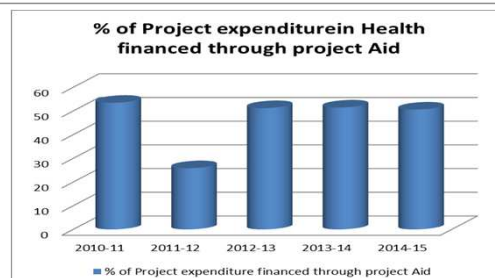
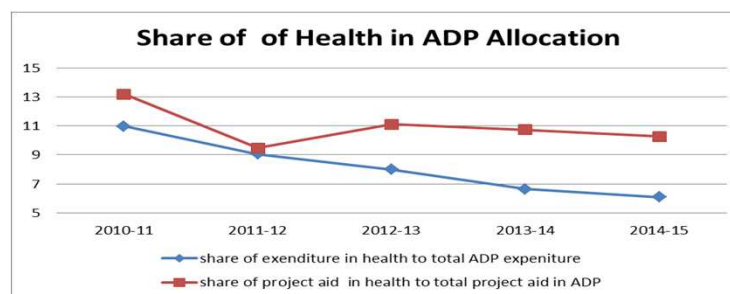
### Current Investment Scenario in Education (cont...)



### Investment Required for Direct intervention in Secondary and Adult Education (Using Representative Sample)

	Name of Project	Total Project Cost (Million BDT)	Project Aid (Million BDT)	% of cost financed by project aid
Primary Education	School Feeding Program in Poverty prone Areas(01.07.2010-31.12.2014)	15,779.3	7021.8	44.5
	Reaching out of School Children (ROSC) Project (2nd Phase) (01.01.2013-31.12.2017)	11,402.6	10821.7	94.9
Secondary and Higher Secondary Education	Higher Secondary Female Stipend Project - phase 4(01.07.2008-30.06.2014)	5887.6	0	0
	Secondary Education Stipend Project - phase 4(01.07.2009-30.06.2013)	9142.5	0	0
	Female Stipend Project for Degree Pass and equivalent level (01.07.2011-30.06.2016)	3429.6	0	0

### Investment Scenario in Health Sector of Bangladesh



## Investment Required for Direct Intervention in Undernourishment and Mortality Rate Index

- **Health, Population and Nutrition Sector Development Program (2011-2016) (HPNSDP):**

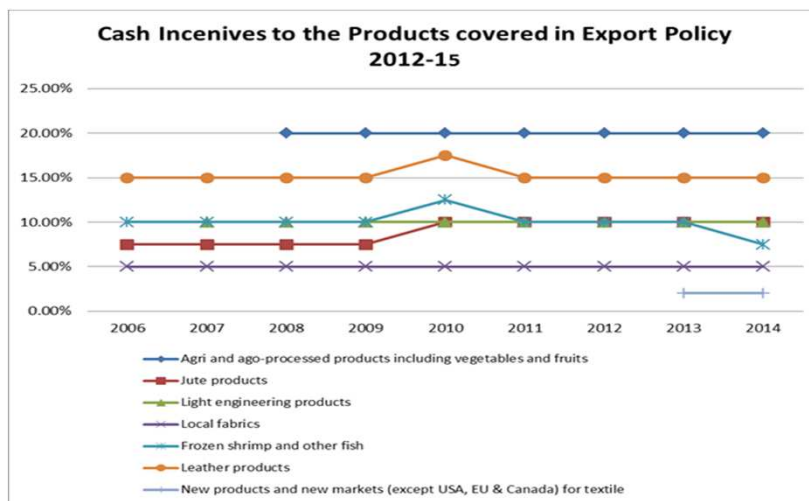
- Development activities of HPNSDP are being implemented by MOHFW, DGHS, DGFP and other agencies through 32 operational plans.
- World Bank and JICA are providing credit and grants; whereas other DPs (DFID, SIDA, USAID, CIDA, EC, AusAID, Kfw, WHO, UNICEF, UNFPA, GIZ, UNAIDS, GFATM, GAVI, etc.) are providing grants.
- Total DP contribution to the development budget is about 61.29%.

Total Estimated Cost	Tk 56,993.54 Crore (US\$ 7.7 billion)
Revenue Budget	Tk 34,816.88 Crore (US\$ 4.7 billion)
Development Budget	Tk 22,176.66 Crore (US\$ 3.0 billion)
GOB Contribution	Tk 43,420.38 Crore (US\$ 5.9 billion)
DP Contribution	Tk 13,573.16 Crore (US\$ 1.83 billion)

## Government Expenditures/Initiatives for Export Diversification and Expansion

- Bangladesh provides cash incentives to selected exporting industries ranging from 5% to 20% on selected products
- The idea of cash incentive is that the rate of subsidy should gradually decline as a sector is supposed to grow with the incentive. But there is hardly any decline in the rate.
- Moreover, the industries benefitting from cash incentives do not fully match with the high priority sectors and the special development sectors identified in the Export Policy.
- Total cash incentive in export sector has been USD 24 billion in 2012-13 where Jute sector received around USD 3.5 billion.
- Cash incentives are paid for the following products that are not covered by the 2012-15 Export Policy: Molasses, straw for roof coverings; bicycles; bone meal; eggs for hatching and day-old chicks; liquid glucose ; and 100% halal meat

## Cash Incentive (Cont...)



## Cash Incentives and Growth of Export earnings

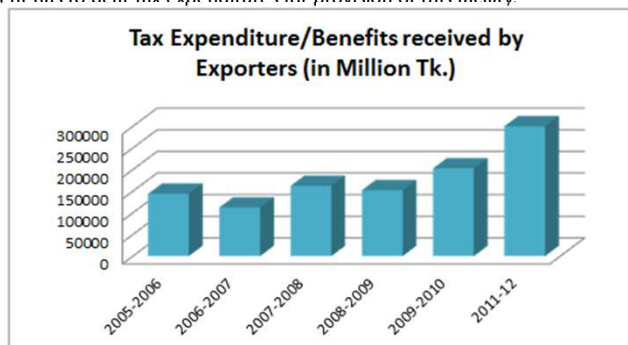
- Electronic products, Ceramic , Pharmaceuticals are three emerging sectors which do not receive cash incentives.

Sector	Export Earnings (Million USD)			Growth of Export Earning		Cash Incentive during 2010 to 2013
	2010-2011	2011-2012	2012-2013	2011-2012	2012-2013	
Agro processing industry	52.3	59.2	86.9	13.19	46.79	20%
Frozen Goods	625	589.4	544	-5.70	-7.70	10%
Jute products	758	701.1	801	-7.51	14.25	10%
Light engineering products	10.51	26.67	27.67	153.76	3.75	10%
Leather products	186	232	317	24.73	36.64	15%
Bicycle	48	51	58	6.25	13.73	15%

## Government Expenditures/Initiatives(cont..)

### • Special Bonded Warehouse

- Exporters of manufactured goods are able to import raw materials and inputs duty and tax free. Imports are kept in the bonded warehouse.
- Applicable export products: Manufactured products, including specialized RMGs (e.g. towels and socks), leather, ceramic, printed matter and packaging materials .
- Government has to bear tax expenditures for provision of this facility.



## Probable Annual Expenditures in Export Diversification (Using Representatives Sample of ADP Projects)

Representative Projects	Project Cost(Million Tk)
Tannery Industrial Estate, Dhaka	5,453.6
BSCIC Industrial Estate, Mirsarai	249.5
Comilla Industrial Estates-2	689
BISIC Industrial Park, Shirajgong	4,899.6
BSCIC Industrial. Estate, Borguna	70.8
Sreemangal Industrial Estate	199
BSCIC Industrial Estate, Bhairab	584.1
Active Pharmaceutical Ingredient (API) Industry Park	2,330.5
HYV Jute and Jute Seed Production & Improved Jute Retting Project	1,769.7
BSCIC Special Economic Zone(Textile-Kumarkhali, Kushtia)	136.4



## Climate Change Adaptation Costs for Access to and Utilization of Food

Sub-sector	Incremental climate change adaptation cost		
	(million Tk.)		
Crop agriculture	4,367		
Irrigation	4,851		
Fisheries & livestock	733		
Total (availability)	9,951		
	Percentage of needy household adversely affected by natural disaster		
Relief channels of PFDS	Scenario 1: 10%	Scenario 2 : 15%	Scenario 3:20%
Vulnerable group feeding (VGF)	1,034	1,551	2,068
Gratuitions relief (GR)	370	555	740
Sub-total(relief channel)	1,404	2,106	2,808
Employment generation	1,133	1,699	2,265
Total (access)	2,537	3,805	5,073
Child health	257	386	514
Maternal and reproductive health	97	145	193
Water supply and sanitation facilities	4,389	6,584	8,778
Total (utilization)	4,743	7,115	9,485
Total	17,231	20,871	24,509

Source: Financial Implications for Food Security Interventions in the Context of Climate Change in Bangladesh , BIDS

Thank you