

Remove hurdles to higher FDI inflow

To create an FDI-friendly climate, we must first improve governance

Despite the country's commendable economic progress over the past decade or so, foreign direct investment (FDI) has been frustratingly low in Bangladesh. So it is encouraging to see the renewed push for investment at the ongoing Bangladesh Business Summit in Dhaka. Welcoming foreign delegates and global business leaders, the prime minister invited them to invest as if "it is your country", and be a part of Bangladesh's development journey. Highlighting the country's economic growth, ambitions and challenges, she said the government is working on improving its investment environment by removing existing hurdles. The international business community was also invited to join its mega initiatives and to relocate their industries here.

There is already optimism that the summit could help attract a good amount of investment from abroad. For example, as per the FBCCI president, Saudi Arabia could provide investments of up to \$7 billion after the signing of four agreements on the opening day. However, we need to be realistic in terms of what we can expect in the long run. While more deals and investments could be agreed upon if the right conditions are met, investors will naturally have to evaluate the opportunities on offer as well as the long-term viability of potential investments. Bangladesh will look to build on the positivity being expressed and create a more FDI friendly environment to assuage any doubt.

To do so, Bangladesh must first take a critical look at why, despite being South Asia's fastest growing economy, its past investment drives haven't delivered desired results. The questions are simple: What is preventing a higher inflow of FDI? And how to increase it? How we approach the first question will determine the success of our ongoing investment drive. Hurdles to FDI inflow are not unknown. As per a 2022 report by the US Department of State, corruption continues to be a major obstacle for obtaining foreign investments in Bangladesh. Moreover, slow adoption of alternative dispute resolution mechanisms and sluggish judicial processes are impeding the enforcement of contracts and the resolution of business disputes, the report said, adding that scarcity of land, depleting natural gas reserves, and inadequate power distribution also remain major impediments to investment.

To Bangladesh's credit, it has made gradual progress in reducing some of the constraints on investment, including taking steps to better ensure reliable electricity. The government also offers a range of investment incentives under its industrial policy and export-oriented growth strategy. But inadequate infrastructure, limited financing instruments, bureaucratic delays, lax enforcement of labour laws, and corruption continue to hinder not just foreign investment but also its own economic growth.

Going forward, we must address these longstanding challenges. Only that can improve our score on the global ease-of-doing-business index and build the confidence of potential investors. The government can learn from other comparable countries, such as Vietnam, that have done that with relative success. Only offering favourable terms is not enough. For greater impact, the government must remove existing roadblocks so that Bangladesh can fulfil its vision of reaching the status of an upper middle-income country by 2031 and a developed country by 2041.

A brazen display of intolerance

RU clash again exposes the sorry state of higher educational institutions

We are alarmed to see how students of colleges and universities are getting increasingly involved in violent clashes among themselves and with others, often over trivial matters. Just a week ago, the students of Ideal College and Dhaka College, together with City College, clashed on the streets of the capital. A number of students were injured then, while traffic was held up for several hours. In less than a week, we hear of another violent clash that took place between the students of Rajshahi University and local people on the night of March 11. Reportedly, over 200 students were injured in the clash, while properties of many locals were also damaged.

What could prompt students to engage in such reckless violence? And what could embolden locals to go to such lengths? Apparently, it all started from something as insignificant as a disagreement over a bus seat. According to news reports, one student of the university was travelling to Rajshahi from Bogura when he had an argument with the bus driver and helper over taking a seat in the bus. When the bus stopped at the Binodpur gate of the university around 6pm on Saturday, their argument reignited. At one point, a local shopkeeper intervened, taking the side of the bus operators. There was pushing and shoving between the shopkeeper and the student. The situation soon escalated as more students and locals engaged in the fight and started to chase each other.

The question is, how can an argument over a bus seat escalate to the level that it did? Why did law enforcement officials fail to control the situation before it turned so bad? Did the university administration play its due role in containing the violence? We hope these will be revealed through investigation soon. But from what we have learned so far, it can be said that the students who got engaged in clashes clearly wanted to exhibit their power over the locals. Their feeling of entitlement, as students of a public university, must have made them so intolerant that they could not even let go of a simple brawl with a bus driver and helper. We witnessed such intolerance among the students of public universities and colleges many times in the past. The huge clash that took place between the students of Dhaka College and the traders of Dhaka New Market area last year, over a silly argument at a fast food shop, is a case in point.

Clearly, those in charge of these educational institutions are failing to establish discipline or inculcate a sense of tolerance among their students. It doesn't help that the environment of those institutions is also often vitiated by toxic politics, which is hindering learning. This must change. The authorities must take steps so that violence doesn't become the default language of communication of students.

Dhaka, a victim of poor governance

THE STREET VIEW

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It is a common human tendency to break the law whenever it suits us – hence, the need for penalties or other measures. Since violation of laws is almost inevitable, there is also the need for monitoring, which falls on law enforcement agencies. These agencies, in turn, will resort to stiff measures or, sometimes, innovative schemes to get the people to abide by the law. One still remembers the traffic police stopping reckless drivers and giving them a choice between paying fines or buying helmets on the spot. In fact, it was this tough stance of law enforcement agencies which played a huge role in discouraging motorcyclists from venturing out on the streets without proper helmets in recent years.

The recent incidents of fire and explosion have once again put the spotlight on glaring violations of building code and safety measures in the residential and commercial areas of our megacities. After every incident, we point fingers at the building owners and question whether the building had proper fire safety and/or electrical safety, whether the structure was approved, and whether the safety regulations were being adhered to. This has been happening since the terrible fire in Nimtoli, Dhaka more than a decade ago. There have been several incidents since then, some almost identical. And every time, we have blamed the landlords and building owners.

What about the regulating authorities? What about the government measures to ensure governance? According to news reports, there are 54 agencies under 11 ministries working on city governance. Should these agencies not be held responsible for those incidents, too? I think they should. In fact, if it were up to me, I would point the finger at them first, because if these agencies did their jobs properly, building owners would not be able to get away with violating the regulations.

Charges were brought against a few officials of the Rajdhani Unnayan Kartripakkha (Rajuk) over the fire at FR Tower on Dhaka's Kemal Ataturk Avenue, which left 25 people dead and 73 injured. But there appears to be no other incident in recent times where regulators have been charged for



Last week's explosion in Gulistan, Dhaka revealed yet another example of negligence and irregularities committed by the city authorities.

FILE PHOTO: STAR

negligence of duty.

Among the most shocking revelations about the poor state of governance and lacklustre implementation of regulations is the fact that a Detailed Area Plan (DAP) survey in 2018 found 94 percent houses in the Rajuk jurisdiction built without an approved plan. One cannot help but wonder how these thousands of houses secured utility access like water, gas or power connections.

In response, Rajuk officials said the DAP area is huge and has 2.1 million houses, 500,000 of which are buildings (presumably that is the number of concrete structures). Many of these houses were built even before Rajuk was founded. So, they have very little authority on the houses that predate Dhaka city's development authority and real estate regulator. Is that a good

enough excuse? Does it absolve Rajuk of all its responsibilities and obligations – both legal and ethical?

Then there are the city corporations with a significant portion of their revenues coming from taxes paid by house owners and land owners. Don't they have any responsibility or obligations towards these taxpayers and to the city?

become a ticking bomb only because of poor governance – or rather its complete absence. Dhaka used to be a matter of pride for Bangladesh, but now it has turned into a curse for its residents, most of whom live here only because they are compelled to do so.

Perhaps it looks shiny from the outside, what with all the megaprojects going on. There is the metro rail and the

expressway. The entire city of Dhaka is filled with major construction projects signifying development and growth. Politicians point towards the city's glitzy exterior to claim that it is close to becoming our very own Singapore. They would know better than most that such lofty claims are nothing but eyewash and lip service.

But that is the extent of their commitment. Like most other things in a state of disorder, this crisis of governance and flouting of safety regulations go on unabated only because of a complete absence of political commitment. It is only because of this absence of political will or concern for the city residents that our houses continue to remain tinderboxes that are nothing but death traps. A far cry from the Singapore that politicians claim we live in.

Enable pro-poor spending for inclusive growth



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It is now widely recognised that growth led by domestic demands has been complementing export-led growth strategies for a sustained high growth in Bangladesh for more than a decade. The domestic demand-led growth is spurred by high consumer spending and strong responses from domestic firms by producing a wide range of consumer durables and services. The burgeoning middle and upper-middle classes as well as the rich in the country are now spending more on consumer durables and enjoying more leisure than ever. Each year, we see millions thronging the sea beaches of Cox's Bazar. They are not the same people visiting the same places every year. A new generation of spenders is added to the stock each year who can afford holidays in Cox's Bazar. This can be a good indicator of the rise of disposable income.

While the spending of the affluent class has cascading effects to generate income for many, there are scopes for making the impact of that spending broader, steering benefits to trickle down to the bottom.

Anecdotal evidence and casual

observations suggest that Bangladeshis spend more than those in our neighbouring countries, for a given level of income. The urban rich class is now driving larger cars (we see more SUVs and hatchbacks crowding Dhaka streets), living in bigger houses (sales of single-unit houses and luxurious apartments are on the rise), and enjoying holidays abroad. These spenders don't go to Cox's Bazar anymore, finding luxury resorts in the country tailored more to their taste. The urban elites are now looking for rural respite – building bungalows in the countryside, enjoying boat rides, and relishing local foods. How these rich people spend money in the country, particularly on a holiday, has a profound impact on the country's growth and distribution of income. The size of this rich class is no longer small.

This spending of the richer class can be guided to make it more pro-poor. There is a powerful concept in economics called the "multiplier effect." According to this concept, speaking Tk 1 extra ultimately leads to more than Tk 1 of overall increase in income through multiple rounds of spending, as one's

spending is the other's income. This spending multiplier can be made more inclusive – touching upon the lives and livelihoods of a larger number of poorer people. One can think of the differential impacts of spending Tk 5,000 on eco-tourism in Bandarban or Bhurungamari as opposed to spending the same amount for a dinner at a five-star hotel in Dhaka.

Note that this multiplier effect is different from the supply chain effect, which happens when the income of the participants along a supply chain is raised. The spending of the rich can promote more inclusive supply chains where the participants in the downstream – i.e. growers and small traders – will be equally benefited. Spending Tk 5,000 in Bhurungamari can raise the income of local growers, traders, shop-owners, rickshaw or van pullers, and a wide range of local service providers. Many local occupations may emerge out of the spending of the rich.

It is important to understand the spending behaviour of the upper-middle and rich classes – where they spend and what they want to spend on. As mentioned above, the rich are building country houses, but largely in their ancestral homes. Soon, there will be high demand for developed land overlooking water bodies (rivers, beels, and haors) in rural or semi-rural areas. As we know, Gulshan and Baridhara have been the ultimate destination of residence for the rich people in Dhaka city. But the elite or super-rich may want to move farther. I believe this superrich class will first move to the countryside, to be followed by others.

This can be the game-changer that can drastically reshape the landscape of rural or semi-rural areas. This transformation should be facilitated and dealt with caution so that this change benefits the local people. Policymakers should be aware of such changes.

Government policies and initiatives should aim at making richer people – the people with large disposable income – spend in such a way that both the multiplier effects and supply chain effects become more inclusive and a larger number of poorer people get benefited. This may involve both supply- and demand-side interventions. Each water body or river is unique and can be turned into an aesthetic and exotic tourist spot. Architects, urban planners, and other professionals who study "spaces" have critical roles to play.

The government should encourage competition among districts for attracting tourists as well as for drawing in the rich to invest in "second homes" in the countryside. On the demand side, awareness should be built for "responsible" consumption. Though this responsibility is now meant solely for the environment, the meaning of this term should be broadened to include pro-poor spending.

Understanding the spending patterns of the country's citizens has profound implications for the tourism development plan in the country. Bangladesh is now in the process of crafting a tourism master plan. Its ultimate goal should be to make richer people spend within the country for higher pro-poor growth.