

## Linking China's Belt and Road Initiative with Bangladesh's SDGs: Identifying Scopes and Areas of Concerns

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### Abstract

*Unlike MDGs, attaining SDGs would require joint global efforts from every country. Recent developments in international relations, such as China's Belt and Road Initiative (BRI), provide scope for countries like Bangladesh to assess the potential benefits of BRI in attaining SDGs. The BRI has five key areas: policy coordination, facilitating connectivity, unimpeded trade, financial integration, and people-to-people bond. This paper tries to unpack the opportunities for Bangladesh from the BRI concerning broad SDG goals. The paper attempts to explain the possible channels through which the BRI can help attain some specific SDGs. Nonetheless, the scopes are not risk-neutral. This paper highlights some of the critical areas of concern which the policymakers should keep in mind.*

*JEL Classification* F15 · F50 · F53 · F62 · F68

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### Introduction

Despite resource and economic constraints, Bangladesh sustained moderate to high economic growth for the last couple of decades in conjunction with remarkable improvements in a wide array of socioeconomic indicators. In this

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process, the country attained exemplary milestones in several Millennium Development Goals (MDGs). Reducing the incidence of poverty at an impressive rate of 2.12 per cent per year since 1992, the country secured its MDG objective of halving the population living under the poverty line well before its stipulated deadline. However, despite such prudent performance, the poverty rate still hangs around 24.3 per cent – which means nearly 1 in every four persons (or equivalently, nearly 40 million people) lives under the poverty line (HIES, 2016). Moreover, amidst a widening income inequality, the poverty elasticity to economic growth has slowed down in recent years. Also, growing challenges like infrastructural inadequacies, resources and energy constraints, labour market rigidities, increasing global economic tensions pose additional risks for sustaining a high and inclusive economic growth in the coming years. All these calls for shaping an appropriate development architecture for Bangladesh in an era of the United Nations' Sustainable Development Agenda 2030.

The People's Republic of Bangladesh has already recognised the Sustainable Development Goals (SDGs), and due policy attention has been placed to pursue a well-coordinated development agenda. The Government has already prepared the SDG implementation road map for all the line ministries. It has also established an SDG cell under the Planning Commission of Bangladesh to anchor SDG specific data, monitor progresses and identify policy gaps.

However, unlike MDGs, the SDGs are more ambitious and broader in terms of breadth of operation. Attaining 17 SDGs and related 169 targets would require a more coherent and integrated national policy than ever before. Therefore, the SDGs call for collective and collaborative actions through reinvigorated local initiatives and strengthened global partnerships. As such, there is no denying that broader regional connectivity, strengthened trade relationships, and collaborative global partnerships can play vibrant roles in attaining SDGs in developing countries like Bangladesh.

One avenue for such global partnership for development comes from the Belt and Road Initiative (BRI) coined by the People's Republic of China in 2013. The BRI maps out a vision for international development cooperation, covering five key areas – policy coordination, infrastructure, trade, financing, and people-to-people connectivity, which are extensively and intrinsically linked to the SDGs. Principally it promises an all-around opening-up of international cooperation strategies and shared benefits through engaged consultations and joint contribution of all participatory countries. So far, over 140 countries and international organisations, including Bangladesh, have signed BRI cooperation documents with China.

It must be noted that international cooperation to such an extent will increase intra-regional trade among the countries and foster inter-regional global connectivity. Moreover, given the enormous magnitude of financial flows and connectivity-related investment associated with the BRI, it will also have global implications beyond partner countries. Undeniably, these changes will have substantial macroeconomic impacts on participating countries like Bangladesh. In this regard, the importance of research into the opportunities and risks, as well as the channels of impact and policy modalities that could enhance the positive effects of BRI investments and financing flows, cannot be overstated. No such in-depth paper in the context of Bangladesh has been done as far as the topic of interest is concerned.

This paper first briefly outlines the ongoing BRI initiatives to find interlinkages between SDG attainments of Bangladesh with them. After describing current BRI projects in Bangladesh, the potential impact on SDG attainment are identified, and risks and challenges to these achievements are then elaborated with possible remedies for them. Then the paper concludes with several policy recommendations.

### **Ongoing BRI activities and projects- Potential linkages to SDGs of Bangladesh**

As has already been market, the BRI aims at reviving the ancient Silk Road and the 21st Century Maritime Silk Road (MSR), linking China to the rest of the world. Through the BRI, the Chinese Government proposes to support a variety of cooperative interventions, including infrastructure development, investments into production capacity, measures in trade facilitation and human capacity development, and exchange of cultural and social values, amongst others. More specifically, the initiative is expected to coin five thematic frontiers of cooperation, namely:

**BRI 1- Policy coordination:** including building a multilevel intergovernmental macro policy exchange and communication mechanism and coordinating economic development strategies and policies;

**BRI 2- Facilitating connectivity:** including improving the connectivity of infrastructure construction plans and technical standard systems among countries along the Belt and Road;

**BRI 3- Unimpeded trade:** including improving investment and trade facilitation, removing investment and trade barriers and ensuring the implementation of the WTO Trade Facilitation Agreement;

**BRI 4- Financial integration:** includes building a currency stability system, investment and financing system and credit information system in Asia;

**BRI 5- People-to-people bond:** including promoting cultural and academic exchanges, personnel exchanges, media cooperation, youth and women exchanges and volunteer services, expanding tourism;

Therefore, the BRI promises an increased intra-regional and inter-regional trade, but it also opens up opportunities for newer dimensions of cooperation, including tourism, people to people interactions, strengthened financial integration for countries like Bangladesh.

Among the six silk routes, Bangladesh connects to the BRI initiative through the BCIM economic corridor, a 2800 km long corridor starting from Kolkata (India) and passing through Bangladesh and Myanmar, ending in Kunming in China. The corridor envisages a modern road network, railway, ports, and more robust communication and trade connectivity. As a part of the belt and road connectivity projects, the BCIM was formally endorsed by the four countries in December 2013. A cross-country road has already been constructed connecting Bangladesh, India, Myanmar and China (Regional Road Connectivity: Bangladesh Perspective, 2016). More so, Bangladesh has already signed the 'Instrument of Accession for Intergovernmental Agreement on Dry Ports' on 25 September 2014. The agreement outlines several principles as guidelines for the development and operation of dry ports in terms of their essential functions, regulatory framework, infrastructure design and equipment facilities. The proposed BCIM initiative covers eight dry ports, including two from Bangladesh (Benapole and Sheola, respectively).

Amidst such progress, the heightened geopolitical tensions between India and China marked the implementation of the BCIM economic corridor. However, as noted by the Bangladesh Road Transport Authority, Bangladesh is already implementing the Asian Highway, which connects Bangladesh directly with Myanmar through Ghundum, Bandarban. In this respect, the alternative route has been proposed as (BRTA, 2015):

Kolkata (India) - Jashore (Bangladesh) - Dhaka (Bangladesh) – Chittagong (Bangladesh) - Cox's Bazar (Bangladesh)-Ghundum (Bangladesh) - Taungbro (Myanmar) - Bawlibazaar (Myanmar) - Kyauktaw - (Myanmar) - Mandalay (Myanmar) - Lashio (Myanmar)- Ruili (China) - Kunming (China).

### **Overview of recent BRI activities in Bangladesh**

During the visit of China's President to Bangladesh in 2016, both countries agreed to strengthen their relationship in trade and investment, infrastructure

development, industrial capacity cooperation, transportation, energy and power generation, information and communication technology and services, and agriculture. The countries have signed eight investment projects worth over \$9.45 billion funded by China in 2016, including

- Padma Bridge rail link worth \$3.3 billion: The bridge will significantly reduce the distance between Dhaka and Southern districts. Dhaka-Kolkata distance will be reduced by 213 km and the journey time by 6-8 hours.
- the power plant in Payra worth \$1.9 billion,
- partnership in strengthening digital connectivity worth \$1 billion,
- power grid network strengthening project worth \$1.32 billion,

China also agreed to provide an additional \$38 billion worth of investments where \$24.45 billion would be provided in bilateral assistance for infrastructure projects and \$13.6 billion would be invested as joint ventures. Furthermore, China agreed to \$20 billion in loan agreements. Amongst other major contracts as part of the BRI, the following are noteworthy:

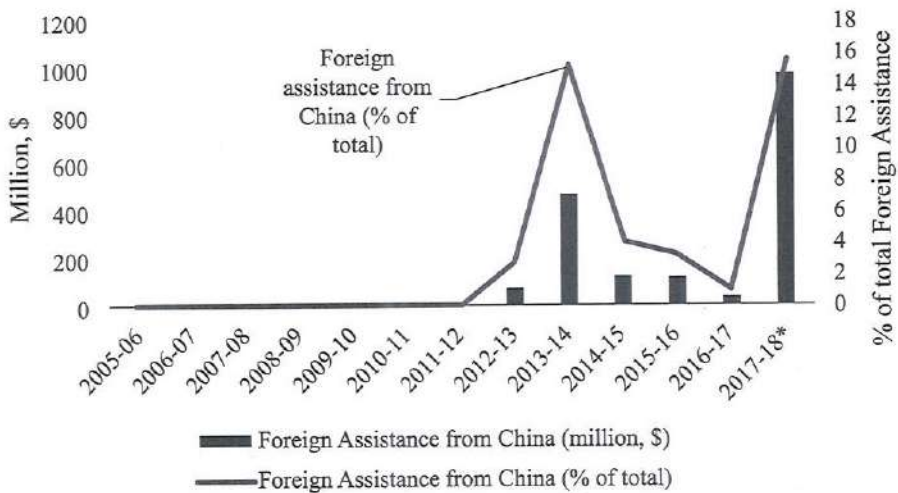
- As part of the bilateral agreements made in 2016, the Dhaka-Chattogram High-speed railway feasibility study is currently being undertaken by the China Railway Design Corporation. The study is expected to be completed by 2019. The proposed rail link will connect the capital city with Chattogram, the port city (320 km), where the train will run 200 km per hour.
- As part of the 100 SEZs, Bangladesh has already handed over 750 acres for an industrial park for Chinese investment in Bangladesh. The China Harbour Engineering Company holds a 70% share in the joint venture.
- The agreement has been reached between the DSE and the Shanghai and Shenzhen stock exchange: DSE will sell a 25 per cent stake to the Shanghai and Shenzhen stock exchanges for \$119m.
- There is also a proposal of investing \$5 bn for heavy industry in Chattogram, including establishing a 2.6 GW power plant.
- Ant Financial Services Group ("Ant Financial"), operator of China's Alipay, and bKash Limited ("bKash"), the leading mobile financial services provider of Bangladesh, announced a strategic partnership in April 2018 in a bid to provide convenient and safe digital financial service for local consumers by jointly creating a local version of Alipay in Bangladesh.
- In November 2018, UnionPay International, a subsidiary of the Chinese bank card organisation China UnionPay, officially launched card issuance

and mobile payment cooperation with the Mutual Trust Bank (MTB) of Bangladesh to provide diversified payment services for Bangladeshi consumers.

Since the initiation of the BRI, the foreign assistance from China to Bangladesh has increased compared to any time before (Figure 1). In 2018, foreign assistance from China accounted for 15 per cent of Bangladesh's total foreign assistance (Figure 1).

The following section highlights Bangladesh's so-far achievements in some important SDG Goals and identifies the scopes where the BRI initiative can play some pivotal roles. We have gone through each goal separately, describing the drawbacks and possible improvement scenarios and implied the linkage of BRI initiatives to their betterment.

Figure 1: Foreign Assistance from China



Source: Authors' estimation based on ERD data

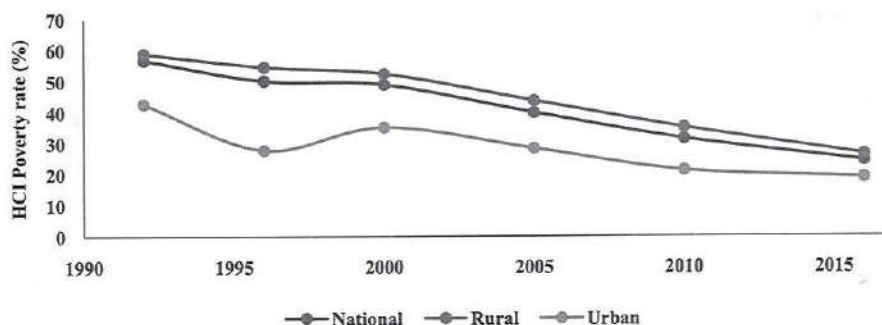
**Bangladesh's present status on broad SDG indicators**

Since the adaptation of the SDGs, Bangladesh was one of the forerunners in completing the preparatory steps for ensuring the continuous transition from MDGs to SDGs. The Government of Bangladesh (GoB) provided special policy priority in attaining the SDGs and incorporated specific guidelines in its formal official plans. The 7th five-year plan, undertaken in 2016, completely integrated

14 SDG goals, while the rest three (Goal 14, 16 and 17) were partially aligned to its themes (GED, 2018). The Government has also formed an Inter-Ministerial Committee on SDGs Implementation and Review Comprising Secretaries from 20 SDG implementing line ministries. The Committee is headed by a Principal Coordinator (SDGs Affairs) from the Prime Minister's Office. Over the past few years, the Government has finalised several critical documents for identifying Ministry/Agency-specific responsibilities for implementing the SDGs. Among the reports, the mapping of ministries by targets in SDG implementation regarding the 7th Five-year plan, Monitoring and Evaluation framework of SDGs, SDG financing strategy, Education sector strategy regarding SDG implementation are most notable. As an ongoing effort to track progress, the Planning Commission of Bangladesh has finalised its first 'SDG Progress Report' in late 2018.

Since 2009, the import of food grains (primarily rice) in Bangladesh has virtually become negligible. In contrary, the country now produces more rice than its domestic demands.

Figure 2: Poverty reduction in Bangladesh



Source: Authors' representation based on Household Income and Expenditure Survey (HIES); various years

**SDG 1 and 2- End Poverty and Zero Hunger:** As has already been stressed, Bangladesh has a proven track record in reducing the headcount poverty rate and ensuring food security in the country. The country has reduced the poverty rate from around 60 per cent of the total population in the early 1990s to 24 per cent in 2016 (HIES, 2016) (Figure 2). The poverty rate is further projected to fall to 21.8 per cent in 2018 (GED, 2018). On average, poverty has been reduced at a rate of 2.98 per cent per year. At the same time, the country has also transformed from a food deficit country to a food surplus country.<sup>1</sup>

The strategies implemented in the sixth five-year plan (2011-2015) to reduce poverty saw success. High GDP growth rate through labour-intensive manufactures and exports generated employment and income outside agriculture. Such opportunities in the non-farm sector helped shed the underemployed and tightened the agricultural labour force increasing real wages and productivity in both farm and non-farm sectors. Moreover, the new entrants to the labour market were absorbed by outward migration. The seventh five-year plan aimed at strengthening these strategies with a particular focus on reducing extreme poverty. To generate more jobs through growth and structural change, the seventh plan emphasised breaking out of the 6 per cent growth path and achieving the 8 per cent GDP growth. The plan also envisaged enhancing micro-credits and strengthening the ICT revolution in rural areas as major targets.

Visible government efforts are contributing to poverty reduction. The GoB adopted a comprehensive and coherent National Social Security Strategy (NSSS) in 2016, where poor and vulnerable people have been given priority. For increasing the effectiveness of the social security services, the NSSS has mainly focused on reducing targeting errors and leakages. Projects such as 'Ekti Bari Ekti Khamar' (One House One Farm), 'Ashrayan', 'Grihayan,' 'Ghore Phera' have been implemented to bring constructive changes in the lives of the poor. Moreover, the "Palli Sanchoy Bank" (Rural Savings Bank) has promoted rural savings. The GoB plans to provide universal coverage for child development, benefits for the disabled, and old age allowances as part of its NSSS implementation.

There are also several other significant factors contributing to this poverty reduction. For instance, invigorated engagement of the microfinance institutes providing loans to females from poor and vulnerable households played an important role (Khandker, 2001; Zaman, 2000; Morduch and Haley, 2002). Some estimates suggest that microcredits' sustained benefits over two decades have contributed to lifting 2.5 million Bangladeshi out of the poverty line (Khandker et al. 2016).

One of the continued policies that helped Bangladesh attain the poverty reduction strategy is an active and vibrant NGO pool (Begum, Zaman and Khan, 2004). Another effective source of contribution emerged from increased female participation in the labour market, strengthened the trend of overseas employment and remittances (Raihan et al. 2018); and, a robust export performance.

There is no denying that the reduction in poverty rates in Bangladesh is closely linked to its stable economic growth sustaining for over three decades. It is noteworthy that the pace of poverty reduction was faster in the post-millennium than before. Evidently, until the mid-1990s, the country had a highly volatile



economic growth (Figure 3). Ever since then, the GDP growth rate of the country started climbing up, while at the same time, it remained stable. On average, Bangladesh has added one percentage point additional economic growth in each past decade: the average GDP growth was about 4.7 per cent, 5.6 per cent, and 6.5 per cent during 1991-00, 2001-10, and 2011-19 respectively (Figure 4).

Figure 3: Bangladesh performed well in managing stable GDP growth

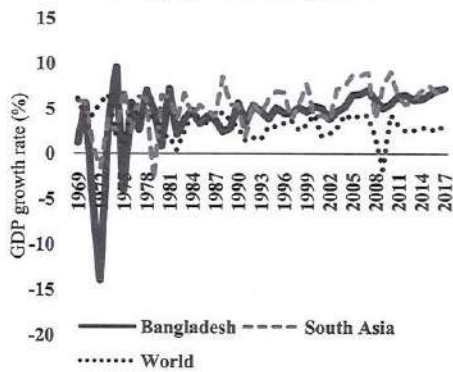
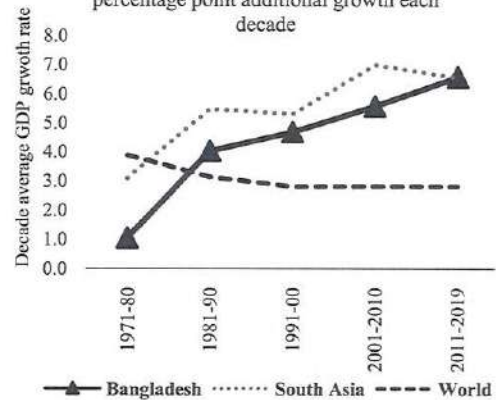


Figure 4: Bangladesh added nearly 1 percentage point additional growth each decade



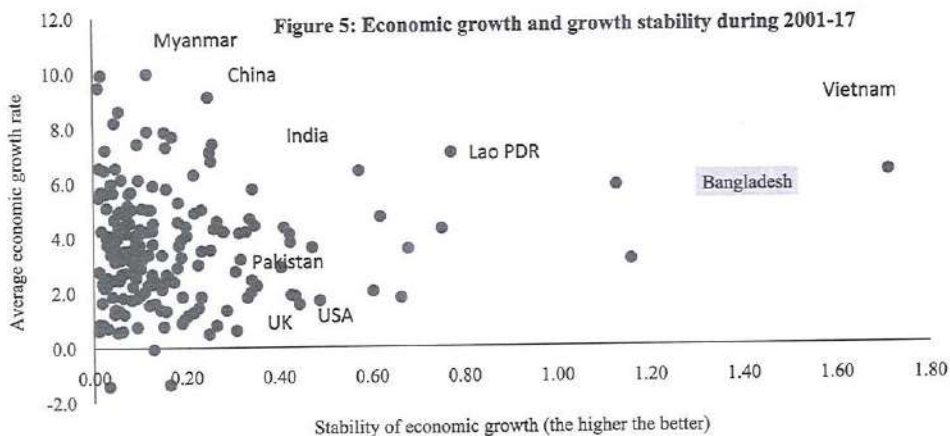
Source: Authors' estimation based on WDI data.

Unparalleled, in global comparison, Bangladesh maintained a high yet one of the most stable economic growths during 2001-2017 (Figure 5). Undeniably, such high and stable economic growth sustaining for over two decades had a more significant impact on poverty reduction.

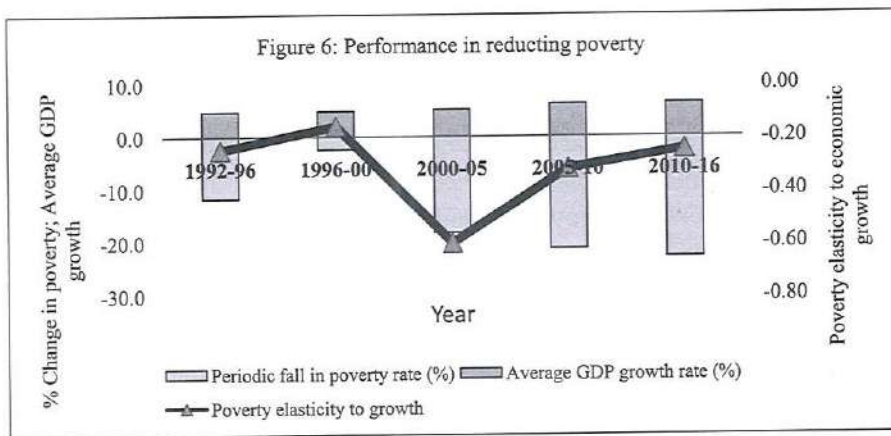
Despite such prudent performance in poverty reduction, in recent years, the challenge has become darer. The poverty elasticity to growth, which shows the percentage change in poverty rate due to a one per cent change in economic growth, has sharply declined over the decades (Figure 6). A one per cent increase in economic growth lowered the poverty rate by .32 per cent during 2005-10. The elasticity further fell to 0.25 during the 2010-16 period. Such stalled poverty elasticity to economic growth is alarming for the country. With nearly 40 million people still below the poverty line, the country needs to pull up at least 3 million people out of it each year to attain the SDG 1 by 2030.

Arguably, reducing poverty has become more challenging than before. It is due to several factors. First, it is more challenging and resources deserving of pulling up people out of the poverty line who are well below it than people near the poverty line. Poorer persons have lesser access to healthcare, education and

other basic services and thus require more extensive supports. Second, although the growth in recent years was 'high' in rate, it was 'inadequate' in generating employment. Such 'jobless' growth coined with widened inequality might hinder



Source: Authors' estimation based on WDI data



Source: Authors' estimation using HIES and WDI data

the prospect of attaining an 'inclusive growth' for the country in the coming years. More importantly, if poor governance is not guarded, economic growth might not turn into pro-poor growth. If such challenges are not addressed urgently, achieving SDG 1 by 2030 could become a challenging aim.

Goal 3- Good health and well-being: When it comes to health-related indicators, Bangladesh performed better than most other LDCs in attaining many

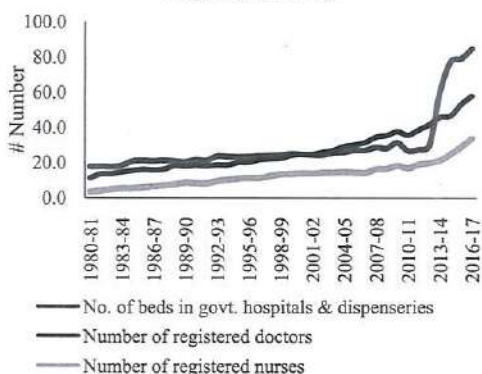
of the MDG indicators. However, despite such spatial performance in attaining health-related MDGs, the country still lags seriously behind in terms of health care quality. For instance, the maternal mortality ratio (per 100,000 live births) has declined from 447 in 1995 to 172 in 2017 (BBS, 2017). The under-five mortality rate (per 1,000 live births) has also declined sharply over the years (from 125 in 1995 to 31 in 2017). Although the percentage of births attended by skilled health staff has quadrupled compared to 2000 in the country, the rate is still lower than the regional and global average (Figure 6). The country is also experiencing an increasing trend in non-communicable diseases (NCDs). The NCDs accounts for almost 60 per cent of total (or equivalently 886 thousand) deaths a year in Bangladesh (ICDDR, B, 2019). More than a fifth of the total population aged 30 years or older has been diagnosed as suffering from NCDs in 2016 (GED, 2018). Moreover, deaths rates due to road traffic injuries (per 100,000 population) have increased from 13.6 in 2013 to 15.6 in 2017 (WHO estimates).

Amidst such an increased demand for healthcare services, there are severe inadequacies from the supply side. For instance, for every 100,000 populations, there are only 84 beds available in government hospitals and dispensaries (Figure 7). The number of doctors and nurses in public hospitals is also dire: only 53 doctors and 33 nurses are available for every 100,000 populations. Moreover, the country has one of the lowest expenditures in healthcare services in the world. The total healthcare expenditure (including public and private, as a per cent of GDP) for Bangladesh is only 2.3 per cent of GDP, which is substantially lower than the LDC or world average (Figure 9). It is noteworthy that the government expenditure in healthcare (as % of GDP) in Bangladesh is less than one per cent per year. Given such a dire situation, attaining SDG 3 on time could be challenging for Bangladesh.

Despite limitations, the GoB has undertaken several key policies in the recent past for attaining SDG 3. The fourth round of the Health, Population, and Nutrition Sector Programme (HPNSP) are implemented. The programme intends to enhance governance and stewardship of the sector, strengthen health systems, and improve quality health services. The programme is also aimed at ensuring Universal Health Coverage in the country. The Government has also approved the National Strategy for Adolescent Health (2017-30). A National Plan of Action is currently being prepared by the Government (GED, 2018).

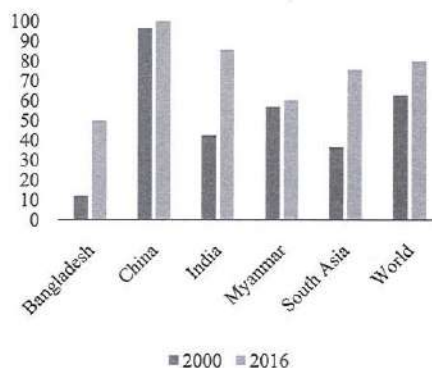
Due to a lack of internal resources, medical tourism from Bangladesh to other leading Asian countries are becoming popular over time. Each year, thousands of Bangladeshis travel to India, Thailand, and Singapore for medical treatments. In

Figure 7: Medical service adequacy (per 100,000 population)



Source: Author's estimation from Bangladesh Economic Review 2018

Figure 8: Births attended by skilled health staff (% of total)



Source: WDI

2015-16, more than 165,000 patients from Bangladesh visited India.<sup>2</sup> In that year, Bangladesh was the largest source of medical tourism for India, sourcing nearly one-third of its total Medical Tourists. In recent years, the number of medical tourists to India from Bangladesh has increased further: in 2018, on average, nearly a thousand Bangladeshis travelled to India per day for medical treatments.<sup>3</sup>

Apart from India, Thailand is the second most visited destination for patients from Bangladesh. More than 63,000 patients travelled to Thailand in 2015 for medical purposes.<sup>4</sup>

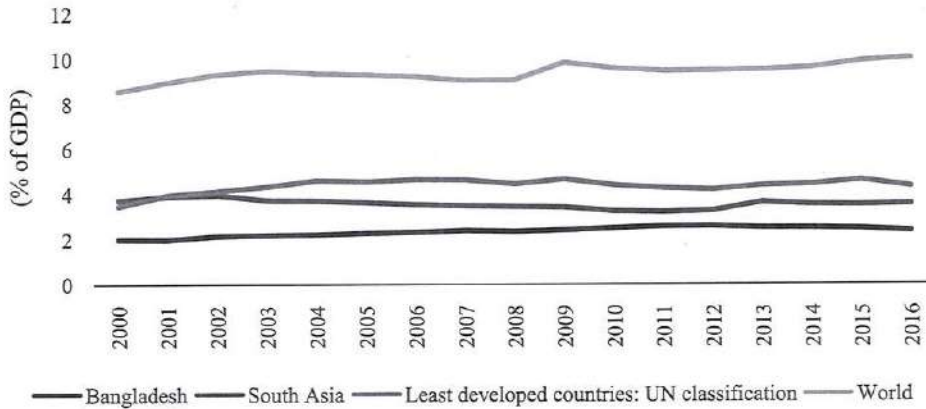
Countries like India, Malaysia, Singapore, South Korea, Thailand have become globally popular destinations for medical tourism. China is also investing heavily in the sector with aspirations to attract medical tourism in the coming years. Given the dire medical service situation in Bangladesh, strengthened regional connectivity can enhance the accessibility of Bangladeshi patients in BRI countries. It is noteworthy that Bangladesh's current trade-in medical services can be categorised as Mode 2 (consumption abroad). With successful BRI connectivity, there will be ample opportunities for exploring the possibilities of Mode 3 (commercial presence) and Mode 4 (Movement of natural persons) in Bangladesh.

2 (Dhaka Tribune, 2017)

3 The Daily Star (2018)

4 The Daily Star (2018).

Figure 9: Current healthcare expenditure (% of GDP)



Source: WDI

**Goal 4- Inclusive and Equitable Quality Education:** Bangladesh's performance on some indicators related to education is satisfactory. For instance, the country has ensured 100 per cent enrolment in primary education. Moreover, since the early millennium, Bangladesh has continuously ensured gendered parity in primary and secondary education enrolment (Table 1).<sup>5</sup> However, the gender disparity at the tertiary education level has remained stagnant since 2011. Most importantly, concerns have been raised over the years regarding the quality of education rather than quantity. As recent surveys have shown, only half of the students passing lower secondary education level have minimum proficiency in mathematics, while less than one-fifth of them have minimum English proficiency (GED, 2018).

There are also some other looming challenges. Currently, Bangladesh is passing through its first phase of demographic dividend, which will continue till mid-2030. The number of the school-going aged youth population is on the rise. However, only a few higher education/technical education institutes provide proper higher education/ technical training. Moreover, being highly competitive and, to some extent, costlier, such higher education institutes offer inherent barriers to access to post-secondary education (including tertiary education) for students from more impoverished families or distant districts.<sup>6</sup> There is no

5 Gender Parity Index (SDG 4.5.1) is the ratio of female to male enrolment rates – gross or net.

6 The education system in Bangladesh is consist of several tiers: (i) primary education (up to grade V); (ii) secondary education (from grade VI-X); (iii) SSC Examination (equivalent to 'O' level), (iv) Higher Secondary education (grade XI-XII; equivalent to 'A' level), and (v) tertiary education (university degrees) etc.

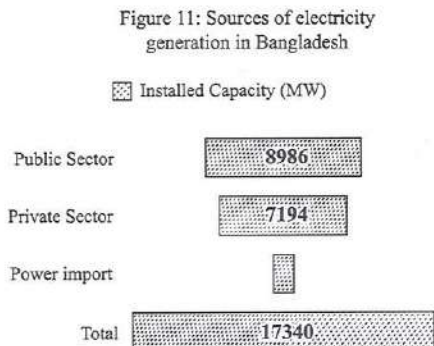
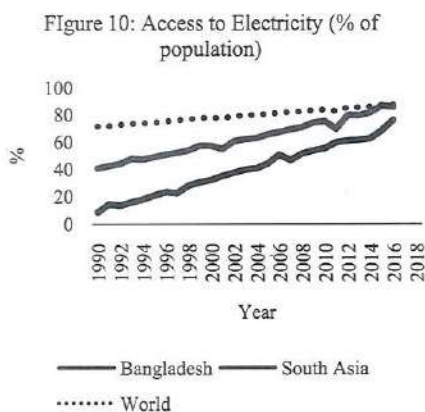
denying that domestic or overseas scholarships or exchange programmes for students from such backgrounds will create opportunities for Bangladeshi students to opt for higher education in the BRI countries.

Table 1: Gender Parity Index for Bangladesh (by education level)

Level of education	1990	2000	2005	2011	2016
Primary	0.84	0.96	1.05	1.06	1.06
Secondary	0.51	1.03	1.07	1.15	1.11
Tertiary	0.19	0.49	0.52	0.69	0.70

Source: WDI, World Bank

**Goal 7- Affordable and clean energy:** Bangladesh adopted short- and long-term measures to increase electricity supply to meet the growing demands. The proportion of the population with access to electricity has been experiencing a sharp increase since 2000. In 2000, only one-third of the population had access to electricity, which increased to more than three-quarters of the population in 2016 (Figure 10). The increase in electricity generation and access to electricity saw a rise primarily due to the liberalisation of private sector investment in the sector. The Government promoted the generation of electricity under the private-public partnership. Foreign direct investment in this sector has also flourished. As of October 2018, Bangladesh's total installed electricity generation capacity is 17,340 MW (Figure 11). Including captive power and renewable energy sources, the total capacity sums up to 20,430 MW. It is noteworthy to mention that, despite severe electricity shortages, power import remains an area to explore more: only 6.7 per cent of the total electricity generation is imported from neighbouring Indian states.

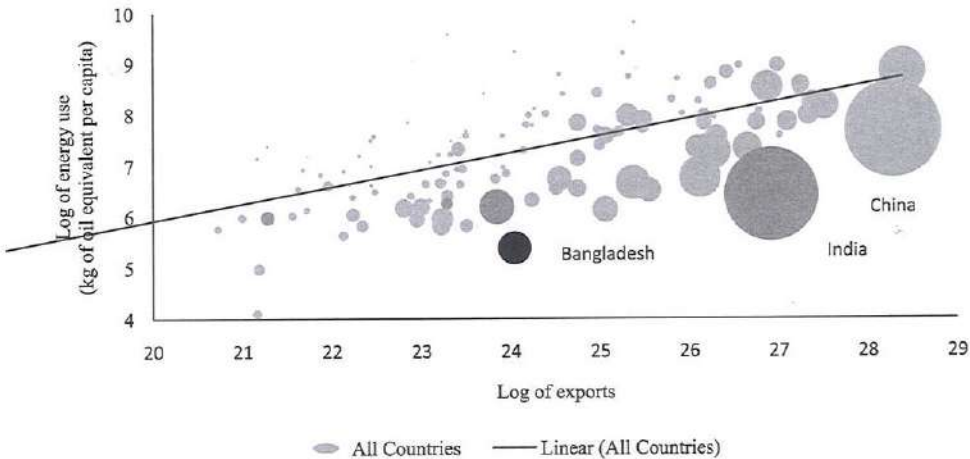


Notwithstanding the improvement, the country's overall access to electricity is still less than the global or even the South Asian average. Although the energy supply has significantly expanded, it is not enough to meet the demand. It is because, although the urban areas have an electricity access rate of more than 90 per cent, nearly one-third of the population from the rural still lives in the dark.

Moreover, the quality, sustainability and affordability of electricity service are also low. Although access to electricity has increased by manifolds, load-shedding remains a challenge to overcome. Power outages were a regular phenomenon, especially in rural areas, severely detrimental to productivity, earnings, and growth of manufacturing sectors.

There is no denying the fact that Bangladesh is losing out severely from the lack of adequate electricity. As observed by Razzaque (2017), even with one of the lowest per capita electricity consumption in the world (proxied by per capita energy use), Bangladesh was capable of achieving high exports growth as well as economic growth compared to its comparators (Figure 12). However, if not correctly addressed, sustaining the exports growth would be challenging in the coming years.

Figure 12: Energy deficiency in Bangladesh



Source: Authors' recalculation following Razzaque (2017)

Addressing the power sector challenges has always been remarked as one of the key priority areas for the Government of Bangladesh. The Government formulated the Power System Master Plan in 2010, which targets 24,000 MW by 2021 and 39,000 MW by 2030. The sixth five-year plan (2010-15) marked power generation as the highest priority sector. The 7th five-year plan emphasises

formulating several policies, including (i) the gas allocation policy, (ii) the domestic gas exploration policy, and (iii) the coal utilisation policy. One of the natural elements of the plan is the strategy for energy conservation. Policies such as substituting low thermal efficient gas-fired power plants with more energy-efficient plants and adopting improved fuel use efficiency and energy conservation technology in industries are mentioned. The plan suggested strengthening collaboration with the supplying countries to mitigate the very high unit price of pipeline gas/LNG imports. It also suggested importing LNG/ pipeline gas from a diversified supplier.

**Goal 8- Decent Work and Economic Growth:** There are several chronic challenges Bangladesh needs to address when it comes to the case of employment, and therefore SDG 8. Historically, agriculture has been the primary source of employment for the country, although it has slightly declined over the decades (Figure 12). In 2017, more than 40 per cent of the total employment was in agriculture compared to 70 per cent two decades earlier. A high concentration in agricultural employment is closely linked to a lower percentage of formal employment. With only 14.9 per cent of the total employment in the formal sector, the country shares one of the largest informal labour markets globally. Inadequate generation of opportunities in the formal labour market increased the overall employment in the formal sector only by four percentage points between 2010 and 2016.

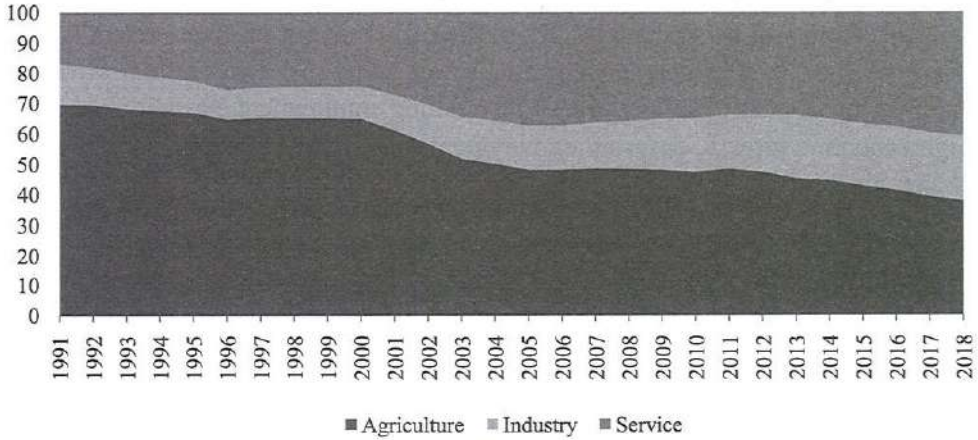
Despite remarkable economic growth, the country could not generate adequate employment over the last decade. The overall employment elasticity to economic growth has constantly been falling since 2006. During 2006-10, each 1 per cent economic growth in the country resulted in .55 per cent growth in employment which, later in the 2013-16 period, fell to only .12 per cent (Figure 13).<sup>7</sup> The situation is direr for youths: the youth employment elasticity in the country has gone negative during the 2013-16 period, meaning that – even with high economic growth, the total number of youth in employment has fallen (Figure 14). It is reflected in the trend of rising youth unemployment since 2010 (Figure 15). Compared to 2010, the youth unemployment rate in the country has almost doubled in 2016. If a faster employment generation rate in the secondary and tertiary sectors is not guaranteed in the coming years, the challenge will be more significant. As noted in Razzaque et al. (2018), the gap between Labour

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7 Employment elasticity to growth is the ratio of periodic employment growth to periodic GDP growth rate.



Figure 12: Employment by Sectors in Bangladesh



Source: ILOSTAT

Figure 13: Overall employment elasticity

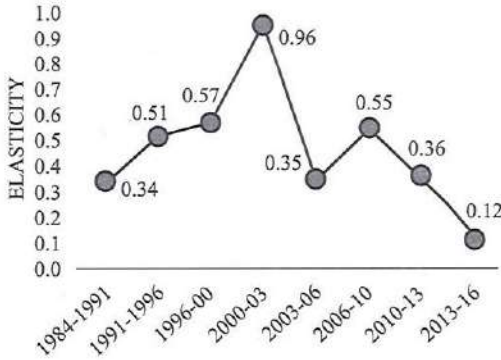
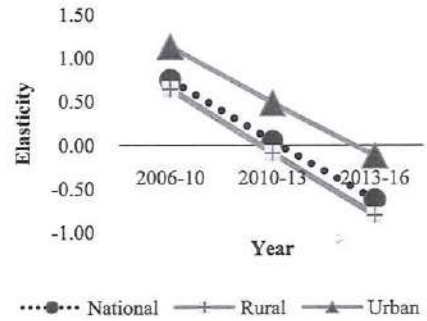
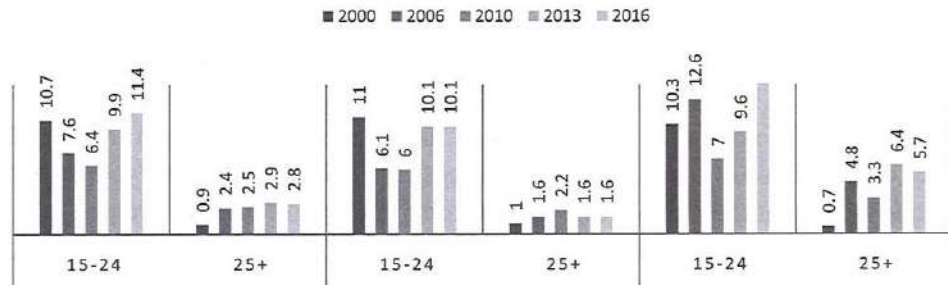


Figure 14: Youth Employment Elasticity by location



Source: Authors' estimation based on LFS data

FIGURE 15: UNEMPLOYED BY AGE GROUP (%)



Source: Labour Force Survey data, various years

Supply and Labour Demand is increasing in the country (Figure 16). Compared to 2016, when there were 2.6 million workers in the labour force without any job, in 2020, there will be as many as 3.5 million workers out of employment in the country. The 7th five-year plan estimates an additional two million workers entering the labour market per year. With a falling employment elasticity and even high economic growth, ensuring employment for a growing labour force will be challenging.

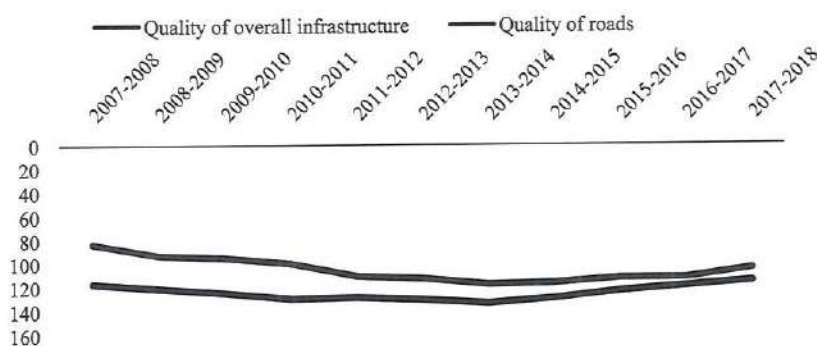


Source: Authors' estimation following Razzaque *et al.* (2018)

Nonetheless, generating plenty of employment is not the only challenge to face. As coined by the ILO and echoed in the SDGs, ensuring 'decent work' would be a more challenging task to tame. Raihan and Uddin (2018) noted that less than 10 per cent of the total employment in the country are employed in jobs that can be categorised as 'decent work'. The challenge would be darer to conquer due to two reasons. First, w 85.1 per cent of total workers (82.1 per cent of the males and 91.8 per cent of females) are employed in the informal sector, which is one of the highest in the world. Labour Force Survey 2016-17). On top of it, there are also challenges like inadequate technical training facilities limiting the scopes of generating skilful worker force as aimed in the SDGs. In addition, the lengthier time for school to job transition threats of skill-atrophy for the young workers. (Elders 2014) found that it requires more than 60 months for youth to get their first employment in Bangladesh. Challenges like child labour, high youth not in employment, education, or training (Youth NEET) further add weight to the challenge.

The 7th five-year plan calls for collective action for embracing the challenge of employment generation. It stretches to generate employment in the country, particularly in the manufacturing sector, emphasises overseas migrations, and opts for revamped foreign direct investment in the country.

Figure 17: Quality of roads and infrastructure in BGD



Source: WEF

**Goal 9- Resilient infrastructure, sustainable industrialisation and innovation:** Bangladesh ranks way below its comparators in terms of infrastructure. The road density (per 100 square km) in the country is only 14.61 km. The road density has increased by 0.6 km per 100 square km between 2000-17 (GED, 2018). Nonetheless, the road quality is poorer. Within a decade, from 2007-08 to 2017-18, Bangladesh has slid down by 22 places (from 83 in 2008 to 105 in 2018) in the global ranking of road quality (Figure 17). In terms of overall infrastructure quality, the country ranks 116 in the list of 140 countries.

The poor quality of road construction brings several pitfalls. According to the Bangladesh Road Transport and Highways Division and the Local Government Engineering Department (LGED), Bangladesh repairs more than 2,000 km of roads every year due to overloaded vehicles.<sup>8</sup> The construction cost of roads per kilometre is estimated between \$2.5 million to \$11.9 million in Bangladesh, which is the highest in the global standard.<sup>9</sup> Corruption, lack of governance, and delays in infrastructure construction could be major multipliers behind these high construction costs.

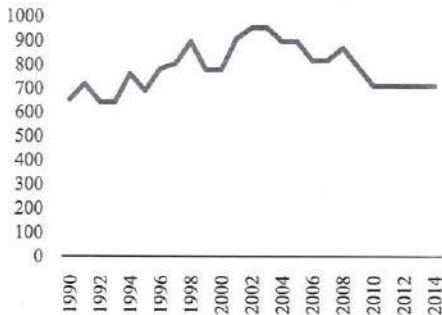
8 The Independent, 1 October 2017 <http://www.theindependentbd.com/post/116608>

9 Ibid; Daily Star, 21 June 2017; accessed at <https://www.thedailystar.net/frontpage/road-construction-cost-way-too-high-1423132>

Along with road transport, rail transport or air transport in the country is also appalling. The amount of goods transported by railway has seen a decline over the years (Figure 18). At present, Bangladesh transports goods of around only 700 million tons-km. The total Railway goods transport in China in 2014 was 2,308,669 million ton-km, for India, which was 665,810 million ton-km. Given that India and China are much larger countries than Bangladesh, these values can only be compared when they are normalised concerning their economies. Even after normalisation, the number of goods transported in India and China is 80 times and 54 times higher than in Bangladesh.

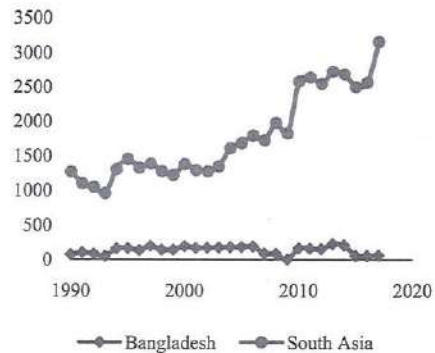
With regard to air transports of goods, Bangladesh ranks at the bottom (Figure 19). Even compared to South Asia, Bangladesh's air transport freight is exceedingly lower. In 2017, the value of the volume of goods transported through airdropped to 61.75 million tons' km from 225.19 million tons' km in 2013. This

Figure 18: Bangladesh Railways, goods transported (million ton-km)



Source: WDI

Figure 19: Air transport, freight (million tons km)



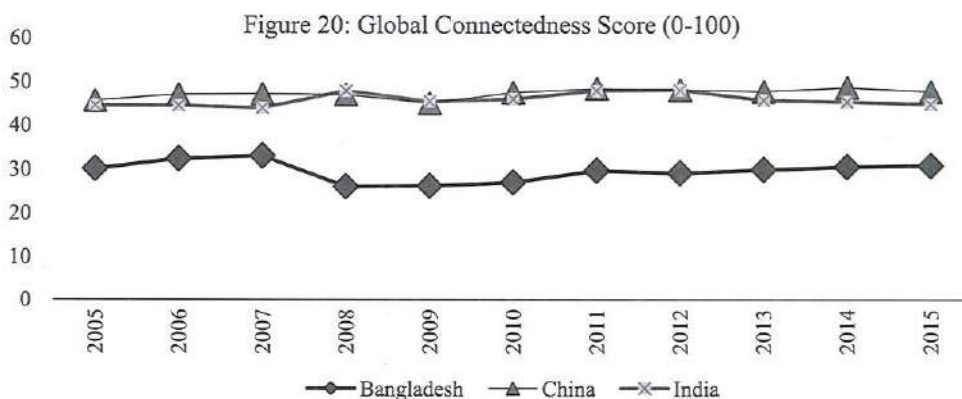
Source: WDI

must be noted that with air freight costs being reduced each year the volume of goods transported through the air is increasing globally over the years. More alarmingly, this did not rise over the years and even faced a declining trend in recent years. Several reasons can be pointed out to Bangladesh's meagre performance, including the poor quality of airports in the country, inadequate storage/air cargo handling capacities, lack of training of the airport staff. Undoubtedly, to ensure a resilient infrastructure for attaining SDG 9, it is high time Bangladesh emphasised strengthening its transport infrastructure, namely roads, railways, and airports.

Such poor performances in connectivity-related infrastructures put Bangladesh as one of the least performing countries globally. The global

connectedness index (prepared by Ghemawat and Altman, 2016) ranks Bangladesh at 118 among 140 countries. Most South Asian comparators and all East Asian countries rank well above Bangladesh (Figure 20).

To combat the growing challenge of poor infrastructure, the GoB puts infrastructure development as one of the development priorities. The 6th and the following 7th five-year plan specifically endorsed for undertaking several large scale constructions, including multiple elevated express highways, metro-rails, expansion of the railroads, construction of several bridges, including the Padma Bridge. Subsequently, the construction of the Padma Bridge is currently underway. The construction of the elevated express highways connecting Gazipur, Dhaka, Narayanganj is in progress. Rail lines in the country are currently being expanded to enhance in-land connectivity. A Dhaka-Chattogram elevated express

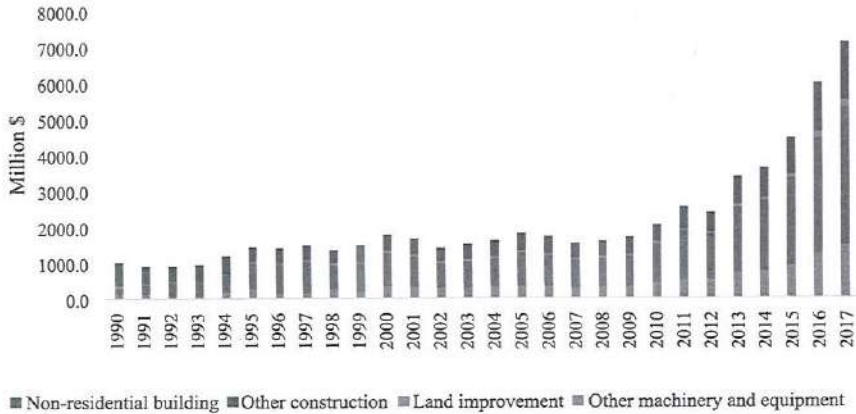


Source: Ghemawat and Altman, 2016

highway is also under consideration. It must be noted that, over the years, due to such large projects, the government investment in infrastructure has increased by manifolds (Figure 21). In FY2017, the total government investment in infrastructure amounted to nearly \$4 billion. On average, the country has spent nearly 19 per cent of its total development budget (as part of the Annual Development Plan (ADP)) after Transport (17%) and Communication (2%).

Amidst infrastructural inadequacy, Bangladesh outperformed other LDCs in terms of industrialisation. The share of manufacturing value-added to GDP in the country has increased by almost 50 per cent between 2001-02 to 2016-17 (Figure 22). Around 22 per cent of the GDP comes from the manufacturing sector, while another 6-7 per cent of GDP originates from construction, power generation. In combination, the share of industrial value-added to GDP is nearly 30 per cent, which is four times higher than in the early 1990s. The growth in manufacturing industries can be mainly attributed to the sustained and resilient export

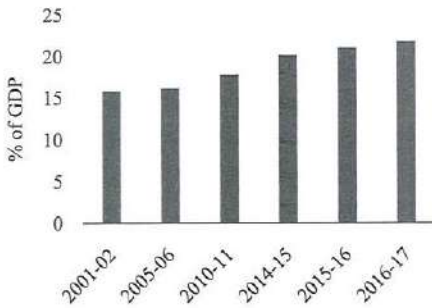
Figure 21: GGFCF (related to infrastructure)



Source: Authors' compilation from the BBS National Accounts Data

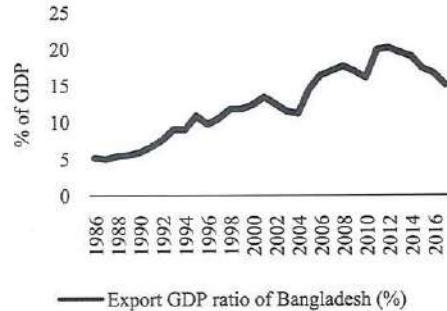
performance from Bangladesh. Since the millennium, the export-GDP ratio in the country has increased at a rate higher than 10 per cent per annum (Figure 23).

Figure 22: Share of manufacturing value added in GDP (%)



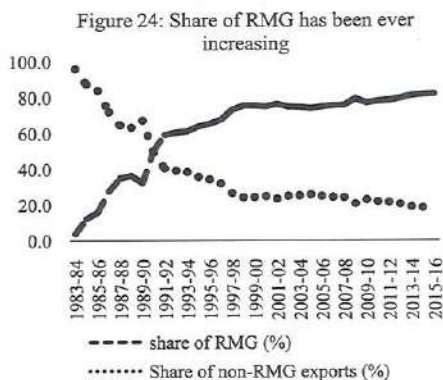
Source: Bangladesh Economic Review

Figure 23: Export GDP ratio of Bangladesh (%)

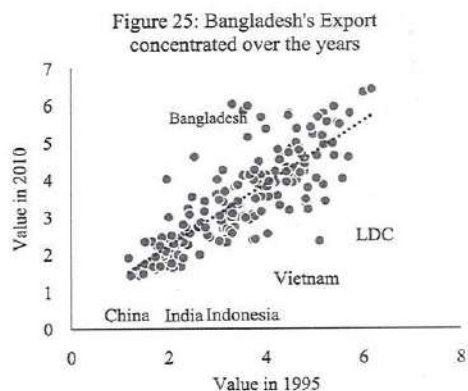


Source: WDI

The resilient export performance can be primarily attributed to the growth in the RMG industries in Bangladesh. Bangladesh exported \$30.6 billion worth of RMGs in 2018, 83.5 per cent of the total Bangladeshi exports. The garment sector, which also ensures nearly 4 million jobs, has played a vital role in ensuring female employment in the manufacturing sector at a large scale and increasing overall female labour force participation (BGMEA, 2019).



Source: Export Promotion Bureau



Source: Authors' estimation based on IMF data on the export concentration

One alarming feat of the export pattern of the country is its ever-increasing dependency on a single product like RMG. The export concentration of the country has increased severely over the years in comparison to other comparators like India, China, Vietnam. Relative to the 1990s, the overall export concentration (as measured by the IMF applying Hirschman-Herfindahl Index) has increased by 9 per cent for Bangladesh over the years. On top of the product concentration, the country also suffers from a highly concentrated export destination. The share of the top 5 importing countries captures nearly 60 per cent of the country's total exports (With Germany having 16% and the USA receiving 15% of total exports ).<sup>10</sup>

Such increased dependency on mono-product and fewer export markets makes Bangladesh relatively more vulnerable to trade and geopolitical adversaries. Since Bangladesh is already in the process of LDC graduation and is likely to graduate out of the LDC status by 2024, it poses a higher risk. Once phased out of LDC, Bangladesh will be no longer eligible to get EBA in the European countries. Since Bangladesh does not qualify for the GSP-plus scheme, the increased tariffs rates can be detrimental to Bangladesh's overall export growth.

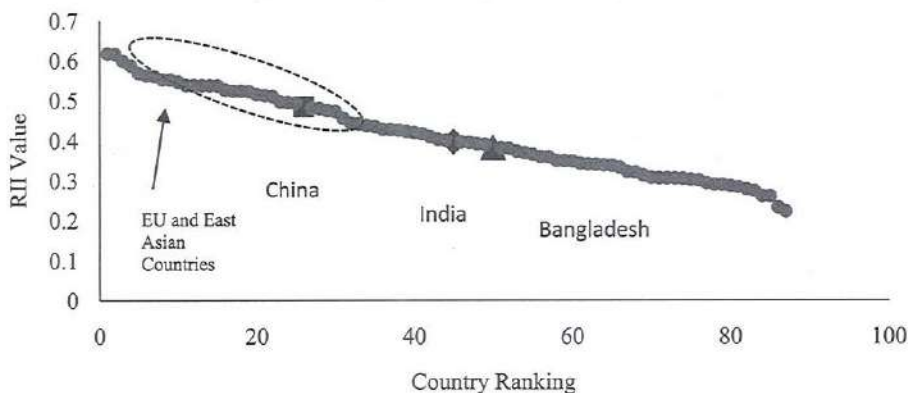
Moreover, Razzaque and Dristy (2018) argued that due to automation challenges in the garment industries, Indeed, in the post-Rana Plaza period, more than 1500 garments have run out of the industry between 2014 and 2018 (BGMEA, 2019). Against the challenges, there are several steps the Government has already undertaken as per the 7th five-year plan. Bangladesh's export policy identifies

<sup>10</sup> The distribution can be easily visualised at: <https://atlas.media.mit.edu/en/profile/country/bgd/>

several industries as 'thrust sectors', such as – leather, pharmaceuticals, jute and jute goods, agro-processing industries.<sup>11</sup> The Government offers incentives to such industries as duty drawback facilities, using a bonded warehouse, direct cash incentives (EPB, 2019). The Government also aims to revitalise its bilateral trade relations with other countries, including the East Asian nations, and explore new export markets. At present, the Government provides extra cash benefits to exporters for exporting to new destination countries.

**Goal 17- Global partnership for sustainable development:** There is no denying that attaining SDG goals alone is not feasible for any country, and there are greater regional and global cooperation needs. Historically, enhanced connectivity has been one of the influential parameters in architecture regional connectivity integration (UNESCAP, 2014). Bangladesh is one of the least integrated countries in the world. According to the ADB's Regional Integration Index 2016, Bangladesh ranks lower than 60 per cent of the countries (Figure 26). Moreover, the country ranks lower than regional comparators like India, China, Vietnam, and other major East Asian countries.

Figure 26: Regional Integration Index, 2016



Source: Regional Integration Index 2016, ADB

Such poor regional integration can be partly attributed to poor infrastructures and connectivity. However, a more contributing factor can be Bangladesh's rigid engagement in bilateral trade with neighbouring/regional countries. The global experiences from EU, NAFTA, and ASEAN shows that a solid regional

<sup>11</sup> The latest round of export policy (2018-21) was approved in November 2018



multilateral trade agreement enhances regional connectivity. Although Bangladesh is a part of several regional agreements, including the APTA, SAFTA, BIMSTEC, none is effectively operationalised (Table 2). Currently, Bangladesh is in consultation with bilateral trade agreements with several countries, including Brazil, China, India, Turkey. Bangladesh has also been a part of several regional connectivity initiatives as well, namely: Asian Highway Network; Bangladesh, China, India, and Myanmar – Economic Corridor (BCIM-EC); Bangladesh, Bhutan, India, Nepal (BBIN) Motor Vehicle Agreement; BIMSTEC Road Corridor; SAARC Highway Corridor; SASEC Corridor.

Table 2: A snapshot of Bangladesh's bilateral trade agreements

Name of the Agreement	Status	Year
Asia-Pacific Trade Agreement	Signed and In Effect	1976
Pakistan-Bangladesh Free Trade Agreement	Negotiations launched	2003
South Asian Free Trade Area	Signed and In Effect	2006
Preferential Tariff Arrangement-Group of Eight Developing Countries	Signed and In Effect	2011
Bangladesh-Turkey FTA	Proposed/Under consultation and study	2012
Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area	Negotiations launched	2014
Trade Preferential System of the Organization of the Islamic Conference	Signed but not yet In Effect	2014
People's Republic of China-Bangladesh FTA	Proposed/Under consultation and study	2016
Bangladesh-Sri Lanka Free Trade Agreement	Proposed/Under consultation and study	2016
Bangladesh-Brazil FTA	Proposed/Under consultation and study	2018
Bangladesh-India FTA	Proposed/Under consultation and study	2018

Source: Economic Research and Regional Cooperation Department (ERCD).

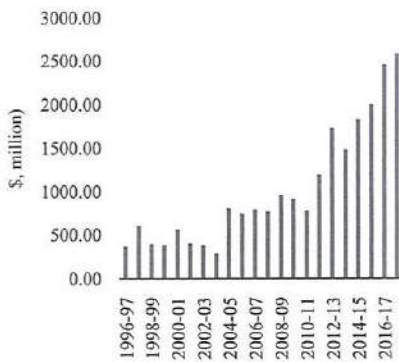
Asian Development Bank. Obtained from <https://aric.adb.org/database/fta>; accessed on 5 April 2019.

It must be noted that such regional agreements/ connectivity initiatives foster further economic engagements, such as Foreign Direct Investments, Aid for Trade, Official Financial Assistance. From the 1990s till 2005, the FDI in the country remained stagnant below half a billion dollars per year. Since 2010-11, the compound annual growth rate of the FDI in the country was more than 21 per cent per year. In 2017-18, Bangladesh received \$3.61 billion in FDI, which was 68 per cent higher than the previous year. It is noteworthy that, until 2013, the primary sources of FDI in Bangladesh were mostly India, USA, and the EU countries. Since 2013, China has emerged as one of the top FDI sources for

Bangladesh (Figure 28). In 2018, more than \$1 billion of investment in the country came from China alone.

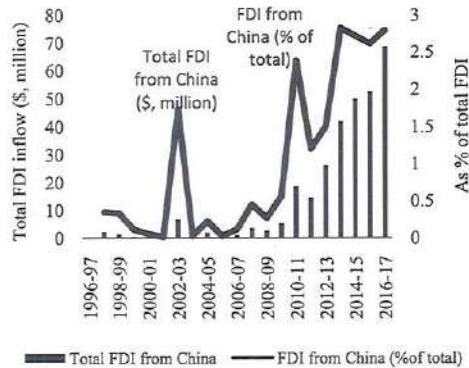
The 7th five-year plan emphasised leveraging FDI to stimulate export growth. It aimed at FDIs as the sources of positive-spill over effects over the thriving local entrepreneurs. Through the transfer of capital and technology, attaining the goals like export diversification could be facilitated faster. However, as noted in the plan, improving the investment climate for the investors has been marked as a top priority. It also emphasises revamped regional connectivity since such an effort can strengthen further resource mobilisation within the region. The plan reiterated the Government's commitment to supporting initiatives like the Trans-Asian Highway project and called for timely completion of critical transport links (including roads, bridges, railways) related to regional and multi-regional connectivity.

Figure 27: Total FDI inflows overtime



Source: Bangladesh Bank

Figure 28: FDI from China in Bangladesh



Source: Authors' estimation from data obtained from the Bangladesh Bank

## Potential impact on the achievement of the SDGs in Bangladesh

### Impacts of BRI 1: Policy Coordination

- The collaboration will strengthen regional connectivity and widen the scope of G2G partnerships in large infrastructural, multilateral projects. It is directly linked to SDG 17.

### Impacts of BRI 2: Facilitating connectivity

- Help Bangladesh improve its quality of roads and overall infrastructure.
- Enhanced capacities in air and railway transports of goods

- Therefore, it can help attain SDG 9 (Industry, innovation and infrastructure) and SDG 11 (Sustainable cities and communities)

### **Impact of BRI 3: Unimpeded trade and investment**

- Increased FDI from China will have a positive externality over local entrepreneurs. FDI can be a tool for the transfer of technical know-how as well as technologies.
- There will be a positive boost in the overall exports. Bangladesh can explore the East Asian markets.
- Through investments in the power and energy sector, Bangladesh can meet up its electricity deficiency. Also, Bangladesh will be able to engage in energy trade with China and other BRI member countries.
- Bangladesh needs more than \$22 billion of investments in infrastructure each year. BRI can be an opportunity of ensuring the funding for this investment

All these are directly linked to SDG 7. However, they are also indirectly linked to SDG 1,2 and 10 (through increased income);

### **Impact of BRI 4: Financial integration**

- It can help attain the financial inclusion of the mass people with better information technology. Better financial inclusivity is directly linked to income-generating activities and indirectly linked to SDG 1, SDG 2, SDG 5, and SDG 8.

### **Impact of BRI 5: People to people bond**

- Increase medical tourism from Bangladesh to leading medical service providing countries like Thailand, Singapore and India. Each year hundreds of thousands of Bangladeshis travel to these countries from Bangladesh for medical treatments. BRI can lower down the transport cost and increase the accessibility of local people to world-class medical services. It can be linked to SDG 3.
- BRI can also boost up the Tourism sector in Bangladesh. It can be linked to SDG 8 and 12.
- Higher education scholarships are being provided to a large number of Bangladeshi students. If the initiative is further strengthened (through student's exchange programmes, more scholarships for poor but meritorious students), this can help attain SDG 4.

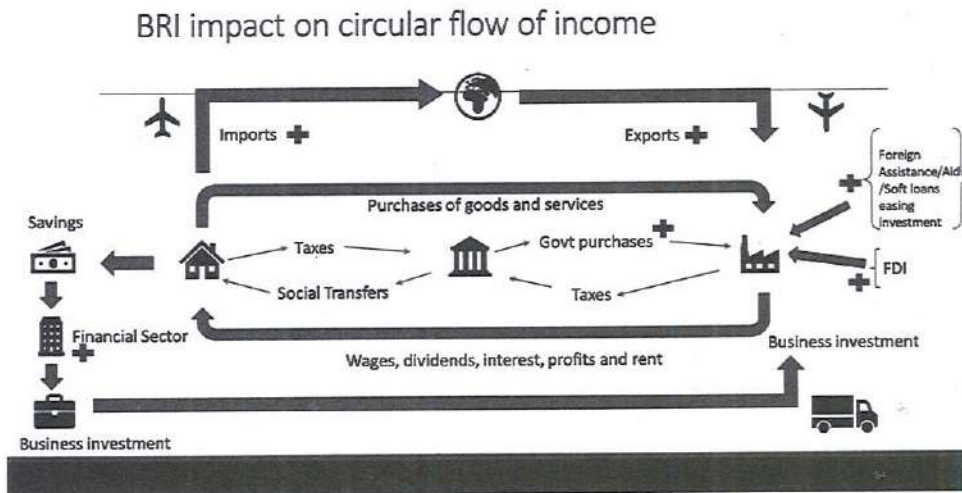
### **Linkage of BRI to SDG attainment for Bangladesh**

Several studies have pointed out the positive welfare gains for Bangladesh from the BCIM corridor (Rahman and Amin, 2009; Hahm and Raihan, 2016). There are several potential channels through which initiatives such as BRI can help attain several SDG gains for Bangladesh. It must be noted that, in a complete general equilibrium framework, improvement in one single dimension can largely affect all/many other variables. For instance, increased productivity due to improved electricity connection can simultaneously impact wages, employment, poverty, inequality, living standard.

- i. One of the direct channels of the impact of BRI on Bangladesh economy can be transferred through economic integrations (Figure 29). As has already been shown, Bangladesh ranks poorly in terms of quality of infrastructure. One primary avenue the BRI can help Bangladesh attain SDGs is by increasing assistance/aid for trades/ soft loans/technical supports/ in infrastructure-related projects. Since better infrastructure is positively linked to improved manufacturing industries, the economy's manufacturing value added to GDP will increase. There will be positive impacts on overall exports due to better connectivity and strengthening regional integration. Development of transport infrastructure will facilitate trade with China and/or transit of goods to/from Europe, East, and Central Asia. Developing other infrastructure (electricity, irrigation system, harmonised product quality testing, certification infrastructure) will further lower production and export costs. More robust connectivity and better infrastructure profile will boost intra-regional and inter-regional FDI flows. Moreover, coherent trade policy will strengthen trade facilitation by reducing non-tariff barriers (NTB), non-tariff measures (NTM), and technical barriers to trade (TBT). All these would be directly linked to attaining SDG 9 and 17.
- ii. As has already been shown, there are increasing pressures in the labour market to generate employment faster. By 2020, there will be more than 3.5 million labours without any work. Moreover, youth employment in the country is also in a dire situation. In this respect, an increase in trade and investment will increase new opportunities for employment in the country. Therefore, a direct impact of BRI can be on achieving SDG 8.
- iii. As has already been argued, Bangladesh lacks well behind its comparators regarding power and energy. It is estimated that Bangladesh will need to invest in energy and power by more than \$9 billion per year. BRI can open up opportunities for investments in energy, cross-border trades in electricity, strengthening technical and infrastructural capacities in power generation and distributions. It is directly linked to SDG 7.

- iv. An increase in exports will have a positive impact on economic growth as well as per capita GDP. There will be several effects from this: (i) the per capita income of the population will increase. As a result, there will be a multiplier effect arising from increased consumption expenditure in the economy. The economic growth will be further bolstered. (ii) With increased income increasing total tax revenue would be more feasible for the Government. Therefore, the Government will have more revenue at hand to redistribute through social security programmes targeting poor and vulnerable citizens. The Government will also focus more financial attention on healthcare and education, improving their overall quality. Therefore, this can be related to SDG goals 1, 2, 3, 4, 6, and 10.

Figure 29: Impact of BRI on Bangladesh Economy Ec



The overall impact of the BRI on Bangladesh economy can be summed as follows:

1. There will be an increase in public expenditure.
2. There will be substantial injections in the economy in foreign investments, aid for trade. Financial integration to the system may have a positive impact on business investment, increasing total output further.
3. The output in the economy will increase.
4. Wages, dividends, interests, profits and rents will increase.
5. With the rise in income, imports will increase too. Moreover, in the initial years of investment, capital inputs/machinery will contribute to a large share

- of total imports. The current account deficit, as well as the trade deficit with China, might increase too.
6. Total tax revenue in the economy will go up from several sources: (i) revenues from imports will increase, (ii) income tax and profit tax revenue will increase.
  7. Social transfers (like old age allowances or allowances for widowed and destitute women) will increase
  8. Consumption expenditure will increase, so will the public expenditure leading to a multiplier effect of income generation.

### **Challenges related to the implementation of BRI in Bangladesh**

Geopolitical tensions are one of the biggest challenges related to the BRI implementation in the BCIM-economic corridor. The India-China relationship and the strained Bangladesh-Myanmar relationship over the Rohingya crisis could be potential challenges to overcome. However, since the BRI has emerged as a global phenomenon recognised by the UN, the UN can play a mediatory role in easing bilateral relationships.

Another potential source of risks is the pressure on the BoP stability. If debts are not properly managed and effectively utilised, severe implications can be over foreign exchange reserves and BoP stability. One of the prime examples of debt traps can be considered from the case of Sri Lanka. One potential solution to this can be effective resource mobilisation from internal sources (through increased tax-GDP ratio, widened tax coverage, capital market utilisation).

Also, Bangladesh already has a large trade deficit with China. One of the immediate impacts of strengthened relationships between China and Bangladesh could be further deterioration in the trade balance.

Moreover, due to increased economic activities, there could be risks of price instability. Increased economic activities can result in demand-pull inflation. In this regard, a more proactive role from the Government will be required in controlling inflation.

Improving railway connectivity faces many challenges and will take time to realise. Because the existing railways have so far been unreliable and have been losing traffic. For instance, the current network in Bangladesh is in a bad state and has been losing traffic and money for several years. Differences in gauge within Bangladesh and between Bangladesh and India are also a significant constraint to the seamless movement of traffic. The network comprises a mixture of narrow and broad-gauge systems with several interchange points for bilateral traffic.

There are serious concerns regarding the timely completion of projects. Since project costs go up with delays by several folds, and at the same time, the debt

burden increases, Bangladesh will have to ensure timely completion of the large projects.

There is a lack of domestic capacities in understanding which design would suit the country context best. Therefore, the capacity of the government officials who will head the projects needs to be enhanced. Moreover, accountability and transparency will have to be ensured.

The most significant difference between loans from international agencies such as the World Bank and China is that the World Bank is more stringent about the quality of the project implementation and transparency and good governance. In the case of Chinese loans, there is scepticism about transparency and good governance. China will have to ensure that good governance and transparency are maintained in all of its projects.

Amongst other challenges, displacement of local and marginalised communities will need adequate consideration. Bangladesh is one of the most densely populated countries in the world. Therefore, any major constructions should be considered with proper justifications. Also, the environment will be affected mainly due to the massive amount of construction. There are also threats to the protection and restoration of biodiversity and natural resources. To cope up with the social and environmental risks, the benefits should be more distributive. In addition, to ensure the local people's buy-in, the participation of the local people in the discussion should be encouraged. In this regard, local job creations should be given more emphasis.

## **Conclusion and Policy Recommendations**

There is no denying the fact that regional integration is always economically beneficial for concerned countries. However, the belt and road initiative coined by the Peoples' Republic of China cannot be considered as other traditional regional integrations. Instead, as has already been discussed, it comes with a broader agenda ranging from policy integration to people to people engagement. It also comes with ambitious plans for implementing large infrastructural projects with promises of concessional loans and grants. While such opportunities can provide resource-scarce developing countries to opt for ambitious plans, it also calls for a prudent and justified move while deciding which projects to approve. Nonetheless, if the risks associated with large and ambitious projects can be minimised and maintained, it will help the countries achieve the SDGs on multiple frontiers. In this regard, the following actions are essential for ensuring maximum benefits from the BRI in Bangladesh.

Sorting out the best- projects with the highest priorities should be undertaken: Before undertaking any large-scale public infrastructure project, the Government must consider evaluating a proper cost-benefit analysis. Bangladesh is one of the most densely populated countries in the world, and therefore, the intrinsic costs associated with any large projects would be substantially higher if proper shadow prices were taken into consideration. Since large infrastructure projects have both cost implications and environmental consequences, the Government must thoroughly scrutinise all available alternatives.

The capacities of Government officials can be strengthened concerning project approval decisions. Workshops or short-training courses can be undertaken to develop their skills and familiarise them with cutting-edge project-approval literature methods.

Transparency, credibility and good governance must be ensured for all the BRI projects: The prevalence of corruption and lack of transparency is one of the biggest threats Bangladesh is currently suffering from. For ensuring maximum benefits from the BRI initiatives, there is no alternative to ensuring full credibility and transparency. As a donor and development partner, China will have to ensure that its projects follow complete transparency.

Government capacity for monitoring and evaluating the large infrastructural projects needs to be ensured: At present, the IMED at the planning commission monitors and evaluates the government development projects. The division monitors more than 1500 programmes per year despite its severe resource limitations. Without solid monitoring and evaluation capacity, ensuring credibility and transparency will not be possible. Therefore, M&E must be incorporated as an integral part of any significant BRI investment. As a pre-requisite to this exercise, the capacity of the IMED and other departments (such as the LGED, BRTA) will have to be strengthened.

Caution is required while increasing the debt-GDP ratio: Although the external-debt GDP ratio for Bangladesh is only 11 per cent, and the current debt servicing is only 3 per cent of the total foreign earnings, Bangladesh should not be too complacent to widen the debt-GDP ratio beyond its capacity (Annex Figures A.2-A.3). However, there is no scientific paper suggesting an optimal level of debt-GDP ratio for the country. In this regard, the UN DESA can undertake a technical study to identify the country's optimal threshold level of debt-GDP ratio.

Enabling a faster resource mobilisation: The tax-GDP ratio of Bangladesh is one of the lowest in the world. However, the income tax revenue has seen a moderate rise each year (Annex Figure A.4). To ensure the sustainability of the



large infrastructural projects and safeguard against a rising burden of foreign debt, Bangladesh should look forward to mobilising domestic resources. As observed in (Annex Figure A.5), even with a 5 per cent increase in the tax GDP ratio per year, Bangladesh will be able to mobilise as much as \$102 billion by 2030.

Ensuring buy-in of the local people: For any BRI projects, the Government must provide the highest priority to the interest of the local people. Local job creation must be given a top priority. With ensured local buy-in, implementing projects would be much easier than otherwise.

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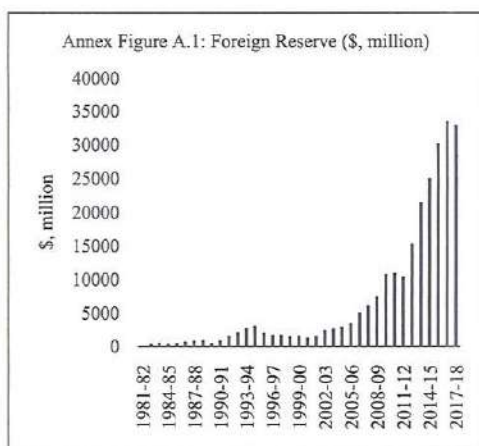
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## Annexe: Additional Tables and Figures

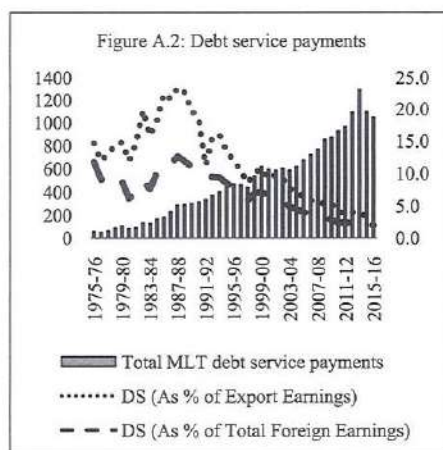
Annex Table A.1. Private investments in the infrastructure sector in Bangladesh:

Sector	Number of projects	Total investment
Airports	1	--
Electricity	56	4816.417
ICT	6	130
Natural Gas	2	31
Ports	3	179.5
Water and sewerage	1	327
Combined investment	69	5483.92

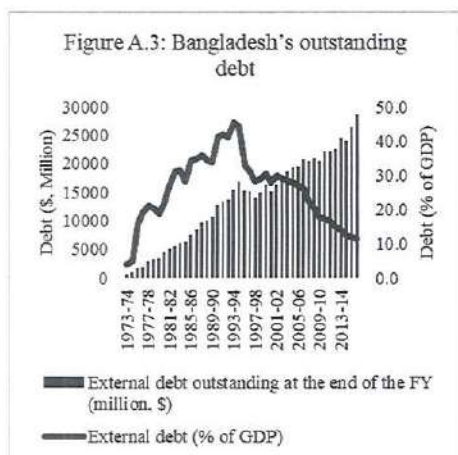
Source: World Bank PPI website



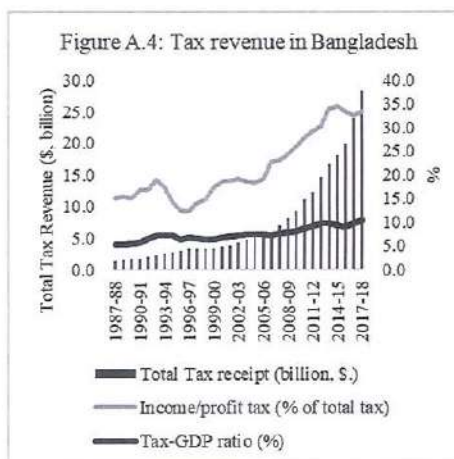
Source: Bangladesh Bank



Source: Authors' calculation based on ERD data, Ministry of Finance

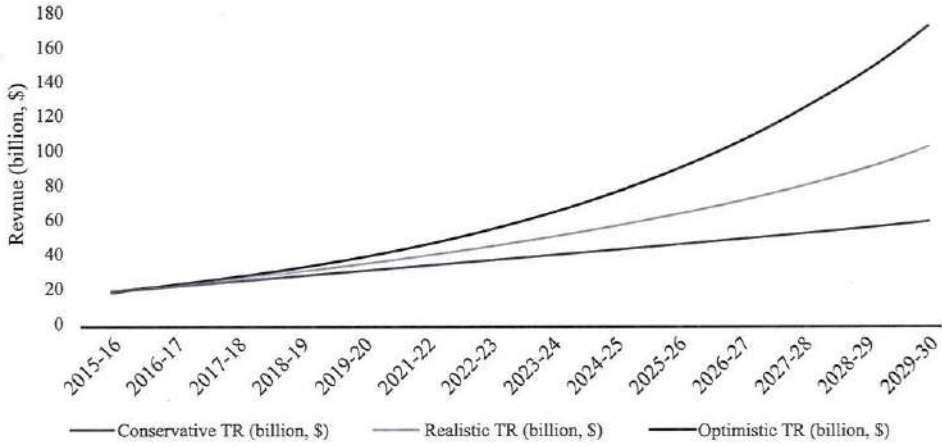


Source: Author's estimation based on data obtained from the Bangladesh Economic Review



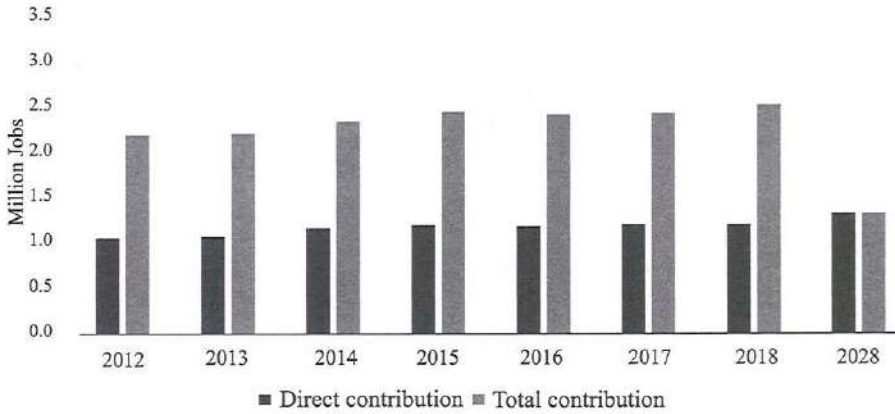
Source: Authors' estimation

Figure A.5: Projection on tax revenue of Bangladesh



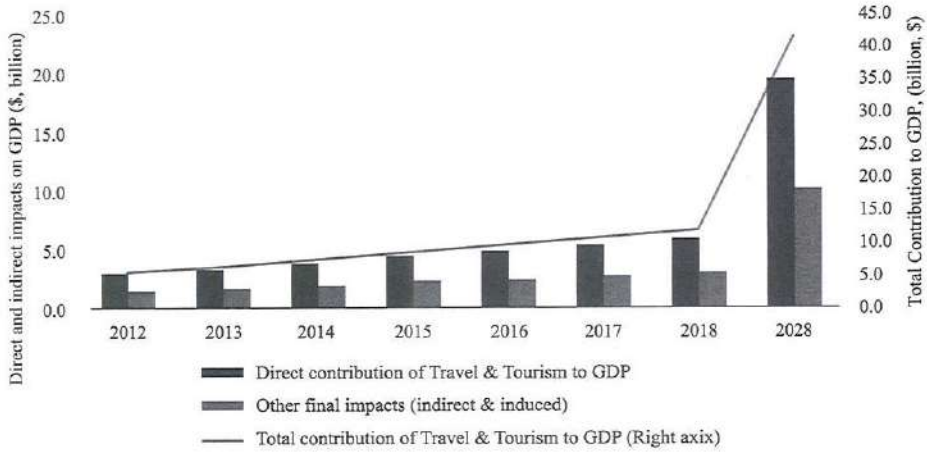
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Figure A.6: Prospects for Travel & Tourism Sector and its Contribution to Employment



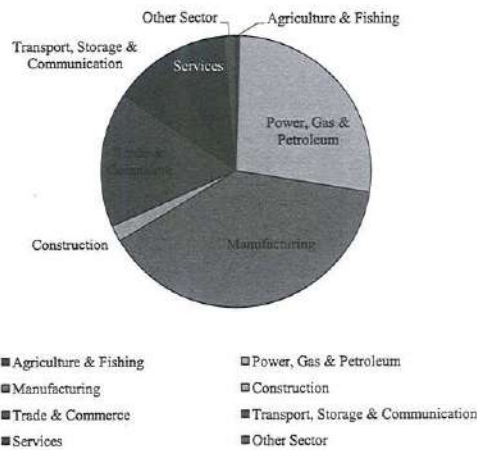
Source: Authors' estimation based on WTTC data (2018)

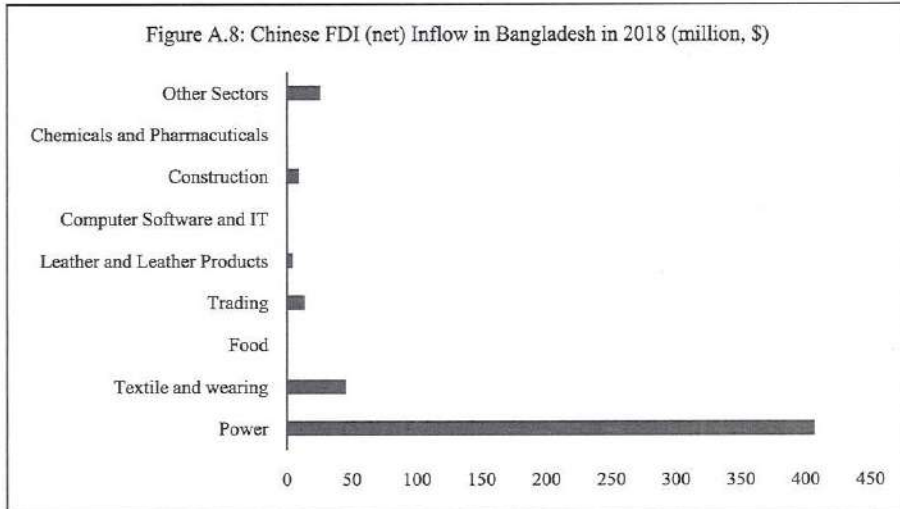
Figure A.6: Prospects for Travel & Tourism Sector and its Contribution to GDP



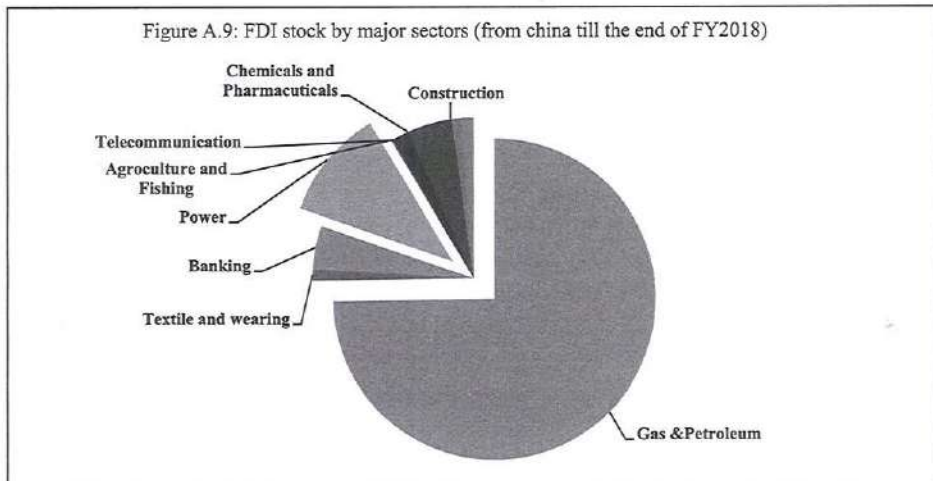
Source: Author's estimation based on WTTC data (2018)

Figure A.7: Major FDI by sectors in FY18

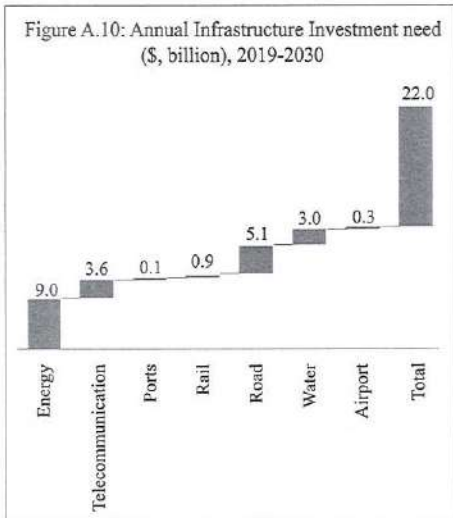




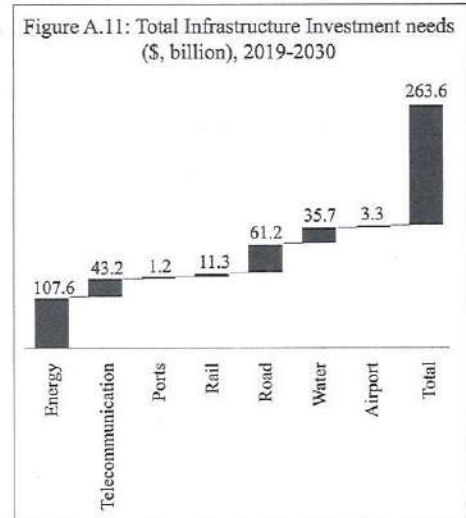
Source: Authors' estimation based on Bangladesh Bank data



Source: Authors' estimation based on Bangladesh Bank data



Source: Authors' estimation using the Global infrastructure outlook data



Source: Authors' estimation using the Global infrastructure outlook data