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Emerging as a Middle Income Country by 2021: An Analysis of Key Macroeconomic Issues of Bangladesh

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Abstract

This paper analyses few key macroeconomic issues and outlines the challenges that Bangladesh may face on its journey towards sustainable middle income country. Bangladesh has experienced a steadv moderately higher macro-economic growth with stable income inequality at relatively higher level and recorded substantial reduction in poverty rate at national poverty measure and right track in achieving some MDGs in the past two decades. Despite such progressive development in socio-economic and human development, Bangladesh has recorded a very low per capita income with higher unemployment, higher savings-investment gap and low capital deepening and economic density with higher ICOR.

Based on data from secondary sources, the paper explains that creation of more business opportunities, ensuring prudential investment climate, retaining remittances at 8% of GDP, maintaining sustained GDP growth rate at 7.5% to 10%, greater PPP in building infrastructure and delivery of public services, increasing inflow of FDI from current 0.09 % of GDP, addressing hard-core poverty, disparities, inequalities, rural-urban migration are the major challenges for Bangladesh in achieving the middle income status by 2021.

An integrated and multi-pronged macroeconomic framework focusing on domestic resource mobilization, higher investment on human and physical capital formation, increasing productive employment and TFP, commercialization of agriculture, promoting agro-based rural SMEs, redesigning of resource allocation for acceleration of poverty reduction, promoting public-private partnership, sound financial management for smooth functioning

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of market forces, ensuring responsive and inclusive governance can foster.the pace towards its journey.

Key words: *Capital deepening, Capital widening, Demographic dividend, Economic highway, Growth pole, GDP density, Incremental Capital Output Ratio (ICOR), Total Factor Productivity (TFP).*

1.0 Introduction

Bangladesh, for the first time in its four decades journey, has officially documented the Perspective Plan (PP) and outlined the long-term vision to transform it into lower-middle income country by raising per capita income (PCY) at adjusted exchange rate from around US$ 750.00 in 2010 to middle income threshold by 2021 (GED, 2012; GED, 2011). Bangladesh has experienced substantial gaps in growth targets and achievements in almost all plan periods, including the first three years of the current SFYP (FD, 2013; FD, 2012; GED, 2013; GED, 2012; GED, 2011) and a steady growth rate ranging from -2.7% in 1971 to around 4.0 % until 80s (WB, 2012; WB, 2006), since then it has recorded moderately higher growth rate around 6.00% (FD, 2013; GED, 2012; GED, 2011). The economy is characterized by weak democratic institutions, inadequate capability of managing natural and economic shocks, inadequate capacity to mobilize resources both from domestic and external sources. In addition, frequent devastating natural calamities, political challenges, corruption, low productivity, low total factor productivity (TFP), high poverty rate hindered the development paces. Similar challenges appear to persist in achieving the targets of middle income status. Maintaining sustainable macroeconomic growth with greater pace will be more challenging than had been in the past.

To maintain sustained accelerated inclusive macro-economic growth it needs to create opportunities for productive employment and increase total factor productivity at firm level and at aggregate level; to absorb increased labour force it needs capital widening, more business and more investment; in reducing poverty it needs more focus on dealing with the issues of poverty gap, severity, intensity, seasonality of poverty and inequality; in addressing human development it needs tackling more effectively the issues of quality; in retaining remittances at current rate (11% of GDP as 2013) it needs allocation of more resources in human capital; for attracting foreign employment it must ensure caring investment climate through improvement of infrastructural facilities and enforcement of prudential regulations for foreign direct investment (FDI).

With this backdrop, the perspective Plan (PP) has outlined the macroeconomic framework. Macro-economic framework for attaining middle income status by 2021 is based on the acceleration of growth with inclusiveness focusing on higher investment, creation of productive employment, reducing poverty and income inequality through social protection, increasing labour productivity benefitting from demographic dividend through improving labour quality, increasing TFP, improving incremental capital output ratio (ICOR), promoting export growth sectors, addressing challenges of climate change and vulnerability of low income and middle income population to natural and economic shocks.

Raising real GDP growth from 6.1% in the base year 2010 to double digit of 10% by 2021, national savings from 29.40% in 2012 to 39.1%, investment from 25.45% to 38.0%, TFP from .06% to 2%, reducing head count poverty rate from 31.5% to 13.5%, reducing income inequality from current level of .458 to ensure equality, capturing remittances at 11% of GDP, attracting FDI, promoting public-private partnership, enhancing private investment through eliminating administrative, procedural and regulatory barriers over the period of two subsequent FYPs are the basic elements that have been outlined in the PP.

2.0 Dynamics of Middle Income Status

As is measured, the threshold for middle-income country status is a dynamic milestone, which is revised annually and calculated on the basis of costs of basic needs (CBN) in purchasing power parity (PPP) term. The present benchmark of per capita income of

US$1026.00 for low middle income and US$ 4036 OO for the upper middle income threshold will undergo multiple upward revisions as we move towards 2021. As World Bank (2012) projected the threshold gross national income (GNI) for lower middle income status will stand at US$1450.00 with SDR deflator adjustment by 2021. So, it shall be in a race against time where its journey and progress towards the goal of middle-income status will need to be more inclusive.

Middle income status is associated with human development. Human Development Index (HDI) goes along with economic growth. HDI of Bangladesh increased by 71 % in the last two decades. Bangladesh currently stands at 146th position out of 187 countries with HDT at .515 (UNDP, 2013). Although Bangladesh has made progress in some MDGs such as poverty reduction, universal primary education, gender parity at primary level, maternal and child mortality (GED, 2011) it is still in lower category in terms of HDI.

3.0 Key Macroeconomic Issues: Analysis of Experiences

Bangladesh requires taking lessons from the experiences of its four decades journey to achieve the goal of lower middle income status by 2021. The experiences of not reaching the targets in any of the plan periods since independence call for more efficient management of domestic resources, addressing structural injustices and governance.

3.1 Growth, Inequality and Poverty

Growth: GDP growth rates requires to be increased on average by 7.5% and to 8% by the end of the sixth and 10% at the seventh five year plan period (WDR, 2012) to raise GNI per capita from current US$838.00 to threshold lower income level by 2021 at constant exchange rate. Bangladesh has experienced low growth with slower poverty reduction with inequality until 1990s. However, last two decades show better growth performance. The first three years of current SFYP also experienced gaps with the growth between targets and achievements. The projected targets of real macro-economic growth, growth in agriculture and manufacturing, public investment from foreign sources, both official and through PPP channels did not take place to the extent as set in three fiscal years. Spending in social protection for vulnerable population group was not achieved as projected at 3% (*ibid*).

Bangladesh has experienced an increase of GDP per capita from US$117 in 1972 (IMF, 2010) to $430 in 1990 to $772 (GNI per capita US$838.00) in FY 2012 at constant price of 1995-96 (FD, 2013; GED, 2012, GED, 2011) averaging annual GDP per capita increase by about $16 only. To attain first stage of middle income status at $1,450.00 GNI per capita by 2021 Bangladesh requires an annual average increase of $75.25 (equivalent to approximately BDT 6,000 at current exchange rate) in GNI per capita at nominal price. If GNI per capita is to be increased by US$ 76.50 annually the proportionate increase in investment in infrastructure, SMEs, manufacturing to increase GDP growth rate, labour productivity, TFP at firm level and at aggregate level is needed.

Inequality: The overall income inequality in Bangladesh, as is measured by Gini coefficient value, has increased from less than .361 in 1973 to .36 in 1984 to .458 in 2012 (BB 2010; BBS, 2011; FD, 2013; IMF, 2010; GED, 2011). Disparity in income distribution in urban and rural areas persists over the same period. As is explained income inequality increases at faster rate with the growth at the initial stages of growing economy. China and Vietnam and other growing economies are also experiencing similar trend in their income distribution during the same period. The high income inequality is underpinned by the unequal distribution of economic opportunities and unequal access to productive resources, unequal participation in market. Unproductive transfer of resources under social protection programme cannot sustain inequality reduction. Increasing employment and productivity growth by focusing on the enhancing human capacity of the poor, ensuring equal opportunities of the poor to have access to productive resources, eliminating all kinds of administrative, procedural and legal barriers and systemic injustices to the poor are required to reduce inequality and accelerate economic activities.

Poverty: The recent past decade has witnessed sharp decline in poverty at national measure of $1.09 per person a day from 58.8% in 1992 to 31.5% in 2010 (GED, 2011) to 26.5% in 2013 (BBS, 2013). Despite such an encouraging poverty reduction rate averaging at 01.7 percentage points per annum since 1990 by measuring national poverty line (WDR, 2012) the absolute number of poor below poverty line has decreased from 63 million in 1972 to 47 million only in 2010 (FD, 2013; PP, 2010-21) indicating the extent of poverty problem still remains to be of great concern. Severity of the poverty problem measured by poverty gap using Sen index still stands at 11.9 (WB, 2013) and intensity of the poverty problem measured by squared poverty gap using FGT squared poverty index stands at .043 are not encouraging. Poverty Gap Index (PGI) in Bangladesh reduced from 40.99 to 30.35 at $2.00 a day a person (at PPP term), from 27.91 to 11.17 at $ 1.25 (at PPP tenn) from 1984 to 2010 (WB, World Bank Research Group, 2012) poverty gap at national poverty line ($1.09) is 6.54, which in rural area is 7.35 and in urban area is 4.28. The Multi-dimensional Poverty Index (MPI) for Bangladesh is .292 as of 2012 (FD, 2013). The extent of poverty, severity of poverty, intensity of poverty and inequality in income distribution are major poverty reduction issues requiring more attention.

Poverty problem in Bangladesh is characterized by – it is chronic in nature, it is location specific, it has seasonality, frequent poverty pockets with highly concentration of hard-core and ultra poor especially in the urban slum areas, it is systemic and structural, it is cultural, it has vulnerability-i.e. the poor are sensitive to economic and natural shocks. Because of seasonality and climate induced poverty, the poverty is more dynamic which means that once a poor become non-poor may fall into poverty trap quickly because of lack of sufficiently strong asset base to cope with the stresses and external shocks from natural and economic causes.

Social safety net programme constitutes 2% against the target of 3% of GDP (GED, 2010) is mostly temporary and cash transfer based cannot sustain poverty reduction. As soon as the temporary supports are exhausted, the poor remains poor again.

Inequality in income distribution, disparities in urban –rural, regional, among ethnic communities still persists. Lack of equal opportunities to have access to resources, unequal participation in market, unequal participation in human resources still persists (Sobhan, 2010). Addressing issues of poverty like poverty gap, severity, intensity, seasonality and other characteristics would be major challenges that have implications for journey towards middle income status.

3.2 Investment Climate

Increase in investment by at least 5 percentage points of GDP by the end of SFYP period and 8 percentage points by 2021 is required to achieve the growth target (WDR, 2012). Experiences of the first three years of SFYP indicate that investment has increased by only 2.4%. Investment by the private sector has not increased as was expected. Investment in private sector requires sound financial management, prudential regulatory framework, infrastructure for transportation i.e. roads and highways, railways, ports, uninterrupted power supply, uninterrupted information highway.

Savings-Investment Gap: The national savings have exceeded domestic investment during the past decades except in 2001 and 2005. For the FY 2012-13 the investment rate at 26.86% of its GDP with 30.196% national savings rate having the gap of about 3.34%. High savings-investment gap is due to unproductive use of remittances and feeble growth in domestic investment. The official accounts do not fully reflect the part of excess savings.

Capital Deepening and Widening: Capital deepening is required to increase investment with higher labour productivity, on the other hand additional labour forces are being added to national labour force by 3% every year [GED, 2011; SFYP, 2011-15) to absorb additional 1.8 million labor force each year, capital widening is also required.

Financial Deepening: At the initial stage of faster growth and take off, the economy follows financial deepening (Clark & Fourastie,

2012) as measured by ratios of domestic credit to GDP, M2 to GDP, private credit to GDP, deposit to GDP, (WDR, 2012). Bangladesh needs to increase domestic credit to GDP. The ratio of M2 to GDP 68.7% and growth of domestic credit of 13.2% is also low compared to other countries. Credit mobilization through banks and other financial institutions needs to be widened.

Infrastructure: Three Ts (Transportation, Technology, and Transferability), three I's (Infrastructure, Information and Institution) are weak in Bangladesh. World Bank's Logistic Performance Index (LPI) is very poor in Bangladesh (WDR, 2012, Vol. II, P. 37). Favorable investment climate such as improved infrastructure for transportation of input and output goods from the providers end to the end users end, uninterrupted power supply, availability of and accessibility to modern technology, trained and skilled human resources, prudential regulatory procedure, are preconditions for more business and more investment. Facilitating prudential investment climate requires huge public sector investment which is a challenging venture for Bangladesh.

Private Investment: The gross national investment target of 38% would be difficult to achieve. Bangladesh has been experiencing very low private sector investment which ranges from 19.7% of GDP in 1990 to 24.4% in 2013. The PP emphasizes the greater participation of private sector in investment and business and the SFYP outlines that 72.2 % investment should come from private sector and for this purpose the government has introduced incentive packages for private sectors. Bangladesh is now set to focus on issues of competitiveness and productivity through micro-economic reforms.

Public Sector Investment: The Perspective Plan sets public sector investment to maintain around at 6.5 % through 2021. It would be very difficult to maintain the set target of public sector investment as public sector investment is affected by the procrastination of lengthy approval, revision and procurement procedure, consequently implementation of investment decision is delayed.

Delay in translating decision into action results into repeated cost escalation. Delay in implementation does not stay relevant with changed investment requirement. Thus speeding up approval procedure and functional autonomy to implement plans and programmes are required.

Export Led Growth Sectors: Ready Made Garments (RMG) sector alone generating a total of US$19.00 billion constituting 72% of export and 16% of GDP employs 3.6 million workers of which 95% female in 5,400 factories (Tasin, 2013) one of the most dynamic growth driver is netted with severe problems of maintenance of international standard of minimum wage level, safety, security and well-being of the workers. In most cases rights of the workers are not ensured rather their lives are trapped into risks of death. Non-compliance of minimum wage, building code, and non-enforcement other relevant laws are common in Bangladesh. Like garments other export-led growth sectors e.g. leather, footwear, pharmaceuticals, frozen foods need attention for enforcement domestic laws and compliance of provisions of ILO convention for effective participation of Bangladesh in global markets.

Foreign Direct Investment: Bangladesh has experienced very low Foreign Direct Invest (FDI) since independence (BB, 2012; BBS, 2010; FD, 2013). FDI in Bangladesh constitutes $1.47 bn of GDP in 2012-13 (WB, 2013) which is very low compared to other south and south-east Asian countries e.g. FDI of Vietnam is $8.40bn, China $127.00bn, Indonesia $19.00bn, India $28.00 bn (WB, 2013). FDI inflow to Ho Chi Min city in Vietnam increased by *52%* in 2013, it could attract FDI in the labour intensive SMEs which has forward and backward linkage effects on the domestic market and production process having multi-pliers effects on growth. Bangladesh faces major challenges for ensuring prudential investment climate as political instability, man-made disaster, natural calamities, weak infrastructure, procrastination in investment approval process; difficulties in doing business.

Inflation: Inflation is inversely associated with the quality of life and poverty. Bangladesh has experienced a upward trend in price level e.g. CPI increased from 100 at base year 1995-96 to 217 at compounded average of 8.36 % and CPI on food items increased by 251.59% with annual average of double digit inflation at 10.82 (GED 2011, SFYP Part I; P. **44).** The average exchange rate increased from BDT 7.30 per US$ in FY 1971-72 to 69.40 in FY 2009-10 to 78.64 in 2012-13 (FD, 2013). Double digit inflation on food items and repeated depreciation against US$ has impact on export, import and domestic consumption and investment.

4.0 Challenges

Human Capital Formation: Human capital, physical capital and technological progress are major growth drivers. Bangladesh is doing well in increasing the stock of human capital, topping the list of Asian countries along with Vietnam by improving average years of schooling by 1.3 during 2000-10 (WDR, 2012). However, the targeted growth rate requires further increase in schooling rate from current 5.8 to 7.3 by 2021. Developing need-based technical hands through training on trade or technologies which are in great demand e.g. light engineering, plastics and electrical sectors etc may be given priority in addition to formal schooling to meet the overseas and domestic employment needs. For developing managerial and entrepreneurial skills of the female specially the rural women a special institutional arrangement is required.

Physical Capital Formation: Investment in Bangladesh is hindered by weak infrastructural facilities. Investment Climate Assessment Survey of World Bank (WDR, 2012) highlights the role of infrastructure in triggering a virtuous cycle of growth: better infrastructure improves productivity which in turn will make exports more competitive and attract FDI, thus leading to further increase in productivity. Expanded provision of infrastructure has to come with easing difficulties in doing business, increasing access to services e.g. transportation, power, gas, land, and meeting skill shortages.

Total Factor Productivity: The **SFYP** has set target to raise TFP from current 0.06% to 3% through 2015 which is another area of challenging requiring huge investment in human development. As resources move from low productivity sectors such as agriculture to high productivity sectors e.g. to manufacturing as well as through learning from experiences of similar firms in other countries, the TFP at aggregate level may rise but it is unlikely to rise at firm level. If TFP grows by **3%,** schooling years increase by 1, GDP growth rate could be 7.6% by 2021. Thus more investment is needed for education at primary and secondary levels and skill development training.

Retaining Remittances and Creating Domestic Market: As its labor force is expanding rapidly, Bangladesh needs to continue to deepen its presence in the global migrant labor market. The retaining remittances at current rate of 8% of GDP (GED, 2011) will be more challenging as the global competitive scenario in labour market has been rapidly changing with higher pace with the faster changes in the application of technology in every aspect of human life that has revolutionized the way of human thought and behaviour. The demand for unskilled and semi-skilled labour will decline fast and to respond to the demand for skilled working force will be more challenging and competitive in the current destination. Due to human development and easy transfer of technology, the host country will have capability of meeting their own needs with their own human forces. Consequently, a huge number of migrating people will be forced to back to their homeland. The drop of migration will have severe impact on the lower income population group and on the macro-economic growth. GDP growth is apprehended to slow to 5.6% in FY 2014 owing to decline in remittance which constitutes 15% of GDP (ADB, 2014). Bangladesh will need to prepare to absorb those own people in the productive sector.

Enhancement of skills through education and training, simplification of recruitment process, role of recruiting agencies for overseas employment, ensuring labor rights, wellbeing at workplace abroad, speedy and simplified process of sending home remittance are the issues need more attention to maintain the current flow.

Incremental Capital Output Ratio: The **SFYP** target to improve incremental capital output ratio (ICOR) appears to be more challenging as the Bangladesh cannot increase investment in human development to increase labour productivity and factor productivity.

Resource Mobilization through Public-Private Partnership: Bangladesh requires huge investment for roads and highways, railway network to establish connectivity with all economic corridors, growth poles and peripheral potential growth clusters. Rapid safe and easy transportation and connectivity are required for expanding business. As the public sector investment is not enough to meet the growing needs of infrastructural facilities and public utility services the involvement of private sector in the development of infrastructure, in the **delivery** of public utility services is increasingly increasing. The SFYP has targeted to increase private partnership at 2% of GDP. The past three years experience of SFYP is not encouraging in promoting private partnership in infrastructure development and public service delivery. Resources allocated for this purpose could not be utilized (GED, 2012). Public sectors need to be prepared for promoting private partnership for rapid improvement of infrastructure.

Unemployment: Current unemployment rate 24.5% (GED, 2011), underemployed and disguised labour forces constituting 40% of total labour force (www.yahoo.com, 2013) will be increasing at higher rate. Unemployed, underemployed labour mostly disguised in agricultural sector are migrating to other non-agricultural sectors and entering into overseas employment market. Self-employment opportunities at micro level, household level, micro-business, micro-entrepreneurship, small scale enterprises are to be expanded at faster rate to absorb these workforce. Creation of employment opportunities for this added unskilled labour force would be major challenge for Bangladesh in the coming years.

Climate Change: The impacts of climate change on environment, ecology, geographical structure, land texture, agriculture, demographic and economic behavior and ultimately on growth is likely to be greater over the next decade. Bangladesh is one of the countries most vulnerable to climate change. Response by households to reduce their exposure to climate variability can lead to lower productivity, migration and income growth. Greater access to credit, safety nets, and better labor market opportunities can help reduce households' migration. Urbanization offers opportunities for faster growth, but also poses risks if not managed properly. Faster growth can be sustained if the urban space is well connected, livable, and innovative, which can be achieved by focusing on infrastructure, institutions, and incentives.

5.0 Potentials of Bangladesh Economy

Demographic Dividend: Because of encouragingly declining child mortality rate and higher life expectancy the demographic structure becoming bulging with the eligible working force at age group of above 15 (WDR, 2012). The number of current labour force of 89 million will be added by 3 % every year for next few years due to this demographic change (GED, 2012; GED, 2011 (SFYP, 2011-15)]. This demographic bulging is known as demographic dividend.

The coming years will offer opportunities to reap the benefits of the 'demographic dividend'. It will thus be important to make the needed investments for translating this demographic dynamics into human resources capable of contributing to its transformational journey in the coming years and decades. This will call for significant structural changes in the economy which will necessitate a blending of the advantages of ICT, human resource development, productivity gains and the opportunities of the knowledge economy.

Domestic Market: As a result of graduation from poverty by 1.8% annually as targeted in the SFYP 2011-15 and PP 2010-2021 an avcragc of 3.8 million people will enter into the middle income population group will further accelerate the pace of growth by expanding domestic market by creating demand for consumption and investment goods e.g. better food, clothing, construction materials for better housing, ceramics products, motor bike, spare parts, household goods and ultimately turn into higher investment in domestic market as Korea unlike Brazil experienced a shift from export led growth to domestic consumption market (WDR, 2012). To meet the accelerated domestic demand of the increased middle income population group appropriate policy for market expansion, creation of productive employment opportunities in the rural areas and also for pulling out more low income population, will be required.

Remittances for Domestic Investment: Remittances having annual flow of US$ 12.60 billion constituting more than 11% of GDP in fiscal year 2012-2013 (WB, 2013) are mainly used for unproductive consumption. Studies by IOM (2010), BBS (HIES, 2010) found that household's income increased by more than 1.5 time by remittances. About 71% of income of those households was spent for consumption purposes and only 7.1% was accounted for savings. These could be major source of investment fund for the enterprises at micro level in the rural areas. Incentives for use of remittances for investment e.g. technical support in the form of training, developing marketing network, linkage with demand-based mother enterprises etc. can be introduced. Remittance related public policies can play an important role in increasing average remittance per worker.

6.0 Making Middle Income Country a Reality

An integrated multi-dimensional investment friendly approach focusing on domestic resource mobilization, human resource development, public-private partnership, inclusive and responsive governance, prudential investment climate to market force to function is needed.

Domestic Resource Mobilization: Bangladesh needs to mobilize more resources from current 13.2% of GDP to 25% from its domestic sources by expanding tax bases to facilitate human and physical capital formation for investment to take place. Prudential regulatory, monetary and fiscal policies are required to be adopted to increase the ratios of domestic savings to GDP, domestic credit to GDP, M2 to GDP, private credit to GDP, deposit to GDP to meet the investment requirements and sound financial management is to be ensured to stop capital flight.

Ensuring higher domestic investment, attracting more FDI, getting diaspora involved in Bangladesh's development, developing public-private partnerships and giving opportunities to young generation of entrepreneurs and innovators to apply their creativity and talent will be important in this context. Public sectors need to come out of the business as usual mode and think strategically to generate the needed momentum to be a middle income country by 2021.

Enhancing budget allocation for Public-Private Partnership: As public sector cannot meet the growing demand for better infrastructural facilities alone, private partnership is inevitable to improve roads and highways, railways for rapid transportation. Identification of constraints to private partnership and proactive role of the public sector are required to accelerate partnership. Allocation for PPP is required to increase from current 0.5% of annual budget and ensure its utilization.

Steering the Sectoral Transformation: As the economy grows through the process of sectoral transformation the contribution of primary sector to GDP decreases with the increase of contribution of secondary and tertiary sectors (Clark & Fourastie, 2012). Bangladesh is travelling through the critical process of transition from primary sector towards secondary and tertiary sector. (e.g. 47.4% of labour force are engaged in agriculture sector (FD, 2013) and 72% in informal sector mostly are disguised and underemployed) will gradually be declining with increased engagement in secondary and tertiary sectors. These disguised and underemployed working forces will be migrating to manufacturing sector mainly in the SMEs contributing to growth.

The contribution of secondary sector mainly of manufacturing sector to GDP was only 17.64% in 2012 (*ibid*). The primary sector mainly the agriculture sector absorbing 47.30% of labour force (*ibid*) signifies the need for higher demographic transition from primary to secondary sector requiring more investment in real sector.

Promoting FDI: Bangladesh needs to maintain macro-economic and political stability, ensure favorable investment climate for attracting FDI. Free zone to keep FDI free from all kinds of adverse externalities arising from political and other internal challenges may be created. Bangladesh may set special EPZ only for the foreign investors with enhanced incentive package and ensure prudent investment climate i.e. free from all administrative, procedural, regulatory barriers and external influences from political and social instability.

Expanding Export Bases: Bangladesh needs to deepen and widen its export basket and destinations to populous and fast growing economies by expanding manufacturing exports. Bangladesh's accumulated experience in mass manufacturing, strategic location, and labor cost advantage suggest that it should be able to deepen and widen its export basket as well as destinations as it integrates better with the global economy.

Reducing Poverty to 13.5% by 2021: Current allocation of resources for poverty reduction requires redesigning to address the severity, intensity, seasonality of poverty problems and pulling out by 2% (18% points by 2021) annually in next 8 years out of poverty line in a sustainable manner. Benefit from redistribution of resources for social protection under social safety net programs which constitutes 2% of GDP is mostly transient. The poor remains poor as soon as the supports provided under these programs such as vulnerable group development, vulnerable group feeding, Cash transfer are exhausted. Thus allocation of resources and policies should focus more on ensuring opportunities for all eligible poor to have access to economic, financial, productive resources, self-employment, productive employment, human capital formation, micro business, household-based business and entrepreneurship, reduction of inequality and disparity and structural and systemic injustices.

Human Development: Bangladesh holds 146th position among 187 countries in HDI, which is .515 in 2013 (UNDP, 2013). It is not possible to ensure inclusive growth without improving the quality of life of the poor the majority of the population. Priority should be given on human resource development for productive employment in areas having multi-dimensional linkage effects. It needs to emphasize areas that have multiplier linkage effects on human development, employment, investment and economic growth. Bangladesh needs to increase allocation in education and health from 2% to 4% of GDP for human development.

Population Growth: Although Bangladesh has recorded an encouraging progress in child and maternal mortality rate, increasing life expectancy, Bangladesh needs to go for the policy of replacement level thus one child one family policy to keep consistent pace of population growth with economic growth.

Public Sector in Strategic Management: Public sector will need to play a strategic role with the private sector taking the lead role to ensure that the investment - GDP ratio is raised to more than 32.5 per cent from the current rate of about 26.84 per cent to undertake the huge investments required for infrastructure development, greater connectivity between growth poles through establishment of economic highway and new power generation.

Policy Measures: A renewed focus is needed on a few key policy issues that are relevant in every aspects to raise the GDP growth rate to 7.5% to 10% through 2021 and to make it more inclusive and sustainable and market oriented. Dynamics in growth in Bangladesh is more private initiative-based rather than policy driven. Thus we need to reorient policy focus more on private initiatives for doing business easy. Improvements in infrastructure, a better business environment, and investment in human development are necessary across all fronts.

Bangladesh can take lessons from experiences of China's stimulus package to investment known as 'Asian Growth Model', Korea's shifting of export led growth to domestic market driven growth, Vietnam's SME policies for domestic market and FDI are relevant to Bangladesh. Improving conditions for private initiatives to take place, business to expand, commerce to run, investment and growth sectors to grow, market forces to function, information to flow are needed.

7.0 Conclusion

To reach the lower end of the middle income status by next eight years is not a dream, it is a reality. A middle income status is not limited to only GDP per capita; it includes other issues of development like better life, social harmony, and equality. Meaning of growth should be inclusive focusing on distributive justice, and opportunities for greater social transformation. It needs equal emphasis and attention to issues of establishing inclusive and responsive governance, eliminating corruption, enhancing transparency, effective functional role of democratic institutions, strengthening democratic process, promoting rule of law and encouraging justice, market forces to function, economy to grow, business and investment to take place. A middle income country will become meaningful to the common people if these are translated into practice as we move towards 2021.

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