Challenges on the road to becoming the 28th largest economy

ABU AFSARUL HAIDER

Bangladesh undeniably stands out as one of the most promising economies in the region. Despite facing resource constraints, the country has made commendable economic and social progress since independence. This success is a testament to the indomitable spirit of the Bangladeshi people, their relentless struggle for survival, and their remarkable commitment, determination, and entrepreneurial spirit. With an average annual GDP growth of six percent since the 2000s, Bangladesh currently holds the 35th position among global economies, and it is projected to become the 28th largest economy by 2030. However, this ambitious journey toward economic advancement is not without its challenges. The critical hurdles on our path include tackling poverty, addressing income inequality, managing high inflation and external debt burden, attracting foreign investment, improving resource mobilisation, addressing foreign exchange shortages, curbing corruption, ensuring the stability of the financial sector, and others.

In recent years, Bangladesh has borrowed heavily to finance various mega projects. Consequently, annual debt servicing has been on the rise, which now constitutes a substantial share of the government's expenditures. According to data from the Bangladesh Bank, the total government debt, comprising both domestic and foreign, reached around the $100 billion mark at the end of June 2023.

With an average annual GDP growth of six percent since the 2000s, Bangladesh currently holds the 35th position among global economies.

VISUAL: **TEENI AND TUNI**

Abu Afsarul Haider is an entrepreneur.

In recent years, Bangladesh has borrowed heavily to finance various mega projects. Consequently, annual debt servicing has been on the rise, which now constitutes a substantial share of the government's expenditures.

PHOTO: **REUTERS**

Investment, both domestic and foreign, plays a pivotal role in fostering economic growth.

While some of these projects may yield long-term benefits, the immediate requirements for debt servicing pose a challenge for the government's financial capacity. Currently, Bangladesh has to repay foreign loans ranging from $2-2.76 billion annually, and this amount is expected to rise in the coming years. According to a finance ministry projection, foreign debt repayments, including interests, will reach $4.5 billion in 2025-2026. The increasing external debt service payments are straining the country's foreign exchange reserves.

Concurrently, debt-service payments are diverting already scarce fiscal resources from critical sectors such as healthcare, education, social assistance, and infrastructure development. While experts argue that Bangladesh's current debt-GDP ratio is not a cause for concern, it shouldn't be seen as a green light for indiscriminate loan accumulation. To secure the nation's economic future, it is crucial for policymakers to prioritise projects by carefully assessing payback periods, thus preventing potential debt traps. Ensuring the efficient utilisation of borrowed funds is paramount to sustaining the economic cycle in the face of challenges.

Investment, both domestic and foreign, plays a pivotal role in fostering economic growth, improving the skills of the local workforce through the transfer of technology, leading to job creation, higher incomes, and improved standards of living. Research shows that to transform Bangladesh into a high-income country, it would need to raise its investment-to-GDP ratio to around 40-44 percent of GDP. Regrettably, private investment has shown little growth, hovering at around 23-24 percent of GDP for the past decade, as reported by the Bangladesh Bureau of Statistics (BBS). We are also lagging behind in attracting foreign direct investment (FDI). While even during the pandemic (2020) FDI flow to developing countries in Asia increased by four percent to $535 billion, according to figures from the UN Conference on Tradeand Development (UNCTAD),

SEE PAGE 10