

**Bangladesh Economic Update**  
*Foreign Direct Investment (FDI)*  
February 2012



**উন্নয়ন অন্বেষণ**  
**Unnayan Onneshan**  
**The Innovators**

centre for research and action on development

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## 1. INTRODUCTION

The current issue of the Bangladesh Economic Update focuses on the magnitude, dynamics, sectoral distribution, and country-wise sources of FDI inflow in the country. The flow of foreign direct investment is of utmost importance in the current backdrop of overall slump in investment in the economy in recent days. If FDI falls, it will reduce investment, which in turn will shrink employment generation. These may lead to decline in consumption level and savings will face a downward trend. There would be, as a result, a contagious pressure on the GDP growth of Bangladesh.

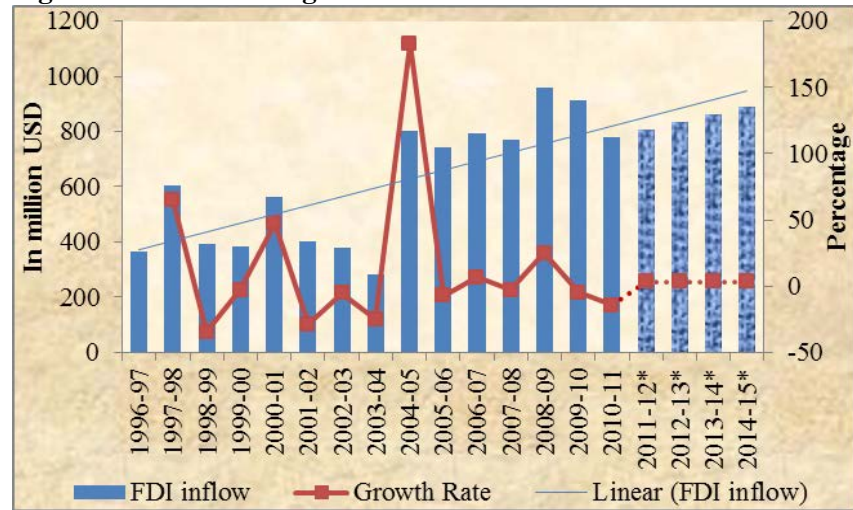
Foreign Direct Investment (FDI) is considered as one of the crucial ingredients for fostering economic development of a developing country. Countries that are lagging behind to attract FDI are formulating and implementing new policies for attracting more investment. Even compared to other South Asian countries, FDI inflow to Bangladesh has traditionally been lower.

The future outlook of FDI is grim. Based on the recent years' performance, it is predictable that the share of FDI as percentage of GDP may decline by widening gaps between the projected medium term targets by the government and the actual receipts of the inflow. The FDI inflows as percentage of total investment may decline further.

## 2. FDI FLOW IN BANGLADESH

There is no regular trend in the flow of FDI (Figure 1). The flow of FDI increased at a staggering rate of 64.45, 47.16 and 182.86 percent in FY 1997-98, FY 2000-01 and FY 2004-05 respectively than that of FY 1996-97, FY 1999-00 and FY 2003-04. The flow of FDI totals at USD 603.3 million, USD 563.93 million and USD 803.78 million in FY 1997-98, FY 2001-02 and FY 2004-05 respectively. After FY 2004-05, the flow of FDI declined in the next three fiscal years. The country received an increased amount of USD 960 .59 million in FY 2008-09 but witnessed a fall in FDI inflow in next fiscal years.

**Figure 1: Flow of Foreign Direct Investment**



Source: Authors' calculation based Bangladesh Bank, 2012

It is to be noted here that FDI inflow to Bangladesh has traditionally been lower, even compared with other South Asian countries. Considering FY 1996-97 as the base year, the statistics reveals that FY 2011-12 might be a net FDI receipt of USD 806.52 million. If the current trend of FDI inflow persists, the country might receive USD 888.96 million of FDI in FY 2014-15 and growth rate of FDI might be only 3.19 percent. There was a significant jump from FY 2003-04 to FY 2004-05 but after that, the incremental growth rate is neither significant nor adequate.

### 3. FDI AS A PERCENTAGE OF GDP

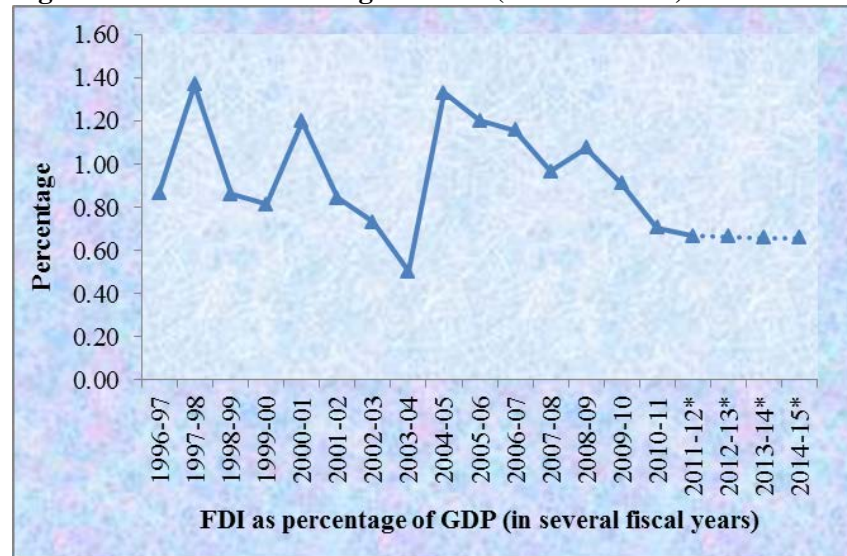
Although the amount of FDI is increasing over the years, FDI as a percentage of GDP is following a declining trend after FY 2004-05. FDI as a percentage of GDP increased to 1.33 percent in FY 2004-05 while GDP and FDI flow were Tk. 3707.0 billion and Tk. 49.34 billion respectively. Then FDI as a percentage of GDP declined until FY 2007-08 and the scenario changed only in FY 2008-09. The growth of FDI in FY 2008-09 was 24.96 percent higher than that of previous fiscal year and FDI as percentage of GDP increased to 1.07 percent.

After FY 2008-09, FDI as a percentage of GDP started to decline sharply. In FY 2010-11, the amount of FDI and GDP were Tk. 55.45 billion and Tk. 7874.95 billion respectively against Tk. 63.16 billion and Tk. 6943.24 billion of FY 2009-10. The share of FDI in GDP in FY 2010-11 was only 0.70 percent, which is 21 percentage points less than that of the previous fiscal year.

*Although the amount of FDI is increasing over the years, FDI as a percentage of GDP is following a declining trend after FY 2004-05.*

*The share of FDI in GDP in FY 2010-11 was only 0.70 percent, which is 21 percentage points less than that of the previous fiscal year.*

**Figure 2: FDI as a Percentage of GDP (in crore Taka)**



Source: Author's calculation based on Bangladesh Bank, Bangladesh Bureau of Statistics, 2012

*If the current trend continues, the inflow of FDI in the current fiscal year might reach at Tk. 60.06 billion and the share of FDI in GDP might be only 0.67 percent, which is 3 percentage points less than that of the previous fiscal year.*

If the current trend continues, the inflow of FDI in the current fiscal year might reach at Tk. 60.06 billion and the share of FDI in GDP might be only 0.67 percent, which is 3 percentage points less than that of the previous fiscal year. Under the business as usual scenario, FDI in FY 2014-15 might increase to Tk. 70.33 billion while FDI as percent of GDP might stand at only 0.66 percent.

#### **4. FDI AS A PERCENTAGE OF TOTAL INVESTMENT**

*There is no target of the contribution of FDI in total investment in government's Medium Term Macroeconomic Framework (MTMF).*

There is no target of the contribution of FDI in total investment in government's Medium Term Macroeconomic Framework (MTMF). The share of FDI in total investment is following a downward trend. FDI as percentage of total investment was the highest in FY 1997-98 while the contribution of FDI in total investment was 7.3 percent. After then FDI as percentage of total investment was the highest in FY 2000-01 while the contribution of FDI in total investment was 5.6 percent.

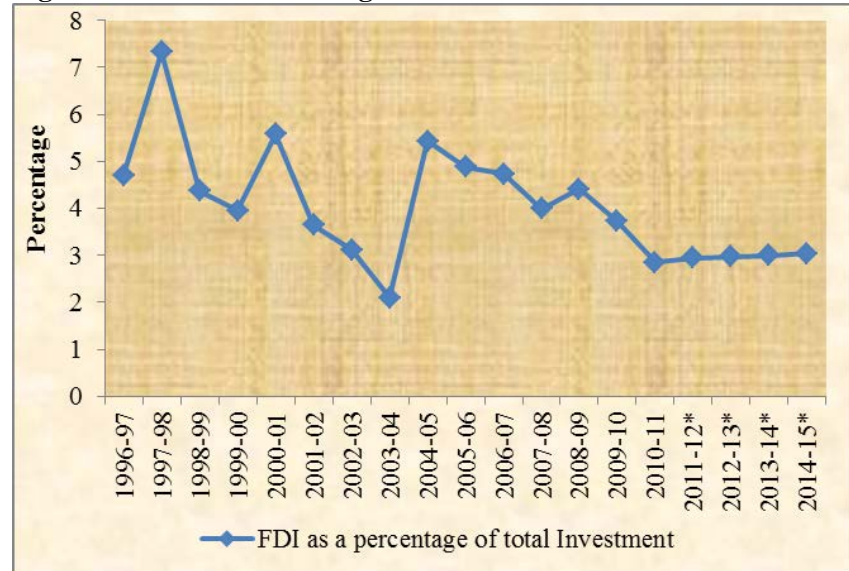
*The share of FDI in total investment was 4.41, 3.73 and 2.85 percent in FY 2008-09, FY 2009-10 and FY 2010-11 respectively.*

FDI as percentage of total investment was 5.43 in FY 2004-05 while the contribution of FDI in total investment was USD 49.34 million. The share of FDI in total investment in FY 2008-09 increased after continuous declining in three successive fiscal years. In FY 2008-09, the share of FDI in GDP was 1.07 percent. Global economic recession had an adverse effect on the flow of FDI in the country. The share of FDI in total investment

*If the current trend of FDI inflow persists, the share of FDI in total investment might stand at 2.94 percent in FY 2011-12 and 3.03 percent in FY 2014-15.*

was 4.41, 3.73 and 2.85 percent in FY 2008-09, FY 2009-10 and FY 2010-11 respectively. If the current trend of FDI inflow persists, the share of FDI in total investment might stand at 2.94 percent in FY 2011-12 and 3.03 percent in FY 2014-15.

**Figure 3: FDI as a Percentage of Total Investment**



Source: Authors' calculation based on Bangladesh Bank, 2012

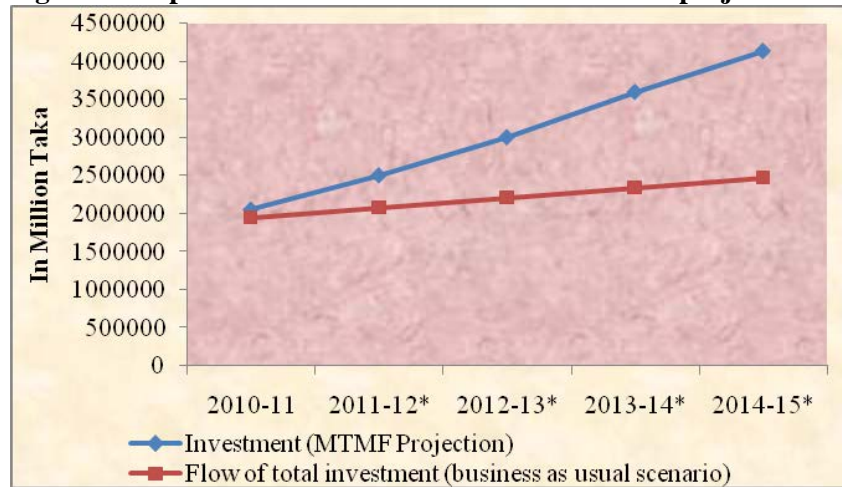
## 5. TOTAL INVESTMENT AND MTMF PROJECTION

The gap between actual flow of total investment and the target of the government articulated in the Medium Term Macroeconomic Framework (MTMF) is on the rise and might grow sharply in the upcoming years.

*If the current trend prevails, the flow of investment might stand at Tk. 2474.02 billion against the MTMF projection of Tk. 4141.31 billion in FY 2014-15.*

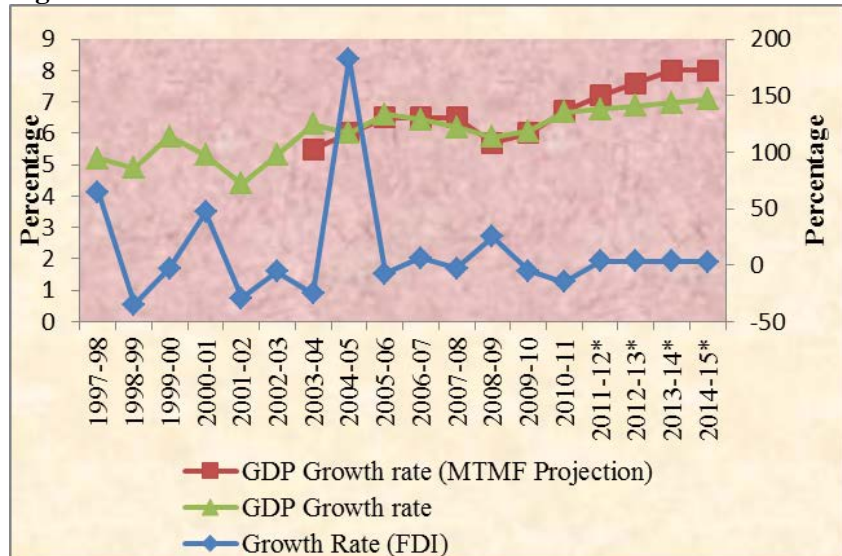
In FY 2010-11, the current flow of investment was Tk.1947.86 billion than that of the MTMF projection of Tk. 2059.96 billion indicating a gap of Tk. 112.10 billion. If the current trend prevails, the gap might increase further in FY 2014- 15 and under the business as usual scenario, the flow of investment might stand at Tk. 2474.02 billion against the MTMF projection of Tk. 4141.31 billion. The gap between total investment and MTMF projection in FY 2014-15 might increase to Tk. 1667.29 billion.

**Figure 4: Gap between Total Investment and MTMF projection**



Source: Authors' calculation based on Bangladesh Bank, 2012

**Figure 5: Growth rate of GDP and FDI**



Source: Authors' calculation based on Bangladesh Bank and Ministry of Finance, 2012

There is no specific relation between the growth of FDI and GDP growth. FDI plays a negligible role in the growth of Bangladesh economy. In the FY 2004-05, the growth rate of FDI touched its highest amount, which was 182.86 percent. It occurred because of the higher inflow of FDI in power gas and petroleum, manufacturing, transport, storage and telecommunication. In that time, GDP growth rate was 5.96 percent.

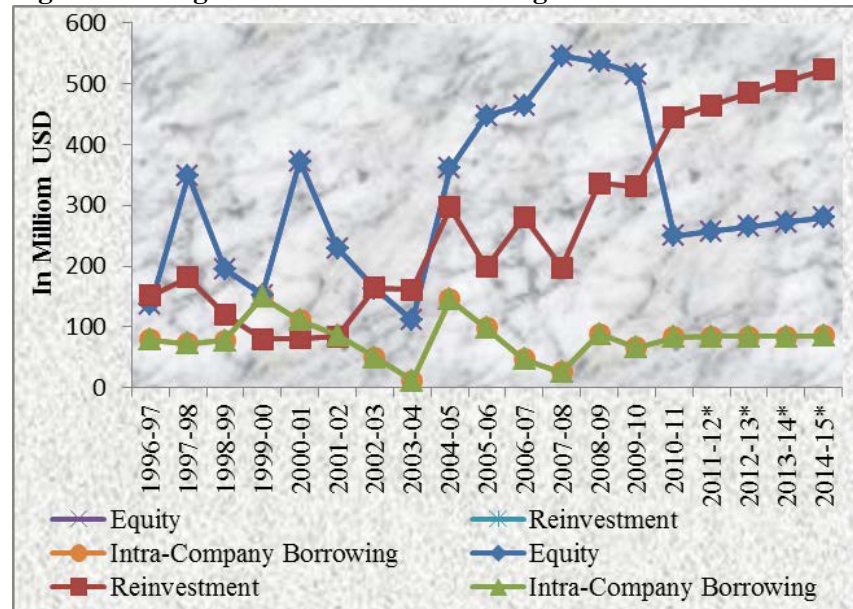
## 6. FDI INFLOW BY COMPONENTS

*FDI flow to Bangladesh in the form of equity capital has been showing an erratic movement and it was difficult to estimate the future trends of this.*

*Whilst reinvestment is showing some steady trends, the intra company loan inflow reveals a downward trend.*

This analysis is based upon the performance of the three components of FDI inflow, namely equity, reinvestment and intra-company borrowing. FDI flow to Bangladesh in the form of equity capital has been showing an erratic movement and it was difficult to estimate the future trends of this. However, if we bank upon the trends after 2009, it can be assumed that there could be positive trend of FDI flow in equity form, if the current environment would prevail in the coming years. Whilst reinvestment is showing some steady trends, the intra company loan inflow reveals a downward trend.

**Figure 6: Categories of FDI inflow in Bangladesh**



Source: Authors' calculation based on Bangladesh Bank, 2012

*Under the business as usual scenario the amount of equity capital might increase to USD 280.15 million in FY 2014-15.*

### 6.1 Equity Capital

Equity capital refers that an investor can buy share of an enterprise in a foreign country, i.e. other than the home country. Equity capital touched its highest amount in FY 2007-08 at USD 545.69 million. However, in next two successive fiscal years, this amount becomes USD 535.42 million and USD 515.14 million. Under the business as usual scenario the amount of equity capital might increase to USD 280.15 million in FY 2014-15.

### 6.2 Reinvested Earning

Reinvested earnings imply the investor's share of earning from the direct participation. Reinvestment earning is increasing at a decreasing rate over the years. In FY 2010-11, the



*If the flow of reinvestment earning continues, the amount of reinvestment earning might reach at USD 523.57 million in FY 2014-15.*

*Continuation of the current trend suggests that this amount of intra-company loan might reach at USD 25.62 million in FY 2014-15.*

*Despite of facilitation services and a variety of fiscal and non-fiscal incentives, the inflow of FDI in EPZs has not increased yet in comparison to non-EPZs.*

amount of reinvested earnings totals USD 445.19 million. If the flow of reinvestment earning continues, the amount of reinvestment earning might reach at USD 523.57 million in FY 2014-15.

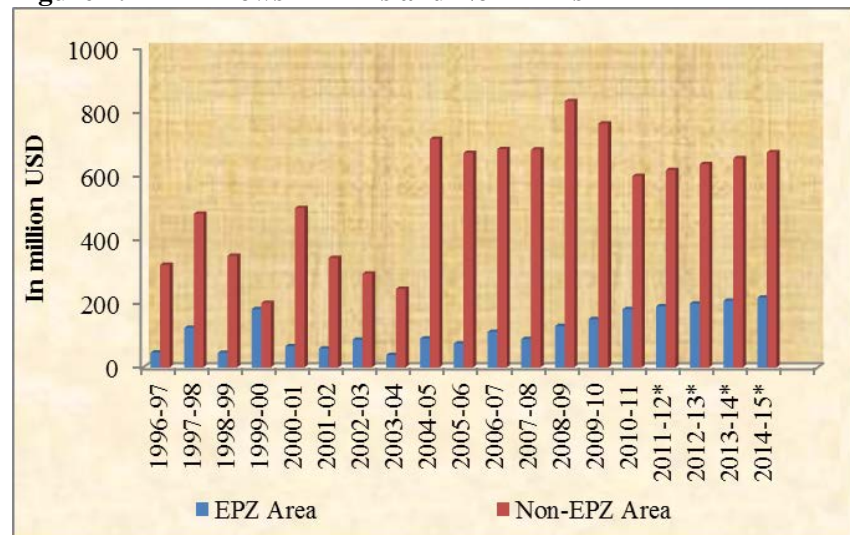
### 6.3 Intra-Company Loan

Intra-Company loan means short and long term lending and borrowing between foreign investor and affiliated company. There is no regular shape in the flow of intra-company borrowing loans. In FY 2009-10, this amount was USD 66.78 million but in FY 2010-11, this amount increased to USD 83.9 million. Continuation of the current trend suggests that this amount might reach at USD 85.24 million in FY 2014-15.

## 7. FDI INFLOW BY EPZ AND NON-EPZ

Low labor cost is often cited as the most important factor by the private as well as the public sectors in Bangladesh. For export-oriented activities, the government has set eight Export Processing Zones (EPZs). The advantages of EPZs include facilitation services and a variety of fiscal and non-fiscal incentives. However, the inflow of FDI in EPZs has not increased yet in comparison to non-EPZs.

**Figure 7: FDI Inflows in EPZs and Non-EPZs**



Source: Authors' calculation based on Bangladesh Bank, 2012

In FY 2008-09, FDI in non-EPZ areas reached its maximum amount at USD 831.25 million against USD 129.34 million of EPZs. FDI in non-EPZ areas does not create as much employment opportunities that are created in EPZ areas. Until August 2011, total investment in EPZ areas is USD 53.18 million

*Under the business as usual scenario, FDI in EPZ areas might increase to only USD 217.54 million in FY 2014-15, which will be only 24.47 percent of total FDI. At the same time, FDI in non-EPZ areas might increase to only USD 671.61 million that will about 75.48 percent of total FDI.*

and total local employment is 1782. In FY 2010-11, non-EPZ areas received USD 597.59 million that is 76.71 percent of total FDI and 21.57 percent less than that of the FY 2009-10. USD 181.45 million was invested in EPZ areas in FY 2010-11 that is 20.08 percent more than that of the previous fiscal year and only 23.29 percent of total FDI. Under the business as usual scenario, FDI in EPZ areas might increase to only USD 217.54 million in FY 2014-15, which will be only 24.47 percent of total FDI. At the same time, FDI in non-EPZ areas might increase to only USD 671.61 million that will about 75.48 percent of total FDI.

In recent years, FDI in non-EPZ areas increases more than that of EPZ areas. However, foreign investors are enjoying the following benefits:

❖ Direct (100%) foreign investment or joint venture investment in the Export Processing Zones (EPZs) or outside EPZs
❖ Portfolio investment by purchasing shares in publicly listed companies through the stock exchange
❖ Investment in infrastructure projects such as power generation (private power generation policy announced); oil, gas and mineral exploration, telecommunication, ports, roads and highways
❖ Outright purchase or purchase of shares of state-owned enterprises, which are under process of privatization
❖ Investment in private EPZ
❖ Tax incentive

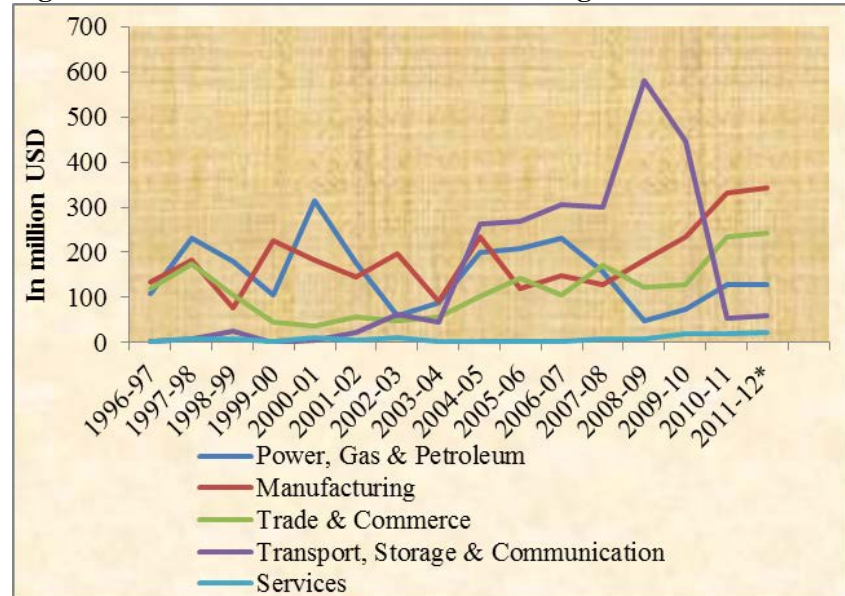
## 8. SECTORAL DISTRIBUTION OF FDI

There have been several shifts globally in the concentration and composition of FDI among sectors. Consequently, the country has also witnessed a huge shift in sector-wise and country-wise flow of FDI in the current decade. The first major compositional shift was within manufacturing from import-substitutes to export oriented manufacturing. A more recent shift of FDI has been seen towards services.

No regular trend has been found in sectoral contribution of FDI inflow in the country in the current decade. In the FY 2003-04 to FY 2006-07, FDI inflow in power, gas & petroleum increased due to the investment of “Asia Energy” in Fulbari coal mining project. However, FDI in power, gas and petroleum in FY 2006-07 was USD 229.93 million and after that year, it started to decline and might follow an increasing trend in the fiscal year with an FDI flow of only USD 128.40 million. The receipt of FDI in telecommunication sector in calendar year

2008-09 was the highest in the current decade at USD 579.62 million because of entrance a new telecom company named “Warid” but it declined to USD 445.99 million in the next fiscal year.

**Figure 8: Sectoral Distribution of FDI in Bangladesh**



Source: Bangladesh Bank, 2012

*If FDI inflow in Bangladesh in recent years is analyzed, most of the FDI has gone to the transport, storage & telecommunication.*

If FDI inflow in Bangladesh in recent years is analyzed, most of the FDI has gone to the transport, storage and telecommunication.

Comparatively, FDI in manufacturing sector is not high. This may be due to a perception that Bangladesh has a relatively small domestic market. One option might be for foreign investors is to choose Bangladesh looking at India’s “huge” market. The problem is that there are many tariff and non-tariff barriers in getting access to India’s market from Bangladesh. This problem may be a cause of disappointment for such types of foreign investors. The gap between the inflow of FDI in textile - wearing and telecommunication is increasing in recent years. It creates a negative impact on our economy. FDI inflow increases only in those areas that are highly profitable. At the same time, it creates lower employment. There creates a lower opportunity of employment in telecommunication sector than that of manufacturing sector. In FY 2001-02, a total number of USD 67.15 million and USD 20.71 million FDI inflow in textile and wearing and telecommunication but in FY 2010-11 a total number of USD 225.17 million and USD 52.41 million FDI inflow in textile and wearing and telecommunication.

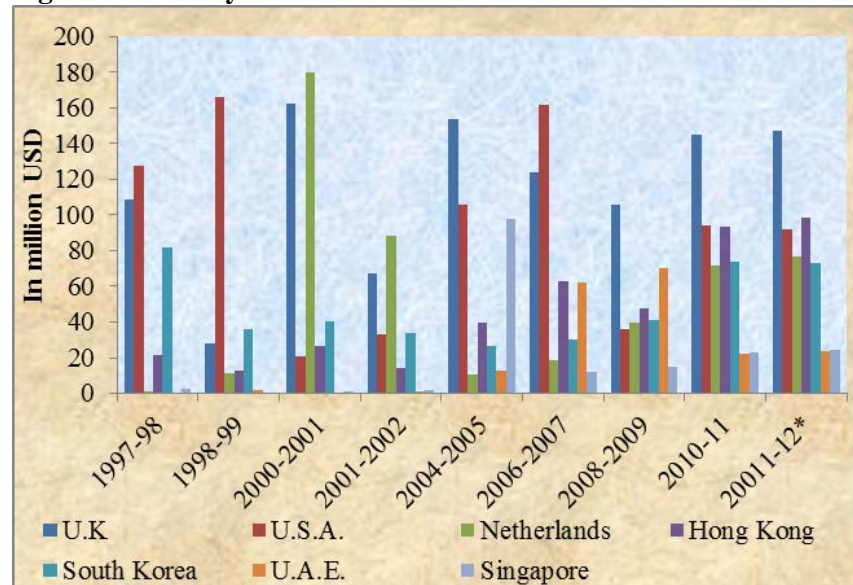
There is a large change in the flow of FDI by sectors between FY 2000-01 and FY 2009-10. In FY 2000-01, the main sectors of FDI were manufacturing power, gas petroleum, trade and commerce etc. However, in 2009-10, the main sectors of FDI were telecommunication, banking, textile and wearing, gas petroleum, power etc. Total receipt of FDI in FY 2000-01 was USD 563.93 million in which USD 174.62 million in power, USD 112.76 million in textiles and wearing, USD 139.16 million in gas and petroleum, and USD 29.22 million in banking.

Total receipt of FDI in FY 2008-09 was USD 960.59 million which declined by 18.89 percent or USD 181.55 million in calendar year 2010 and reached at USD 779.04 million.

### 9. COUNTRY-WISE SOURCES OF FDI

Country-wise sources have shifted with the change of sectoral distribution of FDI. The emergence of new sources of FDI may be of particular relevance to low-income host countries like Bangladesh. Indeed, the role of developing and transition economies as sources of FDI is increasing with the passage of time. Transnational Corporations (TNCs) from developing and transition economies have become important investors in many

**Figure 9: Country-wise FDI inflow**



Source: Bangladesh Bank, 2012

Bangladesh has so far received FDI from more than 53 developed and developing countries across the globe. In FY 2000-01, USD 20.56 million came from U.S.A., USD 26.89 million from Hong Kong, USD 40.37 million from South Korea, USD 1.23 million from Pakistan, USD 0.85 million from Singapore, USD 8.80 million from India and USD 17.18 million from Japan.

In FY 2010-11, Bangladesh received total USD 779.04 million FDI from 44 countries among which the share of U.K. is the highest at USD 144.6 million. In the same fiscal year, major sources of FDI inflow were: Netherlands (USD 71.41 million), Hong Kong (USD 93.58 million), U.S.A. (USD 94.18 million), India (USD 20.71 million), South Korea (USD 73.84 million), Japan (USD 35.05 million), U.A.E. (USD 22 million) and Pakistan (USD 24.59 million).

If the current trend exists, the inflow of FDI might be USD 24.2 million from Singapore, USD 147.2 million from U.K, USD 98.7 million from Hong Kong, USD 91.8 million from U.S.A., USD 73.3 million from South Korea and USD 76.4 million from Netherlands in the current fiscal year.

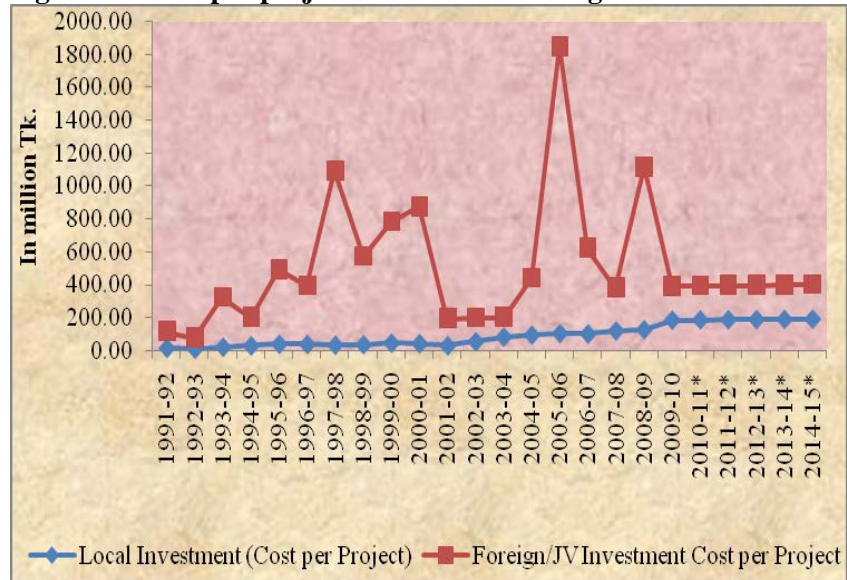
## 10. LOCAL, FOREIGN/JV INVESTMENT

The cost per project in foreign or joint venture (JV) investment is more than the cost per project in local investment. Due to high profitability, local investors are more interested in investing in foreign/JV projects. However, it exerts a negative impact on a domestic economy as the large share of profit that comes from foreign/JV project goes abroad.

*Due to high profitability, local investors are more interested in investing in foreign/JV projects. However, it exerts a negative impact on a domestic economy as the large share of profit that comes from foreign/JV project goes abroad.*

In FY 2010-11, local investment proposals registered worth Tk. 288376 million in 1535.1 projects that mean cost per locally invested project is Tk. 187.9 million. During the same period, 167.11 projects have been registered for foreign/JV investment at Tk. 65750.5 million and the cost per foreign and joint venture project is Tk. 393 million that is 109.15 percent higher than the cost per locally invested project. This cost distance was the highest in FY 2005-06 that was Tk. 104.7 million for local investment and Tk. 1851 million for foreign/JV project.

**Figure 10: Cost per project of Local and Foreign/JV Investment**



Source: Authors' calculation based on Board of Investment, 2012

The concerning factor is that under the business as usual scenario, locally invested projects might stand at 1600.2 projects in the current fiscal year while the number of foreign/JV invested projects might increase at a decreasing rate and stand at 174.21 projects only. Cost per locally invested and foreign/JV project in the current fiscal year might be at Tk. 189.1 million and 395 million respectively.

## 11. FINANCIAL ACCOUNT BALANCES

*Continuation of the current trend suggests that in FY 2011-12, there might be FDI inflow of USD 977.3 million while portfolio and other investment might witness shortfall of USD 114.86 million and USD 1639.71 million. It reveals that there might be a deficit of USD 713.43 million in financial account balance.*

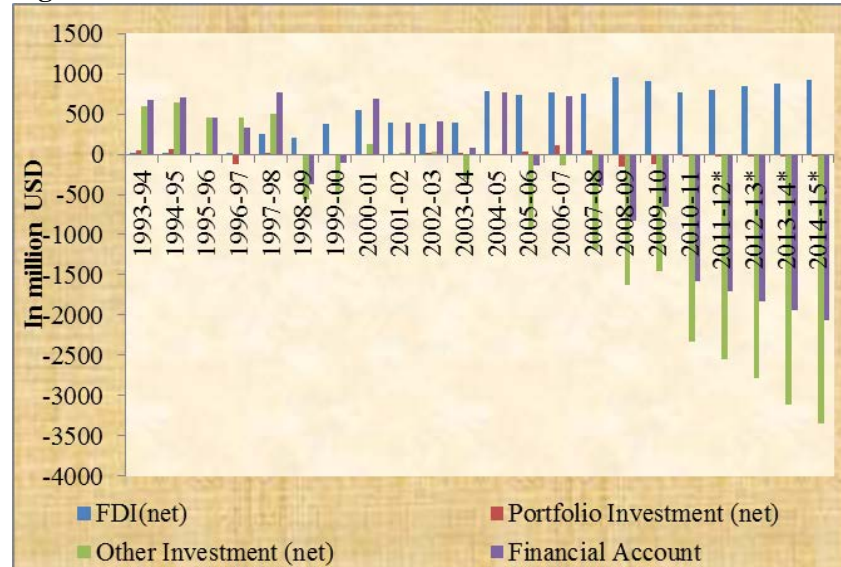
FDI plays a significant role for a comparatively lower amount of negative financial account balance in any economy. Financial account deficit is increasing at staggering rate in recent fiscal years and might continue further due to the low incremental growth of FDI inflow and negative share of both portfolio and other investment.

In FY 2010-11, there was a lower share of net FDI of USD 768 million that is 15.88 percent lower than the previous fiscal year while it was USD 913 million in FY 2009-10 in financial account balance. Financial account deficit in FY 2010-11 was USD 1584 million while portfolio and other investment witnessed a shortfall of USD 28 million and USD 2324 million respectively.

Continuation of the current trend suggests that there might be an FDI inflow of USD 806 million in FY 2011-12 while portfolio

and other investment might witness shortfall of USD 30.02 million and USD 2555.8 million in FY 2011-12. It reveals that there might be a deficit of USD 1703.3 million in financial account balance. Under the business as usual scenario, financial account deficit in FY 2014-15, might increase to USD 2061.2 million while the share of net FDI inflow might be at USD 919 million.

**Figure 11: Financial Account Balance Scenario**



Source: Authors' calculation based on Bangladesh Bank, 2012

## 12. EASE OF DOING BUSINESS IN BANGLADESH

*Required days for getting electricity connection in industries in 2011 was more than a year (372 days).*

*In Bangladesh, to implement a contract, it takes 1442 days in and almost 63 percent of the demanded property which is the highest time and cost considering the 183 economies.*

According to Doing Business-2012, Bangladesh has gone down four steps than that of the previous Doing Business Report -2011. Bangladesh ranked 122 among 183 economies, where Singapore ranked first position and Pakistan secured the position of 105 (Doing Business-2012). In getting electricity and registering property, Bangladesh secured lower position at 182 and 173 respectively. In 2005, foreigners needed 185 days to get the permission of construction in Bangladesh while it reached at 201 days in 2011. Required days for getting electricity connection in industries in 2011 was more than a year (372 days). In Bangladesh, to implement a contract, it takes 1442 days in and almost 63 percent of the demanded property which is the highest time and cost considering the 183 economies. In trading across borders (export and import), Bangladesh needs 25 and 31 days respectively, that is very high in comparison with the rest of the world. The cost of doing business in Bangladesh is highly competitive in comparison to other economics not only in the region but also in the world.

**Table 1: The Position of Bangladesh in Ease of Doing Business (days)**

		Singapore	Bangladesh	India	Pakistan
Doing Business 2012	<i>Starting business</i>	3	19	29	21
	<i>Construction permit</i>	26	201	227	222
	<i>Registering property</i>	5	245	44	50
	<i>Getting electricity</i>	36	372	67	206
Doing Business 2011	<i>Starting business</i>	3	19	29	21
	<i>Construction permit</i>	25	231	195	223
	<i>Registering property</i>	5	245	44	50
	<i>Getting electricity</i>	36	109	67	266

Source: Doing Business, the World Bank, 2012

### 12.1 The Position of Bangladesh in South Asian Countries

Bangladesh ranks fifth among the eight economies of South Asia. This index was prepared on 10 topics, made up of variety of indicators, giving equal weight to each topic. The rankings for all economies are benchmarked to June 2011. Maldives ranks top followed by Sri Lanka, Pakistan and Nepal.

**Table 2: Doing Business -2012 (South Asian Countries)**

Economy	Rank	Starting business	Construction permits	Getting Electricity	Registering Property	Getting Credit	Trading Across Borders
Maldives	1	3	1	5	5	8	5
Sri Lanka	2	2	4	1	6	4	1
Pakistan	3	6	3	7	4	2	2
Nepal	4	7	6	3	1	2	6
Bangladesh	5	5	2	8	8	4	4
India	6	8	8	2	3	1	3
Bhutan	7	4	5	6	2	6	7
Afghanistan	8	1	7	4	7	7	8

Source: Doing Business, the World Bank, 2012

Bangladesh takes highest time in South Asia for getting electricity and registering property and ranks eighth in the respective categories. If the government of Bangladesh provides more facilities for getting electricity and registering property, the overall position of Bangladesh in Doing Business index will go



up in South Asia. In starting business, the ranking position of Bangladesh is fifth where Maldives is third. Bangladesh has a better position than Maldives in getting credit and trading across borders. Bangladesh is top of the list in protecting investors. However, in paying tax, enforcing contracts and resolving insolvency, the ranking position of Bangladesh is 5, 7 and 5.

**Table 3: Doing business in Bangladesh (ranks)**

Doing Business in Bangladesh		
Indicators	2012	2011
Starting business	86	80
Dealing with Construction Permits	82	79
Getting Electricity	182	168
Registering Property	173	172
Getting Credit	78	75
Protecting Investors	24	21
Paying Taxes	100	96
Trading Across Borders	115	111
Enforcing Contracts	180	180
Resolving Insolvency	107	108

Source: Doing Business, the World Bank, 2012

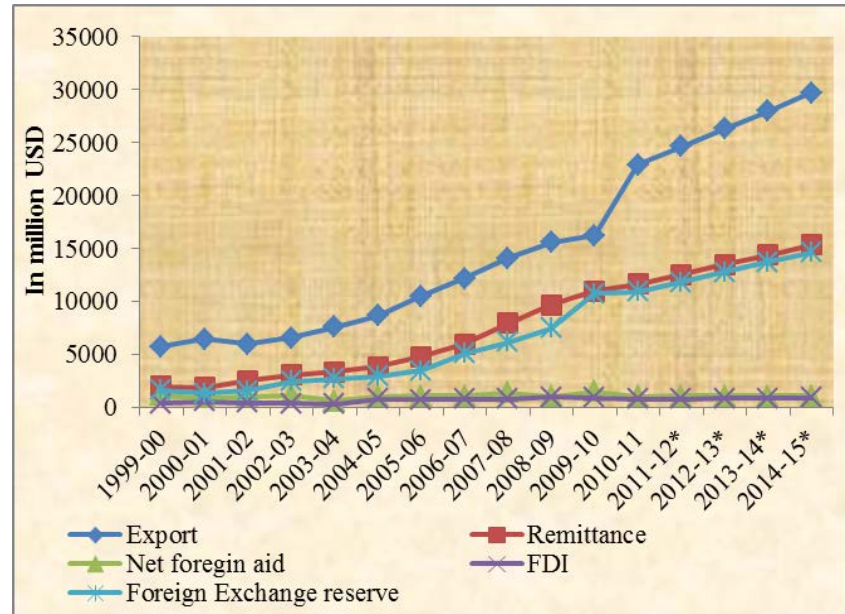
### 13. EXPORT EARNING, FOREIGN AID, REMITTANCE AND FDI

*In terms of foreign currency inflow, the contribution of FDI is negligible compared to the contribution of export earnings and remittance.*

In terms of foreign currency inflow, the contribution of FDI is negligible compared to the contribution of export earnings and remittance. In FY 2001-02 foreign exchange reserve was USD1583 million in which the contribution of export was USD 5986.09 million, remittance USD 2501.13 million, net foreign aid USD 1006.93 million, FDI USD 400.93 million and the amount of import payment was USD 9658 million.

However, in FY 2010-11, foreign exchange reserve was USD 10912 million. The contribution of export in that reserve was USD 22924.4 million, remittance USD 11650.32 million, net foreign aid USD 1049.63 million, FDI USD 779.04 million and import payment USD 33657 million. If the current business cycle continues, export earning, net foreign aid and remittance in FY 2014-15 might reach at USD 29699.7 million, USD 1066.69 million and USD 15309.996 million respectively while the flow of FDI might increase to only USD 888.96 million.

**Figure 12: Comparison between Export Earning, Foreign Aid, Remittance and FDI**



Source: Authors' calculation based on Bangladesh Bank, 2012

#### 14. CONCLUDING REMARKS

The consecutive failures of attracting the FDI and even meeting the targets should not be taken casually. The dual targets of maintaining growth and controlling inflation may be affected in near future if the consumption growth and overall investment growth continue with these declining trends of FDI. Be it real sector like agriculture and manufacturing, service sectors like telecommunication or energy sectors, the state needs to take immediate steps to attract FDI on one hand and channel the same smoothly to those sectors which would keep the consumption led growth at an acceptable level.



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