VISUAL: **TEENI AND TUNI**

Making private sector a key driver of our economy

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Bangladesh has come a long way in weaving its inspirational tale of incredible success as one of the fastest-growing economies in the world. Currently the 35th largest economy in the world (World Economic Outlook Database, October 2022 Edition, IMF), by 2030 Bangladesh is expected to become the 24th largest economy globally, according to the National Human Development Report (NHDR), prepared by the Economic Relations Division (ERD) of the government.

The country has been enjoying more than six percent GDP growth per year for more than a decade, save the pandemic-hit years, and despite the global economic stress caused by the Russia-Ukraine war, and the economic aftershocks of Covid-19, Bangladesh is expected to grow at 6.1 percent in FY2022-23, as per the World Bank's South Asia Economic Focus, Fall 2022.

And prospects on the horizon look bright for the nation. Bangladesh is expected to become a trillion-dollar economy by 2040 (Boston Consulting Group), and riding on the back of a growing middle and affluent class (MAC) population – according to the aforementioned Boston Consulting Group report the country's MAC population is to grow to 34 million by 2025 – the country is expected to become the ninth largest consumer market by 2030 (HSBC report).

Increasing public spending (from Tk 532 billion in 2012 to Tk 2,254 billion by 2022), comparatively lower government debt (debt to GDP percent as of March 31, 2022 is 31.42 percent), the benefits of demographic dividend (currently 65.6 percent of the population of 16.51 crore is of working age), increasing domestic consumption (Bangladesh's consumption rate reached a record high of 18.36 percent in FY 2021-22), advancements in IT and its ripple effects on the country's economy and commerce, among other factors, are accelerating the country's growth trajectory – creating a favourable environment for businesses.

The country is all set to take the next leap to materialise its vision of becoming a developed nation by 2041. And in this journey, the private sector will have a major role to play.

As Bangladesh steps out of the Least Developed Countries (LDC) club, there are going to be certain challenges that it would need to overcome. These include navigating a scenario where trade facilities (Generalised System of Preferences, for example) the country is currently enjoying would become limited, foreign grants will dwindle, there will be fewer opportunity for concessional loans, and added market competition – RMG and pharmaceuticals especially would be under greater stress with the loss of benefits these are deriving from GSP and Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, respectively.

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It has been suggested that Bangladesh runs the risk of losing 14 percent or USD 5.73 billion worth of export earnings per year after graduation from LDC (LightCastle Analytics Wing), mostly due to loss of GSP facility, which provides the country with Duty-Free and Quota-Free (DFQF) access for its exports to the World Trade Organization's international development partners. Currently, Bangladesh also gets duty-free access to 38 countries under the GSP.

An impact of such a scale could create additional pressure on the growing economy, especially on one of its key contributing sectors – the RMG sector. This would have a ripple effect on various verticals of the economy, including employment, exports, forex reserves, among others.

While the country is planning to seek a six-year buffer period for access to such facilities after graduation to cushion the transition to a middle-income country, eventually Bangladesh would have to navigate and overcome these challenges. Here the private sector has a pivotal role to play in supporting the country in preparing for the journey during and after the transition, towards the developed nation goal.

Diversified products made with locally sourced raw materials would give the country an added edge when competing in the international market. Speaking from experience, it is very much doable. Coca-Cola Bangladesh Beverages for instance, produces products through a value chain where up to 75 percent of the goods and services are sourced locally. There are ample opportunities in every sector to further localise their sourcing which could reduce the burden on imports and support the local value chain.

Moreover, the private sector in Bangladesh has been working relentlessly to innovate and develop varied product portfolios which are adding to the export basket diversification agenda that the government is currently driving. From manufacturing high-tech gadgets to assembling cars for brands such as Mitsubishi, Bangladesh is already pushing its boundaries in manufacturing innovation and excellence.

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