



# SERVICES POLICY REVIEW



# BANGLADESH

(I)



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## FOREWORD

Bangladesh is best known as a textile export powerhouse. This powerhouse is built on a foundation of a wide array of key services, including transport, energy, and information and communications technology (ICT). In fact, the manufacturing sector uses as inputs 26 per cent of Bangladesh's total supply of services domestically. Industry absorbs 72 per cent of the country's land transport services, 69 and 66 per cent, respectively, of its wholesale and retail trade services, 59 per cent of rail transport, 27 per cent of professional services and 20 per cent of communication services. This could squeeze the available supply of quality services elsewhere in the economy. In terms of services most used by industry as a percentage of total services costs, land transport and retail trade services each account for 33 per cent and wholesale trade 19 per cent. Therefore, 85 per cent of industry expenditures on services are spent on these three sectors. Efficiency improvements in these key areas could translate into enhanced competitiveness of industry and also enhanced access to key services for Bangladesh's 160 million-strong and growing population.

The Government of Bangladesh wishes to reduce risks inherent in exports being too dominated by one sector and to diversify its exports and economy. With this in mind, the Government approached the UNCTAD secretariat to assess the country's services sector with a particular focus on the following five subsectors: (a) ICT and ICT-related services; (b) tourism; (c) accounting and auditing; (d) architecture and engineering; (e) nurses and midwives.

A services policy review (SPR) is a snapshot and deep analysis of a country's services sector and policies at a given moment in time. National experts, the Government and UNCTAD join forces to review strengths and weaknesses of the national services sector and the focus subsectors, consult widely with national public and private sector actors and stakeholders, and make clear evidence-based recommendations for policy, regulatory and institutional frameworks to improve the supply capacity and export of services. These provide a sound foundation for a well-informed reform process.

This SPR of Bangladesh concludes that, currently, ICT is the most promising of the five subsectors analysed. The Government should invest and encourage private sector investment in high-speed, high-quality information technology (IT) infrastructure, particularly broadband Internet, and remove policies and taxes that are holding in check this fast-developing area. A strong broadband network with affordable access for the people of Bangladesh will in turn unleash the ICT-related sectors and IT-enabled services (ITES), such as providing architectural, engineering, accounting and auditing services to a foreign customer over the Internet. This will brighten the country's already good prospects for exports of these two professional services subsectors, examined in depth in this SPR, as well as a host of other ITES and business services. Bangladesh can also strategically import ITES where domestic demand supply gaps exist, such as is the case for telemedicine services.

The best export opportunities for accounting and auditing services lie in transactional-intensive processes such as payroll. The quality of accounting and business education needs to be improved and curricula should be developed in consultation with business representatives to ensure that domestic market needs are met and exports can continue.


In the areas of nursing and midwifery, architecture and engineering, and tourism, more groundwork is needed before the provision of these services is optimal. Bangladesh faces a critical shortage of qualified nurses and midwives to meet the needs of its population. Meeting these needs is a priority and imports must fill the gap if the domestic supply is not sufficient. This is a critical service for the entire population. Joint ventures formed now in private hospitals and clinics and in educational and training facilities would lead to a future crop of highly trained nurses with well-paid jobs awaiting them in the new clinics.

The country also needs more and better architects and engineers. Bangladesh has the lowest number of architects per capita in the region. Domestic supply needs to be built up, continuous education for professionals to keep on top of rapidly changing technology should be introduced, and a system for evaluation, standardization and upgrading of engineering and technical education should be put in place to maintain international standards.

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International tourism is in its nascent stages. Domestic tourists account for 97 per cent of tourism expenditures. Improving tourist facilities as well as the sector's access to high-quality, reliable, affordable and safe land transport, energy and ICT services are needed.

We at the UNCTAD secretariat have greatly enjoyed working hand in hand with the Government of Bangladesh and the excellent participating experts and institutions. We hope this SPR will be conducive to the strengthening of the services sector in Bangladesh.



Mukhisa Kituyi  
Secretary-General of UNCTAD

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Volume I contains the UNCTAD desk study – an overview of the economy and its services sectors, particularly those considered to be priority; volume II contains strategies for advancing development of key priority services sectors in Bangladesh.

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## ACRONYMS AND ABBREVIATIONS

FDI	foreign direct investment
FOSS	free and open software
GATS	General Agreement on Trade in Services
GDP	gross domestic product
HPNSDP	Health, Population and Nutrition Sector Development Programme
ICAB	Institute of Chartered Accountants of Bangladesh
ICMAB	Institute of Chartered Cost and Management Accounts of Bangladesh
ICT	information and communications technology
IFAC	International Federation of Accounts
IFRS	International Financial Reporting Standards
IT	information technology
ITC	International Trade Centre
ITES	IT-enabled services
LDC	least developed country
NGO	non-governmental organization
OECD	Organization for Economic Cooperation and Development
SME	small and medium-sized enterprise
SPR	services policy review
SWOT analysis	strengths, weaknesses, opportunities and threats analysis
WHO	World Health Organization
WTO	World Trade Organization

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## EXECUTIVE SUMMARY

### Introduction

This SPR responds to the Government of Bangladesh's 2013 request for UNCTAD assistance to analyse the following services sectors:

- ICT and ICT-related
- Tourism
- Accounting and auditing
- Architecture and engineering
- Nursing and midwifery

for their export and domestic potential and to identify strategies for relevant trade negotiations, including the WTO least developed country (LDC) special waiver.

### Services in Bangladesh

Services now account for two thirds of world output and 44 per cent of global employment. Services trade accounts for 20 per cent of international trade. But with growth rates of 9 per cent on average during 2000–2013, trade in services is expected to surpass trade in goods by 2050.

In Bangladesh, services account for 49 per cent of gross domestic product (GDP) (period 2012–2013), 40 per cent of employment and 81 per cent of foreign direct investment (FDI) inflows (via the General Agreement on Trade in Services (GATS) mode 3 – commercial presence). Services account for 10 per cent of total exports, which are dominated by textile and apparel products (74 per cent of total exports). Services are important intermediary products for these exports. In Bangladesh, over one third of all services produced are used either by industry (26 per cent) or agriculture (9 per cent). Almost all wholesale and retail trading and land transport services are used by these two sectors. Most of the air, water and railway transport services, as high as 43 per cent of professional services and 20 per cent of banking services are also used by agriculture and industry as inputs. Including services embedded within the other exports, the sector's contribution to exports is much higher than 10 per cent.

Bangladesh is considered to have a fairly open investment regime, generally allowing full repatriation of profits and no limits on foreign share of equity. Its overall services trade restrictiveness rating is 44 (on a scale where zero is completely open and 100 is completely closed), with highest restrictions in telecommunications and transport, both rated 62, indicating areas for future potential trade liberalization. The country ranks 129 out of 185 in the World Bank Ease of Doing Business Index, with particularly weak performance in securing electricity supply, where it ranks last in the world, enforcing contracts (182/185) and registering property (175/85).

Among services exports, a surprising half are exports of government services, related mainly to Bangladeshi participation in United Nations peace-keeping missions (the mode 4 of government services). Following this are services in transportation (16 per cent), computer and information services (12 per cent) and other business (11 per cent). Exports of computer and information services show the fastest growth and generate 12 per cent of total services exports, with only 0.3 per cent share of total services employment, indicating that investing in this sector has high export impact and that building supply capacity could be very beneficial.

Bangladesh has an established “grand plan” – the Outline Perspective Plan of Bangladesh 2010–2021: Making Vision 2021 a Reality (June 2010) – that spans two five-year phases. Currently, it is implementing the Sixth Five-year Plan FY2011–FY2015: Accelerating Growth and Reducing Poverty. All sectors covered in this SPR have been highlighted as priority sectors, with the Digital Bangladesh initiative of particular importance.

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## Sectoral Analysis

Among the five sectors analysed, ICT services has the brightest immediate prospects. Increasing international visits through the Beautiful Bangladesh campaign will improve in the medium term with peace and improved transport infrastructure. Among the four professional services examined, best bets for exports are accountants and engineers. With regard to nurses and midwives, the first priority should be to build the domestic supply and delivery of these essential services to the Bangladesh population, as well as demand to enter these professions – that is, provide them with better pay and status. Targeted education will strengthen medium-term prospects in all six sectors.

## Information and Communications Technology Services

The Government of Bangladesh outlined its comprehensive Digital Bangladesh vision in 2009. Since then the country has made great strides in improved access to ICT services and development of future capacity in ICT and ITES, the frontiers of which are expanding almost daily. These include all services offered remotely over the Internet both domestically and internationally. ITES include financial services, such as the rapidly expanding mobile money and the often linked remittance-transfers markets. With its large pool of educated youth, Bangladesh should continue to give top priority to the Digital Bangladesh vision. The backbone necessary for this success is improved reliable and affordable broadband Internet in the country. The current submarine link is inadequate; several new links should be established, perhaps through an open international procurement process. The first immediate action is to remove the 15 per cent VAT on broadband Internet access. The present study identifies the high costs of Internet access as the main barrier constraining development of both ICT services and ITES. The tax revenues lost thereby will quickly be more than fully recovered when these two key sectors are able to unleash their full potential. Foreign exchange regulations should be relaxed to facilitate remittance and money transfer by IT firms.

This should be underpinned and complemented by a strategic ICT education plan at secondary and college levels, including an IT clustering approach – IT parks and IT incubator cities with reliable (climate-proof) broadband Internet and IT educational facilities. This would facilitate links between business, academia, students and the current and potential workforce. Constant feedback from the ICT and ITES sector should ensure that the young IT-literate workforce being produced corresponds to the sector's employment needs. The graduates will find good jobs where their skills are needed. Public-private collaboration should be sought nationally and internationally, for example with IBM or Microsoft. Regional links and opportunities for joint ventures, investment and trade have much unfulfilled potential and should be further explored.

## Tourism

Well-endowed with natural beauty, historical sites and cultural richness, tourism in Bangladesh is in its nascent stage and has great unrealized potential. Tourism accounts for 2 per cent of both GDP and employment, and attracts 1 per cent of FDI in Bangladesh. Domestic tourism accounts for 98 per cent of tourism receipts. International visitors, hailing mainly from India and other countries within the region, as well as Australia and the United Kingdom of Great Britain and Northern Ireland, have been increasing, but receipts remain steady with each international tourist spending only \$287 per visit. Policies should, therefore, focus on increasing spending per visit as well as the number of visitors.

Bangladesh ranks 123 out of 140 countries in the Travel and Tourism Competitiveness Index 2013. Its comparative advantage lies in value for money, but infrastructure is underdeveloped (127/140), including ICT (128/140) and tourism openness is nearly the lowest in the world (139).

The overall strategy is well set out in Making Vision 2021 a Reality, the Five-year Plan 2011–2015 and the National Tourism Policy 2010. Yet implementation lags. Bangladesh needs to develop a tourism master plan with specific targets and responsibilities and adequate budget to operationalize the Tourism Policy. Developing a reliable professional tourism database and statistical infrastructure is urgently needed for informed policymaking and effective monitoring of the tourism master plan implementation. Considerable upgrading is required in the quality of

infrastructure, communication and the security of tourist areas. Easing visa procedures by extending visas on arrival to land and sea points of entry (currently only available in major airports) and introducing e-visas would make it much easier for potential international visitors to choose Beautiful Bangladesh. Finally, a focus on ecological balance and preservation of the country's natural heritage will ensure Bangladesh remains beautiful for the years to come.

## Worker Exports

Bangladesh has an abundant population of exportable workers. Today, exports of personnel can take place not only through traditional migration – the presence of natural persons included in mode 4 – but also through IT-enabled mode 1. Of the focus sectors examined, mode 1 is a rapidly expanding mode of supply of ICT-related accountancy, engineering and architectural services in Bangladesh, as in the rest of the world, and underlines again the importance of affordable access to high-speed Internet.

Many migrants work in countries in the Middle East, South-East Asia and North Africa, often in semi- and lesser skilled positions. Policies and regulatory frameworks are generally favourable. The main barrier is the supply of quality workers, which needs to be greatly increased. The Government should invest and develop the required infrastructure to operationalize the National Skills Development Policy 2011. Education is key and should include more technical and vocational education, with international accreditation for skills that are in demand abroad. Supporting rules and regulations are needed to make the provisions of the Overseas Employment and Expatriate Welfare Act legally binding. The Department of Immigration and Passports should be separated from the Police Department to develop a more migrant-friendly approach. Interministerial coordination and collaboration are also key areas. The Government should establish a market research unit to assess domestic and international supply needs and potential matches with Bangladeshi labour supply.

For each of the three subsectors below, the starting point of the analysis is domestic supply and demand, both current and potential. Where domestic supply meets or exceeds domestic demand, the excess supply can be exported. Where domestic supply does not meet domestic demand, priority should be given to domestic market development. In all three subsectors, Bangladesh is currently a net importer. For accountants, architects and engineers considerable scope exists for import substitution combined with export development. Among professional services, engineering, accountancy and architectural services are the top three sectors in which WTO members have made commitments, indicating members' interest in importing these skills.

## Accounting and Auditing Services

Globally, the accountancy sector has been expanding 3 per cent annually during 2009–2014, with revenue reaching \$433 billion in 2014 and employing more than 6 million people. International standards set by the International Accounting Standards Board are increasingly used and required, including the International Financial Reporting Standards (IFRS), which are also required in Bangladesh for small and medium-sized enterprises (SMEs). International standards combined with IT open the door to trading opportunities in IT-delivered accountancy and bookkeeping services. The best opportunities lie in transactional-intensive processes (for example, payroll, accounts payable) rather than more judgment-sensitive processes such as budgeting, forecasting, internal auditing and the like. Bangladesh's combined exports of accounting, auditing, bookkeeping and tax consultation grew at an estimated annual rate of 8 per cent during 2002–2008.

In Bangladesh, a higher degree in accounting is offered by many universities, but the quality needs to be improved as at present only graduates from the top universities would be able to find employment abroad, although output can supply the expanding domestic market. The Institute of Chartered Accountants forms chartered accountants, highly paid professionals who can work abroad more easily and for whom the Government should develop an export strategy plan.

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## Architectural and Engineering Services

Similar to accounting services, trade in engineering and architectural services is increasingly being outsourced, including via the Internet, as well as through the presence of natural persons. Technical barriers to trade in this sector include lack of recognition of foreign qualifications and experience. As with accountancy services, international standards facilitate international trade. Bangladesh participates in relevant international standard-setting forums and uses them where possible in the national market, education curriculum and qualifications.

Bangladesh is currently a net importer of architectural and engineering services, although exports showed a sudden surge upwards from \$5 million to \$50 million from 2007 to 2008. Quite possibly this is linked to the installation of the first broadband Internet connection via submarine cable in 2006. Domestic supply needs to be increased. Despite significant gains in recent years, Bangladesh has the lowest number of architects per capita in the region. Therefore, improving architectural services supply in the domestic market is at least as important as exporting architectural and engineering skills. Engineers and architects are some of the top professionals in the country. Many universities offer degrees and the number of students enrolled in public engineering and technology universities has increased from 12,920 in 2003 to 20,586 in 2013; many of these students work outside the scope of architecture and engineering. The Bangladesh Marine Academy produces quality marine engineers who are in high international demand in a good niche market.

The National Science and Technology Policy 2011 emphasizes continuous training and upgrading of science skills for an informed workforce to match employment needs domestically and internationally.

## Nurses and Midwives

There is an extreme shortage of qualified nurses and midwives in Bangladesh and this deserves the Government's full attention to develop a pool of qualified professionals available to provide health services throughout the country. The nursing and midwifery education system needs to be completely revamped and upgraded. As the lack of qualified teaching staff in Bangladesh leaves one third of all teaching posts vacant, qualified teachers should be imported to build capacity. Nurses also need good, well-paid jobs. They are currently underpaid and undervalued. Export of the better qualified nurses is likely to continue but will remain limited until the domestic supply is considerably enhanced.

## Integrated Approach

An integrated approach involves supportive flanking policies such as targeted education and skills enhancement. It involves not only export development but also a strategic import policy of key support sectors for the services subsectors analysed in this SPR. Specialized education for ICT service providers, tourism operators, accountants, engineers and architects, nurses and midwives is needed on a large scale and specialists and teachers might need to be imported to deliver the quality education upon which the success of all services sectors rests. Road transport is a particularly restrictive and problematic sector affecting most other sectors negatively at the time of preparation of this SPR. Improvements in transport efficiency and infrastructure are needed and strategic liberalization of the sector should be considered. Affordable broadband Internet access is the key to Digital Bangladesh and to unleashing the potential of the ICT services sector (already a best performer among services exports) and also ITES, which offer a rapidly expanding universe of other excellent export opportunities. Opening certain health services might help address scarcities in this area: more clinics and treatment centres could create better-paying jobs for currently underpaid and undervalued nurses.

## Trade Negotiations

In the area of international negotiations, Bangladesh should continue to play its important role within the LDC Group. To make best use of the LDC services waiver and the 2003 LDC special and differential treatment text, Bangladesh should identify some specific sectors in which it has

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good supply capacity, domestic needs are largely met and it has international comparative advantage and match these sectors with demand gaps in other countries. Where domestic needs are largely unmet, such as is the case with nurses and midwives, improving domestic supply should be the priority. A similar strategy applies regionally, where the South Asian Association for Regional Cooperation is currently the centre of action. The Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation services negotiations are stalled waiting for goods negotiations to conclude and the Asia Pacific Trade Agreement has yet to be implemented. Capacity-building and education are emphasized throughout the report, from the need to train more nurses and midwives to the training needs of government trade negotiators.

## Conclusion and Policy Recommendations

Volume II of this SPR contains concrete actionable policy recommendations for the Government of Bangladesh's immediate use. These are found at the end of each sectoral chapter and summarized in the final chapter. Many of these recommendations are also mentioned in the text above. Recommendations validated by the second national stakeholder workshop and the Government of Bangladesh emphasize the need to:

### Overall:

- Set clear sectoral targets;
- Improve quality of education in services sectors, particularly ICT and tourism;
- Improve transport and energy infrastructure to support all economic sectors;
- Encourage FDI in key sectors, particularly ICT and tourism;
- Build capacity of government institutions and officials responsible for these sectors.

### ICT services:

- Reduce VAT on Internet use from the current level of 15 per cent;
- Develop an effective online payment system by encouraging international online payment gateway companies to set up operations in Bangladesh;
- Relax foreign exchange regulations to enable fast and easy money transfer by IT firms;
- Lay a second submarine cable for broadband Internet.

### Tourism:

- Implement the National Tourism Policy 2010 as top priority;
- Build the Beautiful Bangladesh brand through public-private sector cooperation;
- Improve tourism infrastructure, including transport and ICT;
- Improve security for tourists.

### Worker exports:

- Initiate bilateral agreements with host countries to protect the human rights of migrants;
- Establish migrant wings in Bangladesh missions abroad;
- Establish a permanent institutional mechanism to deal with issues such as training, infrastructure, pre-departure orientation and market exploration via a market research unit.

### Trade negotiations:

- Provide trade negotiators with information in advance on the economic impact of varying negotiating options;
  - Develop a compendium of rules and regulations governing services in Bangladesh;
  - Develop specific modalities and statistical infrastructure for enhancing services sector data.
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# SERVICES POLICY REVIEW

UNCTAD DESK STUDY:  
OVERVIEW OF THE ECONOMY  
OF BANGLADESH AND  
ITS SERVICES SECTOR

## CHAPTER 1: ECONOMIC PANORAMA

Bangladesh is a country with a population of 156.6 million and an LDC with an average \$829 per-capita income at 2013 United States dollar values. Agriculture plays a prominent role both in economic activity and employment. Yet it is the manufacturing sector, dominated by the textile and ready-made garment industry, which has become the engine of recent rapid economic growth. The country's potentials in services are somewhat underutilized but the Government of Bangladesh realizes that there is a need to strengthen the sector's contribution to the country's development.

Bangladesh sustained a rather high 5.9 per cent annual average growth in real GDP during 2000–2012 (table 1). Economic growth combined with appropriate government policy measures enabled Bangladesh to achieve several of its Millennium Development Goals. The poverty rate (taken as the percentage of the population with less than \$1 per day to live on) has fallen from 56.6 per cent in 1992 to 31.5 per cent in 2010, being on track to achieve Bangladesh's target. The country also registered major improvements in the mortality of children under 5 years old and significant progress in maternal mortality rate during the last two decades.<sup>1</sup> Despite this success, the poor of Bangladesh account for 5.3 per cent of the world's extreme poor.<sup>2</sup>

**Table 1. GDP Growth and Services, 2000–2012**

	Real GDP growth (%)		Value added % of GDP	Services	
	Total	Per capita		Annual % growth	% of employment
<b>Bangladesh</b>	5.93	4.52	52.10	6.05	40.38 (2010)
<b>East Asia and the Pacific</b>	4.09	3.31	61.45*	3.59*	37.20 (2011)
<b>Europe and Central Asia</b>	1.83	1.51	70.65	2.11	66.40 (2012)
<b>Latin America and the Caribbean</b>	3.29	2.01	61.40	3.69	62.28 (2011)
<b>Middle East and North Africa</b>	4.92	2.47	44.76**	5.80*	52.44 (2008)
<b>South Asia</b>	6.58	5.00	53.38	7.85	28.32 (2012)
<b>Sub-Saharan Africa</b>	4.73	1.99	50.48	5.29	
<b>Low income</b>	5.34	3.01	47.44	6.01	
<b>Middle income</b>	5.89	4.62	51.84	6.23	37.32 (2010)
<b>High income</b>	1.91	1.31	72.48*	2.15	74.12 (2010)
<b>OECD***</b>	1.77	1.08	72.75*	2.05*	71.80 (2010)
<b>World</b>	2.72	1.49	68.64*	2.79*	45.09 (2010)

Source: Bangladesh data on employment from the Labour Force Survey 2010; remaining data are from the World Bank World Development Indicators.

\* Data up to 2011.

\*\* Data up to 2007.

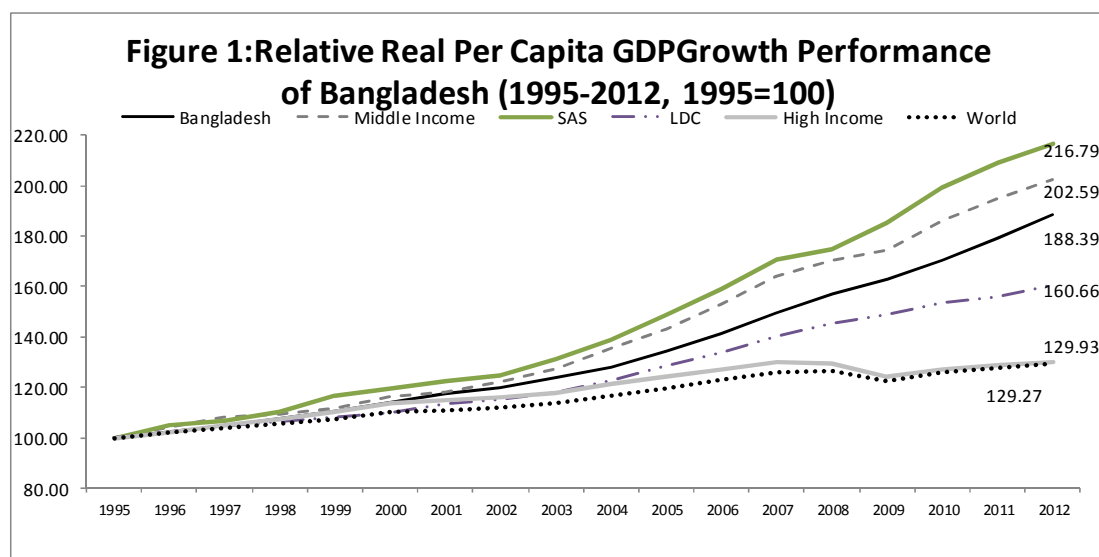
\*\*\* Organization for Economic Cooperation and Development.

Though the country's real GDP growth rate outpaced the average growth rate of low- and middle-income countries during this period, it fell short of achieving the performances of other developing countries in the region. During this period, the South Asian average growth rate was the highest (6.58 per cent) in the world. High population growth, however, inhibited translating economic growth into real welfare gains for a typical resident, resulting in a drop of annual real per-capita income growth of 1.41 percentage points to 4.52 per cent.

Since the mid-1990s, Bangladesh's real per-capita income followed a similar path to the developing countries' average until the global economic meltdown in 2008–2009. From this point, it started decoupling with the paths of developing countries as well as LDCs by sustaining its economic growth even during the financial crisis (figure 1). Several reasons have contributed to Bangladesh's success in sustaining economic growth during this period. For example, the country's financial linkages were and still are limited, especially in view of the relatively underdeveloped nature of the local financial market, as a result of which, in the aftermath of the global crisis the country's credit market remained functioning without any credit crunch and with adequate flow of credit to the real sector. Bangladesh's exports also experienced growth as the main export item, ready-made garments, was heavily dominated by low-end (and low-price) products, demand for which continued to grow during the global crisis (though at a lower rate than previous years). Moreover, remittances from abroad continued to grow, though also at a lower rate than previous years. All these factors made Bangladesh one of the few countries that sustained both economic and export growth during 2008–2009.



Figure 1. Relative Real per Capita GDP Growth Performance of Bangladesh (1995–2012; 1995 = 100)



Source: calculation based on the World Bank and OECD data for GDP, United Nations, Eurostat and Bangladesh Bureau of Statistics data for population.

Services represent half of Bangladesh’s GDP and grew with an average compound growth rate of 7 per cent during 2000/01 to 2009/10 (table 1 and table 2). Since then growth has been around 6 per cent. The contribution of agriculture to GDP has declined greatly during the last two decades, although 18.7 per cent of GDP comes from this sector and it is the main employment (mainly formal) provider in the economy. Contributing 32 per cent of GDP, industry has appeared to be the locomotive of growth. This sector grew at an average growth rate of 7.7 per cent during 2000/01 to 2009/10. The growth rate has been even higher over the last three years (around 10 per cent).

Table 2. Shares of Broad Economic Sectors in GDP (Percentage)

Year	Agriculture	Industry	Service
1972/73	49.76	9.00	36.46
1980/81	46.58	11.08	42.34
1990/91	29.23	21.04	49.72
2000/01	25.03	26.20	48.77
2010/11	20.01	30.38	49.60
2011/12	19.42	31.13	49.45
2012/13	18.70	31.99	49.30
2021*	15.00	40.00	45.00

Source: Based on data from National Accounts Statistics (various issues), Twenty Years of National Accounts of Bangladesh, 1993, and Bangladesh Economic Review (various issues). Base year is 1984/85 for data from 1972/73 to 1989/90; for other years data base year is 1995/96. Here, services sector refers to the usual categorization of services in the national income accounting of Bangladesh, that is, utility services and construction services are not included. The next chapter of this report, however, considers these two categories of services as subsectors of services. Thus, if those two subsectors were included here, then the contribution of services in GDP would be around 60 per cent, while the contribution of industry would be less.

\*As per the Outline Perspective Plan 2010–2021 and the Sixth Five-year Plan FY2011–FY2015.

**Table 3. Growth Rates of GDP and Broad Sectors (Percentage)**

Years	Types of growth rate	Total GDP	Agriculture	Industry	Service
1972/73 to 1979/80	Annual	3.68	1.86	5.26	5.17
1980/81 to 1989/90	compounded	3.90	1.84	3.16	5.43
1990/91 to 1999/00		4.90	3.03	7.37	4.56
2000/01 to 2009/10		6.03	3.66	7.74	7.00
2010/11	Annual simple	6.71	5.10	8.20	6.20
2011/12		6.23	3.10	8.90	6.00
2012/13		6.03	2.20	9.00	5.70

Source: Calculated on the basis of data from National Accounts Statistics (various Issues), Twenty Years of National Accounts of Bangladesh, 1993, and Bangladesh Economic Review (various issues). Base year is 1984/85 for data from 1972/73 to 1989/90; for others data base year is 1995/96.

Note: Up to 2009/10, annual compound growth rates have been calculated; for the remaining years simple annual growth rates are calculated.

With regard to employment, agriculture occupies about 48 per cent of the economic activity, which is significantly greater than the developed country average of less than 10 per cent. The sector remains the main source of income for many people as, up to 2010, around half of the labour force was employed in agriculture (table 4). The services sector provides approximately 40 per cent of total employment in Bangladesh. Between 2000 and 2010, there has been decline in the share of agriculture in employment generation, which has been partly absorbed by industry and partly by the services sector. Growth of employment generation by industry was higher than that by services during this period. While employment in industry grew by 5.7 per cent, that in services grew by 3.6 per cent.

**Table 4. Sectoral Distribution of Employment 2000–2010 (Percentage)**

Year	Agriculture	Industry	Services
2000	51	10	39
2006	48	11	41
2010	48	13	40

Source: Labour Force Survey of Bangladesh, Bangladesh Bureau of Statistics (various years).

It is projected that the number of people working in the services sector will grow from 27 million in 2013 to 30 million in 2015 (table 5).

**Table 5. Projected Trends in Employment (Millions)**

Sector	2013	2014	2015
Agriculture	23	22	22
Manufacturing	8	9	10
Services	27	29	30

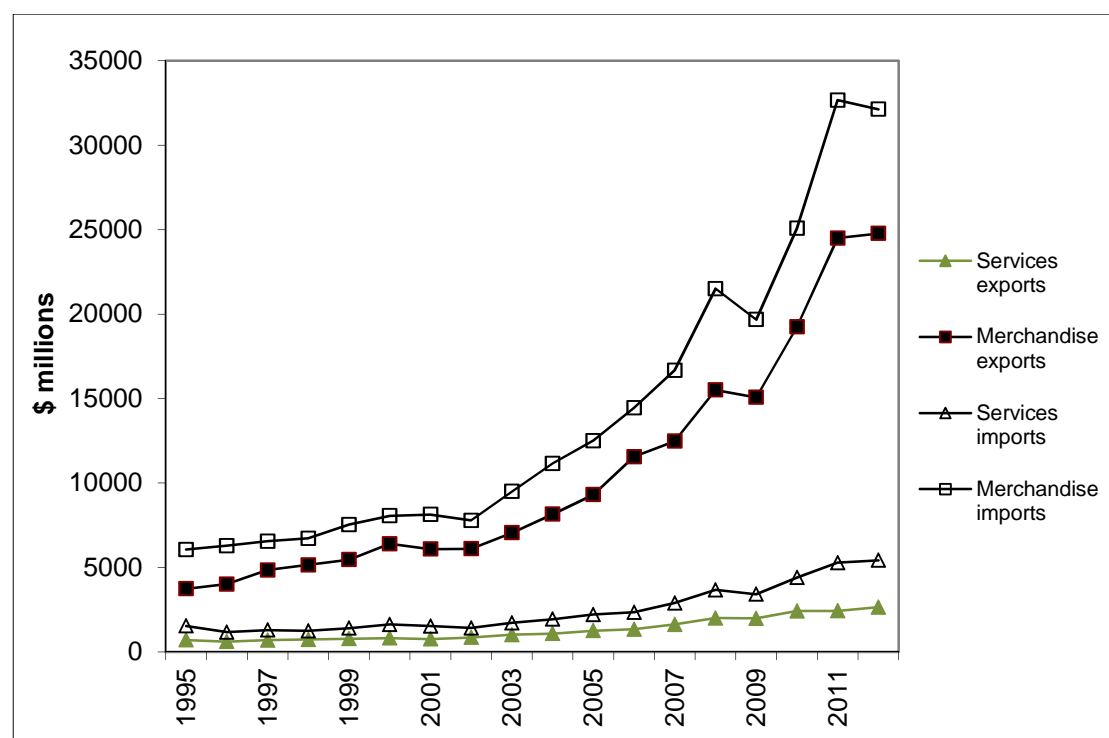
Source: Table 3.5 in the Sixth Five-year Plan FY2011–FY2015, part 1, page 78.

The contribution of the services sector to Bangladesh's GDP has remained somewhat stagnant during the last three decades and it appears that the potentials of this sector are not being realized. The services sector has just kept pace with the GDP growth but has failed to outpace it, in contrast to the manufacturing sector.

## 1.1. International Trade

Bangladesh's exports reached \$27.1 billion in 2012 (figure 2). Merchandise goods have a prominent share in exports with a value of \$24.3 billion. Services exports, including government commercial services, are much smaller, reaching \$2.6 billion, or \$2.8 billion if construction services are included.<sup>3</sup> These exports accounted, in 2012, for about 5 per cent of the country's GDP and 10 per cent of the country's total exports. The gap between merchandise and services exports widened particularly after 2002 as the global supply chains in manufacturing industries spread in the region. In 2002, merchandise exports growth outpaced services exports by 12.4 per cent, and in 2012 by 15.5 per cent. The contribution of services was higher in the case of imports, comprising 11 per cent of GDP and 15 per cent of total imports.

Figure 2. Merchandise and Services Trade of Bangladesh, 1995–2012 (\$ Millions)



Source: UNCTADstat.

Textile and apparel industry play a prominent role in Bangladesh's exports. The country's top five export items are textile and apparel products, which accounts around 74 per cent of the total (table 6). Overall, low-technology manufactures, including garments and footwear, account for around 87 per cent of total exports. Imports are less concentrated as the top five products only account for 28 per cent of the total. Nevertheless, three out of five are products that can be used as intermediate inputs in the textile and apparel industry, indicating the significance of the sector and global supply chains in Bangladesh's export performance. This further underscores the potential that the services sector can play in diversifying Bangladesh's exports.

Table 6. Leading Exported and Imported Products of Bangladesh, 2011

Leading exported products	Value (\$ billions)	Share (%)	Leading imported products	Value (\$ billions)	Share (%)
Articles of apparel, of textile fabrics, n.e.s.*	7.9	30.6	Cotton fabrics, woven	2.4	7.1
Men's clothing of textile fabrics, not knitted	5.7	22.0	Petroleum oils or bituminous minerals > 70% oil	2.0	5.8
Women's clothing, of textile fabrics	2.6	10.1	Fixed vegetable fats & oils, crude, refined, fractionated	1.8	5.2
Men's or boys' clothing, of textile, knitted, crocheted	1.5	5.9	Textile yarn	1.7	5.0
Women's clothing, of textile, knitted or crocheted	1.5	5.6	Cotton	1.7	4.9

Source: UNCTADstat.

\* n.e.s.: Not elsewhere specified.

## 1.2. Business Environment

The World Bank and the International Finance Corporation jointly publish doing business indicators, which measure and track changes in regulations affecting 11 areas in the life cycle of a business. Bangladesh ranks 129 out of 185 countries in the 2013 sample (countries with more favourable business environments rank lower in the list). Bangladesh's ranking deteriorated by

five points in 2013, mainly due to other countries' improvements in their business environments. Out of 11 different criteria, Bangladesh's performance is weak, particularly in three of them – “getting electricity” (ranks 185), “enforcing contracts” (ranks 182) and “registering property” (ranks 175). According to data collected by the report, getting electricity in the country requires nine procedures, takes 404 days and costs 5,194 per cent of income per capita. In a similar vein, enforcing a contract takes 1,442 days, costs 63 per cent of the value of the claim and requires 41 procedures.

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## CHAPTER 2: OVERVIEW OF THE SERVICES SECTOR

The previous chapter has discussed the overall economic panorama of Bangladesh. This chapter will deepen the discussion on the services economy and the main services-related challenges and policies of the country.

Growing at 7 per cent per year during the five-year period preceding the preparation of this SPR, the services sector represents the largest share of Bangladesh's GDP, even though it is well below the world average and slightly lower than the average of South Asian economies (table 7).<sup>4</sup> This share is higher than the average of developing economies of the world, of developing economies of Asia and of least developed countries.

**Table 7. Structure of GDP in Bangladesh and Other Developing Countries, 2011 (Percentage)**

	<i>Agriculture</i>	<i>Industry</i>	<i>Services</i>
<b>Bangladesh</b>	18.4	28.6	53
<b>India</b>	18	26	56
<b>Pakistan</b>	24	22	54
<b>Sri Lanka</b>	11	32	57
<b>Developing economies</b>	9.4	39.5	51
<b>Developing economies: Asia</b>	9.8	42.1	48.1
<b>Developing economies: Southern Asia</b>	16.2	29.3	54.5
<b>LDCs</b>	25.2	33.6	41.2
<b>World</b>	4.4	30.1	65.6

Source: UNCTADstat.

Note: Though Bangladesh data on fiscal year 2012/13 were available, 2011 data have been used for comparison with other countries in that calendar year.

During the period 2005 to 2010, there were substantial rises in FDI inflow in the services sector of India. Bangladesh also experienced some rise, while neighbouring countries Afghanistan and Pakistan experienced significant falls (table 8). In Bangladesh the services sector has been successful in attracting large inflows of FDI since 2003, which resulted in a significant rise in the share of the services sector in total FDI flow. Thus by 2005, the FDI inflow in the services sector accounted for 81 per cent of total FDI inflows in Bangladesh. The services subsectors that received the highest share of FDI in recent years are telecommunications, energy and financial sectors. In India, the priority services subsectors for FDI inflow are the financial, IT and telecommunications services.

**Table 8. FDI Inflows in the Services Sectors (\$ Millions)**

	<i>2005</i>	<i>2010</i>
<b>Afghanistan</b>	166	67.7
<b>Bangladesh</b>	623.8	660.9
<b>India</b>	2630	10904
<b>Pakistan</b>	1682.7	633.8
<b>Sri Lanka</b>		405.3

Source: Author's calculation based on investment map data.

Bangladesh's perspective plan 2010–2021 targets gradual reduction in the agriculture and services sectors' shares in GDP to 15 per cent and 48 per cent, respectively, by 2021 and to increase the share of industry to 37 per cent (see the Planning Commission's Outline Perspective Plan of Bangladesh 2010–2021: Making Vision 2021 a Reality). These targets may underestimate the real potential of the services sector to the Bangladeshi economy. It may be noted that the share of industry in Indian GDP is even lower than that in Bangladesh, but it is performing well with a larger share of services. Considering the growth of the labour force and the current reality that services create 40 per cent of employment, lowering the share of the services sector should only be a target if industrial growth is capable of generating employment at a sufficient rate. In this regard, we have to bear in mind that some services sectors are covered under industry for the calculation of GDP in Bangladesh, such as utility services and construction. Employment generated in these two growing sectors is also currently considered as industrial employment.

Therefore, the real contribution of services to GDP and employment would actually be higher if these two sectors were covered under services (table 9).

## 2.1. Services Subsectors and their Strengths

Among the subsectors, wholesale and retail trade is the largest component of services, which comprises 14 per cent of GDP and 23 per cent of the services sector GDP (table 9).<sup>5</sup> This is followed by transport, storage and communication, and construction services.

**Table 9. Contribution of Services Subsectors**

Sectors	Share in GDP (2012/13)	Share in services sector GDP (2012/13)	Annual average growth rate (2001/2013)
<b>Community, social and personal services</b>	<b>6.54</b>	<b>10.83</b>	<b>4.3</b>
<b>Construction</b>	<b>9.37</b>	<b>15.52</b>	<b>7.3</b>
<b>Education</b>	<b>2.90</b>	<b>4.80</b>	<b>8.3</b>
<b>Electricity, gas and water supply</b>	<b>1.73</b>	<b>2.86</b>	<b>7.5</b>
Electricity	1.45	2.40	7.4
Gas	0.19	0.31	7.2
Water	0.10	0.16	9.4
<b>Financial intermediations</b>	<b>2.16</b>	<b>3.57</b>	<b>8.8</b>
<b>Health and social works</b>	<b>2.49</b>	<b>4.12</b>	<b>7.1</b>
<b>Hotel and restaurants</b>	<b>0.75</b>	<b>1.24</b>	<b>7.3</b>
<b>Public administration and defence</b>	<b>2.88</b>	<b>4.77</b>	<b>7.0</b>
<b>Real estate, renting and business activities</b>	<b>6.73</b>	<b>11.14</b>	<b>3.7</b>
<b>Transport, storage and communication</b>	<b>10.80</b>	<b>17.88</b>	<b>7.2</b>
Land Transport	6.10	10.09	5.2
Water transport	0.65	1.08	1.3
Air transport	0.14	0.23	4.0
Support transport services, storage	0.36	0.59	4.8
Post and telecommunications	3.56	5.89	17.7
<b>Wholesale and retail trade</b>	<b>14.05</b>	<b>23.27</b>	<b>6.4</b>

Source: Based on data given in *Bangladesh Economic Review* (various years).

Among the subsectors within the transport category, storage and communication, land transport and telecommunications subsectors dominate. Telecommunications is the highest growing services subsector, experiencing an average annual growth rate of 17.7 per cent during the last 12 years. Furthermore, the importance of telecommunications services is rising, while the influence of other subsectors of this category of services is declining (see annex, table 1). This growth in telecommunications services is mostly driven by the rapid rise of mobile telecommunications services in Bangladesh during the last decade. Construction services also grew fast in the last two decades and this category's share in GDP doubled during this period (see annex, table 2). Various business activities and community, social and personal services also generated more than 20 per cent of services GDP.

Services are not only consumed as final products but also as inputs in agricultural and industrial production (see table 10). Out of total services produced in the economy, 9.1 per cent are used by agriculture and 25.9 per cent by industry. Thus, 35 per cent of services are used as inputs in these two sectors. Almost all the wholesale and retail trading and land transport services are used by these two sectors. Most of the air, water and railway transport services subsector is also used by agriculture and industry as inputs to their respective production. As high as 43 per cent of professional and 20 per cent of banking services are also used in agricultural and industrial production.

Table 10. Use of Services in Different Sectors (Percentage)

<i>Services</i>	<i>Share of different services in agricultural production</i>	<i>Share of different services in industrial production</i>	<i>Share of agriculture in different services</i>	<i>Share of industry in different services</i>	<i>Share of agriculture and industry together in different services</i>
<b>Bank, insurance and real estate</b>	2.5	1.1	8.7	11.3	20.1
<b>Communication</b>	0.0	1.5	0.0	18.6	18.6
<b>Construction</b>	0.0	0.1	0.0	0.1	0.1
<b>Education services</b>	0.0	0.0	0.0	0.0	0.0
<b>Health services</b>	12.0	0.0	27.3	0.0	27.3
<b>Housing services</b>	0.1	0.5	0.1	1.3	1.4
<b>Information technology and e-commerce</b>	0.0	0.01	0.0	1.3	1.3
<b>Other services</b>	3.8	6.7	2.7	13.3	16.0
<b>Professional services</b>	0.4	0.2	16.5	26.9	43.4
<b>Public administration and defence</b>	1.5	0.8	2.9	4.1	7.0
<b>Retail trade</b>	32.4	32.7	22.9	65.7	88.6
<b>Transport – air</b>	0.0	0.3	0.0	44.3	44.3
<b>Transport – land</b>	25.6	33.1	19.7	72.4	92.1
<b>Transport – other</b>	0.0	0.3	0.0	16.6	16.6
<b>Transport – railway</b>	0.4	0.4	20.1	59.1	79.2
<b>Transport – water</b>	2.4	2.6	16.1	48.7	64.8
<b>Utility</b>	0.3	0.3	1.6	4.9	6.5
<b>Wholesale trade</b>	18.7	19.3	23.6	69.2	92.8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>9.1</b>	<b>25.9</b>	<b>35.0</b>

Source: Based on the input-output table of Bangladesh 2006/07.<sup>6</sup>

Services used by agriculture mostly include wholesale and retail trade services and land transport. Also, health services comprise 12 per cent of services used in agricultural production (mainly by the livestock sector). Industry uses wholesale and retail trade services and land transport as the main services inputs to production.

Figure 3. Share of Major Services in Agriculture (Percentage)

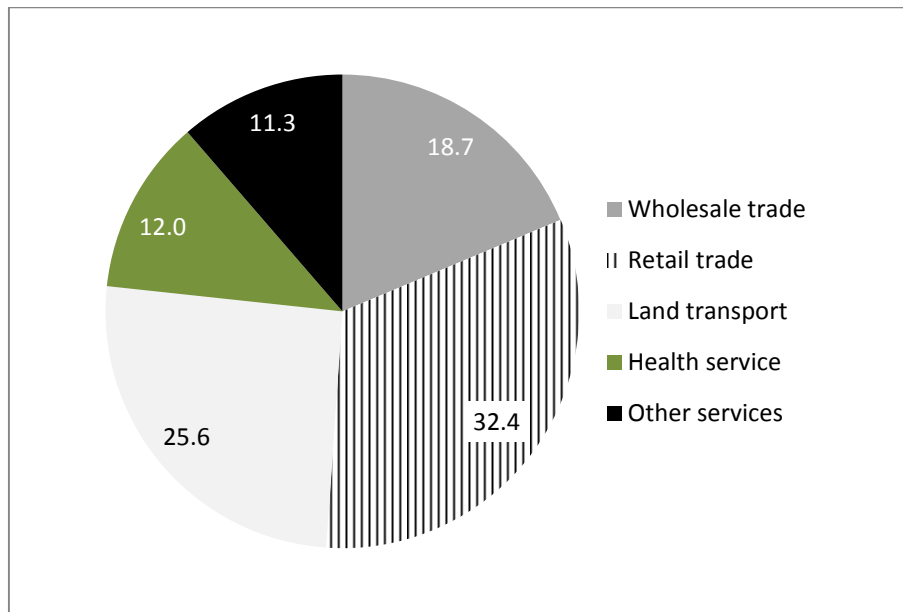
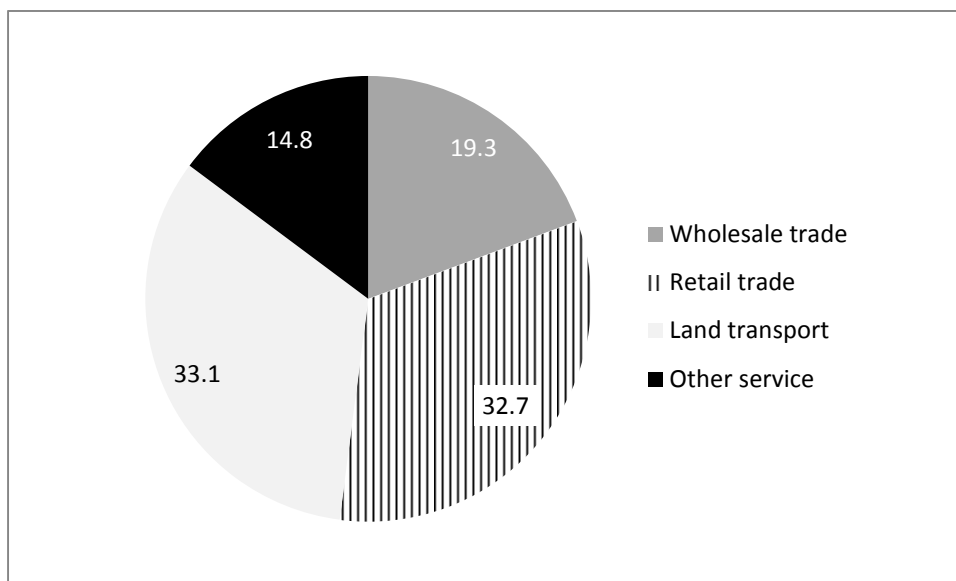


Figure 4. Share of Major Services in Industry (Percentage)



The dominance and rising trend of wholesale and retail trade, and transport and communication services indicate the growth of agricultural and industrial production because these services directly deal with real goods, both raw materials and final goods, which are either agricultural or industrial products.

## 2.2. Employment in Subsectors

The employment in the services sector grew by 3.6 per cent from 2000 to 2010. These figures could underrate actual employment in services, as 88 per cent of all services are estimated to be informal in Bangladesh (see the Planning Commission's Outline Perspective Plan of Bangladesh 2010–2021: Making Vision 2021 a Reality).

More than half of the employment in services is generated in wholesale and retail trading, and transportation and storage subsectors. These two subsectors together generate 53.7 per cent of employment in services and 21.3 per cent of total employment (table 11).



Table 11. Distribution of Employment in Various Service Activities, 2010

<i>Major services</i>	<i>Number (thousands)</i>	<i>Share in total services sector employment (%)</i>	<i>Share in total employment (%)</i>
<b>Accommodation and food service activities</b>	831	3.8	1.5
<b>Administrative and support service activities</b>	487	2.2	0.9
<b>Arts, entertainment and recreation</b>	67	0.3	0.1
<b>Construction</b>	2 617	12.0	4.8
<b>Education</b>	1 285	5.9	2.4
<b>Electricity, gas, steam and air conditioning supply</b>	96	0.4	0.2
<b>Financial and insurance activities</b>	364	1.7	0.7
<b>Human health and social work activities</b>	430	2.0	0.8
<b>Information and communications</b>	55	0.3	0.1
<b>Professional, scientific and technical activities</b>	115	0.5	0.2
<b>Public administration and defence; compulsory social security</b>	539	2.5	1.0
<b>Real estate activities</b>	35	0.2	0.1
<b>Transportation and storage</b>	3 983	18.2	7.4
<b>Water supply, and sewerage, waste management and remediation activities</b>	27	0.1	0.0
<b>Wholesale and retail trade; repair of motor vehicles and motorcycles</b>	7 540	34.5	13.9
<b>Other service activities</b>	3 368	15.4	6.2
<b>Total services</b>	21 839	100.0	40.4
<b>Total employment</b>	54 084	---	100.0

Source: Bangladesh Bureau of Statistics, Labour Force Survey 2011.

### 2.3. Trade in Subsectors

During the decade 2001–2010, both export and import of services grew at higher rates compared to the growth rates of the previous two decades. Moreover, growth in export of services was marginally higher than that of import during this decade (table 12).

Table 12. Growth in Services Trade (Percentage)

	<i>1981–1990</i>	<i>1991–2000</i>	<i>2001–2010</i>
<b>Export</b>	6.81	7.94	11.95
<b>Import</b>	4.38	10.17	11.36

Source: Based on the World Bank World Development Indicators.

Bangladesh mainly exports government and transportation services and imports transportation and financial services (table 13). Half of the revenues from services exports arise from government services. This is mainly comprised of Bangladesh's participation in various peace-keeping missions of the United Nations. Transport services account for 16.2 per cent of export revenue. The contributions of computer and software services, and other business services, in total services exports, at 12.4 per cent and 11.2 per cent, respectively, are worth mentioning as being rising shares.

Table 13. Share of Various Subsectors in Export and Import of Services, 2012/13

	<i>Export of services in 2012/13</i>	<i>Import of services in 2012/13</i>
<b>\$ millions</b>	2 786.48	5 965.61
<i>Of which (in %):</i>		
<b>Computer and information</b>	12.36	0.46
<b>Construction</b>	1.42	0.40
<b>Entertainment, cultural and recreational services</b>	0.17	0.12
<b>Finance</b>	2.19	6.98
<b>Government services</b>	50.42	6.05
<b>Insurance</b>	0.42	0.52
<b>Maintenance and repair services</b>	0.11	0.04
<b>Manufacturing services on physical inputs owned by others</b>	1.69	0.00
<b>Other business</b>	11.19	5.50
<b>Royalties and licence fees</b>	0.02	0.18
<b>Transportation</b>	16.22	74.40
<i>Freight</i>	1.57	63.94
<i>Other</i>	14.57	0.37
<i>Passenger</i>	0.08	10.09
<b>Travel</b>	3.80	5.35
<i>Business</i>	0.09	0.87
<i>Personal</i>	3.71	4.48

Source: Bangladesh Bank, Balance of Payments Report 2013.

Chanda (2011)<sup>7</sup> mentioned that computer and information services show the most significant increase in export of services from Bangladesh. Moreover, the software services subsector has been an important driver of services exports from the country. This reflects the availability of low-cost skilled labour and government policies that boost software services exports.

Bangladesh mainly imports transportation services for freight (74 per cent of import of services). Other services imported by Bangladesh include those for tourism (5.4 per cent), finance (7.0 per cent), business (5.5 per cent) and government (6.1 per cent).

## 2.4. Remittances

Remittance inflows play a vital role for Bangladesh. According to the World Bank, the country received \$12 billion in 2011, almost half of the total combined remittances received by LDCs. The figure also corresponds to 44 per cent of the country's total goods and services exports and around 11 per cent of GDP. These figures are around 14 per cent and 4 per cent, respectively, in a typical LDC. Bangladesh has considerable interest in exporting professional services. The goal will be to ensure that remittance earnings are equivalent to about 12 per cent of GDP by 2021. To achieve this, Bangladesh attaches importance to the multilateral liberalization of professional services, particularly mode 4, and has been active on this account within the WTO – details of the actions taken by the country are discussed in chapter 3 (Labour force exports) and chapter 4 (Trade liberalization and negotiations) of volume II of this publication.

## 2.5. Services Trade Restrictiveness

Services trade in Bangladesh is restricted, as is indicated in the Services Trade Restrictions Database (table 14). Trade in telecommunications and transportation services is found to be highly restricted compared to other sectors. This indicates further possibilities to liberalize these sectors.

Table 14. Services Trade Restrictions Database Score for Bangladesh

<i>Indicators</i>	<i>Restrictiveness index</i>
<b>Overall</b>	44.2
<b>Banking</b>	48.1
<b>Insurance</b>	43.3
<b>Telecommunications</b>	62.5
<b>Retail</b>	25
<b>Transportation</b>	62.9
<b>Accounting and auditing</b>	35
<b>Legal</b>	35

Source: See <http://iresearch.worldbank.org/servicetrade/aboutData.htm> (accessed 11 November 2015).  
Note: 0 refers to completely open, while 100 refers to completely closed.

## 2.6. Main Constraints and Challenges

Bangladesh faces major constraints such as weak infrastructure and domestic capacity. Moreover, average labour productivity is low. For skills formation, a major challenge is to raise the quality of education at all levels as well as to increase enrolments at secondary and tertiary levels. Serious efforts are needed to upgrade the capacity to deliver technical education and skills training.<sup>8</sup>

The frequency of power and gas outages is serious and a major threat to citizen welfare and development. The annual loss to production and income from power outages could well exceed 0.5 per cent of GDP per year. Power generation capacity in Bangladesh is still among the lowest in the world.<sup>9</sup> At the start of the Sixth Five-year Plan FY2011–FY2015, Bangladesh faces an unprecedented energy crisis that has taken the form of a sectoral emergency. Due to the severity of the power crisis, the Government has been forced to enter into contractual agreements for high-cost, temporary solutions, such as rental power and small independent power producers, on an emergency basis, much of it diesel or liquid-fuel based. This has imposed tremendous fiscal pressure, as budgetary transfers are routinely made to the power sector to enable it to stay current on payments to power suppliers. Thus, investment in infrastructure is crucial for the development of Bangladesh.

Bangladesh scores particularly low on customs procedures, on transport infrastructure and logistic competence. Other international research shows that transport cost could well pose a greater barrier to trade than tariffs.<sup>10</sup>

Lack of ICT in Bangladesh has been identified as a major constraint to development as it has important implications for the economy, society and public governance in the country. Insufficient capacity-building has been identified as a notable factor contributing to this problem. The teachers of colleges under the National University, as well as the new universities of science and technology, are not sufficiently well trained to cope with the current changes in science and technology. Most importantly, research institutions and universities in general do not have access to high-speed Internet connectivity. Poor electricity and power facilities aggravate the problem of the low level of ICT development. While Bangladesh has an advantage in the export of unskilled labour services, lack of ICT is a serious constraint for the country to promote exports of such services by means of this technology.<sup>11</sup> Meanwhile, India has been enjoying great success in tapping export opportunities provided by ICT, mainly in terms of call centres, e-commerce, and the like.

Furthermore, lack of coordination among ministries involved in the implementation of the National ICT Policy 2009 has been identified as an important impediment. The responsibilities for ICT activities are fragmented across three ministries, the Ministry of Post and Telecommunications, the Ministry of Science and Information and Communications Technology, and the Ministry of Information, which are responsible, respectively, for telecommunications infrastructure, eGovernment<sup>12</sup> and broadcasting.<sup>13</sup>

Bangladesh has also suffered from a poorly performing banking sector due to public (State) ownership, lack of competition, poor governance, weak management, inadequate regulatory

framework and lack of autonomy and capacity of the Central Bank. This has manifested itself in a sharply deteriorating banking portfolio quality, raising concerns about its viability.<sup>14</sup>

The Sixth Five-year Plan envisages a further improvement in the performance of the services sector by expanding services such as IT-related, tourism, health and education services. Also, public investment in infrastructure and reforms in the financial sector are part of the plan for improving the quality and productivity of the sector.<sup>15</sup>

## 2.7. Conclusions

The services sector has been the most important contributor to the economy and its growth in Bangladesh. However, Bangladesh is yet to tap the potentials of this services sector. The country is currently confronted by severe capacity constraints owing to the lack of infrastructure, energy, and financial and human resources.

The Government has set up sectoral policy plans to expand services such as IT-related services, construction and tourism with a view to further improving the contribution of the services sector to the economy. To implement these policy plans, the challenge for Bangladesh is to enhance infrastructure and domestic capacity, which are required to develop the identified services. In particular, investment and reforms have to be made in the areas of energy, transport infrastructure, ICT and banking. Serious efforts are needed to deliver technical education and skills training. More importantly, the sectoral development of individual services should be conceived and fully integrated with the national growth and development agenda.

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# SERVICES POLICY REVIEW

IN-DEPTH SECTORAL ANALYSES

## CHAPTER 3: INFORMATION AND COMMUNICATIONS TECHNOLOGY AND SOFTWARE-RELATED SERVICES

### 3.1. Definitions and Scope

This SPR covers ICT and related services. The definition of what is included within this scope is changing as an increasingly wider variety of services can now be provided cross border via the Internet.

The OECD has been developing a definition of the ICT sector and its component parts. The litmus test for inclusion in the sector is that “The production (of goods and services) of a candidate industry must primarily be intended to fulfil or enable the function of information processing and communication by electronic means, including transmission and display”.<sup>16</sup> Table 15 presents the results of this classification exercise.

**Table 15. ICT Subsector Classification**

<i>ICT manufacturing industries</i>	
2610	Manufacture of electronic components and boards
2620	Manufacture of computers and peripheral equipment
2630	Manufacture of communication equipment
2640	Manufacture of consumer electronics
2680	Manufacture of magnetic and optical media
<i>ICT trade industries</i>	
4651	Wholesale of computers, computer peripheral equipment and software
4652	Wholesale of electronic and telecommunications equipment and parts
<i>ICT services industries</i>	
5820	Software publishing
<u>61 Telecommunications</u>	
6110	Wired telecommunications activities
6120	Wireless telecommunications activities
6130	Satellite telecommunications activities
6190	Other telecommunications activities
<u>62 Computer programming, consultancy and related activities</u>	
6201	Computer programming activities
6202	Computer consultancy and computer facilities management activities
6209	Other information technology and computer service activities
<u>631 Data processing, hosting and related activities; web portals</u>	
6311	Data processing, hosting and related activities
6312	Web portals
<u>951 Repair of computers and communication equipment</u>	
9511	Repair of computers and peripheral equipment
9512	Repair of communication equipment

Source: OECD, 2007.

Information technology-enabled services are those services that have been transformed by ICT, enabling them to be digitized, codified and fragmented, and therefore able to be undertaken at any distance from the core business and final customer. These services include those often associated with offshoring, including accounting, financial analysis, call centre services, architectural drafting and health-record transcription, among other service activities.<sup>17</sup> There are also many other ways in which traditional services are now being offered via ICT domestically and internationally, including entertainment, distance learning, distance health diagnostics, online banking and mobile financial services, to name but a few.

### 3.1.1. ICT Services

A dynamic ICT sector contributes directly to GDP and can also enhance efficiency in public and private sectors. ICT manufacturing tends to be larger scale and capital intensive. ICT services, on the other hand, tend to be more knowledge intensive with lower capital requirements and correspondingly lower barriers to entry for local service providers. Thus, ICT services offer greater opportunities for employment and returns on investment in most developing countries.<sup>18</sup>

In general, in developing countries with a nascent ICT services sector such as Bangladesh, the local market is often the most natural entry point. Local service providers have comparative advantages related to:

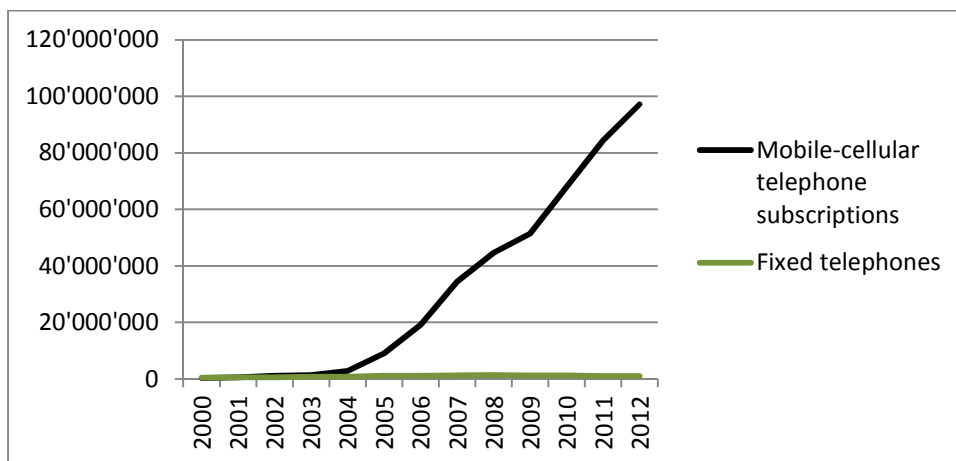
- Local language;
- Local culture;
- Ability to identify gaps where services could be developed and offered;
- Local presence.

Indeed, local presence is a prerequisite for most computer repair, consultancies and facilities management activities.

### 3.1.2. Telecommunications

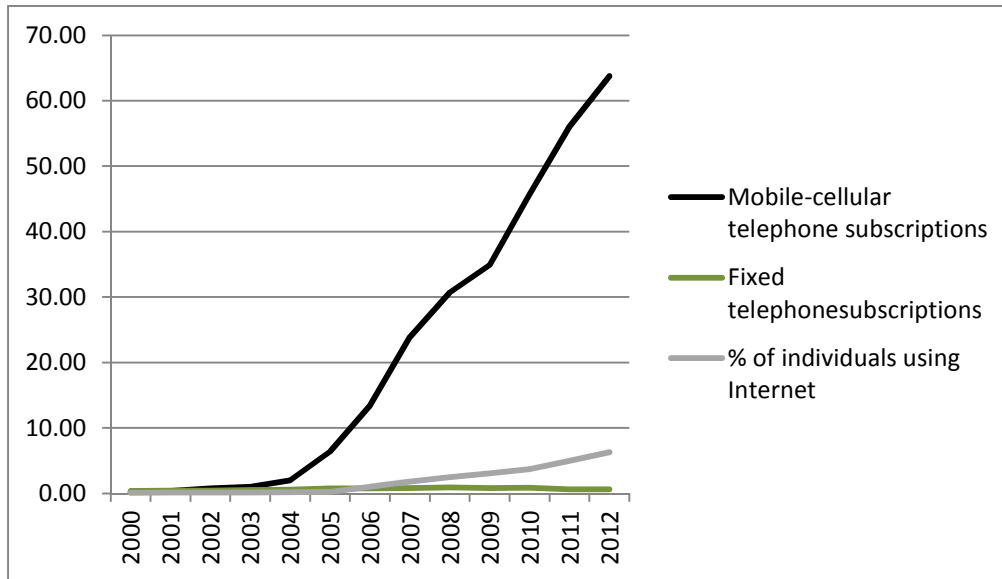
The telecommunications sector has been growing rapidly in Bangladesh over the past decade. Mobile telephone growth has been remarkable and mobile phone fees are among the lowest in the world. Figure 5 shows the rise of mobile phone users from 279,000 subscriptions in 2000 to 97.18 million in 2012. In comparison, fixed-line subscriptions remained modest, reaching a peak of 1,344,456 in 2008 and declining thereafter to 961,589 in 2012. Figure 6 shows that the percentage of the population with mobile phone subscriptions rose from 0.22 per cent in 2000 to 63.76 per cent in 2012. The percentage of the population with fixed-line subscriptions never exceeded 1 per cent. There are some 10 million Internet users, most of whom access via mobile telephones. The percentage of individuals using the Internet began rising after 2005, increasing from 1 per cent in 2006 to 6.3 per cent in 2012.<sup>19</sup>

**Figure 5. Number of Bangladeshi Mobiles Phone and Fixed Line Subscriptions, 2000–2012**



Source: International Telecommunications Union, 2013.

**Figure 6. Percentage of Bangladeshi Population Using Mobile Phones, Fixed Lines and Internet, 2000–2012**



Source: International Telecommunications Union, 2013.

Telecommunications is one of two sectors to which Bangladesh has made commitments under GATS. Foreign participation in the sector is high with most mobile phone operators taking the form of joint ventures (table 16). Telecom attracts the greatest amount of FDI in the country.

**Table 16. Overview of the Main Mobile Telephone Operators, Number of Active Subscribers as of May 2012 and Ownership of the Company**

Operators	Active subscribers (millions)	Ownership
<b>Grameen Phone Ltd.</b>	38.4	Joint venture between local Grameen Telecom and Telenor of Norway
<b>Orascom Telecom Bangladesh (Banglalink) Ltd.</b>	25.3	Fully owned by Orascom Telecom of Egypt
<b>Robi Axiata Ltd. (Robi)</b>	18.7	Joint venture with 70% share Axiata Group Berhad of Malaysia and 30% share NTT Docomo of Japan
<b>Airtel Bangladesh Ltd. (Airtel)</b>	6.6	Joint venture between Telekom Malaysia, a local company and Waird Telecom, an United Arab Emirates conglomerate
<b>Pacific Telecom Ltd. (Citycell) Bangladesh</b>	1.7	Owned by Singapore Telecom, Pacific Group and Far East Telecom
<b>Teletalk Bangladesh</b>	1.3	Fully owned by the Government of Bangladesh, a public limited company
<b>Total</b>	92	

Source: WTO, 2012.

Fierce competition in mobile telephony has led to an effective drop in the price per minute from Tk 8 in 2002 to Tk 1 (approximately \$0.015) in 2008.

Internet connectivity was greatly boosted in May 2006 when Bangladesh became connected to a submarine cable. The Bangladesh Submarine Cable Company is currently the sole provider of broadband service. There are initiatives being explored for issuing licences for other submarine cable connections and services, and for launching a communications satellite, which are expected to further improve access and lower rates. The Bangladesh Telecommunications Regulatory Commission was created by the Telecommunications Act of 2001 to regulate the industry. The Commission lowered Internet prices by 20–40 per cent in 2008 to stimulate the ICT-



related sector. In 2007, the Commission started issuing call centre licences and, in 2009, cybercafé licences. The latter are important for domestic users as only 3 per cent of the Bangladeshi population have access to the Internet at home. In 2010, the Telecommunications Act was amended and the Ministry of Post and Telecommunications received the mandate for licensing, pricing and policy issues. The revised act also includes fines and legal actions against illegal activities.<sup>20</sup>

In 2007, the introduction of the International Long Distance Telecommunications Services Policy and its revision in 2009 ended the long-standing monopoly that the government-controlled Bangladesh Telephone and Telegraph Board previously enjoyed; the Board itself was divided into three companies.

According to the Bangladesh Association of Software and Information Services, the IT and ITES sectors in 2010 generated \$250 million and employed 20,000 workers. Wages are lower than in other Asian countries with established outsourcing centres such as India. Some Indian companies have set up call centres in Bangladesh, though there is considerable room for expansion.

### 3.1.3. Software

Software refers to a set of instructions that enable different ICT hardware (computers, tablets, smartphone, mobile phones, and the like) to perform the required operations.

## 3.2. ICT-Related and Enabled Services: Progress to Date

As mentioned above, the ICT-related and enabled services encompass an ever-broadening array that can be offered domestically or across international borders. This study highlights the global IT outsourcing market, in which Bangladesh has a particular interest, and mobile financial services that are currently taking off in the country.

### 3.2.1. Global IT Outsourcing

The global IT outsourcing market is forecast to reach \$288 billion in 2013. This is a 2.8 per cent increase over 2012 in terms of United States dollars and a 5.1 per cent increase in constant currency.<sup>21</sup>

Bangladesh has considerable potential to become a bigger player in this market. Among its strengths are a large pool of young people, which is favourable to the IT and ITES industries. Some 34 per cent of the population are aged 15–34, representing over 53 million people. With a projected population growth rate of 1.7 per cent for 2008–2020, the pool of 15–34 year olds will reach 63 million by the end of this period.<sup>22</sup>

With over 80 universities, Bangladesh turns out over 185,000 graduates per year. This includes 14,500 graduates in IT-related areas. The quality of Bangladeshi engineers and other science graduates is on par with most developing countries. Bangla is the official language. Most public primary school lessons are in Bangla, with English being introduced in secondary school. Private school students generally learn English in the primary years. English is the main language for business. Bangladesh reportedly has some 7 million English-speaking residents.<sup>23</sup> Expansion of call centres may require additional training in English and communication skills for high-school educated students with a basic understanding of English.

Bangladesh has several cost advantages. Relatively low wages for unskilled and skilled workers may be attractive to potential investors. Entry-level wages in the IT industry in Bangladesh are half those of other Asian countries with ITES sectors, including India, the Philippines, Thailand and Viet Nam, and roughly one quarter of the cost in transition economies such as the Russian Federation and Ukraine, and Latin American countries including Brazil and Mexico.<sup>24</sup>

Infrastructure costs are also favourable. Office space rental in Dhaka's central business districts costs approximately one fifth of the rates in New Delhi and two fifths of the rates in Manila. As noted above, there has been a rapid expansion of telecommunications including mobile phones and Internet access. However, it can be difficult for companies to find high-quality office infrastructure with reliable energy and IT services.<sup>25</sup> Technology parks are being developed in

Dhaka and its environs. The Janata Tower technical park is operational and a larger park is being developed in nearby Kaliakoir.<sup>26</sup>

Persistent challenges include the following:

- Limited Internet access and use;
- Unreliable power supply;
- Lack of high-quality office infrastructure;
- English skills may need improvement.

A clustering approach may be worthwhile. Focusing developments on a few targeted cities can create sufficient momentum and intersectoral synergies. The capital's renowned traffic congestion and particulate pollution make exploration of tier-two cities desirable. A holistic approach could include introducing English at primary school level in the target cities and expanding education and IT-related services at secondary and college level. The availability of high-quality construction services, including the provision of engineering and architectural services, as well as reliable access to telecommunications, Internet and energy are key areas. In selecting target cities, possible climate change impacts should be taken into account. Pilot projects should be located out of the current and potential future flood zones.

Regarding the four modes of supplying under GATS:

- Mode 1: Considerable opportunity exists to provide ICT-related and ICT-enabled services across borders. For this, continuous improvement of ICT infrastructure is critical. Bangladesh's initial offering might focus on relatively less-skilled services, moving gradually up the skill- and knowledge-intensive ladder in the future;
- Mode 2: Consumption abroad – visitors to Bangladesh, including tourists and business visitors, consume ICT-related services. This counts as service exports for the country. When Bangladeshis consume the services abroad, it is an import;
- Mode 3: Commercial presence – the establishment of a commercial presence by foreign service suppliers is influenced by the overall investment regime. The liberalization of the telecommunications sector led to rapid expansion, falling prices and high degrees of foreign participation. The UNCTAD publication *Investment Policy Review: Bangladesh* highlights the importance of predictability and transparency;<sup>27</sup>
- Mode 4: Natural persons – provision of ICT-related and ICT-enabled services by foreign service suppliers is mainly allowed for intra-corporate transferees of senior managers and specialized experts.

Bangladesh has yet to take full advantage of the potential regional trade and investment linkages in the sector. The country is close to China, India and Viet Nam. Efforts need to be made to bring the country's advantages to the attention of potential regional investors. Some Indian FDI in the sector has taken place, yet considering the proximity of this enormous country, the scale to date has been modest. Opportunities to provide services in the region via modes 1 and 4 merit more attention from stakeholders.

### **3.2.2. Digital Bangladesh**

Vision 2021,<sup>28</sup> including the corresponding implementation plans, is an impressive work and reflects deep thought and reflection on overall development issues. A key pillar is to build a digital Bangladesh to strengthen and use ICT capacity, skills and services.

The National ICT Policy 2009 provides the policy foundation. It has identified 10 key overarching development objectives for ICT in Bangladesh: (a) social equity; (b) productivity; (c) integrity; (d) education and research; (e) employment; (f) strengthening exports; (g) healthcare; (h) universal access; (i) environment, climate and disaster management; (j) support to ICTs. Its action plan includes 306 activities, now in various stages of implementation.

Some of the specific objectives most relevant to this SPR include:

- Productivity increases in all spheres of the economy, including micro, small and medium-sized enterprises;
- Universal connectivity, for which the Universal Service Fund may also be used;
- Inclusion of ICT in education and research to expand the scope and standard of knowledge on ICT throughout the country; to ensure computer literacy at all levels of education and government;
- Education and training of ICT professionals to international standards to take advantage of employment opportunities at national and international levels;
- Establishment of a prosperous software industry, to offer services based on ICT, e-commerce/e-business, and to ensure growth in the ICT industry with a view to meeting the demand in domestic and international markets, increasing income from external trade, attracting FDI and reducing dependence on imports;
- Establishment of Bangladesh as a business process outsourcing destination;
- Promotion of new technologies, value-added services and content generation;
- Promotion/facilitation of content service providers;
- Increases in international connectivity by means of submarine cable or satellite;
- Provision of quality health care to all citizens through innovative application of ICT.

The most ambitious targets include:

- Compulsory ICT education at the secondary level by 2013 and at the primary level by 2021;
- Telecentre/community e-centres with Internet facilities in unions will reach 50 per cent by 2015 and 100 per cent by 2020;
- Establishment of computer laboratories in government primary schools, first with 5 computer sets by 2014, then with 10 by 2017 and finally with 20 by 2021;
- Development and implementation of the e-governance model; it will begin with e-tenders and e-bill payments;
- Introduction of e-governance at all executive levels of Government by 2015;
- Telephone density to reach 70 per cent in 2015 and 90 per cent in 2021;
- Expansion of broadband to 30 per cent in 2015 and to 40 per cent in 2021;
- Introduction of wireless broadband (WiMax) across the country by 2015.

Progress through mid-2010 included the establishment of the Digital Bangladesh Taskforce and the establishment of 128 computer laboratories-cum-training centres in 64 districts to build ICT skills in remote areas.<sup>29</sup>

Digital Bangladesh includes clearly defined targets. The implementation of these activities would bring the country a long way towards achieving the Digital Bangladesh vision. A logical next step would be to review implementation of the listed targets to assess progress to date and priorities for future action.

### 3.2.3. Mobile Financial Services

Mobile financial services, also called mobile money, involve storing customer financial accounts on a telephone's SIM card. The rapid spread of mobile telephones within Bangladesh lays fertile ground for mobile money development, which was allowed by the Bank of Bangladesh in 2010 with the aim of improving financial inclusion (which was already a respectable 40 per cent of adults in the country) and facilitating remittance transfers. The number of mobile money accounts has developed rapidly, reaching 442,289 (plus 887 international remittances-only accounts) in March 2012, 4.6 million in March 2013 and 7.21 million in September 2013. The number of mobile financial services agents rose from 9,093 in March 2012 to 108,000 in September 2013. This dwarfs the number of bank branches, which rose from 7,961 in 2012 to 8,400 in 2013, and also the 3,000 automatic teller machines in 2012. According to Bangladesh Bank Governor, Atiur Rahman, the monthly double-digit growth rates of mobile financial services is due to the bank-led model that gives confidence in the system, a proactive promotional strategy by the central bank and guidelines that are not overly prescriptive. Currently, cash-in, cash-out operations dominate, with sizable flows from urban to rural areas as workers send money home. However, savings, payments of salaries and bills and e-commerce through mobile credit cards are increasing.<sup>30</sup>

### 3.2.4. Government Procurement

One way in which Governments can promote the development of the national ICT services sector is through government procurement, which accounts for 10–20 per cent of GDP in most developing countries, including Bangladesh. Within the framework of developing Digital Bangladesh, the Government envisages offering a large number of e-government services. This is an excellent opportunity to support the development of the local ICT services sector.

UNCTAD's recent study, *Promoting Local IT Sector Development through Public Procurement*, identifies seven strategies for Governments to consider:

- (a) Ensure that key conditions for success are in place: A shared IT and public procurement policy, a critical mass of public ICT projects and a good understanding of the capabilities of the local IT services sector;
- (b) Strengthen the institutional framework: Promoting public–private coordination and designating an agency to spearhead public procurement for local IT sector development. Best results are obtained when all relevant stakeholders cooperate and participate in strategy formulation and implementation;
- (c) Establish good practices along the entire procurement process. Tender procedures should be clear, transparent and open. E-procurement can help in this regard. A first step could include online publication of tenders and procurement notices;
- (d) Provide targeted preferential treatment of local suppliers without jeopardizing the quality of the services procured. This could involve, for example, giving preferential marks for local experience, language and presence. This encourages local firm participation and may also act as an incentive for the formation of joint ventures between local and foreign firms, which can help build the capacities of local firms. An outright exclusion of foreign bidders is not recommended as this could limit the incentive of domestic firms to provide high quality at a good price, and thus reduce the value for money obtained by the government;
- (e) Increase the options for SMEs to submit bids. As some SMEs may not have established track records regarding procurement, other criteria such as quality control could be used;
- (f) Adopt best practice software design to facilitate local firm participation. Modular design of systems allows for the tendering of smaller projects. However, this also requires IT technical standards and interoperability frameworks, as well as higher IT skills in procuring officers. The use of free and open software (FOSS) can reduce costs and give local suppliers greater opportunities to provide solutions. For this, skilled FOSS developers are needed, as well as determination in the face of anti-FOSS lobbying by proprietary software firms;

- (g) Promote awareness and capacity development, both among IT firms and in relevant public authorities. Governments, in collaboration with IT industry associations, could provide training for SMEs in how to submit bids.
-

## CHAPTER 4: TOURISM

Tourism is defined by the United Nations World Tourism Organization as “the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited”.

Tourism is one of the largest and fastest-growing industries in the world. International tourist arrivals have grown steadily for decades. They have risen from 25 million in 1952 to 435 million in 1990, 675 million in 2000, 940 million in 2010 and an estimated 1 billion in 2012. Only during the crisis of 2008–2009 was there a dip in this growth. The number of domestic tourist arrivals is approximately four times the number of international tourist arrivals – an estimated 4 billion in 2012.<sup>31</sup> Some 70 per cent of international tourists stay within their own continent. Thus, long-haul travel accounts for only 5 per cent of total (domestic and international) tourism arrivals.

It is estimated that tourism accounts for 5 per cent of global GDP, 6 per cent of the global exports, and 6–7 per cent of global jobs.<sup>32</sup> Employment in the tourism sector is gender and youth friendly: 60–70 per cent of those employed in tourism are women and half the workers are aged 25 or below.<sup>33</sup>

The tourism sector has been growing faster in developing countries than in developed countries. Today, developing countries receive over 45 per cent of international tourism arrivals and more than 35 per cent of international tourism receipts. For developing countries, tourism accounts for 12–15 per cent of exports. In 2011, the top 10 countries with the highest growth rate in tourism were all developing countries, including five LDCs. Tourism plays a particularly important role for many LDCs and small island developing States. It is either the number one or number two export in 20 of the world’s 49 LDCs.

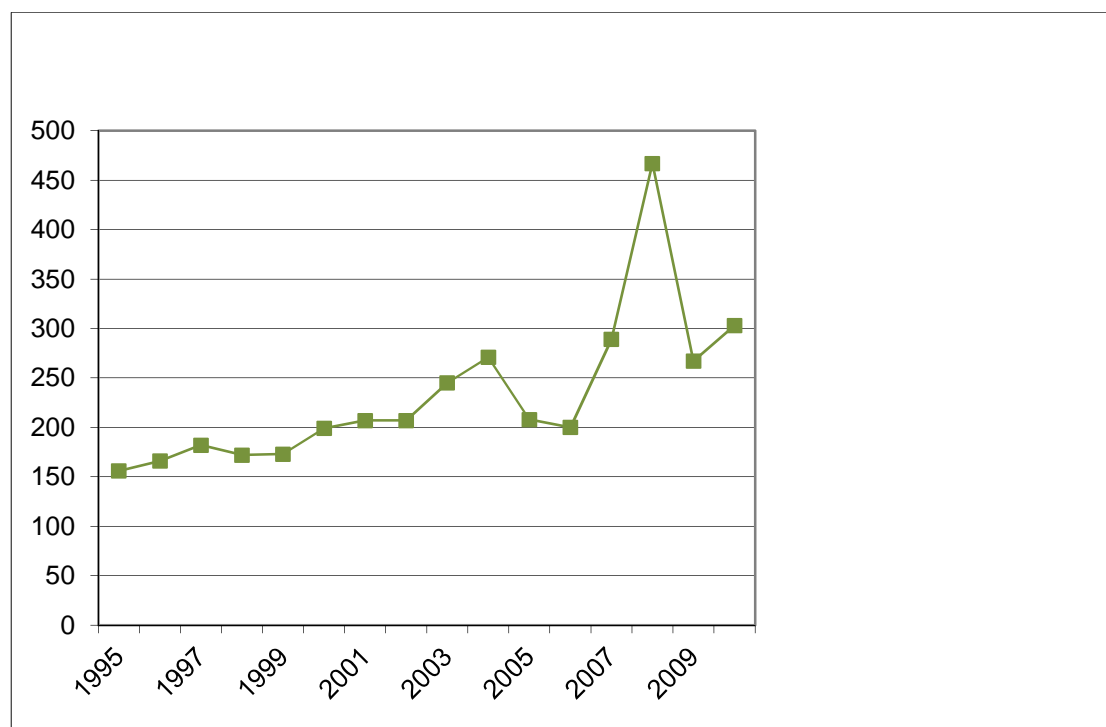
The contribution of tourism to poverty alleviation and domestic employment is enhanced by creating backward and forward linkages with other sectors, for example agriculture. The sector can stimulate demand for domestically manufactured goods such as towels, sheets, furniture and soap, for construction services to build tourist facilities such as hotels and airports, and for services in the transport sector. These linkages are generally weakest in LDCs. Building the linkages requires supportive policies and on-the-ground efforts.<sup>34</sup>

Attracting FDI can be very important in resource-poor developing countries. There are risks, however, that the bulk of the profits are repatriated and that large vertically integrated firms could engage in anticompetitive behaviour. Other risks associated with tourism include cultural and environmental degradation. Indigenous and traditional ways of life can be threatened by the influx of foreigners. Tourism consumes a great deal of water and energy and produces a lot of waste. Wastewater management can be very poor, with hotels discharging untreated waste directly into rivers and oceans. The United Nations Environment Programme estimates that tourism contributes 5 per cent of total greenhouse gas emissions, 75 per cent of which is from transport. Tourism has already had a very large detrimental impact on biodiversity, including rainforests, coral reefs, coastal wetlands, and mountainous and semi-arid ecosystems. For many countries, this is depleting the very resources on which their tourism is dependent. When the beautiful natural sites are degraded and polluted, who will pay money to come see them? Thus, sustainable tourism and effective environmental policies are very important to ensure long-term prospects for the industry.

## 4.1. Tourism Trends in Bangladesh

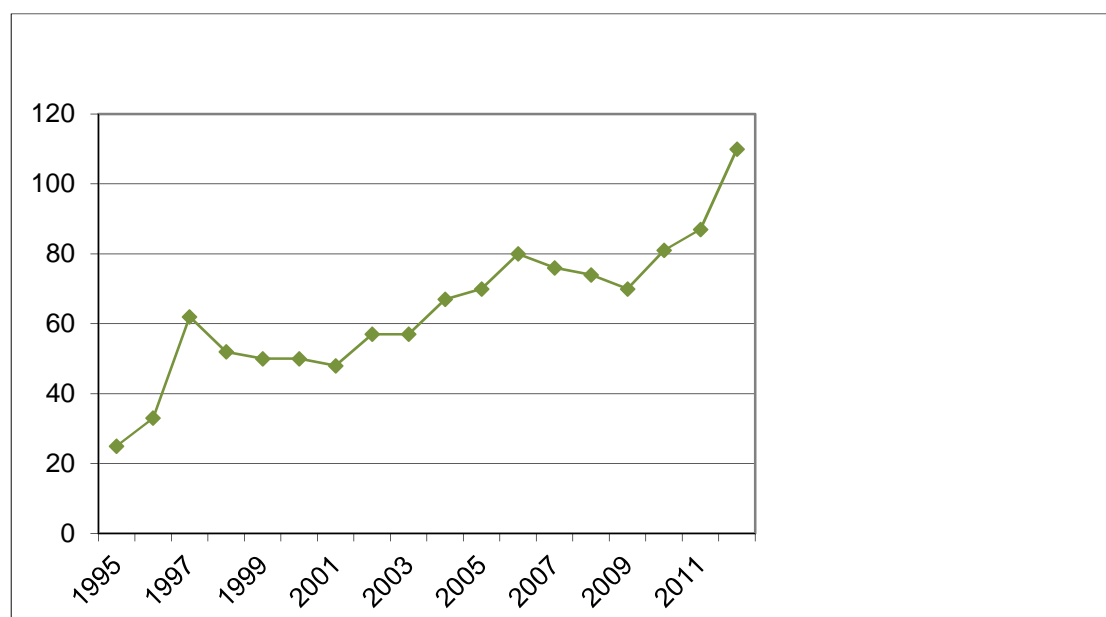
Tourism in Bangladesh is in a nascent stage. Bangladesh has many places of great natural beauty and cultural interest. Yet many of these are little known outside the country. In 2010, international tourist arrivals were estimated at 303,000. International tourism receipts in 2011 were \$87.1 million. As can be seen from figures 7 and 8, tourist arrivals grew slowly but steadily from 1995 to 2004, declined in 2005 and 2006, rose significantly in 2007 and 2008, fell rapidly in 2009 and recovered slightly in 2010. International tourism receipts have been gradually rising and reached \$110 million in 2012.<sup>35</sup>

**Figure 7. Bangladesh International Tourist Arrivals (Thousands)**



Source: World Economic Forum, 2013.<sup>36</sup>

**Figure 8. Bangladesh International Tourism Receipts (\$ Millions)**



Source: World Economic Forum, 2013.

According to the World Travel and Tourism Council, the direct contribution of tourism and travel to GDP in 2012 was 2.1 per cent. When indirect contributions are included, this rises to 4.3 per cent of GDP with a forecast annual growth rate of 6.8 per year 2013–2023. Indirect contributions include, for example, domestic purchases of goods and services by hotels, airlines, and the like. The sector directly supported 1,281,500 jobs (1.8 per cent of total employment). When jobs indirectly supported by the industry are included, this figure rises to 2,714,500, equivalent to 3.7 per cent of total employment. This is considerably lower than the global average, where travel and tourism's total contribution to GDP is 9 per cent and accounts for one in 11 jobs. Visitor exports accounted for 0.4 per cent of Bangladesh's total exports and 1.6 per cent of total investment was directed to this sector.

The vast majority of tourists in Bangladesh are from Bangladesh. Domestic spending accounted for 97.7 per cent of tourism's direct contribution to GDP, and only 2.3 per cent from foreign visitor spending in 2012. Of the total spending, 73.2 per cent was for leisure and 26.8 per cent for business travel.

Of the foreign visitors, nearly 60 per cent came from India. Arrivals from Australia, China and Japan were much lower but are on the rise.<sup>37</sup> Table 17 shows a breakdown of country of origin for 2008.

**Table 17. Top 10 Source Countries for Bangladesh Tourism, 2008**

<i>International arrivals country of origin</i>	<i>Thousand people</i>
<b>India</b>	105.9
<b>United Kingdom</b>	20.9
<b>United States</b>	11.5
<b>China</b>	6.8
<b>Nepal</b>	5.1
<b>Japan</b>	5.0
<b>Republic of Korea</b>	3.1
<b>Canada</b>	2.6
<b>Pakistan</b>	2.0
<b>Other countries</b>	32.6

Source: Euromonitor International, 2009.

## 4.2. Strengths and Challenges

According to the Travel and Tourism Competitiveness Index 2013, prepared by the World Economic Forum and the United Nations World Tourism Organization, Bangladesh ranked 123 out of 140 countries surveyed. This is a modest improvement over its ranking of 129 in 2009 and 2011. Among the 25 Asian and Pacific countries surveyed, Bangladesh came in last.<sup>38</sup>

Bangladesh can build on its natural and cultural resource advantages, which include:

- Long sandy beaches, including the current tourist centre of Cox's Bazaar and Kukata, where one can see both the sunrise and sunset;
- A World Heritage natural site, the Sundarbans, the largest continuous block of tidal mangrove forest in the world;
- A large number of known species, including the Bengal tiger, cobras and many birds;
- Numerous other natural attractions, including islands, hills and forests;
- Three World Heritage cultural sites, including the Mosque City of Bagerhat, listed by *Forbes* as one of the 15 lost cities of the world, and Somapura Mahavihara, among the best known Buddhist monasteries in the subcontinent, housing the premier university in the fourth century A.D.;



- Ethnic diversity and traditional villages, lending themselves to cultural tourism.

Bangladesh also has a very large diaspora population. This opens the door for nostalgia tourism and visits to friends and family. It would be useful to have more details on the motivation for travel of the current foreign visitors. For example, since Bangladesh–India is the largest migration corridor in the world, it stands to reason that many Indian visitors are coming to visit friends and family. The Government of Bangladesh’s recent measure for facilitated long-term visas for persons of Bangladeshi descent certainly facilitates visits by the diaspora and their descendants.

There are a number of challenges to boosting international tourist arrivals. Bangladesh’s low ranking on environmental sustainability (133) could erode the country’s natural resource base unless measures to improve sustainability are taken. Bangladesh is one of the countries the most prone in the world to natural disasters. In 2010, for example, it topped the Natural Disaster Risk Index compiled from 229 countries.<sup>39</sup> Flooding takes many hundreds and even thousands of lives each year: during the monsoon season (generally between June and October) some 30–70 per cent of the country is underwater. Cyclones occur regularly, on average once every three years. Some 60 per cent of the worldwide deaths from cyclones in the last 20 years have been in Bangladesh. Being close to the intersection of three tectonic plates, the risk of earthquake is ever-present, particularly in the northern and eastern parts.<sup>40</sup>

Political unrest and lack of security can deter visitors. In Bangladesh this includes frequent strikes that can become violent, ethnic conflicts and occasional kidnappings. The scenic Chittagong Hills area, for example, is largely closed to tourists for this reason.

In addition to the above, the Government’s Sixth Five-year Plan identifies the following main barriers to the development of tourism:

- Inadequate allocation of funds in the national budget;
- Inadequate infrastructure facilities;
- Lack of modern and adequate recreation and tourist facilities;
- Negative image of the country abroad;
- Lack of human resources in the tourism sector;
- Visa problems;
- Lack of FDI;
- An underdeveloped communication system.

### 4.3. Policies and Plans

The Outline Perspective Plan of Bangladesh 2010–2021: Making Vision 2021 a Reality<sup>41</sup> includes the goal of “developing Bangladesh as an exotic tourist destination in Asia and increase tourism’s contribution to GDP from 0.7 to 2 per cent by 2015 and then to 5 per cent by 2021”.

The country’s Sixth Five-year Plan outlines the development strategies to overcome the main identified obstacles listed above:

- (a) Establish tourism infrastructure through public–private partnership investment;
- (b) Build a positive image for Bangladesh abroad;
- (c) Arrange various tour programmes and provide information services to tourists;
- (d) Ease visa arrangements;

- (e) Create awareness for tourism development;
- (f) Develop tourism human resources through special academic and training programmes;
- (g) Identify and popularize new tourist products of Bangladesh.<sup>42</sup>

Ecotourism receives particular attention, including the goal of promoting ecotourism in at least 15 protected areas. The Forest Department has also identified 58 areas with ecotourism potential and is making efforts for biodiversity conservation there. The Government aims to actively support growing partnership among the financing and training arms of the public sector, private sector and non-governmental organizations (NGOs) to rapidly build investment and the skill base related to ecotourism. To this end, the Government will ensure compliance with the basic standards for protecting the environment and safeguarding proper use of scarce land. The Bangladesh Parjatan Corporation should lead on ecotourism marketing.

The Plan recognizes the need to construct roads and ICT infrastructure to boost tourism. On air travel, it has embarked on a major reform to improve the performance of Biman, the national carrier, while also encouraging the entry of local carriers. It also aims to open more airports for international flights and to expand the existing facilities for safe and secured operation of aircrafts.

Several policies have been formulated or updated in recent years to support the development of tourism:<sup>43</sup>

- The National Tourism Policy 2010,<sup>44</sup> to facilitate the development and promotion of tourism services, focusing on ecotourism, and community, youth, rural, pilgrimage, riverine, archaeological and other forms of tourism in the context of Bangladesh's traditional culture;
- The Bangladesh Tourism Board Act 2010, establishing the Bangladesh Tourism Board under the Ministry of Civil Aviation and Tourism, with private sector participation;
- The Bangladesh Conservation and Preservation of Tourism Area and Exclusive Tourist Zone Ordinance 2010, to identify and preserve prospective tourist spots and attract foreign investment;
- The Law on Tourism Protected Areas 2010;
- The Cox's Bazaar Development Authority Act 2012.

#### 4.4. Tourism and the General Agreement on Trade in Services

Under the WTO Services Sectoral Classification List, "Tourism and Travel-related Services" is divided into four subsectors:

##### A. Hotels and restaurants (including catering) (CPC<sup>45</sup> 641–643);

Hotel and other lodging services (CPC 641):

Hotel lodging services (CPC 6411);

Motel lodging services (CPC 6412);

Other lodging services (CPC 6419) with further subdivisions for holiday camp services, youth hostels, and the like;

Food serving services (CPC 642):

Full restaurant services (CPC 6421);

Self-service facilities (CPC 6422);

Catering services (CPC 6423);

Other (CPC 6429);

Beverage serving services for consumption on the premises (CPC 643):

Services without entertainment (CPC 6431);

Services with entertainment (CPC 6432);

- B. Travel agencies and tour operators services (CPC 7471);
- C. Tourist guides services (CPC 7472);
- D. Other.

As of May 2009, 133 WTO members made commitments in this sector – the most of any sector. This reflects the widespread interest of Governments in developing the tourist sector. Of these, 133 made commitments in subsector A (hotels and restaurants), 110 in subsector B (travel agencies and tour operators services), 67 in subsector C (tourist guides services) and 17 in subsector D (other).

Bangladesh has made GATS commitments in subsector A (hotels and restaurants) for five-star hotels only in modes 3 and 4:

3: Commercial presence requires that foreign service providers incorporate or establish the business locally in accordance with the relevant provisions of Bangladesh laws, rules and regulations. There is no fixed ratio of equity between local and foreign investors. Foreign equity to the extent of 100 per cent is allowed.

4: In Bangladesh, the entry and residence of foreign natural persons (service providers) are subject to Bangladesh's immigration and labour laws, regulations, guidelines and procedures. There is no restriction in issuing work permits to foreign nationals in Bangladesh. The employment of foreign natural persons for the implementation of the foreign investment shall be agreed upon by the contracting parties and approved by the Government and such personnel shall be employed in higher management and specialized jobs only.

The Government may wish to consider making additional commitment offers beyond this category. For example, liberalizing subsector B (travel agency and tour operators) could encourage international travel agencies to include Bangladesh in their product offerings.

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## CHAPTER 5: PROFESSIONAL SERVICES

Following the request by the Government of Bangladesh, this section will examine three professional services categories: (a) accountancy services; (b) architectural and engineering services; (c) health-professional services (including nurses and midwives).

The services sector is at an early stage of development in Bangladesh. Its services exports stands at about \$2.4 billion and, in other business services, about \$479 million. The latter, which include all professional services, captures about 19.8 per cent of total services exports.<sup>46</sup> Bangladesh does not have any commitments to WTO in professional services categories.

### 5.1. Accounting and Auditing Services

#### 5.1.1. Definition and Scope of Accountancy Services

The definition and scope of accountancy services vary among countries. Typical accountancy services include accounting, auditing and bookkeeping. According to the United Nations Provisional Central Product Classification,<sup>47</sup> accounting and auditing services consist of (a) financial auditing, which examines the accounting records and other supporting evidence of an organization for the purpose of expressing an opinion as to whether financial statements of the organization present fairly its position at a given date and the results of its operation for the period ended on that date, in accordance with generally accepted accounting principles; (b) accounting review, which reviews annual and interim financial statements and other accounting information; (c) compilation of financial statements from the information provided by the client, including preparing business tax returns bundled with the preparation of financial statements for a single fee; (d) other accounting activities such as attestations, valuations, preparation of pro forma statements, and the like. Bookkeeping services refer to clarifying and recording business transactions in terms of money or some unit of measurement in the books of account. Bookkeeping services related to tax returns are classified as taxation services.

In the WTO Services Sectoral Classification List,<sup>48</sup> accounting and auditing, together with bookkeeping services, are listed as one of the subcategories of professional services. Taxation services and management consulting are listed as professional services separately from accounting, auditing and bookkeeping services.

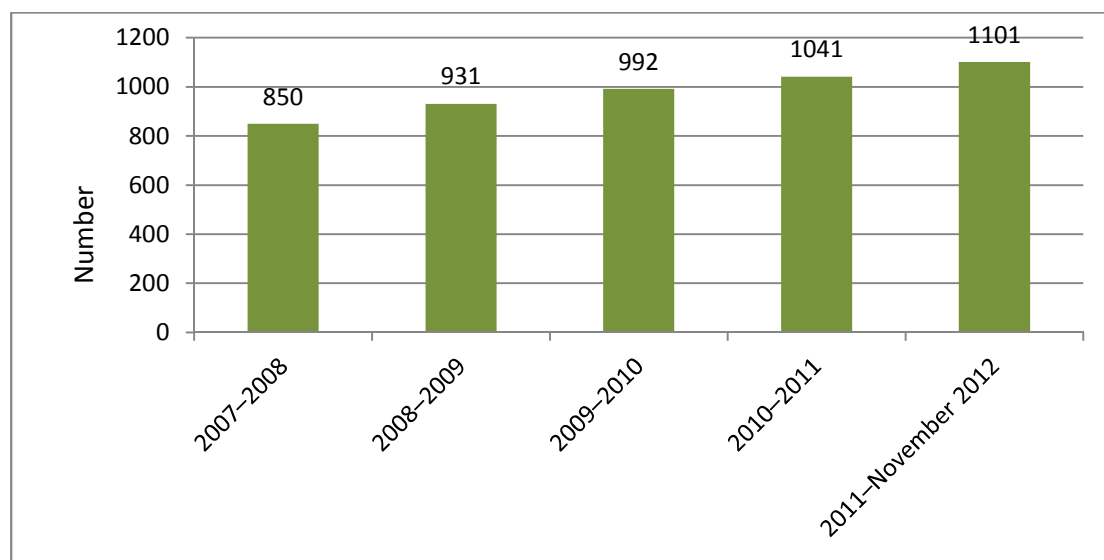
In reality, while accounting, auditing and bookkeeping services constitute the core activities of accountancy firms, a wide range of additional services are also offered, most notably merger audits, insolvency services, tax advice, investment services and management consulting. The internal expertise developed by the profession in regard to information technology has resulted in accountancy firms becoming among the world's largest suppliers of such consultancy services.

#### 5.1.2. Trends of Accountancy Services in Bangladesh

The accountancy profession provides services that are essential to the functioning of any economic system. Yet in Bangladesh, as in many developing countries, a figure on the actual size of the market is hard to obtain. There are over 200 accountancy and audit service firms in Bangladesh, largely based in Dhaka and Chittagong.<sup>49</sup> As of July 2013, there were 1,416 chartered accountants in Bangladesh. Meanwhile, more than 20,000 students were being trained to become chartered accountants. In recent years, the number of women joining the profession appears to have increased and they are increasingly taking leading roles. In 1996, the Institute of Chartered Accountants of Bangladesh (ICAB) had only four qualified female members out of the 638-member body. At present, women account for 4.7 per cent of the total number of chartered accountants in Bangladesh, and 42 female members are occupying high-ranking positions in firms, NGOs and international organizations such as the World Bank. This indicates that despite the progress made so far, there exists a major gender gap in this sector. Nationwide, 22.9 per cent of women are employed in the economy, including in the accountancy sector.<sup>50</sup> It is noteworthy that, according to ICAB, numbers of female students intending to become chartered accountants are increasing. This is apparently a positive development for the accountancy sector in Bangladesh that, in turn, will contribute to the overall gender development in the country. Regarding cost and management accountancy, according to the Institute of Chartered Cost and

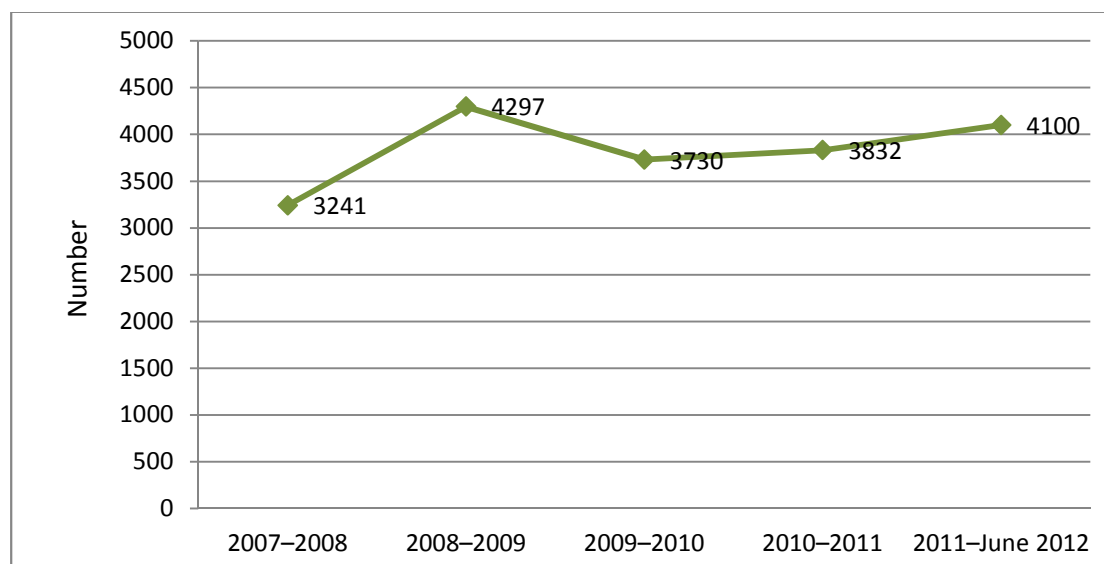
Management Accountants of Bangladesh (ICMAB),<sup>51</sup> the number of chartered cost and management accountants increased from 850 in 2008 to 1,101 in November 2012 (figure 9), whereas the number of students intending to become cost and management accountants increased from 3,241 in 2008 to 4,100 in June 2012 (figure 10). On the whole, between 2007 and 2012 there was a steady increase in both cases. The growth of numbers entering into and interest in chartered, and cost and management accountancy suggest that, with the increase in the pool of human resources in this sector, favourable ground is being prepared for the export of accountancy services.

**Figure 9. Growth in Number of Chartered Cost and Management Accountants in Recent Years**



Source: ICMAB Activity Report 2012.

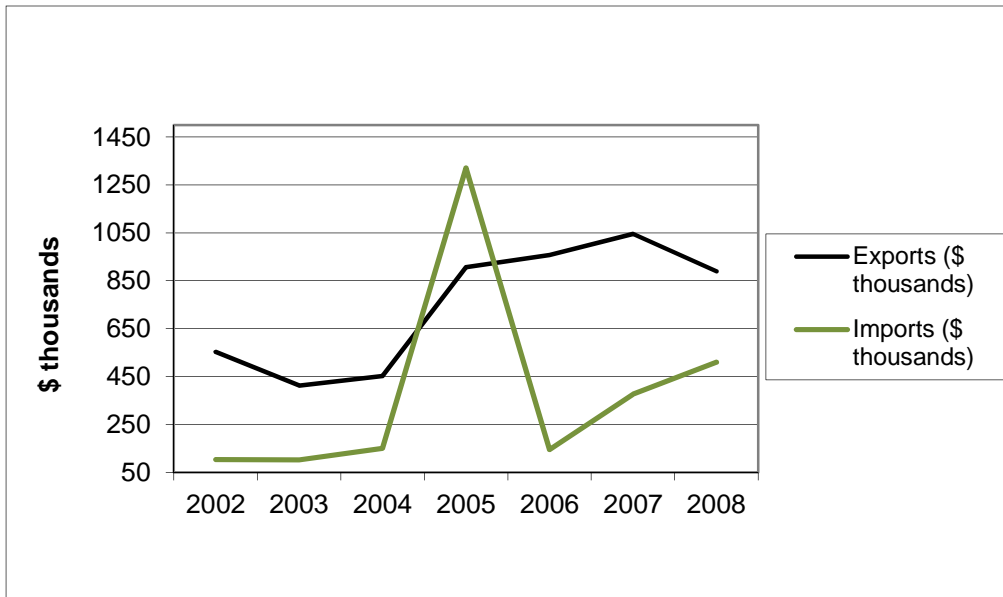
**Figure 10. Enrolment of Students to Become Chartered Cost and Management Accountants in Recent Years**



Source: ICMAB Activity Report 2012.

In terms of trade, data specifically on accountancy services trade are not available. However, based on Bangladesh's balance of payments, the combined exports of accounting, auditing, bookkeeping and tax consulting services have been growing at 8 per cent yearly on average between 2002 and 2008 (figure 11).

**Figure 11. Imports and Exports of Accountancy and Tax Consulting Services, 2002–2008**



Source: International Trade Center. Trade Map.

During this period, Bangladesh exported more than it imported. Thus, it has recorded trade surplus in most years despite a large deficit of \$0.41 million in 2005 (table 18). As taxing services are also offered by accountancy firms, the above data suggest that accountancy services can be seen as a sector of immediate export interest to Bangladesh. In fact, more than 100 of the chartered cost and management accountants who are members of the ICMAB have been working in foreign countries.<sup>52</sup>

**Table 18. Trade Balance of Accountancy and Tax Consulting Services 2002–2008 (\$ Thousands)**

2002	2003	2004	2005	2006	2007	2008
449	310	302	-414	813	670	379

Source: ITC Trade Map.

### 5.1.3. Trade Liberalization and Regulation in the Accountancy Sector

Bangladesh has not undertaken liberalization commitments on accountancy services either within WTO or any regional trade agreements. However, foreign firms are allowed to provide such services in the country, subject to regulation by the two professional bodies, ICAB and ICMAB. Of the “big four” international accounting firms (Deloitte Touche Tohmatsu, based in the United States; Ernst and Young, based in the United Kingdom; KPMG, based in the Netherlands; PricewaterhouseCoopers, based in the United Kingdom) only KPMG is operating in Bangladesh.

Regulation of accountancy takes the form of restrictions on entry and professional conduct. The accounting and auditing profession is regulated by the ICAB. It regulates the accounting firms and offers professional qualification to individual accountants. In Bangladesh, only partnership firms with at least seven years of experience in professional practice are allowed to audit listed companies.<sup>53</sup> All businesses must maintain proper books of accounts in the local currency and have their accounts audited by qualified external auditors. Auditing practices are regulated by the Companies Act 1994, the Banking Companies Act 1991, the Insurance Act 1938, the Securities and Exchange Commission Act 1993, the Securities and Exchange Rules 1987, the Foreign Donations Regulation Rules 1978 and the Cooperative Societies Ordinance 1984. Individuals wishing to practice in the accountancy profession are subject to qualification requirements.<sup>54</sup> Higher education is necessary to enter into training to become an accountant and membership of ICAB is required to practice as a chartered accountant. Alternatively, individuals can enter the professional training within ICAB.

As an autonomous professional body under the Ministry of Commerce of Bangladesh, ICAB is in charge of regulating the cost and management accountancy services. It is entrusted with the formulation and implementation of national accounting as well as cost accounting standards and other measures to regulate the cost and management accounting profession to be compatible with global standards. It also offers professional qualification in cost and management accountancy with a focus on accounting for businesses. ICAB is the only institute in the country offering cost and management accounting education and research. This institute also performed its duty of regulating the cost and management accounting services as authorized under the Cost and Management Accountants Regulations issued by the Government in 1980. After completing all the professional levels together with a three-month internship, an intern will become a qualified cost and management accountant.

Bangladesh has made increasing efforts to strengthen and standardize the accounting and auditing practices in the country. The Government of Bangladesh is committed to supporting the accountancy sector to move towards a single set of high-quality global accounting standards promulgated by the International Accounting Standards Board. For example, Bangladesh has adopted IFRS developed by IASB as Bangladesh Financial Reporting Standards.<sup>55</sup> It is one of the few countries that adopted IFRS for all SMEs. This is an important step for a country in which a large number of SMEs are present in the corporate sector. It also adopted the code of professional ethics developed by the International Federation of Accountants (IFAC).

#### ***5.1.4. Expanding Export of Accountancy Services***

The global accountancy sector is estimated to have recorded an average annual growth of 3.9 per cent during the period 2010–2015, with revenue reaching \$4.64 billion and employing over 5.65 million people worldwide.<sup>56</sup> Demand for accounting services is rising, particularly in the emerging and oil-rich economies, such as China, India and many countries in the Middle East.

There have been important changes in the global accounting industry since the late 2000s. These include the emergence of new and more complex international standards, a trend for outsourcing and increased use of IT and technological tools in the practice of this profession.

#### ***The Emergence of New and More Complex Standards***

The accounting industry has been subject to increasingly stringent regulatory standards in the wake of accounting scandals such as the one involving Enron in the United States. New and more sophisticated regulations have been introduced at national and global levels with respect to accounting practices. In the United States, the Government enacted the Sarbanes-Oxley Act; in Europe, the European Commission formulated an action plan for corporate governance and each European Union member State has been obliged to present its own legislation in this regard. This has resulted in, for example, the Code Buisse in Belgium, the Financial Security Law in France, the Corporate Governance Code in Germany and the Code Tabaksblat in the Netherlands.

With respect to global standards, compliance with IFRS is now required of publicly traded companies in most countries. As a result, auditing engagements are becoming more complex, implying higher costs for firms and incentivizing them to diversify their demand for accounting services rather than relying exclusively on one of the global leading accounting enterprises. In other words, they save on the relatively less sophisticated accounting operations.

#### ***The Trend of Outsourcing Accountancy Services***

Increasing use of international standards has contributed to the outsourcing trend in this sector. Today, many businesses are opting for outsourcing. This trend increases business opportunities for second-tier and smaller accounting firms.

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**Box 1. Segmentation of the Financing and Accounting Outsourcing Market**

The financing and accounting outsourcing market can be divided into two segments – the judgement-intensive segment (also referred to as higher value added processes) and the transactional-intensive segment (also referred to as lower value added processes):

Judgement-intensive processes

- Budgeting/forecasting
- Capital budgeting
- Internal audit
- Management reporting and compliance
- Treasury and risk management

Transactional-intensive processes

- Accounts payable
- Accounts receivable
- Fixed assets
- General accounting
- Payroll
- Tax preparation

Judgement-intensive processes are close to the core of the company and are therefore often too sensitive to outsource, especially for SMEs. Transactional-intensive processes are outsourced the most and therefore offer the best opportunities for developing countries' accounting services providers on the international market.

Source: CBI and Ministry of Foreign Affairs of the Netherlands, Market channels and segments: Business process outsourcing, available at <https://www.cbi.eu/sites/default/files/channels-segments-europe-bpo-2014.pdf> (accessed 24 November 2015).

***The Increase Use of IT in the Accountancy Sector***

The automation of data collection is enabled and expanded by IT. Consequently, the focus of the profession is shifting from computation to consulting, as clients increasingly rely on accountants to analyse business information, support decisions and provide strategic advice. This leads to the critical role that accounting plays in business decisions.

As a result of these changes and trends, the role of accounting in business is now much more complex and the industry is being forced to redefine its nature and role, revealing an opportunity for the accounting profession to carve out a new identity.<sup>57</sup> Accounting has now become a basis for corporate behaviour, decision-making and ethics. The skills demanded of accountants are thus much broader than in the past. As businesses become increasingly globalized and accounting standards evolve towards a higher level of complexity, accountants are under increasing pressure to keep raising their knowledge and professional standards. This entails mastering, in particular, the continuously evolving local and international accounting standards, and becoming proficient in management accounting (the ability to manage risks by taking an integrated view of the various uncertainties that exist across an organization). Other relevant financial skills include strategic scenario planning and skills in improving the use of data or knowledge. As social media and versatile mobile technologies are becoming more and more pervasive, accountants must also be able to manage their web and mobile presences to establish firm reputation and brand.

Meanwhile, an increasing propensity towards specialization and collaboration has increased the opportunities for accounting professionals working across borders, interacting online with their clients thanks to the availability of modern IT and Internet. Small firms are prominent in accounting services, though these services are typically provided by firms and partnerships rather than individuals. On the international market, the “big four” dominate the provision of these services. However, not one of these four large firms is a traditional single corporation, as each is a network of firms, owned and managed independently. They enter into the network to share a common brand name and standards of quality. Within each network there is a coordinating entity located in a developed country that taxes the member firms for their costs and can remove firms that fail to meet the professional standards of the network. The dominant position of the big four accountancy firms in the market does not facilitate entry of new firms and development of auditing services from developing countries, since most of the large publicly listed companies appear to be unwilling to switch to a non-big four auditor, even though some of the accounting firms at the intermediate level have become quite substantial and have already formed international networks.<sup>58</sup>

Nevertheless, in many cases each member firm of the big four practices in a single country and it is structured in a manner complying with the regulations of that country. This provides an opportunity for accountancy services providers in developing countries, including in Bangladesh, to network with the big four accountancy firms to build up expertise and eventually offer international accountancy services themselves.



According to IBISWorld estimates,<sup>59</sup> this is a labour-intensive sector and capital intensity is low. For every dollar spent on wages, around \$0.02 is spent on capital investment. Capital expenses are associated with computers, accountancy-specific software and other programmes, as well as other office equipment, including mobile communications.

Thanks to the Uruguay Round trade negotiations and accessions to the WTO since 1995, at present 68 WTO members (the European Union counting as one) have made commitments in accountancy services. It is one of the subsectors of professional services that have a high number of GATS commitments. As data show, this sector can be considered to be of immediate export interest for Bangladesh. The outsourcing trend in this sector also presents opportunities for services providers in Bangladesh – for example, in respect of transactional-intensive processes. Therefore, this sector could be included in Bangladesh's request to WTO members, particularly relating to modes 1 and 4, for preferential market access granted to its services and services providers under the WTO services waiver for the LDCs. The main barriers to trade in accountancy services relate to qualifications (for instance, regarding education and practice experience) and licensing requirements both in regard to individual practitioners and as conditions for the ownership and management of firms.<sup>60</sup> Therefore, in addition to acquiring market access for its accountants and accounting firms, Bangladesh needs to negotiate with its trading partners on the recognition of qualifications – for example, mutual recognition agreements or arrangements. In negotiating such agreements or arrangements, the WTO Guidelines for Mutual Recognition Agreements or Arrangements in the Accountancy Sector is a useful reference.<sup>61</sup> These guidelines, among other things, address various issues that include scope of agreement, mutual recognition provisions (that is, eligibility for recognition and additional requirements for recognition in the host country) and mechanism of implementation.

In its efforts to expand accountancy services, Bangladesh is facing the challenge of improving its quality of accountancy services. There is a concern regarding the tendency for the accounting and auditing practices in Bangladesh to suffer from institutional weaknesses in regulation and enforcement of standards and rules.<sup>62</sup> In the World Economic Forum's *The Global Competitiveness Report 2012–2013*, Bangladesh was placed 127th in the world (out of 144 countries) for the strength of its auditing and reporting standards, with a value of 3.7 out of 7 – below the world mean of 4.6. In the 2011 World Bank Ease of Doing Business Index, Bangladesh came 107th in the world (out of 183 countries) in relation to resolving insolvency. The time-consuming judicial process makes the disciplinary actions initiated by the ICAB largely inactive, thus impeding its self-regulation efforts.<sup>63</sup>

Hence, it is essential that appropriate domestic regulation is strengthened to ensure that education, qualification and standards are implemented in a manner that satisfies the needs of clients and importing country regulations.

It is encouraging that as part of ICAB attempts to comply with the IFAC quality control requirements, ICAB has set up a quality assurance department.<sup>64</sup> Regular visits are now being made by the quality assurance team to different audit firms across the country to ensure that their audits comply with the standards set by IFAC. The visits include comprehensive scrutiny of some sample audit working papers. This is important in the context of Bangladesh, as the poor quality of audit work performed, especially by small audit firms, has been a concern. An audit practice manual has also been produced and disseminated to all of its practicing members. In addition, ICAB arranges regular workshops concerning the implementation of this manual.

Improving compliance with international standards needs properly trained staff. Twinning programmes between institutes in charge of chartered accountants are helpful to improve human capacity in the accountancy sector of Bangladesh. In 2008, ICAB entered into a two-year twinning programme with the Institute of Chartered Accountants of England and Wales under a World Bank-funded project. The Institute helped ICAB improve the curriculum of audit education and training and monitored its reform in this area. When the project was completed, members of ICAB had the opportunity to secure, subject to certain conditions, membership of the Institute. Thus, auditing professionals in Bangladesh are able to acquire international recognition, which facilitates their access to international markets. Such programmes could be expanded in partnership with institutes in other countries.

In conclusion, the State has a role to play in expanding the productive and export capacity of the accountancy sector in Bangladesh. In addition to regulation exercised through the professional bodies, the Government should extend extensive support to the education and training activities

in this sector. Given the limited resources that Bangladesh has available, areas of export interest such as accountancy could be considered as an Aid for Trade target area.

## 5.2. Architectural and Engineering Services

### 5.2.1. Definition and Scope of Architectural and Engineering Services

In the WTO Services Sectoral Classification List<sup>65</sup> the following – (i) architectural services, (ii) engineering services, (iii) integrated engineering services, and (iv) urban planning and landscape architectural services – are all listed as subcategories of professional services along with seven other subcategories. The classification list provides references to the United Nations Provisional Central Product Classification<sup>66</sup> and lists these subsectors as being composed of the following services activities:

Architectural services:

- Advisory and pre-design architectural services;
- Architectural design services;
- Contract administration services;
- Combined architectural design and contract administration services;
- Other architectural services.

Engineering services:

- Advisory and consultative engineering services;
- Engineering design services for the construction of foundations and building structures;
- Engineering design services for mechanical and electrical installations for buildings;
- Engineering design services for the construction of civil engineering works;
- Engineering design services for industrial processes and production;
- Engineering design services not elsewhere covered;
- Other engineering services during the construction and installation phase;
- Other engineering services.

Integrated engineering services:

- Integrated engineering services for transportation infrastructure turnkey projects;
- Integrated engineering and project management services for water supply and sanitation works turnkey projects;
- Integrated engineering services for the construction of manufacturing turnkey projects;
- Integrated engineering services for other turnkey projects.

Urban planning and landscape architectural services:

- Urban planning services;
-

- Landscape architectural services.

Broadly speaking, architectural and engineering services are services provided by qualified architects and engineers. These services are therefore related to, but distinct from, physical construction and related engineering works. These services are generally provided by suppliers, whether juridical or natural persons, following accreditation by an official entity. Among the key objectives pursued through the regulation of these services are consumer protection, quality control, ensuring a good understanding of cultural and other factors peculiar to the domestic market, energy conservation, sustainability and promotion of green building technologies.<sup>67</sup>

A useful definition of the profession of architect is that developed by the International Union of Architects in its Accord on Recommended International Standards on Professionalism in Architectural Practice, which states that an architect is “A person who is professionally and academically qualified and generally registered/licensed/certified to practise architecture in the jurisdiction in which he or she practises and is responsible for advocating the fair and sustainable development, welfare, and the cultural expression of society’s habitat in terms of space, forms and historical context”.<sup>68</sup>

### 5.2.2. Trends in Architectural and Engineering Services in Bangladesh

Generally, the assessment of the economic importance of architectural and engineering services output is difficult to determine as in the official statistics of many countries the sector is recorded as part of the broader category of business services or as part of construction activity. Key trends relating to architectural and engineering services include the dominance of small businesses, the predominantly local or regional nature of services provision, and the cyclical nature of the business that is linked to the volatility of the construction industry.<sup>69</sup>

A study by Ibrahim et al. has sought to analyse some of the challenges associated with the provision of architecture education in Bangladesh.<sup>70</sup> In particular, this paper seeks to determine whether the architecture schools are equipped to maintain and improve the quality of the education provided, and whether the education is in line with regional and global standards. The paper describes the evolution in the provision of architecture education in Bangladesh from its first introduction in an engineering college in 1962, to the opening of a second school of architecture almost thirty years later in 1991, to the present situation with some seventeen architecture schools. The increase in the number of schools offering the bachelor of architecture degree can be related to the boom of the construction industry at the beginning of the new millennium. To monitor the quality of services domestically, the Institute of Architects Bangladesh has developed standards (Accreditation Standard of the Institute of Architects Bangladesh).

In addition to the availability of quality architecture education in the country, one indicator that can be used to assess the competitiveness of Bangladesh in supplying architectural services domestically and abroad is the number of architects per inhabitant. Japan has the lowest ratio while Bangladesh has the highest in the region (table 19).

**Table 19. Index of Architects per Inhabitant (Asia and Oceania)**

Country	Population	Architects	Index	Inhabitants/architects
Japan	127 914 000	307 558	2.404	416
Australia	20 092 000	11 605	0.578	1 731
New Zealand	3 932 000	1 650	0.42	2 383
Singapore	4 372 000	1 469	0.336	2 976
Hong Kong (China)	7 182 000	2 040	0.284	3 521
Republic of Korea	48 182 000	10 140	0.21	4 752
Malaysia	25 325 000	3 167	0.125	7 997
Iran	70 675 000	3 400	0.048	20 787
China	1 299 487 000	36 000	0.028	36 097
<b>Bangladesh</b>	152 593 000	1 181	0.008	129 207
<b>TOTAL</b>	<b>1 759 754 000</b>	<b>378 210</b>	<b>0.215</b>	<b>4 653</b>

Source: Col·legi d'Arquitectes de Catalunya, 2005, Architectural Practice Around the World.

### **5.2.3. Trade Liberalization in the Architectural and Engineering Services**

Architectural and engineering services can be traded through all four modes. While traditionally most trade in services between countries may occur through commercial presence or the presence of natural persons, developments in communications systems have boosted the number of services transmitted electronically (for example, blueprints and designs transmitted via email) or provided online.

The trend in outsourcing globally is also having a particular impact on the sector, as parts of a design process are increasingly entrusted to an outside supplier, whether in the same country or offshore.<sup>71</sup>

With respect to trade in architectural and engineering services, limitations typically include restriction pertaining to the form of commercial presence, requirement for a joint venture with local professionals, requirement to use local services, economic needs tests, or nationality/residency requirements. Also, in many countries supply by foreign service suppliers is limited to projects of above a certain amount. As is the case for other professional services, the issue of the recognition of education, qualification or accreditation of foreign suppliers (or non-recognition thereof) is a major hurdle to trade.<sup>72</sup> While the requirement for a foreign architect to partner with a local firm is put in place to ensure that a professional who is well versed in the requirements of the domestic market (including building codes, regulations, bidding practices and construction supervision) is associated with every project, the objectives pursued can be circumvented in cases where the local architect simply proceeds to sign the plans on behalf of the foreign architect to get the project accepted and approved by local governing authorities.<sup>73</sup>

Among the professional services, engineering and architectural services are respectively the first and third most committed sectors (the second being accountancy). In 2009, there were 78 WTO members with commitments in engineering services and 70 members with commitments in architectural services. In comparison to other professional services subsectors (for example, legal services or accountancy), WTO members opted to undertake relatively liberal commitments for architecture and engineering.<sup>74</sup>

During the Uruguay Round, Bangladesh opted not to take commitments for these sectors. The country therefore retains full policy space for implementing new policy measures for the sector as long as these are not contrary to the most-favoured nation principle. It has been reported that some countries (including Malaysia and the Republic of Korea) have requested Bangladesh, through the request-offer process, to open up its architectural and engineering services sectors for international competition.<sup>75</sup>

### **5.2.4. Expanding the Exports of Architectural and Engineering Services**

As is the case with other professional services, the simple negotiating of market access commitments by countries at regional or multilateral levels is not sufficient to promote increased trade. Such enhanced market access needs to be accompanied by reductions in related regulatory barriers that are found “behind the borders”. One particularly crucial element for increased trade in professional services through the temporary movement of natural persons is the recognition of qualifications. This can be achieved by the negotiations of MRAs, the unilateral recognition of foreign qualifications or the adoption of common standards. In this context, it is noteworthy that the International Union of Architects has ratified an Accord on Recommended International Standards on Professionalism in Architectural Practice, which is to serve as a basis for mutual recognition of competences and as a means to facilitate freedom of international movement.

### **5.2.5. Conclusions**

In the area of architectural and engineering services, the research by the team of national consultants and the consultation process in the context of the SPR Bangladesh should seek to reply to the following questions:

- Are the data with respect to imports and exports of architectural and engineering services being collected at national level sufficient to support evidence-based

policymaking? How could gaps in data collection be addressed? Are there regional data collection efforts that Bangladesh could participate in?

- How are the qualifications of Bangladeshi architects and engineers perceived in foreign markets? What efforts have been devoted to promoting the recognition of their qualifications by trading partners? What role should be played by regulators, by academics or by international standards?
- Can Bangladesh consider taking liberalization commitments in regional agreements or under GATS?

### 5.3. Health-Professional Services (Services Provided by Doctors, Nurses and Midwives)

#### 5.3.1. Definition and Scope of Health-Professional Services

In the WTO Services Sectoral Classification List,<sup>76</sup> health-related services consist of the following main activities: (a) hospital services; (b) other health services, including ambulance services or residential health facilities services; (c) medical and dental services; (d) services provided by nurses, midwives, physiotherapists and paramedical personnel under the category of professional services. The list classifies activities (c) and (d) as professional services along with legal, accounting and other services. These are the health-professional services covered by the present SPR.

According to the United Nations Provisional Central Product Classification, medical and dental services are “services chiefly aimed at preventing, diagnosing and treating illness through consultation by individual patients without institutional nursing”. Together with services provided by physiotherapists and paramedical personnel (which are services in the field of physiotherapy, occupational therapy, speech therapy, homeopathy, acupuncture, nutrition, and the like) health-professional services aim at maintaining the health of human beings, including that of the workforce. By helping to ensure a healthy workforce, these services make a significant contribution to a country’s economic growth and social development.

#### 5.3.2. The importance of Health Professionals in the Health Sector

Health is universally recognized as an important index of human development. In Bangladesh, public health has been given top priority, reflected in article 15(a) of the Constitution of Bangladesh, which provides for universal access to basic health services and article 18(1), which specifies that the improvement of public health, along with the raising of the level of nutrition, is a policy of governance of the State. To implement this constitutional obligation, as well as to meet the Millennium Development Goals, the Government of Bangladesh has incorporated the health sector into the country’s overall development policy framework. The country’s Vision 2021 set the goal of having a nation of healthy citizens by eliminating all contagious diseases, increasing life expectancy to 70, reducing maternal mortality to 1.5 per cent, raising the use of birth control methods to 80 per cent and bringing down infant mortality to 15 per thousand live births by 2021.<sup>77</sup>

Moreover, Bangladesh adopted a national health-specific policy in 2000, which was replaced by a new policy in 2011, to ensure quality medical care and services to citizens. The health policy objectives are to achieve sustainable improvement in health, particularly of vulnerable groups including women, children, the elderly and the poor, with the ultimate aim of their economic emancipation and physical, social, mental and spiritual well-being. Since the national health policy provides broad directions for action, various specific health programmes operated in the past years have been guided by strategic plans relating to development in the areas of health, population and nutrition, the most recent one of which is the Health, Population and Nutrition Sector Development Programme (HPNSDP) Strategic Plan (2011–2016).

Bangladesh is one of the most populous countries in the world. Health care delivery is a big challenge for the country’s health care system. Due to poverty, it has a much lower spending on health than the average in the South-East Asia region, despite big increases from 2005 onwards.

In 2010, the per capita total expenditure on health in Bangladesh was less than \$30, compared to nearly \$70 on average in the South-East Asia region.<sup>78</sup> This amount was decreased to \$27 per capita in 2011, which is lower than the minimum amount of \$44 per capita recommended by the World Health Organization (WHO) and significantly lower than the world average of \$950 in the same year.<sup>79</sup> Moreover, in 2011 public health expenditure barely reached 1.4 per cent of GDP in Bangladesh, while this figure was around 6 per cent as a world average and more than 2 per cent in LDCs.<sup>80</sup>

Despite low spending on health, Bangladesh has made great progress over the past decades in key health indicators such as life expectancy, vaccination rates, tuberculosis control and survival rates of children over five years old.<sup>81</sup> The country was recognized by the United Nations in 2010 for making notable progress towards the Millennium Development Goals concerning child mortality, and for being on track to achieve the maternal mortality reduction goal.<sup>82</sup>

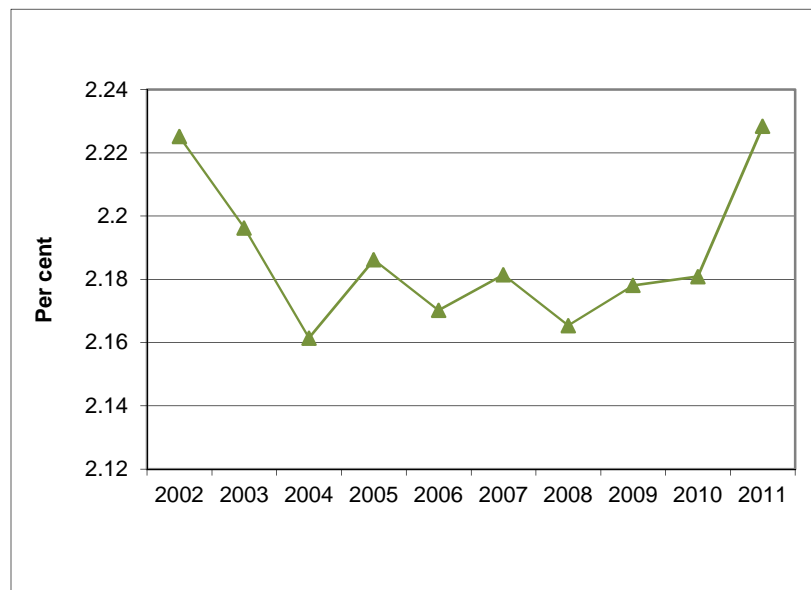
This achievement is mostly attributed to the health programmes that have focused on specific issues, including access to medicines, gender equality and immunization. Medical professionals are indispensable actors for implementing these programmes and for the achievement of national health goals. In addition, health workers who were sent to work in communities are also important and positive contributors. For example,<sup>83</sup> these community health workers helped the tuberculosis treatment completion rates rise from less than 50 per cent in the 1990s to more than 90 per cent in 2013. Women have played a key role in this achievement, notably because most of the health workers serving households are female.

### 5.3.3. The Economic and Trade Trends of Health-Professional Services

In Bangladesh, specific economic data on health-professional services are not available. Thus, the economic statistics of health and social work activities are used as a proxy, with the caution that such statistics include data on a wide range of activities, including health care provided by trained medical professionals in hospitals and other facilities, residential care activities that still involve a degree of health care activities, to social work activities without any involvement of health care personnel.

At present, the health and social work activities account for a small proportion of Bangladesh's economic output and employment. In terms of the share of this sector in GDP, it remained a little over 2 per cent on average between 2002 and 2011 (figure 12).

Figure 12. Share of Health and Social Work Activities in GDP

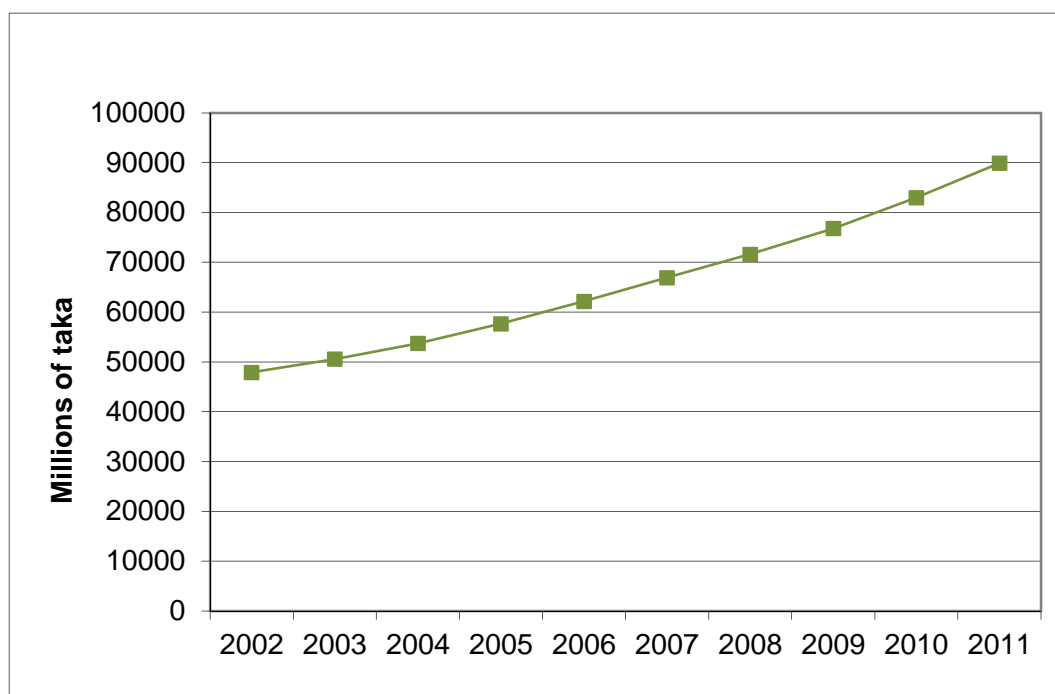


Source: UNStat database.

As shown in figure 12, there was a decline in the share between 2002 and 2003, which was followed by a stabilization between 2004 and 2010 and an increase to reach 2.23 per cent in 2011,

which was almost the same as in 2002. However, the health and social work activities have been growing slowly but steadily during the period 2002–2011 (figure 13). The growth rate between 2010 and 2011 was 8.3 per cent, compared with 5.6 per cent between 2002 and 2003.

**Figure 13. Growth of Health and Social Work Activities at Constant Prices (Base Year = 1996), 2002–2011**



Source: UNStat database.

In terms of employment, this sector accounts for a very small proportion of the labour force. Data indicated that it was 0.8 per cent of the total employment in 2005.<sup>84</sup>

As noted above, statistics for health and social work activities include non-professional health services. Therefore the professional health services sector, as just a part of the figures mentioned above, currently has an even smaller role in Bangladesh's economy. Given the importance of this sector in providing healthy labour force to a country's economy, it has a great potential to develop in Bangladesh.

Specific trade data for professional services are not available, not to mention disaggregated trade data for health-professional services. On the export side, the gap between registered doctors/nurses and those available in the country indicates that a large number of Bangladeshi doctors and nurses are working abroad (see table 21, section 5.3.6), mostly in the Middle East. On the import side, a large number of Bangladeshi patients are receiving medical treatment at foreign hospitals, notably in neighbouring countries such as India, Singapore and Thailand. In the absence of disaggregated data for health-professional services, trade data for health services could be used as a proxy indicator. The following section on health services trade between Bangladesh and its neighbouring countries is based on the report issued by the South Asia Network of Economic Research Institutes.<sup>85</sup>

#### **5.3.4. Health Services Trade Between Bangladesh and its Neighbouring Countries**

The available health services data on payments and receipts collected by the Bangladesh Bank in different years show that Bangladesh net medical services exports had deficits for fiscal years 2003–2007, while fiscal year 2008 was positive (table 20). Such data show that Bangladesh mainly imports health services from foreign countries.

**Table 20. Medical Services Trade in Bangladesh, Fiscal Years 2003–2008 (\$)**

	2003	2004	2005	2006	2007	2008
<b>Invisible receipts</b>	0	9 823	39 924	10 309	11 219	1 734 875
<b>Invisible payments</b>	522 745	588 712	603 834	429 881	251 044	480 859
<b>Net medical services</b>	-522 745	-578 889	-563 910	-419 572	-239 825	1 254 016

Source: A Banik, P De, PK Bhaumik, SMM Huq and BB Bajracharya, 2010, Trade in health services in South Asia: An examination of the need for regional cooperation, Final report No. 10 – 10, South Asia Network of Economic Research Institutes, 10 June 10.

Import of cross-border medical services is increasing with the help of telemedicine. There are several telemedicine service providers in Bangladesh importing medical services from foreign countries, most of which are private. One of the largest telemedicine service providers in the country is Medinova Telemedicine of Medinova Health Care, a private hospital based in Dhaka. Thanks to telemedicine, Medinova is connected with speciality hospitals in India such as AIIMS in New Delhi, Apollo Hospital in Madras, Shankar Netralaya, Max cardiac hospital, Kranti kidney hospital in Kerala and CARE in Hyderabad. Such connections allow teleconsultation and video conferencing between Bangladeshi doctors with specialists in India. Other telemedicine service providers import most of their services from India, East Asia and North America. In the private sector, telemedicine is expected to make up for the shortfall in specialized human resources in certain hospitals.

In spite of the low cost of medical treatment in Bangladesh in both public and private hospitals, Bangladeshi patients go abroad, to India and other countries, to pay higher prices for treatment at foreign hospitals. For example, 150,000 foreigners were reported to have visited India for treatment in 2004 and a large number of them were from Bangladesh. The relatively better treatment in India, proximity and lower price than in other countries that are more advanced than Bangladesh are the principal reasons for patients making this choice. A large part of trade in health services via mode 2 was unreported and therefore not reflected in the country's balance of payments accounts. Such trade helps Bangladesh to overcome the shortages in physical and human resources in the specialty areas.

The above-mentioned trade also provides incentives to the local entrepreneurs to establish joint venture hospitals in Bangladesh in the specialty areas, with modern and world-class equipment and facilities. A tendency of establishing modern hospitals in the country can already be witnessed, with examples including Apollo Hospitals, United Hospitals, Square Hospitals and Z H Sikdar Cardiac Care Research Centre. These cited large private hospitals in Dhaka employ 65 foreign doctors (mostly from India) and 105 foreign nurses. A survey conducted on these hospitals observed that professionalism, competency and a good caring attitude towards patients were major reasons for employing foreign doctors.

### **5.3.5. Trade Liberalization and Regulation of Health-Professional Services**

Health-professional services have not attracted as many WTO members to undertake liberalization commitments as some other professional services sectors such as legal, accounting and auditing. Compared with services provided by nurses, midwives, and the like, medical and dental services have attracted commitments from more WTO members.

Bangladesh has not undertaken any liberalization commitments in the WTO or in regional trade agreements on health-professional services covered in this review. In the Doha Round, according to the Hong Kong (China) Ministerial Declaration, Bangladesh is not expected, as an LDC, to undertake new commitments in the services sector. However, Bangladesh has undertaken autonomous liberalization of this sector and regulation has been focused on modes 3 and 4.<sup>86</sup> The institutions responsible for the regulation of these services are the Ministry of Health and Family Welfare and the Bangladesh Medical and Dental Council.

Under mode 1, no restrictions apply to medical services supplied and no government policy exists on telemedicine services.



Under mode 2, a valid visa holder from a foreign country can obtain services at any clinics in Bangladesh by paying for the specific services granted. Bangladesh citizens are free to receive medical services in foreign countries.

Under mode 3, to provide health services in Bangladesh a company that is incorporated in a foreign country should obtain a valid licence from the Ministry of Health and Family Welfare by fulfilling certain terms and conditions under the Medical Practice and Private Clinics and Laboratories (Regulation) Ordinance, 1982. Foreign service providers incorporate or establish the business locally in accordance with the relevant provisions of Bangladesh laws, rules and regulations. The Ministry of Commerce and Industry is responsible for regulating FDI in health. There is no fixed ratio of equity between local and foreign investors. Foreign equity to the extent of 100 per cent is allowed.

Under mode 4, the entry and residence of foreign health professionals are subject to Bangladesh's immigration and labour laws, regulations, guidelines and procedures. A foreign health professional needs to get permission from the Ministry of Health and Family Welfare through the Bangladesh Medical and Dental Council. The procedure for working in Bangladesh is complex. As per the Medical and Dental Council rules, a foreign practitioner is given temporary permission to practice in Bangladesh for up to six months. Moreover, the foreign practitioner has to obtain the work permit from the Board of Investment. There is no restriction in issuing work permits to foreign nationals in Bangladesh. The employment of foreign natural persons for the implementation of the foreign investment shall be agreed upon by the contracting parties and approved by the Government. Such personnel shall be employed in higher management and specialized jobs only. In 2009, the Government of Bangladesh adopted a new policy concerning the employment of foreign doctors and nurses in the country. In accordance with this policy, a hospital can take initiatives to employ foreign specialist doctors only when it cannot find a Bangladeshi specialist doctor within the country. In addition, a hospital must employ at least two Bangladeshi doctors against the employment of one foreign specialist doctor and the number of foreign doctors should not exceed more than one fifth of the total number of recommended doctors working in a hospital. There is also a limit on visas for foreign doctors and nurses. There is no restriction on Bangladesh health professionals to move abroad to fulfil temporary jobs.

### ***5.3.6. The Challenges Facing the Health Sector and in Particular the Health-Professional Services Sector***

Despite the country's achievements in the context of the Millennium Development Goals, the current health care services offered in Bangladesh appear to be underdeveloped in meeting the needs of the poor as well as the affluent in the country. There are many challenges to overcome.

As mentioned in the current National Health Policy, in addition to reducing the still high maternal and infant mortality, Bangladesh needs to make more efforts to control communicable and non-communicable disease, environmental health risks and health issues arising as a consequence of natural disasters and changes in climate, populations and lifestyles. The country should also step up its efforts to address access to primary care for the poor and the inadequate status of child health, including health problems arising from malnutrition.<sup>87</sup> Furthermore, Bangladesh seems to be lagging in respect of expertise and experience of doctors, advancement of health care technologies and high-quality hospitals and health management organizations, all leading to low quality of health-related services.<sup>88</sup> This will impact more on the poor than on the affluent, since the latter often seek higher quality health services abroad or in the modern private facilities being set up in the country. The inadequacy of health care delivery in Bangladesh is exacerbated by increasing urbanization. It is projected that by 2030 the country's urban population will reach 89.5 million, from 39.5 million in 2005, and by 2020 the urban poor could be as high as 40–60 per cent of the urban population.<sup>89</sup> This will put tremendous pressure on health-care services that are already considered to be inadequate. Therefore, the key challenge for the Government is to find ways to provide enhanced quality health care services for the poor and underprivileged. There is also the challenge of urban concentration. The majority of Bangladeshis (landless and/or subsistence farmers) only have access to village doctors with little or no formal training, or to traditional or faith healers.

Bangladesh has a health system dominated by the public sector, as health services infrastructure mainly consists of government-run hospitals. In 2011 there were 35 national hospitals, 56

divisional hospitals and clinics and 221 district-level hospitals and clinics.<sup>90</sup> In addition, there were 421 health complexes at subdistrict level, 5,168 health and family welfare centres at union level and 80,789 community clinics, satellite clinics and community nutrition centres at ward/village level. Privately run clinics, along with various NGOs and international organizations, are also allowed to offer health services. The organized and modern facilities, as well as qualified practitioners of different systems of medicine in these clinics, have attracted affluent Bangladeshis. They have also attracted doctors away from publicly run hospitals. Fifty-eight per cent of Bangladeshi doctors work in the private sector.<sup>91</sup> The private sector is already outpacing the government in the provision of sophisticated modalities of diagnosis and therapy, such as CT and MRI scans and endoscopy units. This trend is likely to continue in the future and is expected to lead to the emergence of major inequities, not just in health care but in the life chances available to the rich and the less fortunate, particularly those living in rural areas.<sup>92</sup> Regulation of the private sector is another challenging but urgent task. So far, the sector functions with minimal oversight and regulation and charges high fees. In particular, there exists the private informal sector, which consists of providers without any formal qualifications.

Non-governmental organizations are significant and growing sources of health services in both rural and urban Bangladesh. Their services have mainly been in the areas of family planning and maternal, neonatal and child health. More recently, NGOs have extended their range of services and are now major providers of urban primary care.<sup>93</sup> They have done so through donor projects and, as in many countries, the contracting out by the Government of basic health services. Evidence shows that a Government that contracts out with an NGO improves the coverage, equity, quality and efficiency of basic health services delivered in urban areas.<sup>94</sup> In either case, Government or NGO, sustainability is an issue, particularly in terms of availability of funds.

As the health system cannot function without health personnel, the lack of human resources, inadequate skill mix and uneven geographical distribution of the health workforce is the most critical challenge for the health sector in Bangladesh. Table 21 shows data on human resources in the health sector.

**Table 21. Total Number of Doctors, Dentists, Nurses, Midwives and Other Health Professionals**

<b>Total registered graduate doctors in 2011</b>	53 063
<b>Estimated total doctors available in the country in 2011</b>	43 537
<b>Registered diploma nurses/midwives in 2011</b>	26 899
<b>Estimated nurses/midwives currently available in 2011</b>	15 023
<b>Dental surgeons in 2011</b>	4 165
<b>Registered medical technologists (2002)</b>	
<b>Dentists</b>	1 886
<b>Laboratories technicians</b>	2 220
<b>Pharmacists*</b>	9 411
<b>Physical therapists</b>	581
<b>Radiographers</b>	1 456

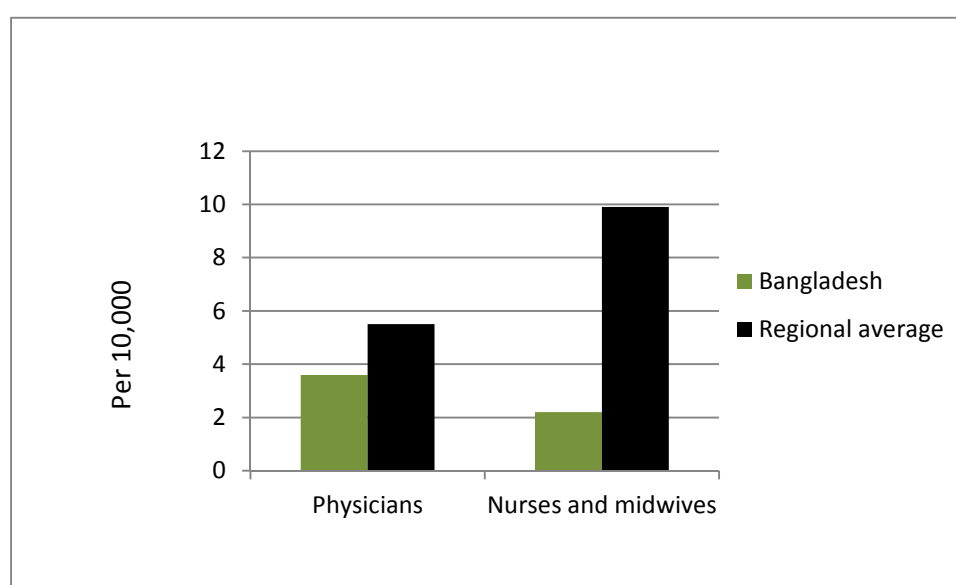
Source: Ministry of Health and Family Welfare, Government of Bangladesh, 2011, Human resource development data sheet 2011.

\* 2005 figures, WHO database.

In Bangladesh, formally trained professionals and skilled personnel constitute only 4 per cent of the total health workforce.<sup>95</sup> Thus, a large number of unqualified and formally unrecognized providers supply services to their patients. For example, less than one third of births are attended by skilled personnel, resulting in a continuing high rate of maternal mortality in the country.<sup>96</sup> A report produced by an NGO called Bangladesh Health Watch in 2007 based on a nationwide survey covering all types of health care providers in the formal and informal sectors estimated that there was a shortage of 140,000 nurses and 60,000 doctors.<sup>97</sup> An estimated 21,154 midwives will be needed to meet the needs in the country.<sup>98</sup>

The densities of physicians, nurses and midwives are equally important indicators to measure the adequacy of health personnel in a country. During the 2005–2012 period, the number of physicians per 1,000 people was 0.36. The ratio for nurses and midwives was even lower (0.22). These ratios are far less than the threshold of 2.3 doctors, nurses and midwives per 1,000 population that was established by WHO as necessary to deliver essential maternal and child health services. These ratios in Bangladesh were also lower than the average ratios in the South-East Asia region (figure 14). Even to reach Sri Lanka's present health standards, Bangladesh will need to double the number of physicians and quadruple the number of nurses. In addition, 28 per cent of treatment provided in government health facilities is through alternative medicine (ayurveda, unani and homeopathy), yet as of June 2011 there was a 50 per cent vacancy rate for alternative medicine providers.<sup>99</sup> Bangladesh is considered to be one of the 57 WHO members that are facing critical shortages of doctors, nurses and midwives. Such shortages lead patients in Bangladesh, mostly the poor and the disadvantaged, to seek health care from the non-qualified providers in the informal sector.

**Figure 14. Densities of Physicians, and Nurses and Midwives**



Source: WHO, 2013, Global Health Observatory: Bangladesh, available at <http://www.who.int/gho/countries/> (accessed 29 October 2015).

Furthermore, the country is facing an acute shortage of health professionals other than physicians, nurses and midwives, such as physiotherapists, and laboratory and x-ray technicians, amongst others.<sup>100</sup>

The scarcity of skilled nurses is due to both an absolute lack of human capital capabilities in Bangladesh itself and to the high demand for doctors and nurses abroad. While the share of professionals among all Bangladeshi migrants is negligible, making up only 0.21 per cent of the migrants in 2011 and 0.13 per cent in 2012, traditionally many of them are nurses.<sup>101</sup> Such migration of qualified personnel has worsened the nurses/doctors imbalances in Bangladesh. A trade-off needs to be sought between the population's direct needs for health services and the country's economic and financial dependency on remittances.

To address this problem the Government of Bangladesh has included the human resources component in its various health sector plans, including the HPNSDP Strategic Plan (2011–2016), the HPNSDP Programme Implementation Plan (2011–2016) and the latest Health Policy adopted in 2011. The HPNSDP Programme Implementation Plan outlines the following objectives:

- Accelerating the production and recruitment of the health workforce;

- Improving management of the existing workforce; improving the quality of education and training;
- Providing accurate and up-to-date human resources for health information to policymakers, health managers and other stakeholders.

Both the Annual Programme Implementation Report and the Annual Programme Review have identified the ongoing critical shortage in human resources as a principal issue that will have an impact on the success of the HPNSDP Strategic Plan. Consequently, the Government is preparing an action-oriented 10-year workforce strategy (2013–2023) accompanied by an action plan in accordance with the objectives mentioned above.<sup>102</sup> Particular attention will be given to nurses, midwives and birth attendants. Specific actions are aimed at addressing the existing issues that affect the development of human resources, including:

- Inadequate understanding of current human resources information, one of the reasons being that the responsible government authority (the Ministry of Health and Family Welfare) is largely uninformed of private sector health worker formation and employment data;
- The lack of a workforce forecasting mechanism;
- The lack of ability to evaluate the gap in needs that makes it difficult to formulate a health workforce plan;
- Existing systems for motivation and reward do not encourage achievement of higher levels of performance;
- The lack of health personnel development and management plans to deal with employment, rational deployment, retention and incentives to personnel posted to rural and less attractive duty stations.

### **5.3.7. Building Trade Capacity in the Health-Professional Services Sector**

The world is experiencing a serious human resource shortage in the health sector, which creates opportunities for increasing trade in professionals in the sector. WHO estimates that 4.3 million more doctors, nurses and midwives are required to meet the health Millennium Development Goals to reduce child mortality, improve maternal health and combat AIDS, malaria, and other diseases. Since WHO only accounts for critical shortages found in 57 countries that miss the minimalist target of 2.28 doctors, nurses and midwives per 1,000 in the population, the above figure must have underestimated the true global need for health professionals, including doctors, nurses, midwives, pharmacists, dentists and laboratory technicians.<sup>103</sup>

Health-professional services are mainly imported or exported via mode 3 (commercial presence in the form of medical clinics established in a foreign country) and mode 4 (the movement of professionals to deliver medical services to foreign patients). Some services can also be provided via mode 1 (for example, remote diagnostic services crossing the border) and mode 2 (consumption abroad, for example, when patients seek treatment abroad or are abroad when they need treatment). While exporting health-professional services through mode 3 involves huge start-up and operation maintenance costs, health services can be exported through mode 4 as well as cross-border modes, particularly mode 2, as evidenced by the rise in health tourism.

Bangladesh's demographic trend in the coming years promises to be increasingly advantageous relative to developed nations with ageing populations. In Bangladesh, some 34 per cent of the population, or over 53 million people, are aged 15–34. This pool will reach 63 million by 2020, with a projected population growth rate of 1.7 per cent for 2008–2020. The ageing societies will increasingly require nursing care services that cannot be replaced by technology. Such trends provides an opportunity for Bangladesh to export nursing care services. One study observed that Bangladesh would benefit substantially through increased export of service providers through temporary movement of natural persons (that is, mode 4).<sup>104</sup> This study designed three scenarios and observed that an increase in export of professionals involved in services (for example, doctors) would bring more benefit, and the potential benefit from exporting about 0.2 million

professionals would be around \$11.57 billion. On the other hand, exporting unskilled and semi-skilled workers, the study observed, had lower levels of return.

To sustain such a supply will require massive and market-sensitive investments to build up a service export base of health professionals and modern hospitals and clinics without starving the growing need for skilled services in the domestic market.

It is clear from the above analysis that the health-professional services sector in Bangladesh needs to be strengthened, notably in respect of enlarging the pool of health professionals. This is critical for Bangladesh to benefit from the globally increasing trade opportunities in health-professional services. However, such professionals cannot be produced quickly because of the special training, knowledge and expertise required to deliver medical services.

To ensure that skilled and motivated health professionals are present in the right place at the right time, there is an urgent need to develop a comprehensive approach integrating human resources planning and management, education, training and professional regulation, together with strong support from national leadership, good governance and efficient information systems. The first and foremost task is to define the human resources gap, followed by increasing admission to education and training institutes.

In 2011, there was one public medical university, 63 medical colleges, 15 dental colleges, 84 nursing colleges and 73 institutes of health technology. It appears that the private sector is playing a big role in medical education in Bangladesh. In education specific to the medical domain, there were 157 privately run colleges but only 79 public universities/colleges (table 22). To increase the pool of doctors, nurses and midwives, there is a need to expand the capacity of existing training institutes in terms of space and number of qualified trainers, and new training institutes need to be established, especially for nurses and medical technologists.

**Table 22. Institutions Engaging in Medical Education and Research under the Supervision of the Ministry of Health and Family Welfare in 2011**

<b>Medical university</b>	1
<b>Medical colleges</b>	Public: 18 Private: 45
<b>Dental colleges/units</b>	Public: 3 Private: 12
<b>Nursing institutions/colleges</b>	Public: 51 Private: 33
<b>Institutes of health technology</b>	Public: 6 Private: 67
<b>National Institute of Population Research and Training</b>	1
<b>Medical assistant training school</b>	Public: 7 Private: 25
<b>National Institute Preventive Health and Social Medicine</b>	1
<b>Institute of Cardiovascular Diseases</b>	1
<b>Institute of Chest Disease Control</b>	1
<b>Institute of Public Health</b>	1
<b>Institute of Health Economics, Dhaka University</b>	1
<b>Department of Population Sciences, Dhaka University</b>	1
<b>Institute of Nutrition and Food Science, Dhaka University</b>	1
<b>National Institute of Ophthalmology</b>	1
<b>Postgraduate institutes</b>	33
<b>Institute of Public Health Nutrition</b>	1

Source: Ministry of Health and Family Welfare, Government of Bangladesh, 2011, Human resource development data sheet 2011.

A medical education strategy is necessary to match the skill mixture of the workforce with the sector's demands. Public-private partnership could be strengthened in expanding the medical professional pool. The performance of the private sector over the past few years has demonstrated that it can play an important role in matching demand with supply in medical professionals. Furthermore, the informal health care providers mostly located in the private sector should be trained.

Increasing the health care coverage of the population will not only help Bangladesh to achieve its Millennium Development Goals but also provide necessary demand for health care services provided by health professionals. At the same time, expanding the definition and scope of the professional workforce and paramedical support staff will be conducive to the specialization of the services and hence will improve the quality of health care. It will also create job opportunities. In this regard, classifications defined by WHO could be referred to as useful international standards. Examples include pharmacists, opticians, biomedical engineers, technicians in pharmacy, pathology, EEC/ECG and dialysis, speech and physical therapists, and dieticians/nutritionists, among others.

Qualifications are essential requirements for providing health-professional services. The quality of medical education in Bangladesh should be improved, which can be achieved by introducing foreign teachers and enhancing exchange programmes with medical education institutes in other countries. Proper regulation and monitoring of the quality of health-professional services in light of pre-established qualifications and standards can ensure professionals build expertise. Professional organizations such as the Medical and Dental Council and the Nursing Council should be involved in implementing such regulation and monitoring. Moreover, international standards should be used as a reference basis to the extent possible, even though the sector may not be in a position to fully comply with those standards. For example, nurses and midwives could be brought up to the global standards developed by the International Council of Nurses and the International Confederation of Midwives. Recognition of qualifications has been seen as a major barrier to trade in professional services. Implementing domestic qualification requirements based on international standards to the extent possible may lay down a good foundation for negotiating mutual recognition agreements with Bangladesh's trading partners.

In poor countries, investment in the formation of health professionals and semi-skilled health workers is undertaken essentially to meet the enormous and essential needs of the majority of the population. It is thus primarily a social and ethical endeavour. However, it also leads to important economic gains, not only in terms of the physical and mental health of the existing and potential labour force (which immediately or eventually affects its productivity), but also in terms of import substitution. Eventually, heavy and prolonged investment in human capital formation in the health sector can create the basis for a higher level of international competitiveness and hence a true export potential.<sup>105</sup>

When considering how to improve the sector's performance, its development and poverty reduction impacts and its trade potential, a useful framework is an analysis by which strengths, weaknesses, opportunities and threats (SWOT) are identified. Stakeholders – who have first-hand knowledge in various segments and focus areas (regulation, production, trade, and the like) – are encouraged to contribute their inputs to the SWOT analysis, which will provide the basis for a thorough review of the sector upon which recommendations can be developed.

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## CHAPTER 6: CONSTRUCTION

### 6.1. Trends in the Construction Sector in Bangladesh

Construction and related engineering services include construction work for buildings and civil engineering, installation and assembly work, and building completion and finishing work. Architectural and engineering services are classified as part of “professional services”. The GATS service classification defines construction and related engineering services as in the following:

**General construction work for buildings:** This item includes new work, additions, alterations and renovation work for all types of buildings, residential or non-residential, whether privately or publicly owned:

- **General construction work for civil engineering:** This item covers structures other than buildings, such as highways and streets, railways and airfield runways, bridges and tunnels, waterways and harbours, dams, pipelines, communication and power lines, mining and manufacturing plants, and stadia and sports grounds;
- **Installation and assembly work:** This item includes such activities as the assembly and erection of prefabricated constructions, installation work for heating and air conditioning, water plumbing, gas fitting, electrical wiring, fire alarm construction, insulation, fencing and lift construction;
- **Building completion and finishing work:** This item covers special trade construction work for the completion and finishing of buildings such as glazing, plastering, painting, floor and wall tiling, carpeting, carpentry, interior fitting and decoration, and ornamentation fitting;
- **Other:** This item includes pre-erection work at construction sites, as well as special trade construction work such as foundation work, water well drilling, roofing, concrete work, steel bending and erection, and masonry work. It also covers renting services related to equipment for construction or demolition of buildings or civil engineering works.

The construction industry accounts for around 10 per cent of the world’s GDP and 7 per cent of employment. The precise size of the international construction market is difficult to estimate given data shortage and conceptual difficulties. For instance, there are hardly any reliable statistics on government purchases of construction services, even though these constitute an important part of the international construction market. The United States market is the largest national construction market, representing 25 per cent of the world total. Japan comes second, followed by China. Developing country markets, however, have been the most dynamic ones in recent years. The markets in China and India have shown the fastest growth, and their spending on construction has been growing by more than 8 per cent annually. Furthermore, the markets in countries such as Brazil, Mexico, the Republic of Korea, the Russian Federation and the United Arab Emirates are notable.<sup>106</sup> Construction is a relatively local/national industry around the world, and it is characterized by a large number of small firms generally specializing in certain fields or operating in small geographic areas.<sup>107</sup> Subcontracting is the most common way to enter into the international market for construction firms. They have also increasingly joined forces under ad hoc cooperation agreements with companies of developed countries, built around specific projects. Equally important are South–South and regional trade, which tend to offer great potential for specialization and efficiency gains. South–South inter-firm cooperation/consortia – where both the host country firm and the exporting firm are from developing countries – have multiplied to jointly tap international project financing and implement a given project.<sup>108</sup>

Reviews of the developments in the construction industry in several Asian countries in the 1990s identified some trends such as (a) a greater extent of private sector participation in major infrastructure projects; (b) increasing vertical integration in the packaging of construction projects, which are growing larger; (c) increased foreign participation in the construction industries of most of the countries, almost all of which are developing. One review attributed these trends to “the globalization and deregulation of markets necessitated by fiscal technological and managerial constraints”.<sup>109</sup>

Governments have a significant role in regulating the industry, including overseeing the quality and safety of structures and civil engineering works. Domestic regulations concern controls on land use and urban planning; building regulations and technical requirements; building permits and inspections; registration of proprietors, contractors and professionals; regulation of fees and remunerations; and health and safety regulations.<sup>110</sup>

Government procurement for construction services is an important aspect that could have a strong impact on the development of the sector. GATS explicitly exempts laws, regulations or requirements governing government procurement from the application of articles II, XVI and XVII. The government procurement of services is currently being negotiated subject to the mandate in article XIII.

In Bangladesh, the construction sector has also been growing significantly since the early 1990s, fuelled by growing income, remittances, private investment and urbanization.<sup>111</sup> Construction accounted for 8.2 per cent of Bangladesh's GDP in 2008, and the sector employed 2 million people with a wide range of backgrounds and skill sets.<sup>112</sup> The Bangladesh Association of the Construction Industry is the major industry association in the country.

## 6.2. The Construction Sector in Global and Regional Trade Negotiations

As of August 2009, as a result of the Uruguay Round and subsequent accessions, a total of 90 Governments, counting European Commission member States individually, have made commitments in at least one of the five subsectors of construction and related engineering services.<sup>113</sup> This represents roughly 60 per cent of all WTO member States and includes LDCs such as Burundi, Cambodia, the Democratic Republic of the Congo, the Gambia, Haiti, Lesotho, Malawi, Sierra Leone, Solomon Islands, Togo and Zambia. Bangladesh did not make any commitments in the sector. Moreover, 21 recently acceded members have contributed commitments in this sector, covering in several cases all five subsectors.<sup>114</sup> Most of the commitments focus on mode 3 (commercial presence), often with the regulatory requirement for the supplier to establish a site to supply the service, while commitments in mode 4 (presence of natural persons) are extremely limited.<sup>115</sup> Movement of natural persons is highly restricted through labour market tests, as well as nationality and residency requirements. Some countries also impose licensing, accreditation or prior permit requirements.

Construction and related engineering services are included in the new services negotiations, which began in January 2000 and are now being negotiated under the Doha Multilateral Trade Negotiations. In the first years of the services negotiations, various negotiating proposals on construction services were submitted by both developed and developing members (that is, the European Communities, Australia, Brazil, Cuba, New Zealand and the Republic of Korea). The most important negotiating objectives for construction services, as identified by members in the sixth WTO Ministerial Conference (Hong Kong, China, 2005) included the elimination of the following barriers:<sup>116</sup>

- Foreign equity limitations;
- Joint venture and joint operation requirements;
- Discriminatory licensing or registration procedures;
- Restrictions on the types of projects that can be undertaken by foreign service suppliers;
- Restrictions on the movement of natural persons.

An inventory of restrictions on trade in construction and related services indicates the existence of a high degree of protective measures in the form of laws, regulations, decisions, administrative actions and any other forms that may exist.<sup>117</sup> Barriers to the movement of equipment, materials, capital and labour can significantly affect trade in construction services. Construction equipment and materials, including raw material, and finished and semi-finished products often have to comply with a variety of national technical specifications and standards that are not always internationally harmonized. Also, capital may be subject to manifold restrictive measures that may include exclusive rights, limitations on the type of commercial presence, foreign equity restrictions, and restrictions on currency exchange, transfer of funds between projects or repatriation of profits. Difficulties for foreign service suppliers may be created not only by the nature of the restriction, but also by the fact that the required permits and licences are granted by



many different government authorities at a variety of levels, or even by industry associations. These may not always welcome foreign competition in the market, or may not be sensitive to the trade effects of regulation. The lack of transparency concerning the rules that apply, as well as certain informal business practices and, possibly, collusion of established suppliers with local authorities could hamper market access. Competition policy is relevant, as the sector has often given rise to anticompetitive behaviour and practices in the past. Other impediments identified are economic needs tests, local content requirements (on either the personnel or materials), compulsory subcontracting of a given amount of the contract value, and high registration fees.

Following the Hong Kong (China) Ministerial Declaration of December 2005, a group of developing and developed-country members submitted a collective request on construction and related engineering services. The request focused on commitments under mode 3 and asked for elimination of restrictions on foreign equity participation, the types of commercial presence and the types of projects for foreign services suppliers.<sup>118</sup>

Liberalization commitments under mode 4 for the construction sector would be particularly beneficial for Bangladesh because of the sources of international remittances coming from Bangladeshi workers engaging in construction activities in foreign countries. However, as demonstrated by the horizontally applicable restrictions on this mode in the service schedules of many WTO members, service trade through mode 4 is highly restricted and difficult negotiations are envisaged for liberalization of the construction services under it.

### 6.3. Country Strengths in the Sector

Construction related to housing and commercial enterprises has flourished in Bangladesh and the growth of the sector has exceeded the growth rate of overall GDP in the country. Moreover, the quality of construction activities in urban areas has also improved over the time. The sector has been a significant source of job creation for skilled and semi-skilled labour.<sup>119</sup> It is expected that the sector will grow significantly in the medium term driven by demographic trends and consequent strong demand for housing and infrastructure. It is projected that the growth rate of the sector will reach 8.6 per cent in 2015, from 6.5 per cent in 2010. Specifically, two trends have been cited as the factors which contribute to this growth: (a) construction associated with real estate activities will surge due to increases in per-capita income, the growing work force and family formation, and continued investment of remittance inflows into this sector; (b) it is likely that the non-real estate construction will also grow rapidly due to the planned investments in mega infrastructure projects, such as Padma Bridge, elevated expressways, dual carriage highways, and the like.<sup>120</sup> Moreover, construction has one of the highest backward linkages among all sectors, reflecting its importance as a user of inputs from other industries.<sup>121</sup>

### 6.4. Main Constraints and Challenges

Like other LDCs, Bangladesh is currently confronted by severe capacity constraints owing to the lack of infrastructure, energy, and financial and human resources, as well as immense social problems, including a rising urban population and unemployment, which are putting pressure on the nation's resources and capabilities.

Corporate development has been identified as one of the crucial elements for the development of the construction sector. Construction industries need companies that take a long-term view and are prepared to invest in human resources, equipment and research and development to improve their performance. Management development should be a key concern in the construction firms of the developing countries, but lack of financial and human resources makes this difficult.<sup>122</sup>

Apart from these problems, the construction sector in Bangladesh also has to face the challenges of globalization of the sector, particularly the impact of foreign participation in the Bangladesh construction market.<sup>123</sup> Specific challenges for domestic enterprises include the following:

- Local construction firms have inadequate funds or expertise to participate in the sponsorship of privatized projects;

- Local construction firms lack the technical and managerial capability to undertake most of the foreign-funded projects;
- Foreign construction firms may pay lip service to technology transfer or take measures to avoid it. Moreover, local companies may not be in a position to benefit from technology transfer, or to subsequently utilize the acquired expertise.

However, globalization of the sector also brings opportunities such as:

- Involvement of international finance makes possible the implementation of several projects, such as those of major infrastructure;
- FDI in projects leads to increases in construction demand, creating work opportunities for local firms;
- Competition among foreign firms lowers the costs of projects to developing countries;
- Presence of large numbers of international firms offers scope for technology transfer and the development of local firms and upgrading of the industry. The large number of such firms also means that technology transfer can be a tool for competition.

Scholars have different views as to how technology transfer does or does not take place from multinational construction firms to local enterprises in the construction sector. Some of them have suggested that, in the long term, the gap between local construction firms and their foreign counterparts in technology, finance and management know-how could be filled through technology transfer – for example, via joint ventures among the two groups of firms.<sup>124</sup> However, others have observed the difficulties involved in technology transfer, including the tendency of foreign contractors to adopt strategies that do not support host countries' effort to develop their industries.<sup>125</sup>

According to Transparency International, corruption in the construction sector is higher than in any other sector of the economy, and this may be the case in Bangladesh. Because of the central role of construction in development, corruption in this sector can be particularly harmful as its impact may go far beyond bribe payments. Indeed, corruption may affect the quality of construction, steer public spending towards environmentally dubious projects, and ultimately result in poor project selection and insufficient maintenance. Eventually, this could carry high human costs.<sup>126</sup>

The major industrialized countries used to dominate the international market in construction services, but the Governments of some developing countries have been successful in implementing policies to develop highly competitive construction sectors. Construction groups based in some of the countries in Asia, Latin America and the Middle East have increasingly appeared in the international market.<sup>127</sup> Analysing the successes of these countries, several steps can be recommended for the development of the construction sector in a developing country.<sup>128</sup> First, establishment of long-term plans that are complemented by comprehensive reviews of the state of the industry will be required. Second, resources should be allocated to the tasks outlined, and effectively utilized. Third, the Government should be in close contact with the industry and have complete control over all its aspects. Fourth, the construction industry should preferably have a role to play in the work of the Government in formulating and implementing its plans. Finally, continuous reviews are necessary for its plans, policies, initiatives, procedures and communication channels to assess the effectiveness of the plans. To perform this function in many cases, special agencies have been formed.

## 6.5. Conclusions

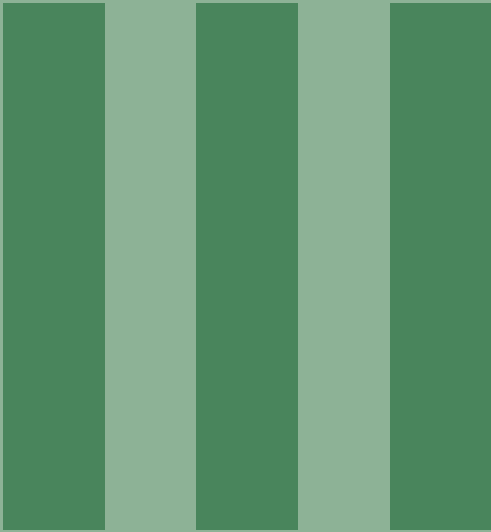
The construction and related engineering services sector tends to be a relatively local or national industry around the world, and it is characterized by a large number of small firms. In Bangladesh, it is a dynamic sector that has been growing significantly since the early 1990s. In general, Governments have a significant role in regulating the industry, including overseeing the quality and safety of structures and civil engineering works. While liberalization commitments under mode 4 for the construction sector would be particularly beneficial for Bangladesh, as the

sources of international remittances come from Bangladeshi workers engaging in construction activities in foreign countries, service trade through mode 4 is highly restricted. Although the construction sector in Bangladesh is expected to grow in the coming years, the sector is confronted by severe capacity constraints owing to the lack of infrastructure, energy, and financial and human resources, and it will require astute development policy and its implementation to develop the sector and increase its contribution to the economic and social developments in the country.

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# SERVICES POLICY REVIEW



## ANNEXES AND NOTES

## ANNEXES

Table 1. Contribution of Major Categories of Services to Gross Domestic Product (Percentage)

	1990– 1991	2000– 2001	2005– 2006	2009– 2010	2010– 2011	2011– 2012	2012– 2013
<b>Community, social and personal services</b>	9.7	7.96	7.25	6.83	6.71	6.62	6.54
<b>Construction</b>	5.86	8.08	9.14	9.10	9.09	9.20	9.37
<b>Education</b>	1.97	2.24	2.49	2.71	2.78	2.81	2.90
<b>Electricity, gas and water supply</b>	1.39	1.46	1.65	1.60	1.60	1.69	1.73
<b>Financial intermediations</b>	1.58	1.57	1.72	1.95	2.01	2.10	2.16
<b>Health and social work</b>	2.32	2.19	2.27	2.38	2.42	2.46	2.49
<b>Hotels and restaurants</b>	0.6	0.64	0.69	0.72	0.73	0.74	0.75
<b>Public administration and defence</b>	2.1	2.56	2.71	2.84	2.92	2.91	2.88
<b>Real estate, renting and business activities</b>	9.94	8.71	7.87	7.18	7.00	6.86	6.73
<b>Transport, storage and communications</b>	9.18	9.42	10.07	10.79	10.70	10.74	10.80
<b>Wholesale and retail trade</b>	12.34	13.48	14.08	14.36	14.33	14.24	14.05

Source: Based on information given in Bangladesh Economic Review (various years).

**Table 2. Contribution of Different Services Subsectors to Services Sector Gross Domestic Product (Percentage)**

	1990– 1991	2000– 2001	2005– 2006	2009– 2010	2010– 2011	2011– 2012	2012– 2013
Community, social and personal services	17.01	13.65	12.10	11.30	11.13	10.96	10.83
Construction	10.27	13.86	15.25	15.04	15.08	15.25	15.52
Education	3.59	3.84	4.15	4.48	4.61	4.65	4.80
Electricity, gas and water supply	2.43	2.50	2.75	2.65	2.66	2.80	2.86
Electricity	2.06	2.11	2.30	2.18	2.20	2.34	2.40
Gas	0.28	0.28	0.31	0.32	0.31	0.30	0.31
Water	0.09	0.11	0.14	0.15	0.15	0.16	0.16
Financial intermediations	2.78	2.70	2.87	3.23	3.33	3.48	3.57
Health and social work	4.01	3.75	3.79	3.94	4.01	4.07	4.12
Hotels and restaurants	1.05	1.10	1.15	1.19	1.21	1.22	1.24
Public administration and defence	3.68	4.39	4.52	4.70	4.85	4.82	4.77
Real estate, renting and business activities	17.44	14.93	13.13	11.87	11.62	11.36	11.14
Transport, storage and communications	16.10	16.16	16.80	17.85	17.75	17.79	17.88
Air transport	0.29	0.30	0.20	0.20	0.20	0.21	0.23
Land transport	11.30	11.51	11.13	10.52	10.31	10.22	10.09
Postal services and telecommunications	0.58	1.72	3.47	5.31	5.50	5.65	5.89
Transport support services and storage	0.50	0.70	0.52	0.57	0.56	0.58	0.59
Water transport	3.43	1.92	1.48	1.25	1.19	1.13	1.08
Wholesale and retail trade	21.65	23.12	23.50	23.75	23.76	23.59	23.27
Total services sector gross domestic product	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Based on information given in Bangladesh Economic Review (various years).

## NOTES

<sup>1</sup> Planning Commission, Ministry of Planning, Government of Bangladesh, 2014, *Millennium Development Goals. Bangladesh Progress Report 2013*.

<sup>2</sup> United Nations, 2014, *The Millennium Development Goals Report 2014*, United Nations publication, New York.

<sup>3</sup> The construction services data are obtained based on *Bangladesh Economic Review 2013* and the Balance of Payments Report of the Bangladesh Bank.

<sup>4</sup> Planning Commission, Ministry of Planning, Government of Bangladesh, 2011, Sixth Five-year Plan FY2011–FY2015: Accelerating Growth and Reducing Poverty, part 1, Strategic Directions and Policy Framework: 54 and 76.

<sup>5</sup> It should be noted here that the national income accounting of Bangladesh considers construction services and utility (gas, water and electricity supply) under the category of industry. However, this review considers these two components of national income under the services category.

<sup>6</sup> MK Mujeer and A Shamsul, 2011, Input-output structure of the Bangladesh Economy 2006–07, Technical framework papers, volume 1, Sixth Five-year Plan of Bangladesh 2010–2015, Bangladesh Institute of Development Studies and Planning Commission, Bangladesh.

<sup>7</sup> R Chanda, 2011, Impact of services trade liberalization on employment and people movement in South Asia, Asian Development Bank Institute working paper 339.

<sup>8</sup> Planning Commission, Ministry of Planning, Government of Bangladesh, 2011, Sixth Five-year Plan FY2011–FY2015: Accelerating Growth and Reducing Poverty, part 1, Strategic Directions and Policy Framework: 66–67.

<sup>9</sup> Ibid.: 62.

<sup>10</sup> Ibid.: 64.

<sup>11</sup> Ibid.: 76.

<sup>12</sup> Various e-governance implementations are now being put in place under the Access to Information Programme by the Prime Minister's Office and the Bangladesh Computer Council.

<sup>13</sup> Planning Commission, Ministry of Planning, Government of Bangladesh, 2011, Sixth Five-year Plan FY2011–FY2015: Accelerating Growth and Reducing Poverty, part 1, Strategic Directions and Policy Framework: 275–276.

<sup>14</sup> Ibid.: 57.

<sup>15</sup> Ibid.: 55.

<sup>16</sup> OECD, 2007, Information economy-sector definitions based on the international standard industry classification (ISIC 4), 5 March, Working Party on Indicators for the Information Society, DSTI/ICCP/IIS(2006)2/FINAL, Paris.

<sup>17</sup> C Mann, 2005, Offshore outsourcing and the globalization of U.S. services: Why now, how important, and what policy implications, in: CF Bergsten, ed., *The United States and the World Economy: Foreign Economic Policy for the Next Decade*, Institute for International Economics, Washington, D.C.

<sup>18</sup> The exception is those few developing countries that have already developed a sizable ICT manufacturing base, such as Malaysia. See UNCTAD, 2013, *Promoting Local IT Sector Development through Public Procurement*, United Nations publication, UNCTAD/DTL/STICT/2012/5, New York and Geneva.

<sup>19</sup> International Telecommunications Union, 2013.

<sup>20</sup> WTO, 2012, Trade Policy Review, Report by the secretariat – Bangladesh, WT/TPR/S/270, Geneva.

<sup>21</sup> Gartner, 2013, Gartner says worldwide IT outsourcing market to reach \$288 billion in 2013, available at <http://www.gartner.com/newsroom/id/2550615> (accessed 9 November 2015).

<sup>22</sup> United Nations, 2012, United Nations Population Database, cited in: International Trade Centre (ITC) and KPMG, 2012, Bangladesh beckons: An emerging destination for IT/ITeS outsourcing, January.

<sup>23</sup> ITC and KPMG, 2012, Bangladesh beckons: An emerging destination for IT/ITeS outsourcing, January.

<sup>24</sup> Ibid.

<sup>25</sup> World Bank, 2012, Consolidating and accelerating exports in Bangladesh. Bangladesh Development Series paper number 29. June.

<sup>26</sup> ITC and KPMG, 2012, Bangladesh beckons: An emerging destination for IT/ITeS outsourcing, January.

<sup>27</sup> UNCTAD, 2013, *Investment Policy Review: Bangladesh*, United Nations publication, UNCTAD/DIAE/PCB/2013/4, New York and Geneva.

<sup>28</sup> Planning Commission, Ministry of Planning, Government of Bangladesh, 2010, Outline Perspective Plan of Bangladesh 2010–2021: Making Vision 2021 a Reality: 87.

<sup>30</sup> Bangladesh Bank, 2012, Mobile financial services in Bangladesh: An overview of market development, July; Rahman A, 2013, presentation made at the Alliance for Financial Inclusion Global Policy Forum 2013, Kuala Lumpur, 12 September, <http://www.afi-global.org/gpf-2013-kuala-lumpur> (accessed 9 November 2015); *Financial Express*, Phone-based banking in BD fast expanding. 13 September; World Bank, 2012, Consolidating and accelerating exports in Bangladesh, Bangladesh Development Series paper number 29, June.

<sup>31</sup> World Tourism Organization, 2012, UNWTO Tourism Highlights 2012 Edition, Madrid.

<sup>32</sup> Ibid.

<sup>33</sup> D Bolwell and W Weinz, 2008, Guide for social dialogue in the tourism industry, Sectoral activities programme working paper 265, International Labour Organization, Geneva.

<sup>34</sup> UNCTAD and ITC are cooperating in a project to strengthen linkages with local organic agricultural producers in the Lao People's Democratic Republic.

<sup>35</sup> World Economic Forum, 2013, *The Travel & Tourism Competitiveness Report 2013: Reducing Barriers to Economic Growth and Job Creation*, Geneva, available at [http://www3.weforum.org/docs/WEF\\_TT\\_Competitiveness\\_Report\\_2013.pdf](http://www3.weforum.org/docs/WEF_TT_Competitiveness_Report_2013.pdf) (accessed 9 November 2015).

<sup>36</sup> World Economic Forum, 2013, *The Travel & Tourism Competitiveness Report 2013: Reducing Barriers to Economic Growth and Job Creation*, Geneva, available at [http://www3.weforum.org/docs/WEF\\_TT\\_Competitiveness\\_Report\\_2013.pdf](http://www3.weforum.org/docs/WEF_TT_Competitiveness_Report_2013.pdf) (accessed 28 November 2015).

<sup>37</sup> Euromonitor International, 2009, Travel and tourism in Bangladesh, September, available at [www.tourism-review.com](http://www.tourism-review.com) (accessed 28 November 2015).

<sup>38</sup> World Economic Forum, 2013, *The Travel & Tourism Competitiveness Report 2013: Reducing Barriers to Economic Growth and Job Creation*, Geneva, available at [http://www3.weforum.org/docs/WEF\\_TT\\_Competitiveness\\_Report\\_2013.pdf](http://www3.weforum.org/docs/WEF_TT_Competitiveness_Report_2013.pdf) (accessed 22 October 2015).

<sup>39</sup> Maplecroft, 2010, Natural Disasters Risk Index 2010, available at [http://www.preventionweb.net/files/14169\\_NaturalDisasters2010.pdf](http://www.preventionweb.net/files/14169_NaturalDisasters2010.pdf) (accessed 22 October 2015).

<sup>40</sup> United States Department of State, 2013, Bangladesh, country-specific information, available at [travel.state.gov](http://travel.state.gov) (accessed 22 October 2015).

<sup>41</sup> Planning Commission, Ministry of Planning, Government of Bangladesh, 2010, Outline Perspective Plan of Bangladesh 2010–2021: Making Vision 2021 a Reality.



- <sup>42</sup> Ibid.
- <sup>43</sup> WTO, 2012, Trade Policy Review, Report by the secretariat – Bangladesh, WT/TPR/S/270, Geneva: 84.
- <sup>44</sup> References have been found to a draft 2012 tourism policy, but details are not easily found.
- <sup>45</sup> “CPC” refers to the United Nations Provisional Central Product Classification, in force in 1991 when the Services Sectoral Classification List was prepared by WTO (to facilitate the Uruguay Round negotiations). Since then, the CPC has been revised but these changes have not been incorporated into the WTO list. The most relevant change in the tourism sector is a disaggregation of travel agencies, tour operators and tourist information services.
- <sup>46</sup> UNCTADstat.
- <sup>47</sup> United Nations, 1991, Provisional Central Product Classification, Department of International Economic and Social Affairs Statistical Office, ST/ESA/STAT/SER.M/77, New York: 242 and 244.
- <sup>48</sup> WTO, 1991, Services Sectoral Classification List, MTN.GNS/W/120, Geneva, 10 July.
- <sup>49</sup> See [http://www.commonwealthofnations.org/sectors-bangladesh/business/accountancy\\_audit\\_and\\_tax/](http://www.commonwealthofnations.org/sectors-bangladesh/business/accountancy_audit_and_tax/) (accessed 23 October 2015).
- <sup>50</sup> Information sourced from ICAB; see <http://www.icab.org.bd> (accessed 22 October 2015).
- <sup>51</sup> ICMA, 2012, *Activity Report 2012*, available at <http://icma.es/overview/activity-reports/1609-icma-activity-report-2010-2012> (accessed 22 October 2015): 11 and 25.
- <sup>52</sup> ICMA, 2012, *Activity Report 2012*, available at <http://icma.es/overview/activity-reports/1609-icma-activity-report-2010-2012> (accessed 22 October 2015): 11.
- <sup>53</sup> See [http://www.commonwealthofnations.org/sectors-bangladesh/business/accountancy\\_audit\\_and\\_tax/](http://www.commonwealthofnations.org/sectors-bangladesh/business/accountancy_audit_and_tax/) (accessed 24 October 2015).
- <sup>54</sup> See [http://www.icab.org.bd/index.php?option=com\\_content&view=article&id=172&Itemid=56](http://www.icab.org.bd/index.php?option=com_content&view=article&id=172&Itemid=56) (accessed 26 October 2015).
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- <sup>56</sup> IBISWorld, Global accounting services: Market research report, March 2015, available at <http://www.ibisworld.com/industry/global/global-accounting-services.html> (accessed 24 November 2015).
- <sup>57</sup> Wetfeet, 2012, Industry overview: Accounting, available at <https://www.wetfeet.com/articles/industry-overview-accounting> (accessed 26 October 2015).
- <sup>58</sup> OECD, 2010, Competition and regulation in auditing and related professions, available at <http://www.oecd.org/competition/sectors/44762253.pdf> (accessed 24 November 2015).
- <sup>59</sup> IBISWorld, 2014, Global Accounting Services Market Research Report, February, available at <http://www.ibisworld.com/industry/global/global-accounting-services.html> (accessed 26 October 2015).
- <sup>60</sup> WTO, 2010, Accountancy services, Background note by the secretariat, S/C/W/316, 7 June.
- <sup>61</sup> WTO, 1997, Guidelines for Mutual Recognition Agreements or Arrangements in the Accountancy Sector, S/L/38, May.
- <sup>62</sup> See [http://www.commonwealthofnations.org/sectors-bangladesh/business/accountancy\\_audit\\_and\\_tax/](http://www.commonwealthofnations.org/sectors-bangladesh/business/accountancy_audit_and_tax/) (accessed 26 October 2015).
- <sup>63</sup> J Siddiqui, 2011, IFAC’s globalization attempts in LDCs: A success story? *Business & Economy – Banking, Finance, Markets*, August.
- <sup>64</sup> Action plan developed by ICAB, March 2014, available at <http://www.ifac.org/> (accessed 26 October 2015).
- <sup>65</sup> WTO, 1991, Services Sectoral Classification List, MTN.GNS/W/120.
- <sup>66</sup> See <http://unstats.un.org/UNSD/cr/registry/regcst.asp?Cl=9&Lg=1> (accessed 26 October 2015).
- <sup>67</sup> WTO, 1998, Architectural and Engineering Services, S/C/W/44.
- <sup>68</sup> Collegi d’Arquitectes de Catalunya, 2005, Architectural Practice Around the World, available at <http://www.coac.net/internacional/defaultang.html> (accessed 26 November 2015).
- <sup>69</sup> WTO, 1998, Architectural and Engineering Services, S/C/W/44.
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- <sup>71</sup> WTO, 2009, Architectural Services, S/C/W/303.
- <sup>72</sup> WTO, 1998, Architectural and Engineering Services, S/C/W/44.
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- <sup>74</sup> Ibid.
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