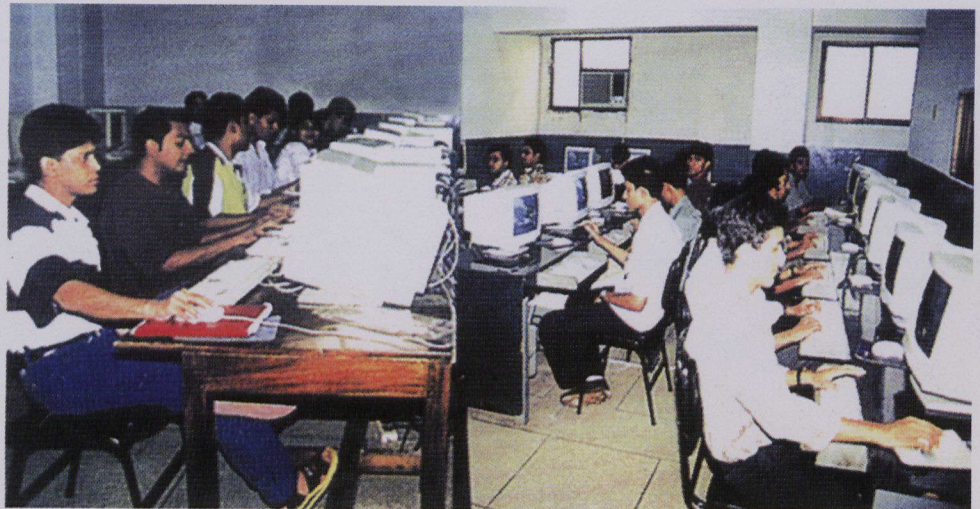




University campus



Computer Training

## ECONOMIC ENVIRONMENT

Bangladesh is a semitropical riverine nation with fertile soil and a high vulnerability to flooding and cyclones. Most Bangladeshis live in rural areas and make their living from agriculture, although in recent years there has been heavy migration to the cities, primarily to Dhaka, the capital. Though agricultural output has increased steadily since independence, the country has only recently become self-sufficient in food production.

Bangladesh has experienced fairly robust economic growth during the last decade, which saw the restoration of a democratically elected government and a steady, albeit slow, liberalization of the economy. The average annual growth of GDP in the ten-year period from FY 1991-2000 was 4.8%; the estimated rate for FY2001 was 5.2% and the projected rate for FY2002 is 4.2%. These growth rates fall short of the estimated 7.0% growth rate needed to significantly reduce the poverty that afflicts one in three Bangladeshis. Relative political stability and record back-to-back agricultural harvests have allowed Bangladesh to post healthy economic growth since the devastating flood of 1998. Aided by good harvests and modest industrial activity, inflation rates have also remained stable. After peaking at 13% in 1998, the inflation rate from May 2000-2001 was 3.4% , down from the previous rate of 4.5%. The FY2002 projected inflation rate is 3.0%

Despite a relatively good performance in the last decade, the economy is beset with many structural weaknesses. Chief among these weaknesses is the undercapitalized financial sector, poor infrastructure, lack of export diversification, and pervasive corruption.