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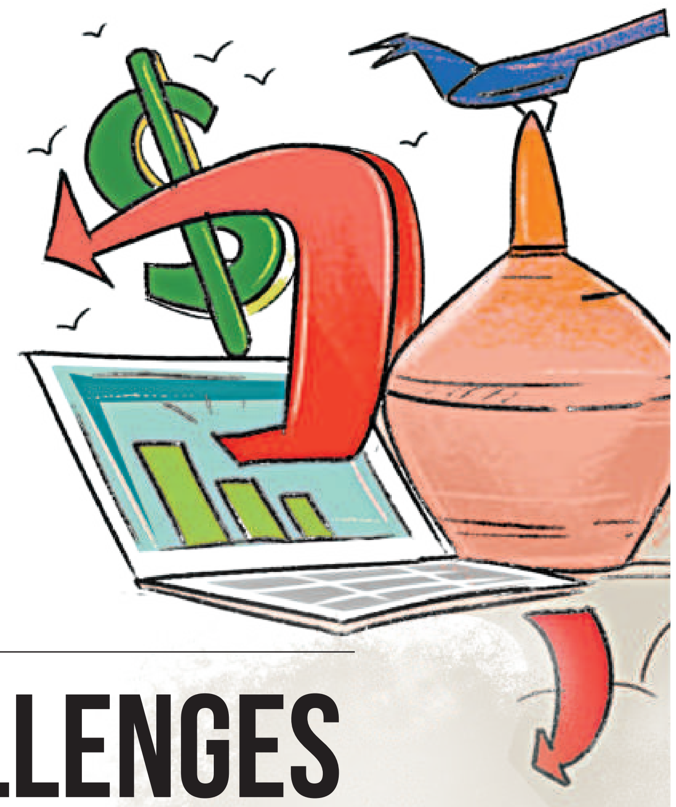

FACING ECONOMY'S LOOMING CHALLENGES

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We are pleased to present this special anniversary supplement as part of The Daily Star's 35th year of publication, focusing on the Bangladesh economy at a time of adjustment, reflection, and renewed possibility. After decades of steady and unsteady expansion, the country is navigating a more complex development phase, shaped by global headwinds, structural constraints, and evolving social and technological realities. The challenge ahead is not simply sustaining growth but ensuring that it is resilient, inclusive, and fit for the future.

Bangladesh's economic journey has been marked by adaptability. Recent years have tested that resilience, as inflationary pressures, external shocks, and financial sector strains exposed gaps in earlier growth models. These pressures have also prompted necessary course correction. Stabilisation efforts, expanding digital finance, gradual improvements in macroeconomic management, and growing attention to productivity and skills point to an economy recalibrating rather than retreating. While growth has not always translated into opportunity, particularly for youth, women, and informal workers, the scope for reform-led progress remains substantial.

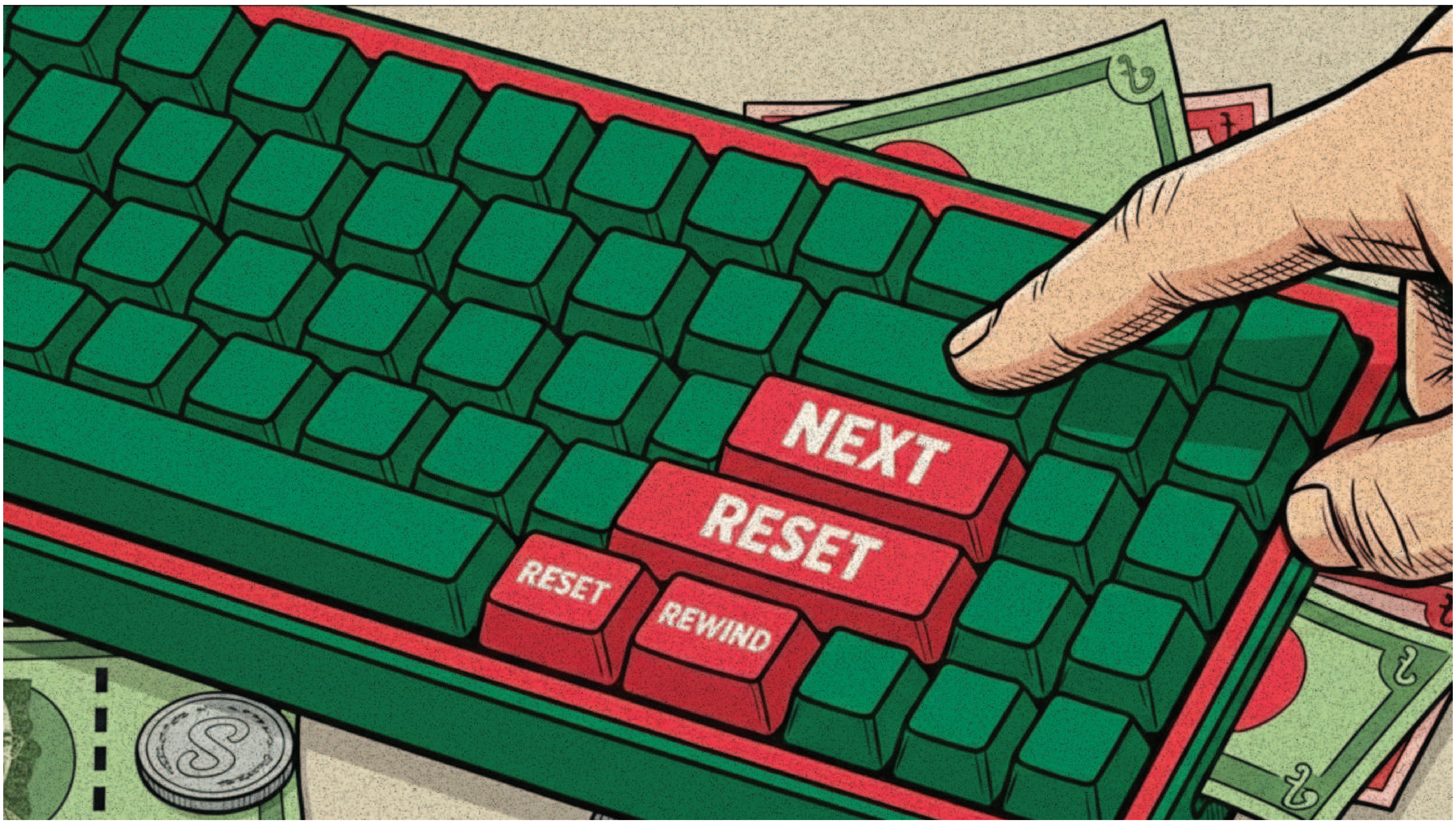
This supplement brings together leading economists and policy thinkers to examine both constraints and opportunities. The articles explore macroeconomic adjustment, financial sector reform, investment climate challenges, export diversification, and urban governance, alongside emerging issues such as artificial intelligence, ageing, care systems, climate-resilient agriculture, and social protection. Together, they move beyond headline indicators to ask how growth can better support jobs, dignity, and long-term stability.

A consistent message runs through these contributions. With careful preparation, stronger institutions, and sustained focus on human capital, the next phase of growth of Bangladesh must be broader and more durable.

We thank our contributors for their insight and our readers for their continued trust. As we mark another anniversary, we reaffirm our commitment to informed debate and responsible journalism, true to our enduring motto: Your Right to Know.

Mahfuz Anam
Editor & Publisher

ILLUSTRATION: BIPLOB KUMAR CHAKROBORTY



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The investment climate: A LONG VIEW

SYED AKHTAR MAHMOOD

Syed Akhtar Mahmood is an economist and author with three decades of experience in global investment-climate policy and regulatory reform. He is also an economist and author. Formerly with the World Bank, he has worked for three decades on investment climate reforms across the globe. He was a member of the government's Task Force on Economic Re-strategising and serves on the Economic Advisory Council of the US government's Millennium Challenge Corporation.

The famous British economist John Maynard Keynes once said, "The economist must study the present, in the light of the past, for the purposes of the future". Thus, as we analyse the current economic situation to suggest a pathway for the future, we seek guidance from history.

Let us go back to the beginnings of the Daily Star. Established by the eminent journalist Syed Mohammad Ali, known to many simply as S.M. Ali, the Daily Star hit the newsstands for the first time in January 1991.

Globally, it was a time of momentous transition. The Berlin Wall had fallen in November 1989, and on Christmas Day 1991, about a year after the Daily Star was established, the Soviet hammer and sickle flag was lowered for the last time over the Kremlin.

This heralded the beginning of one of the most momentous economic experiments in recent times – the transition from a socialist to a market economy in large parts of Europe and Central Asia. But an even more far-reaching development had already commenced. China had started liberalising its economy in the late 1970s and, in 1986, had applied for membership to the GATT. This eventually led to China's joining the WTO, the successor to the GATT, in 2001. This ushered in an unprecedented era of globalisation with significant implications for Bangladesh.

Changes were happening in Bangladesh's neighborhood too. One day in July 1991, Manmohan Singh, India's then finance minister, stood in the grand building designed by Edwin Lutyens to present to the Indian parliament a special budget. It announced a set of bold liberalising measures that brought transformational change to the Indian economy.

Daily Star's arrival also coincided with a transitional moment for Bangladesh. A decade-long autocratic rule had just ended, and the country was on the cusp of a democratic transition. With the democratic transition also came a series of economic reform measures that helped create a conducive investment climate and increased business confidence. These reforms created a pivotal moment in the economic transformation of Bangladesh. It consolidated the shift, initiated in the late 1970s, from a predominantly public sector-driven economy to a more liberalised and private sector-oriented one.

Bangladesh's first major agenda was to enhance food security by raising rice production through the widespread use of HYV rice, including the spread of a third rice crop, i.e., boro. The government initially relied on a public sector model of distributing the necessary inputs to farmers. But concerned about the inefficiency and corruption associated with this model, the government started liberalizing the agricultural input market in the early 1980s, with more substantial reforms happening in the late 1980s and early 1990s.

In the industry, the government began to open space for private investment, moving away from the public-sector dominance ushered in by a pervasive nationalisation policy in 1972. This shift gained momentum in the early 1980s with substantial privatisation efforts and deregulation, including easing licensing requirements for new industries. Innovative policies such as back-to-back letters of credit and bonded warehouse systems boosted the nascent garment industry, while the 1982 Drug Policy fostered growth in the local pharmaceutical sector.

However, more comprehensive measures were required. The 1990s marked a pivotal decade with major reforms, including the introduction of the value-added tax (VAT) and reforms in import tariffs. The government was initially hesitant to reduce tariffs due to fears of losing revenue and hurting domestic firms unable to compete with imports. However, an increase in tax revenues following the introduction of the VAT in 1991 alleviated the revenue concerns, and bold tariff reforms were carried out in the early 1990s, creating a more open trade regime. This boosted the industry by making it easier and cheaper to import capital machinery and other inputs.

Another significant development was the opening of sectors traditionally under government control, aligning with global trends in developing economies. In 1989, Bangladesh allowed private provision of mobile telephony, initially as a monopoly, but later introduced competition through licensing of three additional providers in the second half of the 1990s. In the power sector, the 1996 Private Sector Power Generation Policy led to the commissioning of the first private power plant in 1998.

These reforms helped increase business confidence, which also got a boost from a growing economy and the associated increase in demand. Significant increases in remittance inflows and export earnings, which increased 2.5 times and 3.5 times, respectively, during the 1990s, also helped. The pace of structural reforms slowed in the 2000s as the focus shifted toward infrastructure development, including expanding power generation capacity, establishing economic zones, and investing in transport infrastructure.

ILLUSTRATION: ADRIN SARWAR

Some reforms did happen, though. By the early 2000s, the limitations of a fixed exchange rate system became evident, prompting Bangladesh to adopt a managed float system after establishing risk management mechanisms to handle currency volatility. In the mobile telecoms sector, the rules of the game were further clarified through the separation of the regulatory and policy functions of the government in the early 2000s. Mobile financial services were introduced a decade later, in 2011. However, efforts to reform the VAT regime faced opposition, stalling progress, while governance issues in the financial sector worsened. In the infrastructure sector, impressive progress was dented by corruption and cost escalations.

Overall, Bangladesh's economic reforms from the 1980s to the early 21st century reflect a steady, albeit gradual, transition toward a more open, market-oriented economy. At the same time challenges in governance and implementation remain and, in many cases, have worsened. Entrepreneurship has indeed blossomed thanks to the reforms. But businesses in Bangladesh continue to face a wide range of obstacles. Many firms struggle to get the basic inputs they need, such as finance, raw materials, skilled workers, or reliable electricity. Across the board, businesses often get stuck dealing with complicated laws and regulations, and inconsistent enforcement. Infrastructure is also a problem. Roads, rail lines and ports are deficient in many ways. As a result, transport is slow and expensive. This is a particularly serious problem for export-oriented firms, which are also handicapped by inadequate services such as insurance, logistics, quality assurance labs, and training.

In summary, the problems with the investment climate are pervasive but the nature or intensity of the constraints often vary by firm type. This means that while many actions will be cross-cutting, some will be targeted at specific firm types, such as small enterprises or export-oriented firms.

As mentioned above, the focus of the earlier period, i.e., till roughly the turn of the century, was largely on the software side (policy reforms), with the important exception of the rural road expansion and construction of EPZs in the late 1980s and the 1990s. By contrast, the later period focused more on hardware (infrastructure building).

The time has come to focus once again on the software side while the effort to build efficient infrastructure and logistics continues. In the interest of space, I shall focus on two topics: one general (overall management of investment climate reforms) and one specific (regulatory governance).

Improving the investment climate starts with better policymaking. The government needs stronger capacity to design and implement reforms, and it should work more closely with the private sector to understand real-world problems. Regular dialogue—through structured meetings, sector-based forums, and periodic surveys—can help build trust and ensure that reforms reflect business needs.But having good policies on paper is only half the job. Implementation is often where things fall apart. A results-focused approach, with clear monitoring and feedback, can help turn plans into real improvements. And coordination across government agencies is essential. When responsibilities overlap or agencies don't communicate, processes slow down, businesses get confused, and investment suffers.

Regulations exist to set clear rules for businesses, making sure profit-making doesn't come at the cost of public interests—whether it's environmental protection, product quality, worker safety, or fair wages. Good regulations give businesses clarity, support innovation, and help the economy grow. But for regulations to work well, they must be relevant, easy to understand, and properly enforced. In Bangladesh, many rules are outdated, overlapping, or badly administered. This makes compliance costly and opens doors for harassment—problems that hold businesses back.

At the same time, some areas don't have rules at all. In a fast-changing technological world, these regulatory gaps can cause confusion and missed opportunities. The early uncertainty about how to regulate Uber in Bangladesh is a good example of why new business models need clear and forward-looking rules. While some reforms have happened, the pace of regulatory modernisation is still too slow compared to technological change. This reactive approach makes it harder for Bangladesh to compete in the global digital economy.

To address this, a central regulatory reform body could play a vital role. Its job would be to track technological trends, identify gaps in existing regulations, study what other countries are doing, and develop a long-term strategy for updating Bangladesh's laws. It could also review current rules, create an inventory of regulations, and recommend what needs to be changed or removed. Introducing regulatory impact assessments—used in many countries—would help evaluate costs and benefits before new rules are introduced. Line ministries would get training and technical help, making regulatory reform more coordinated and proactive. Countries like South Korea, Mexico, and the UK already use such central agencies effectively. The time has come for Bangladesh to follow their path.

SNAPSHOT

Bangladesh's investment climate evolved alongside major global economic shifts from the late 1980s onward.

1. Early reforms focused on liberalisation, private investment, and trade openness, boosting confidence and growth.

2. Structural reforms slowed in the 2000s as attention shifted toward infrastructure development.

3. Governance weaknesses and regulatory gaps continue to constrain businesses across sectors.

4. Renewed focus on policy quality, implementation, and regulatory reform is now critical.

FACING ECONOMY'S LOOMING CHALLENGES

ILLUSTRATION: E. RAZA RONNY

Bangladesh's LDC graduation: Why readiness is the best strategy

MUSTAFIZUR RAHMAN

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In recent times, the discourse around Bangladesh's upcoming LDC graduation has primarily hovered around the issues of deferment. Regrettably, discussion as regards ensuring sustainable graduation tends to get lost in the somewhat speculative assertions in view of this. However, for the discussion on LDC graduation to be impactful and meaningful, attention ought to focus on how to make LDC graduation smooth and sustainable, and not be deflected by issues of deferment.

INTERIM GOVERNMENT'S STANCE ON DEFERMENT

As may be recalled, the Interim Government (IG) initially took the decision to go ahead with the graduation timeline as stipulated by the UN General Assembly (UNGA) decision, to be effective on November 24, 2026. Some of the recent signals in this regard have been somewhat contradictory though. A number of policymakers and high-level government officials have been making the point that deferment of graduation would help Bangladesh to buy some additional time to prepare for LDC graduation. However, to note, no official announcement has yet been made by the Interim Government that indicates that it has changed its earlier stance and decided to go for a formal submission requesting for deferment of LDC graduation.

It will be pertinent to recall in connection with the above that in early November 2025 the government submitted the Bangladesh Country report to the *UN Committee for Development Policy* (UN-CDP) as part of the CDP's *Enhanced Monitoring Mechanism* (EMM) which has been put in place to assess the state of preparation of graduating LDCs (GLDCs). CDP makes an assessment about the state of preparedness of a particular GLDC based on the country report as also its own assessment. As is known, it is on the basis of the recommendation of the CDP that countries are recommended for graduation to UN-ECOSOC and UN GA. Bangladesh was first recommended in 2018 and then in 2021 at CDP's triennial review meetings based on which the decision was taken by the UN GA at its meeting on 24 November 2021 as regards Bangladesh's LDC graduation (along with Nepal and Lao PDR).

The aforesaid Country Report provides an indication as to how the country itself assesses its state of preparation for LDC graduation. The country report, titled *Performance of Economy and Preparations for Sustainable Graduation from LDC Status During The Preparatory Period*, transmits three key messages: firstly, Bangladesh has continued to meet all the three graduation criteria based on which CDP recommended the country for graduation in the first place. Second, the government has been undertaking a number of steps in line with its *Smooth Transition Strategy* (STS) which Bangladesh has prepared in view of the upcoming LDC graduation. And, thirdly, whilst notable progress has been made, many challenges remain in implementing the STS. The report also mentions about the vulnerabilities inflicting the economy, and the difficulties that would originate from the loss of international support measures (ISMs) including Special and Differential Treatment (S&DT) as regards compliance with WTO obligations.

In the way forward section of the report, several measures are mentioned which are to be implemented specifically by the government, the private sector, development partners and by the international community and the UN. Indeed, these actions will need to be pursued in all earnest both during the run up to, and also following, Bangladesh's graduation from the group of the LDCs.

The overall vibe of the Country Report is that inspite of the formidable challenges, Bangladesh is on course to graduate in November 2026. On the other hand, as was noted above, some high-level policymakers and government officials have come out publicly to say that deferment will give Bangladesh additional time to prepare for smooth and sustainable graduation.

One understands the *political economy* aspect of the decision as regards making a submission for deferment. The Interim Government would not like to be seen as the one which was responsible to put an *on-track to graduation Bangladesh* off the track. This could put under question the credibility of its performance and may be used against it by its detractors.

ARGUMENTS FAVOURING DEFERMENT

The private sector of Bangladesh, in one voice, but also sizeable sections of the country's media, civil society, activist community, think tank representatives and public opinion makers, have been arguing that Bangladesh needs more time to be ready for graduating out of the group of LDCs. For understandable reasons, the BGMEA, representing the apparels manufacturers and exporters of the country, has come out very strongly in favour of deferment.

Interestingly, some of the stakeholders who at the time hailed graduation as an outstanding achievement of the then government are at present the most vocal proponents of deferment of graduation!

No one can contest the fact that graduation will have serious implications on several fronts: global, in view of significant preference erosion and changes in trading environment, and domestic, in view of stringent compliance requirements, tariff rationalization, disciplines as regards subsidy and incentives management, more onerous standards and certification requirements, stringent labour-gender-environmental compliance regulations, more demanding IPR enforcement mechanism and in many other areas. If domestic policies violate WTO-mandated regulations and disciplines as applied for non-LDC developing country members, Bangladesh could be dragged to the *WTO-Dispute Settlement Body* (WTO-DSB) with likely trade-related sanctions in response to any actual or perceived violation of WTO rules.

As is known, barring the United States, export of apparels originating from the LDCs are accorded duty-free access in almost all developed as also a number of developing country markets. Similar is the case with the country's pharmaceutical sector which enjoys benefits under TRIPS waiver in the form of ability to produce and export patented drugs without the need to comply with patent/license requirements. So, the concerns about loss of preferences, S&DT and ISMs in general is understandable.

To note, Bangladesh's political parties are yet to take a stance in view of the question of deferment, and are also not engaging in the relevant discussion. It is not clear whether in their respective election manifesto any political party will make a pledge or take a position in this context. One can anticipate that once an elected government will hopefully be in place in February 2026, it will be under a lot of pressure, from powerful stakeholders and business groups, to take a concrete position, without doubt favouring a deferment of graduation. If it so decides, the newly elected government will need to make a formal submission to the UN requesting for deferment for a specified period.

MAKING SUBMISSION FOR DEFERMENT

If Bangladesh is serious about deferment, it will need to make a formal request for deferment of the country's graduation from the group of LDCs. This can be submitted to the CDP for consideration, or submitted directly to the UN. However, to note, the window of opportunity for making a submission for deferment, if Bangladesh so decides, is narrowing since November 2026 is approaching fast.

If there is no submission for deferment, it is highly unlikely that CDP will make any recommendation to this effect on its own. If there is a submission by Bangladesh, it will assess the request and give its opinion to the UN ECOSOC (United Nationas Economic and Social Council) for final decision by the UN GA. As was noted earlier, Bangladesh also has the option of applying directly to the UN. It is the UN GA which is the final arbiter as regards the decision to defer the graduation of any LDC or not. A majority of members will need to vote in support of any submission for deferment.

If Bangladesh decides to apply for deferment, its application has to be well-substantiated, articulating the grounds on which such a request was being made. If Nepal and Lao-PDR, the other two LDCs which are slated for graduation on the same day as Bangladesh, decide to go ahead with graduation, Bangladesh's case will no doubt be significantly weakened. Many UN members will be reluctant to support Bangladesh if that be the case.

This is not to say that Bangladesh does not have a good case. Amongst the LDCs, Bangladesh has been the one which was able to reap the most benefit originating from LDC-specific ISMs including S&DTs under the various WTO Agreements. Consequently, it has the most to lose. This makes the task of sustainable graduation more challenging compared to other GLDCs. Also, the July-August 2024 uprising, the upcoming democratic transition and the resultant economic disruptions have added new challenges which could be put forward as accentuating factors.

SEE PAGE 8

ILLUSTRATION: ADRIN SARWAR

TOWARDS A CASHLESS ECONOMY:
A new lifeline for financial inclusion

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In a recent conversation at the Policy Research Institute, we asked a junior office assistant earning roughly USD 200 a month where he would turn for a loan to meet an urgent economic need. His response was stark. Formal retail banks were never an option; they do not exist in his economic reality. His choices were limited to high-interest borrowing from informal cooperatives or microfinance institutions; mechanisms that provide access, but often deepen vulnerability.

This is not an anecdote about individual exclusion. It is evidence of institutional failure and embedded financial exclusion. When a formally employed, salaried worker cannot access bank credit, the problem lies not in financial literacy or creditworthiness, but in the design of the financial system itself.

Almost as an afterthought, he showed his mobile phone. Based solely on transaction history, bKash had extended him a Tk 1,000 digital credit facility. The amount is small, but the signal is profound. A cashless platform, operating without branches, collateral, or paperwork, has recognised economic behaviour that traditional banks have ignored. The issue is no longer whether digital finance can reach the underserved, but whether cashless economic transformation can receive the necessary public policy support to emerge as a new lifeline for financial inclusion.

SNAPSHOT

Mobile financial services have scaled rapidly, but broader cashless adoption remains uneven.

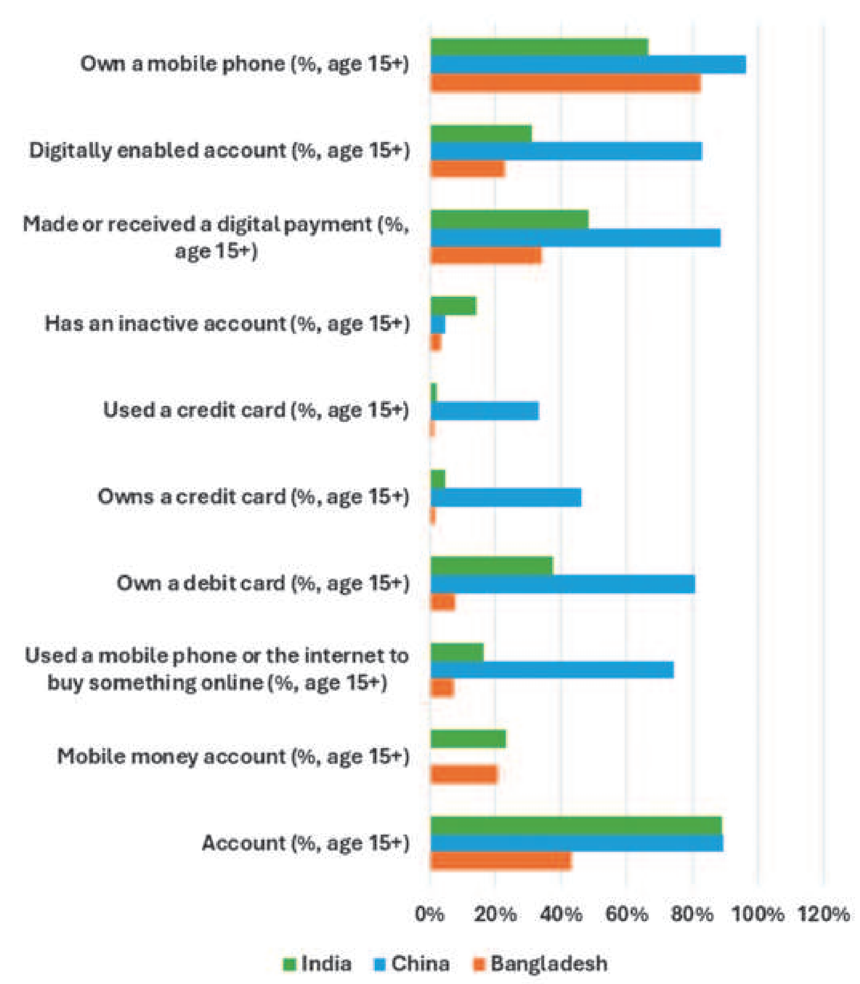
1. Financial access in Bangladesh is highly concentrated by income and geography.
2. Digital finance offers inclusion gains but carries risks for women, rural users, and informal workers.
3. A coordinated policy approach is essential to ensure equity, trust, and consumer protection.

WHEN FORMAL BANKING FAILS THE WORKING POOR

Globally, the shift toward cashless economies is no longer a distant aspiration; it is an active policy choice shaped by technology, demographics, and development priorities. India's Unified Payments Interface (UPI) now accounts for nearly 49 per cent of all global real-time digital transactions, while mobile money platforms process over $4.6 billion in daily value worldwide. Brazil has pioneered branchless banking models through institutions like Nubank, which now serves over 80 million users, while Indonesia has leveraged digital platforms to scale nano-loans and expand access to credit for the underserved. Empirical evidence suggests such transitions not only enhance financial inclusion and reduce transaction costs but also contribute to economic formalisation. For Bangladesh, the imperative is clear: a well-sequenced cashless transformation must be viewed not merely as a technological upgrade, but as a strategic lever for inclusive development. Done right, a cashless transition can be transformative. Done poorly, it risks deepening existing inequalities.

CASHLESS SYSTEMS AS A TOOL FOR INCLUSION

Bangladesh has made notable progress in few avenues of the cashless economic space. Mobile financial services (MFS), introduced in 2011 under a central bank-led regulatory framework, have fundamentally changed how people transfer money. More specifically, if the current monthly trend prevails, MFS will process transactions of around $120 billion annually reflecting both its scale and growth with around 90 million active accounts. What began as a tool for simple person-to-person (P2P) payments has evolved into a broader ecosystem supporting wages, remittances, government transfers, and merchant payments. With a nationwide agent network reaching deep into rural areas, digital finance has proven cheaper, faster, and less constrained by geography than traditional banking.



Regional Variation in Financial Account Ownership and Usage 2024 Global Findex

BANGLADESH'S UNEVEN PROGRESS TOWARD CASHLESS FINANCE

However, accomplishments on other notable avenues of the cashless space have been far limited. Bangladesh's experience with QR-Code based transactions is far less impressive than countries such as Cambodia, Vietnam, India or China. Moreover, recent data underline both progress and enduring gaps. The 2024 Global Findex data for Bangladesh shows that only 43 per cent of adults (age 15+) have a financial account, whether through a bank, another financial institution, or mobile money, indicating that a majority of the population remains outside the formal financial system. While 21 per cent of adults hold a mobile money account and 23 per cent have a digitally enabled account, nearly half the adult population remains outside the formal financial system altogether. Card ownership is particularly low: just 8 per cent of adults have a debit card and only 2 per cent a credit card, limiting the growth of card-based payments. By comparison, China and India project a much more impressive performance, demonstrating what is possible when infrastructure, regulation, and consumer trust align.

Of late, Bangladesh is also entering the age of digital banks and has started disbursing nano loans through mobile financial service, but these new instruments are still in their nascent stage – and are in need for public policy support to effectively deliver.

Nonetheless, in spite of the notable attainments and visible weakness within the cashless economic space, the dynamism and prospects only in still hope. For Bangladesh, moving toward a cashless economy is not simply about replacing banknotes with apps or payment cards. It is about unlocking financial inclusion, lowering transaction costs and strengthening economic governance, without leaving anyone behind. This is especially pertinent when traditional banking system has experienced significant expansion without promoting real financial inclusion.

STRUCTURAL BIAS IN THE FINANCIAL SYSTEM

For instance, our recent research for International Growth Centre (IGC) reveals that Bangladesh's financial system remains highly unequal in its geographic reach and impact. Our findings uncover an uncomfortable truth: a mere 1.2 per cent of loan accounts command over 75 per cent of total lending in the country, reflecting an extreme concentration of credit access. Spatially, Dhaka and Chattogram dominate the system; holding approximately 65 per cent of all deposits and 78 per cent of total disbursed loans in 2024. These patterns are not merely the result of economic agglomeration; they point to a structurally skewed financial architecture that fails to intermediate capital effectively across Bangladesh's geographic and economic peripheries.

In this specific context, microfinance has been traditionally seen as the fallback option to reach the unbanked or underbanked segment of the population, especially women. Yet, its existing operating model has not fully replaced informal markets, nor can it meet the diverse financial needs of a growing, urbanising economy.

Consequently, serious and carefully calibrated public policy commitment

SEE PAGE 9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Bangladesh's LDC graduation: Why readiness is the best strategy

Bangladesh's graduation will be taking place at a time when geo-economic and geo-strategic scenarios are evolving in a way that confront with many new challenges and difficult choices

FROM PAGE 4

Also, the case of Nepal is different from Bangladesh. The larger share of Nepal's exports will continue to enjoy duty-free treatment even after graduation since it has a *bilateral free-trade agreement* with India, its major trading partner. Also, no other LDC, including Nepal, has such a large domestic pharmaceutical industry as is the case with Bangladesh. One can expand and extend this line of argument further to emphasise the point that the Bangladesh case is indeed unique and is of distinctive and different nature altogether compared to rest of the GLDCs.

PREPARATION AS PRIORITY

However, what should not be lost sight of in the discourse and dilemma concerning deferment is that the day of reckoning will come soon - if not in 2026, then may be with a delay of, under the best of scenarios, only a few years. The offer of extending preferential market access by the European Union (EU), United Kingdom (UK), and some of the other major preference-offering countries, by an additional three years beyond the graduation timeline, will no doubt provide some extra time to prepare for graduation. However, this offer concerns only preferential market access. The loss of other LDC-specific S&DTs and ISMs in general will come into play immediately after Bangladesh has left the group of LDCs.

The most important question, however, is that in case graduation is deferred, will this be an excuse *to kick the can down the road*, meaning yet another opportunity to delay taking the hard decisions? Or the additional time will be taken advantage of for doing the necessary homework and for taking preparation to make graduation smooth. This is what needs to be at the centre of the discussion on deferment of graduation.

The *Smooth Transition Strategy* (STS; February 2025), prepared by the Interim Government, is a well-prepared action-oriented document, successful implementation of which would go a long way in ensuring that Bangladesh's graduation is sustainable. STS has 5 pillars, 30 areas, and 157 concrete time-bound actions, with specific institutions and agencies responsible and accountable for implementation of the actions. The pillars are the followings: (a) Ensuring macroeconomic stability; (b) Exploring and securing trade preferences and transition measures; (c) Promoting export diversification and competitiveness;(d) Building productive capacity; and (e) Fostering partnerships and international cooperation. Priorly, attention must be given to strengthening the concrete actions under each of these pillars.

To recall, the interim government has set up a high-level *Steering Committee* to provide oversight to the process of preparing for graduation. It has also constituted a *High-Level Expert Group* to monitor the implementation of the STS. All relevant stakeholders -state, and private and other non-state actors- will need to work in partnership, and with due urgency, to ensure that STS deliverables are actually delivered during the run up to graduation, as also beyond.

Bangladesh's graduation will be taking place at a time when geo-economic and geo-strategic scenarios are evolving in a way that confront Bangladesh with many new challenges and difficult choices. To recall, developments such as US administration's so-called *reciprocal tariffs* and EU's *Carbon Border Adjustment Mechanism* (EU-CBAM)-induced *carbon emission taxes* will add new dimensions to the global trade. This will add to the formidable challenges Bangladesh will need to deal with in making the LDC graduation sustainable.

Thus, the question that needs to be asked is how best to prepare Bangladesh for this newly emerging trading scenario. How to ensure that exporters, entrepreneurs and businesses are adequately compensated for the loss of LDC-specific ISMs and S&DTs which they have enjoyed for over five decades since Bangladesh became a member of the group of LDCs in December 1975. These are the questions that should disturb the policymakers and all concerned stakeholders.

Entrepreneurs will need to have access to an effective single window and one stop service, the logistics policy will need to be implemented in full, and cost of doing business will need to be reduced significantly. Skills and productivity-based competitiveness will need to come into play in place of preference-driven and incentives-induced competitiveness. A number of actions are being taken at present, however, many tasks remain unaddressed or have not been addressed adequately.

CONCLUDING REMARKS

The worst-case scenario for Bangladesh will be in not being able to do the needful to ensure sustainability of LDC graduation but graduation being effected on 24 November 2026 (whether a submission is made or not). In view of such a possibility, Bangladesh must take energetic and targeted steps to implement the STS in a time-bound manners, with due urgency. The debate and discussion on deferment must not deflect attention from what ought to be done to ensure that Bangladesh's graduation is smooth, takes place with momentum and is sustainable. The discussion on deferment should not serve as an excuse to defer hard choices and not doing what needs to be done, and merely as an opportunity for *kicking the can down the road.*

Towards a cashless economy: A new lifeline for financial inclusion

FROM PAGE 6

to the cashless economic transition agenda remains a critical tool for breaking free from the structural and traditional biases of the banking sector – ensuring that financial expansion coexists with real inclusion within the social and economic space. Yet, the risks of an uneven transition are real.

Large segments of the population, including older people, rural communities, informal workers, and women, face barriers ranging from limited internet access and high device costs to low digital and financial literacy. Gender gaps are particularly acute: many women lack access to mobile phones or control over digital accounts, resulting in lower usage even where services exist. There are also institutional risks. Information asymmetries between financial providers and first-time users can expose consumers to hidden fees, fraud, and data misuse. Weak grievance redress mechanisms and oversight gaps can quickly erode trust in digital systems. A prior PRI study for the Friedrich Naumann Foundation found that one in ten MFS users experiences financial fraud. If unaddressed, the shift toward cashless transactions risks reinforcing, rather than reducing, inequality.

POLICY PRIORITIES FOR AN INCLUSIVE CASHLESS ECONOMY

A successful cashless transition, therefore, requires more than technological innovation. It demands coordinated public policy. Investment in nationwide digital infrastructure must be matched with efforts to ensure affordability, strengthen consumer protection, and expand financial literacy at scale. Regulation must strike a careful balance: encouraging competition and innovation while safeguarding stability and trust.

Most importantly, there must be a concentrated effort to ensure that the cashless financial ecosystem can harness Big Data from individuals, micro-entrepreneurs, small merchants, and low-income households to ensure that we move from traditional "physical collateral" to "information collateral" by creating a credible credit ratings ecosystem for the unbanked and underbanked population, so that digital banks and MFS can reach them effectively with their financial products.

On the whole, Bangladesh is at a pivotal moment in its financial evolution. While the infrastructure for digital finance is rapidly maturing, the trajectory of its cashless transition remains uncertain. A deliberate, inclusion-oriented approach is essential to ensure that digitalisation does not entrench existing inequalities. A cashless economy is not merely the digitisation of transactions: it is a reconfiguration of economic participation. If designed with equity at its core, it can democratize access to finance and enable shared prosperity. Without such intent, however, the shift risks becoming another uneven transformation that benefits the connected few and intensifying financial exclusion.

YOUTH DIVIDEND

Ending "youthwashing", fixing education, rethinking skills

ILLUSTRATION: **E. RAZA RONNY**

M NIAZ ASADULLAH

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At a time when the Fourth Industrial Revolution is transforming industries and economic activity, Bangladesh's education system is stuck in a foundational crisis—failing to ensure basic literacy, problem-solving ability, and employability for too many graduates.

MORE YOUNG PEOPLE, FEWER SKILLS

In 2022, almost two-fifths of our youth were not in employment, education or training, nearly double the global average of 21.7%. Even university graduates experience some of the highest unemployment rates. For those working, a significant portion is underemployed, performing tasks that are not commensurate with their degrees. This is not only a tertiary-education failure; it is a system-wide failure that begins early and accumulates over time.

The necessity for immediate, system-wide reform is underscored by the risk of losing the demographic window because the foundation is weak. Bangladesh's youth population surged during the past 15 years (2009–2024), demanding the strongest possible base to prepare them for the 21st-century labour market. Instead, policies and politics failed them.

At a time when public education spending stagnated and remained among the lowest in the world, taxpayers' money was wasted through symbolic budgetary allocations in the name of youth empowerment—a tragic phenomenon that I previously described as "youthwashing". Rhetorical commitment without credible budgets, clear delivery plans, and measurable outcomes has left a generation dangerously exposed. Today millions have completed schooling without foundational qualifications; half of ten-year-olds cannot read an age-appropriate sentence; and Bangladesh remains near the bottom of global human capital rankings.

BANGLADESH'S DOUBLE HURDLE

The country's education and skills challenges have been compounded by jobless economic growth, leaving Bangladesh trapped in a low-skill, low-productivity economy. The tumultuous events of July 2024, which ushered in a new political dawn, were partly fuelled by a generation's simmering frustration over exactly these challenges.

The past 15 years saw a troubling labour-market pattern: despite robust economic expansion and a tripling of exports in the Ready-Made Garments (RMG) sector, job creation has remained sluggish. This points to a growing disconnect between impressive GDP growth figures and genuine employment opportunities, making labour-market entry harder for new cohorts each year.

Regionally, Bangladesh's competitors with similarly favourable working-age population ratios—Vietnam is the most obvious example—have begun reaping demographic dividends through sustained investment in education quality and workforce skills. This has helped keep economic growth steady while also expanding employment.

Meanwhile, disruptive technologies—generative AI, big data analytics, autonomous robots, additive manufacturing (3D printing), cloud computing, and the Internet of Things—are reshaping production and services, leaving Bangladesh even less time to upgrade human capital policies within the remaining demographic window.

Bangladesh is already decades behind in the global race between education and technology. The youthquake of 2024, arose from deep-seated disillusionment after years of unmet promises and policy paralysis in education and skills. As the nation looks toward a free and fair election and new political leadership in 2026, we must confront a "double hurdle" that young people face: low-quality schooling and limited pathways to acquire marketable skills outside the formal education system.

POLICY RESPONSE

Beyond the necessary shift toward employment-led growth, millions of Bangladeshi young people must be equipped with the skills and credentials needed to avoid permanently missing the demographic window—and risking a demographic liability. If Bangladesh fails to act decisively, its demographic dividend window—expected to narrow sharply between 2030 and 2042—may yield not a boon, but a liability.

To make amends for past mistakes and overcome the "double hurdle," Bangladesh needs a comprehensive, two-pronged human capital response: (1) fix the education foundation to raise learning and employability, and (2) expand credible skills pathways beyond schooling.

First: Fix the foundation and make schooling deliver employability. This requires ensuring that young people acquire the right mix of foundational skills (literacy and numeracy), higher-order cognitive skills (problem-solving and critical thinking), and technical and digital skills that the 21st-century labour market increasingly demands. The broad objective should be to end "schooling without learning" and halve learning poverty by 2030. Several steps follow.

Ensure quality early childhood education for all. This is critical to improve school readiness and raise learning outcomes throughout the schooling cycle.

Introduce entrepreneurship education in the school curriculum. Early exposure can help build a mindset for risk-taking, innovation, and initiative—encouraging young people to become job creators, not only job seekers.

Prioritise quality TVET at the secondary level. Increase participation in Technical and Vocational Education and Training (TVET) from the current meagre 1.2% toward a more ambitious medium-term target—such as 10% by 2030—on a credible path to 20% thereafter. This should be done in partnership with industry, with redesigned programmes aligned to high-growth sectors such as ICT, electronics, construction, and modern services.

Widen skills training in secondary education by empowering the Technical and Madrasah Education Division (TMED). This should accelerate the integration of practical skills into technical institutes and madrasahs, so employable skills complement religious education. More specifically, efforts should intensify to modernise madrasah education by integrating general subjects and vocational modules linked to recognised competency standards to enhance employability.

Build a robust school-to-work ecosystem. This includes early career counselling for school leavers, embedded soft-skills training (communication, teamwork, workplace behaviour), and greater emphasis on English plus one additional foreign language aligned to migration and trade opportunities.

Second: Expand skills pathways outside the formal education system and rethink national skills policy.

This is essential for young people who leave school early, those whose education left gaps, and workers who must upskill and reskill as labour-market demand shifts. Several reforms are urgent.

Revise the National Skills Development Policy to strengthen linkages between industry, education, and jobseekers—and to reduce fragmentation. Beyond harmonising key policies (Education Policy, Non-Formal Education Policy, Youth Policy, National Training Policy, and the NSDC Action Plan), the government should rationalise overlapping training programmes across the five segments of Bangladesh's skills system (government, government-aided, private, NGO, and industry-based providers) and across institutions (polytechnics, Technical Schools and Colleges, BMET-TTCs, and madrasahs). Without rationalisation, resources will keep being spread thinly across too many programmes with too little measurable impact.

Implement structured on-the-job training and apprenticeship schemes. This requires upgrading existing frameworks so they deliver outcomes beyond paper—with employer participation, incentives, and traceable completion-to-employment pathways.

Invest in skills for diversification beyond RMG. While garments remain vital, the future lies in higher-value diversification. Training programmes—both fresh skilling and reskilling—must build capabilities for agribusiness and agri-tech, light manufacturing upgrading, logistics, care work, and digital services linked to real demand and wage outcomes.

Strengthen pre-migration training in language, skills, and labour rights through BMET's network of 110 TTCs and 6 Institutes of Marine Technology (IMTs). This will be critical for expanding overseas employment in non-traditional destinations and moving workers into higher-value, better-regulated pathways.

Increase the share and quality of longer diploma and certificate courses (six to twenty-four months), especially in non-RMG areas, within national TVET frameworks—while ensuring that course expansion is tied to placement rates, employer demand, and credible certification.

Lastly, strengthen capability and leadership in key institutions such as NSDA and BMET. Review the effectiveness of National Skills Certificates (NSC) and assessments, and expand training beyond "fresh skilling" to include upskilling, reskilling, entrepreneurship, apprenticeship, and Recognition of Prior Learning (RPL). The system must reward verified competence, not time spent in courses.

RETHINKING SKILLS BEYOND SCHOOLING

Bangladesh's July revolution has presented a once-in-a-generation chance to pivot away from youthwashing and toward genuine human capital development. The country cannot afford to lose the next decade as it lost the last 15 years. By prioritising youth in the policy agenda and implementing a two-track strategy—fixing education quality while expanding credible skills routes outside schooling—Bangladesh can turn its demographic dividend from a fleeting promise into a durable economic advantage, ensuring that young people become the driving force behind long-term prosperity.

SNAPSHOT

Bangladesh faces one of the world's highest youth NEET rates, even among graduates, signalling a system-wide education failure.

1. Years of "youthwashing" replaced real reform, leaving millions without basic literacy, employability, or marketable skills.
2. Economic growth has not translated into jobs, trapping young people in a low-skill, low-productivity economy.
3. The demographic window is closing fast, while technology is advancing faster than policy can respond.
4. A two-track solution is urgent: fix schooling quality and expand credible skills pathways beyond formal education.

Ageing with dignity:
Why Bangladesh must invest in long-term care

ILLUSTRATION: **E. RAZA RONNY**

NASHEEBA SELIM

Nasheeba Selim *is an international civil servant and her professional passion is gender issues.*

Bangladesh is ageing rapidly. By 2050, nearly one in every five citizens will be 60 years or older. Yet today, most elderly persons in Bangladesh receive care from unpaid family members, most of whom are women, with little or no public support. While caregiving remains a deeply rooted social norm, the growing burden of elder care in a changing society is fast outpacing traditional systems. It is time for Bangladesh to reimagine care for its ageing population, not as charity or family obligation, but as a pillar of public policy and human dignity.

Elder care in Bangladesh is not only a demographic or health issue but rather a gender justice issue. Women and girls account for more than 80 per cent of informal caregivers. Many sacrifice income, education, or health to care for ageing parents or in-laws. At the same time, older women - who live longer, earn less, and often live alone - face heightened vulnerability. Without a system to support care work, the country is entrenching gender inequality and leaving both caregivers and recipients unsupported.

In 2025, the Asian Development Bank (ADB), in collaboration with Ayat Education and in partnership with the Department of Social Services (DSS), completed the first national diagnostic study on long-term care (LTC) in Bangladesh. The study included over 1,200 interviews with older persons, caregivers, community health workers, and local officials.

The findings were sobering. Formal institutional care reaches fewer than one percent of the elderly population, and where services do exist, they remain fragmented, poorly resourced, and largely unregulated. Older persons without family support such as widows, people with disabilities, or men living alone are often left entirely outside the care system. Existing social protection schemes also fall short, offering limited financial support but rarely addressing the daily care needs of older adults or the unpaid caregivers who support them.

SEE PAGE 13

SNAPSHOT:

Bangladesh's elderly population is growing rapidly, while formal care systems remain minimal.

1. Most elder care is provided by unpaid women, reinforcing gender inequality and economic loss.
2. National research shows institutional care reaches fewer than one percent of older persons.
3. Social protection schemes provide cash support but largely ignore daily care needs.
4. A phased, policy-driven long-term care system could support families and protect dignity.

Ageing with dignity: Why Bangladesh must invest in long-term care

FROM PAGE 12

Some argue that institutional care models are "Western" and incompatible with Bangladeshi values. Indeed, the tradition of family-based care especially by women remains strong. But this tradition is under strain. Smaller families, labour migration, urbanisation, and the rise of women's employment mean that many households are struggling to care for ageing members. In the ADB-DSS study, nearly 29 per cent of surveyed older persons had no one to regularly assist them with daily tasks. Rather than replacing family care, a public LTC system can complement it—offering options like trained home-care aides, day-care centres, or community volunteers. These services can help reduce caregiver burnout, prevent elder neglect, and offer dignity to all.

Based on the ADB-DSS roadmap and international experience, a five-pillar framework can be proposed to help Bangladesh build a gender-responsive, financially viable, and sustainable LTC system over the next decade. First, Develop a National LTC Policy and Legal Framework and create a comprehensive policy that defines LTC, sets service standards, ensures quality, and integrates it into the national development agenda and 9th Five-Year Plan. Second, Invest in the Care Workforce and establish structured training, certification, and employment pathways for caregivers through existing platforms like the Skills for Employment Investment Program (SEIP) and TVET institutions. Third, scale Community-Based and Home-Based Care Models Pilot and expand services delivered at the union and municipal levels through local NGOs, community clinics, and DSS centres. Prioritise models that allow aging in place while creating jobs for women and youth. Fourth, ensure Sustainable Financing and introduce a blended model of public financing, co-payments for those who can afford it, and social insurance mechanisms. Link with existing allowances (e.g., Old Age Allowance, Widow's Allowance) to bundle cash with care services. Fifth, harness Data and Technology and create registries of caregivers and older persons, use mobile applications for monitoring and reporting, and build a robust data system to inform planning and accountability.

Investing in long-term care is essential to ensure every elderly person in Bangladesh can age with the dignity and support they deserve.

PHOTO: PRABIR DAS

> By 2050, nearly one in five Bangladeshis will be aged 60 or older, yet formal institutional care currently reaches fewer than 1% of the elderly population.

A common concern is affordability. Can Bangladesh finance such a system? The ADB-supported study estimates that even a modest LTC system, phased in over 10–15 years, would require strategic reallocation within existing social protection budgets, new budget lines, and co-financing options. Pilot programs can be launched at manageable cost, particularly if they tap into existing health and local government infrastructure. Over time, scale-up can follow based on results, capacity, and fiscal space.

One of the biggest challenges will be institutional. Currently, responsibility for elder care is spread across DSS, the Ministry of Health, local governments, and NGOs, with limited coordination. A national LTC strategy must clarify mandates, establish governance arrangements, and build technical and management capacity at all levels. Without this, even well-designed programs will falter.

Ultimately, long-term care is not just a service, it's a reflection of national values. Do we, as a society, believe that older persons deserve to age with dignity, regardless of income or family status? Do we believe that care work, often invisible and unpaid, is worth public investment? Answering "yes" means building a system that reflects both tradition and transformation. One that respects families while easing their burden. One that uplifts caregivers rather than exploits them. One that sees care not as a cost, but as a contribution.

Bangladesh stands at a demographic crossroads. If we act now, we can build a care system that supports women, protects older persons, and strengthens families. If we wait, the burden will fall silently and disproportionately on those least able to bear it.

No growth without planned urbanisation

DR AHMAD AHSAN

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After remarkable progress and growth, especially under elected governments from 1991 to 2015, Bangladesh now faces numerous challenges. Political and macroeconomic instability; troubled public finances and banking systems; poor-quality education and health services; an undiversified economy, stalling private investment, and rising joblessness. These problems all intersect at one location: our failing towns and cities.

Without well-planned urbanisation, there can be no long-term growth and development in Bangladesh. Globally, urban areas cover only about 3 per cent of land but account for 80 per cent of economic activity. No country has achieved long-term economic growth without urban development. Bangladesh's history fits international experience. As urbanisation increased fourfold since independence, per capita incomes grew fivefold.

However, urbanisation alone is not enough. Many countries in Africa, Asia, and Latin America have urbanised without growth. If urban development is unplanned and unable to attract investment that creates more productive jobs, or to provide transport, education, health, sanitation, and housing, then urbanisation will occur without industrialisation and growth.

SNAPSHOT

Bangladesh's growth record is closely linked to urbanisation, but that link is now weakening.

1. Urban employment growth has slowed sharply, alongside rising housing shortages and slum expansion.
2. Over-concentration in Dhaka imposes large productivity, health, and congestion costs on the economy.
3. Weak planning, missing national policy, and fragmented governance undermine city performance.
4. Sustainable growth requires unified urban governance and stronger city institutions.

SIGNS OF A FAILING URBAN TRANSITION

Bangladesh now faces that prospect. The urban economy's troubles are reflected in the sharp slowdown in urban employment growth to 0.8 per cent per year over 2017-22, compared with 4 per cent in the previous period (2010-17), and in the movement of most industry to rural areas in the 2010s. The housing deficit is estimated to have exceeded 8million units in 2021. That, along with the sharp rise in land prices, has forced half of the urban population to live in slums. Unsurprisingly, key health and education indicators are worse in urban areas than in rural areas in about half of Bangladesh's districts.

Consistent with these trends, the 2022 Census indicates that urbanisation in Bangladesh is stalling, particularly in larger cities and towns. Thus, 10 city corporations show a marked slowdown in population growth over the last decade. Two, Mymensingh and Rangpur, are exceptions only because their areas have been increased by four times or more. Overall, the BBS now estimates the urban population share at 32 per cent, substantially lower than the 40 per cent projected by UN DESA. It is worth stressing that the recent UN report designating Dhaka as the second-largest city in the world, with 36 million inhabitants, is problematic because its Eurocentric definitions are inappropriate for densely populated Asian countries. But, even so, the spirit of the message of an excessively overpopulated Dhaka is correct.

THREE STRUCTURAL BARRIERS TO PLANNED URBAN GROWTH

This brings us to the first of the three specific challenges that impede the well-planned urbanisation of Bangladesh.

First, about 33 per cent of the urban population is concentrated in the primary region of greater Dhaka and its environs, well above the 23-25 per cent research suggests would be the optimum share. Dhaka's overgrowth by about 60 per cent (my research) above the optimum size results in high costs of excessive size: time loss and energy costs associated with extremely long commutes and traffic congestion. These also lead to increased morbidity from pollution and to economic costs of reduced productivity. Then there is the cost of diverting resources away from other cities and towns where productivity would be higher. Taken together, Dhaka's overgrowth costs Bangladesh about 6-10 per cent of GDP, a substantial figure.

Second, unfortunately, while the 2022 Census presents a welcome redistribution of urban population share away from Dhaka district, to the neighbouring districts of Gazipur and Cumilla-Chattogram corridor, most of the redistribution has been to the smaller towns as opposed tos econdary cities and towns. These are relatively less populated than the top three most urbanised districts and the less populated districts and towns. These trends, also confirmed by nightlight density measurements and industry moving to rural areas, suggest that Bangladesh may be losing the benefits ofeconomic agglomeration and scale. As evidence, we find that the positive economic impact of urban development on household consumption and wages mainly arises from the three most urbanized districts of Dhaka, Chattogram, and Gazipur. Excluding these, urban development has no positive impact.

The third challenge isa glaring hole in our national policies regarding urban development. That has three aspects. A. There is no national urban development policy framework. B. Urban planning is extremely weak and, in practice, mostly ignored. C. Urban governance is highly fragmented, with limited local-level accountability and weak city-municipality governments.

SEE PAGE 15

No growth without planned urbanisation

FROM PAGE 14

GOVERNANCE, PLANNING FAILURES, AND THE PATH FORWARD

First, unlike China, India, Indonesia, Vietnam, and other major developing countries, Bangladesh does not yet have a national urban policy. The National Urban Policy Draft was prepared following extensive consultations over several years and presented to the Cabinet in 2013, but remained unapproved. While Five-year plans dedicate a section to urban development, they are essentially statements of intent and laudable goals. They do not identify policies and instruments to implement these goals.

Related to this is the virtual absence of planning. By definition, urban development is replete with "market failures" caused by large-scale investment requirements and the presence of "externalities" arising from population and economic density: i.e., actions of individuals and firms - e.g., those that create waste and pollution - affect not only themselves but also their neighbors, neighborhoods, and the whole city. Then "complementarities" create coordination problems: factories and jobs, marketplaces, transport and power, water and sanitation facilities, housing, schools, hospitals, parks, and other amenities must be provided together. Hence, sound planning is essential for the provision, valuation, allocation, and zoning of serviced land, as well as financing for all these activities.

Without well-planned urbanisation, the sprawl of our cities becomes a barrier to growth rather than an engine for it. PHOTO: PRABIR DAS

The failure of our planning is evident from the histories of the Dhaka and Chittagong municipalities. While both were incorporated in the 1860s, Dhaka is the only city that has a centralized – though still partial - sewerage system. In Chattogram, wastewater is discharged into septic tanks and subsequently channeled untreated into water bodies, rivers, and the Bay of Bengal. Similarly, only a minuscule fraction of the 2,289 tons of solid waste generated in Chittagong is recycled.

Even when plans are prepared, implementation can fail spectacularly, as evidenced by the construction of an underutilized expressway over the main CDA Avenue, which expressly violates the Chattogram Master Plan and ruins the city's main avenue. The view outside the main cities is, predictably, dismal. According to the LGRD data, while two other cities and 256 Paurasabha/Municipality Master Plans had been prepared, only five had been gazetted. These five twenty-year plans, covering 2011-2031, were approved 5 to 7 years after preparation, essentially dead on arrival. Not surprisingly, cities and towns are starved of public spaces and playing grounds far below the recommendations of the WHO.

Finally, there is the matter of fragmented governance in cities and towns, as well as weak city and municipal governments. The problem starts from the top. Again, unlike in most other advanced and developing countries, urban development responsibility is not vested in a single ministry but in two: Housing and Public Works and the LGRD. Management of roads, water, housing, health and sanitation, and public works lacks coordination at the top. In addition, there are other agencies, such as the Electricity Supply Authority, the Roads and Highways Ministry of Road Transport and Bridges, and the Ministries of Health and Education, that operate under vertical supervision without local coordination in cities and towns. Finally, not least, the Ministry of Land also has a say regarding land acquisition.

City corporations' governance is fragmented into three parts: the Mayor's office, the city development authority, and the city and district administrative authorities. In the case of the smaller city corporations, the situation is the same, except that there are no development authorities. In principle, there is a coordination committee chaired by the Mayor. However, in practice, the development authority and Deputy Commissioner's offices send low-level representatives to the committee and largely ignore it. The Deputy Commissioner is nominally responsible for coordinating the vertically directed activities of more than 40 line ministries and government agencies.

Unsurprisingly, chaos rules in building construction, traffic and transportation, water supply, and drainage. Sustainable growth and employment supporting urban development cannot take place under these conditions.

The solution lies in unifying urban governance and planning under the office of the Mayor of cities and municipalities, who are accountable to the people, elected by them. At present, their budgets and their technical capacity are minuscule. The best estimate for the 12 city corporations is that their budgets are about 0.7 per cent of their GDP, compared with 6 per cent in Delhi and about 10 per cent in Ho Chi Minh City. However, one will also need to provide technical and financial management capacity to city governments in a coordinated manner under a single Ministry. Finally, the performance of city and municipal governments must be transparently monitored by both the Central Government and citizens' organizations.


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Can Bangladesh diversify beyond the garment sector?

DR MOHAMMAD ABDUR RAZZAQUE

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After more than three decades of policy debates, hundreds of research papers, and countless newspaper columns, yet another piece on export diversification in Bangladesh may seem redundant, but its very repetition underlines both the gravity of the problem and how elusive a credible way out has remained. If anything, the problem has worsened, as Bangladesh's exports have become increasingly concentrated, with readymade garments now accounting for around 85 per cent of total merchandise exports. The country's export basket is among the least diversified in the world. According to one export diversification index due to UNCTAD, where higher values indicate greater concentration and scores range from 0 (most diversified) to 1 (most concentrated), Bangladesh recorded a score of 0.87 on average during 2020–2022, far higher than the LDC average of 0.66 and well above Viet Nam at 0.54, India at 0.45, and China at 0.38. It has been estimated that since 2000, new products have contributed less than 5 per cent of Bangladesh's export growth, compared with 19 per cent in India, 22 per cent in Cambodia, 25 per cent in Sri Lanka, 33 per cent in China, 42 per cent in Viet Nam, and 62 per cent in Malaysia.

Bangladesh's export problem is not a lack of products, but a policy environment that rewards selling at home and leaves most industries unprepared for the demands of global markets.

PHOTO: ANISUR RAHMAN

WHY GARMENTS WERE THE EXCEPTION, NOT THE MODEL

The dominance of the readymade garment sector did not emerge from a neutral policy environment but from a particular set of global and domestic circumstances that no other industry in Bangladesh ever enjoyed. From the 1970s until the early 2000s, the global trade regime under the Multi-Fibre Arrangement restricted textile and clothing exports from many developing countries, including the newly industrialised economies of East Asia. This diversion of global sourcing pushed investment towards lower-cost locations such as Bangladesh. Combined with duty-free market access under LDC provisions, this created an exceptional and time-bound competitive advantage for garments, one that never materialised for other sectors. The effect was amplified by the fact that tariffs on garments in major markets are substantially higher than for most other products, in the European Union, for example, MFN tariffs on many manufactured goods are typically around 3–4 per cent, compared with roughly 12 per cent for garments, making preferential access far more commercially valuable for clothing exports and reinforcing firms' incentives to specialise in this sector. Domestic trade policy reinforced this asymmetry. The garment sector benefited from a suite of targeted export support measures, which facilitated it to scale rapidly.

WHY NON-RMG ENTREPRENEURS REMAINED FOCUSED ON THE DOMESTIC MARKET

Any discussion on export diversification needs to address one basic myth. It is often argued that Bangladesh failed to diversify despite having policies intended to support exporting activities, particularly outside the garment sector. Trade policy in Bangladesh has, however, remained largely inward-looking. High tariffs and other trade taxes have made selling in the domestic market far more attractive than exporting.

SEE PAGE 18

Can Bangladesh diversify beyond the garment sector?

FROM PAGE 17

The average nominal protection rate is now around 28 per cent, making Bangladesh one of the most protected economies in the world. For many products, once all duties are added, protection becomes much higher. Under such conditions, investing to serve the domestic market is a safer and more profitable choice than entering export markets, which involve unfamiliar demand, stricter requirements, and higher commercial risk.

Quality and standards further worsen the lack of export diversification. Export markets require higher product quality and compliance with labour and environmental standards. In the domestic market, these standards are grossly absent. Producing for local consumers is therefore easier and often more profitable. This explains why Bangladesh has many industries thriving at home, from food to footwear to fertilisers, from cement to ceramics, and from furniture to pharmaceuticals, yet only a few are exported in any meaningful way. As a result, while we produce a wide range of goods for domestic consumers, most are simply not export-ready.

A natural question then is how garments managed to overcome these difficulties while most other sectors did not. The key reason is that the RMG industry was almost entirely export-oriented from the very beginning and deeply embedded in global value chains. Producing almost exclusively for foreign buyers, garment firms aligned themselves with international sourcing networks, buyer requirements, and delivery schedules, rather than with domestic market conditions. This allowed them to remain largely insulated from the domestic protection regime. Facilities such as bonded warehouses enabled duty-free access to imported inputs, while competition was determined by global prices and standards, not by protection at home. Preferential market access under the LDC framework further reinforced this model. Non-garment sectors, lacking such integration into global value chains, remained exposed to domestic protection and had little incentive to incur the costs and risks required to become export-ready.

WHY NON-RMG EXPORTS REMAIN LIMITED: DOMESTIC PRODUCTION, MISSING THE GLOBAL VALUE CHAIN

While applied trade policy in Bangladesh, together with weak enforcement of quality and standards, has largely encouraged firms to produce for the domestic market, far less attention has been given to integration into global value chains. In today's world, exporting is not just about manufacturing a product. Design, branding, compliance, logistics, retailing, and even after-sales services are all part of a complex but essential system. For a shoe manufacturer or a furniture maker, focusing only on production is rarely sufficient unless they are producing for established brands or retailers abroad. In a long-standing protectionist economy like Bangladesh, these realities have been largely overlooked, not only in policy debates but also in official strategy documents, which tend to treat exporting as an extension of domestic production rather than as participation in an integrated global system.

WHY FDI IS THE MISSING LINK

This is where foreign direct investment usually plays a critical role. FDI often brings with it direct links to global buyers, established brands, supply chains, technology, and managerial know-how. Through foreign firms or joint ventures, local producers gain access to design specifications, quality control systems, compliance practices, and international distribution networks that would otherwise be extremely difficult to achieve. Without such links, firms must independently identify buyers, meet complex standards, and establish credibility in competitive markets, all of which are costly and risky. In Bangladesh, this role of FDI has been limited outside garments. Ironically, while most garment exporters are local entrepreneurs, their success has depended heavily on close and sustained relationships with foreign buyers and global supply chains, a dimension that is often underappreciated in policy discussions.

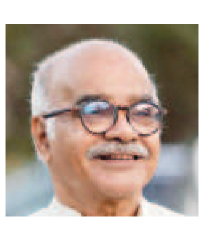
Perhaps the most critical precondition for non-garment export success and meaningful diversification in Bangladesh is attracting foreign direct investment. Bangladesh has struggled to attract FDI because of high trade protection, regulatory complexity, weak contract enforcement, infrastructure bottlenecks, and the absence of a clear, sector-specific investment strategy. In contrast, countries that have expanded exports rapidly and diversified successfully, such as Viet Nam, China, Cambodia, and Malaysia, placed FDI at the centre of their export strategies, using foreign firms and joint ventures to anchor domestic production within global value chains. While addressing infrastructure gaps, skills shortages, and institutional weaknesses will inevitably take time, export diversification cannot wait for all these constraints to be fully resolved. What is needed now is a focused and credible push to attract FDI into non-garment sectors through targeted measures and a clearer investment policy that recognises FDI as a catalyst for export growth rather than a peripheral objective.

SNAPSHOT

Bangladesh's exports are highly concentrated, with garments accounting for around 85% of merchandise exports.

1. Preferential global trade regimes and targeted domestic support gave garments advantages no other sector received.
2. High tariffs and weak standards enforcement have made domestic markets more attractive than exporting.
3. Non-garment sectors remain largely disconnected from global value chains.
4. Attracting FDI is central to any credible export diversification strategy.

Economic democracy in Bangladesh: Scope and realities



DR SELIM JAHAN

Dr Selim Jahan is an economist, teacher and author. He is a published writer with nearly 20 literary works to hid credit. He loves travelling and listening to music.

The notion of democracy is traditionally interpreted and analysed in the political domain. But it is important to recognise that beyond political democracy, the notion of democracy has multiple dimensions - economic democracy, social democracy, cultural democracy etc. The importance of economic democracy lies in the fact that it strongly influences other terrains of democracy. Economic democracy implies a level playing field for everyone. That requires equal opportunities for all in various spheres.

ACCESS, VOICE, AND EQUITABLE OUTCOMES

In order to avail opportunities, the capabilities of every individual must be built, which requires equal access to basic social services such as health and education. Such access must be ensured not only in quantitative but also in qualitative terms, including access to quality education and quality health services. Once human capabilities are built, equal opportunities require equal access to productive resources such as land, credit, financial assets, employment opportunities, and information and communication technology (ICT). In addition, equitable access to community commons such as forests, water bodies, and other environmental resources must be ensured for all groups.

Second, economic democracy requires that the voice and autonomy of everyone be protected. People must participate in decisions that affect their lives, and such participation must be effective rather than notional. Too often, the participation of the poor and marginalised becomes tokenistic, with their real voices unheard. Effective participation depends on equitable representation in economic debates, policy dialogues, and decision-making processes, without which economic democracy cannot be sustained.

Third, economic democracy must ensure equitable benefits for all citizens. If equal access to capabilities and opportunities, effective participation, and equitable representation are ensured, all groups can share in economic benefits. However, some groups—such as older persons, people with disabilities, and marginalised communities—require targeted measures, including social assistance and social protection, to ensure their inclusion in economic benefit cycles. Beyond these, economic democracy also requires the protection of universal human rights and human security, with all citizens treated equally before the law, regardless of religion, ethnicity, or language.

In the context of economic democracy, the Bangladesh panorama reflect significant inequalities and discriminations on various planes - regions, socio-economic groups, rural-urban and gender divides, ethnicities etc. Such inequalities and discriminations are evident in capabilities building, creating opportunities, providing voice and autonomy. In the economic field, existence of inequalities in income and wealth are well-known. In fact, a look either at the defaulted loans of banks or at cross-border money laundering amounting thousands of crores or taka clearly indicate that money and wealth in Bangladesh are concentrated in a few hands. An analysis of overall data shows that while the bottom 40 per cent of the population in Bangladesh receives 13 per cent of country's GDP, the top 10 per cent of the population enjoys 38 per cent of it.

INEQUALITY AND CONCENTRATION IN BANGLADESH'S ECONOMY

Such disparities exist in various human development areas as well. In Bangladesh, the under-five mortality rate among the bottom quintile of the population is 49 per 1,000 live births, while among the top quintile of the population, it is 25 per 1,000 live births. From a perspective of regional inequalities, for example, the adult literacy rate in Barishal is 75 per cent and that in Sylhet is 60 per cent. Disparities in the educational and the health opportunities are quite divergent. In education, with the co-existence of public and the private education, through different streams of educational structures catering to different socio-economic groups, large-scale inequalities have been created. Similarly, by maintaining a three-tier health system in, a huge discriminatory health system has been developed in the country. Furthermore, poor people have access to low quality basic social services, whereas the high-quality services are provided to the rich.

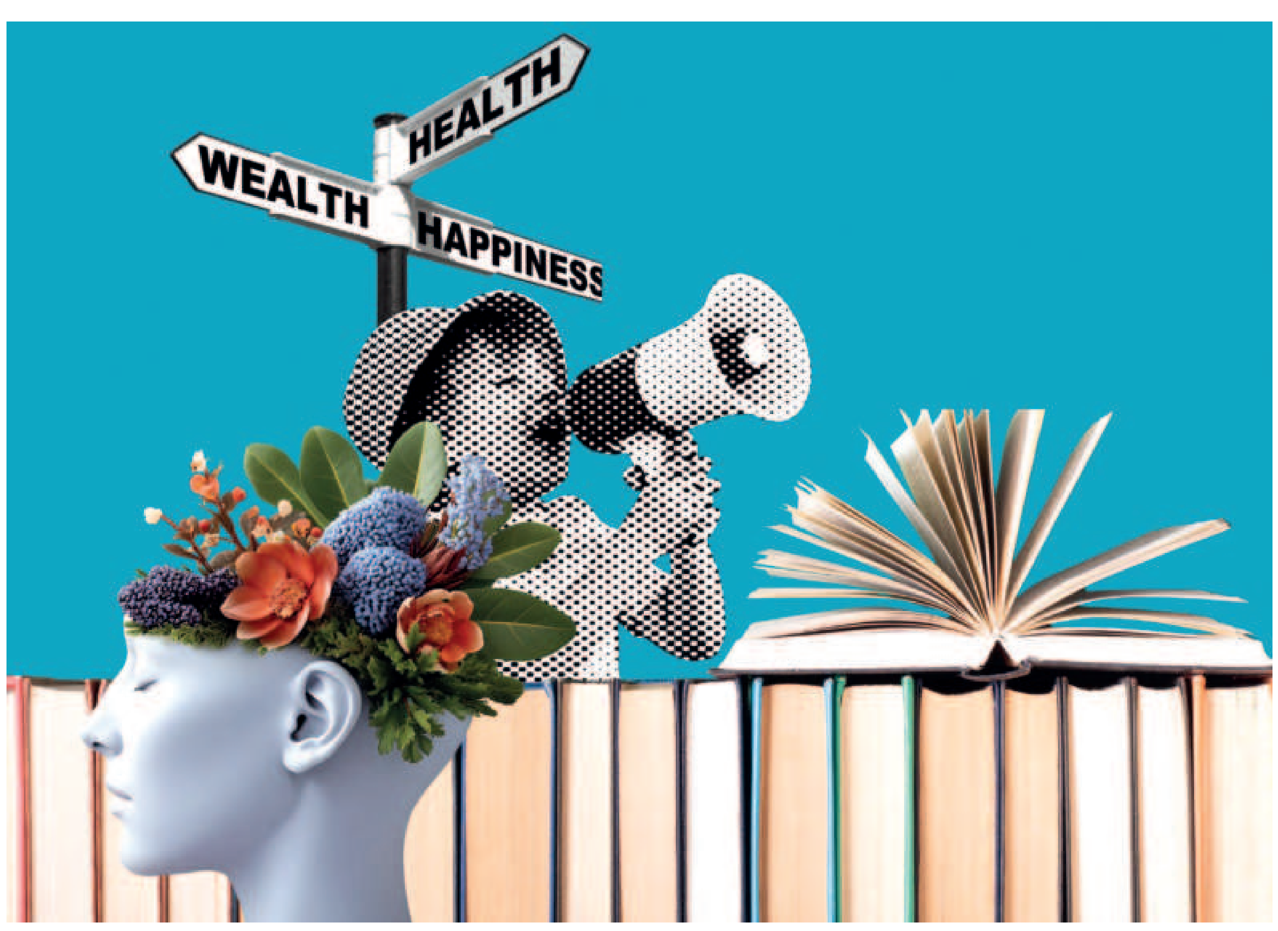


ILLUSTRATION: E. RAZA RONNY

SNAPSHOT

Economic democracy goes beyond politics to ensure equal access to opportunities, resources, and participation.

1. In Bangladesh, economic power, income, and wealth are highly concentrated, limiting fairness and inclusion.
2. Large disparities persist in health, education, ICT access, and regional human development outcomes.
3. Gender gaps in education, labour participation, and leadership remain wide.
4. Advancing economic democracy requires equity-focused policies, social protection, and institutional reform.

SEE PAGE 24


ব্যাংক এশিয়া
ইসলামিক ব্যাংকিং
শুদ্ধতাই আপনার মুনাফা
আপনার স্বপ্নের
আবাসন হোক
ব্যাংক এশিয়ার
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মেয়াদপূর্ব সমন্বয়ে কোন অতিরিক্ত ফি নেই
২৪/৭ সার্ভিস
১৬২০৫

Climate change, agriculture and food security challenges

DR M. ASADUZZAMAN

Dr M. Asaduzzaman is a former Research Director in BIDS, has a long career in research in agriculture, rural development, food safety, nutrition, environment, water resource management, renewable energy and climate change. He was Deputy Chair of the International Commission on Sustainable Agriculture and Climate Change under CGIAR and a co-recipient of the Nobel Prize given to the IPCC for his contribution as a lead author to the Second Assessment Report. He was also for some time Chair of the Consultative Group of Experts under SBI/UNFCCC

Bangladesh is one of the countries most vulnerable to climate change and its impacts. Agriculture, which is dependent on human management of natural and ecological factors is particularly vulnerable to such changes. And that in turn jeopardises food and nutrition security of people in the country. On the other hand, many of non-agricultural activities depend on agriculture. These activities thus indirectly ensure food security for those employed and earning income in the related non-agricultural sectors. This general picture of the food security and food system, has for quite some time been under threat from climate change.

CLIMATE CHANGE AND FOOD SECURITY AT RISK

Climate change primarily consists of two natural phenomena, trend rise in average temperature and uncertain rainfall. Rising concentration of mainly three gases, called Greenhouse Gases (GHGs), carbon dioxide, methane and nitrous oxide, due to various human systems and actions, is the main reason for rising global temperature. The higher release and higher concentration of the three gases are mainly due to human actions and factors, such as burning of fossil fuels (coal, petroleum and its derivatives, natural gas)for industries, power generation and transport which release carbon dioxide and also various other human actions releasing methane (from deep water rice crop production, livestock enteric fermentation and improper waste management) and nitrous oxide due to unbalanced application of synthetic nitrogenous fertilizer in crop agriculture as well as other activities.

Once the average temperature rises and rainfall patterns change temporally over years and between seasons and across global and national locations, many natural processes begin to change, mostly for the worse. Two main natural resources are immediately affected: water—its availability and quality—and biodiversity. Water, in particular, is the key resource whose availability, form, and quality largely determine the first-round natural impacts of climate change.

Floods (including flash floods), river erosion, drought, sea level rise and salinity, cyclones and storm surges, and landslides are all related to excess or scarcity of water, its timing and spatial occurrence, and their impacts on the economy and society. These disasters are expected to become far more frequent and intensive under climate change, with much greater adverse impacts on human systems. Biodiversity, both plant and animal, is also affected by rising temperatures and changes in water availability and quality. One clear manifestation is the warming, acidification, and deoxygenation of the Bay of Bengal, which has already led to biodiversity decline in marine fisheries and other aquatic resources.

PHOTO: PRABIR DAS

WATER, BIODIVERSITY, AND CASCADING IMPACTS

The first-round physical climate change impacts consequently affect, mostly adversely, all the human systems including agriculture, industry, power generation, health and physical infrastructure (transport and building structures). Agriculture consists of four sub-sectors, viz., crop, livestock, fisheries and forestry. We concentrate mainly on the first three.

Crop cultivation in Bangladesh is dominated by rice, the staple food, which accounts for more or less 80 per cent of total cultivable land in the country. Over 4 decades, rice output has almost tripled from (13 mn mt to around 40 mn mt during the last three years. Boro rice cultivated during mainly dry period and wholly dependent on irrigation accounts for 53-54 per cent of total rice output. Aman rice the growth period of which coincides with the rainy season but harvested in subsequent drier months accounts for around 40 per cent of total production. Aus has dwindled to insignificance and accounts for about 7-8 per cent of total rice output.

At least three types of issues have to be considered to understand the impacts of climate change on crop, particularly rice output. First, while rice is cultivated all over Bangladesh, at present only 8 districts namely Mymensingh, Rangpur, Bogra, Rajshahi, Jashore, Sylhet and Chattogram account for nearly 80 per cent of total rice output indicating primacy of N-W, central as well as the N-E districts (particularly for boro rice). Hence what happens to much of rice output availability from domestic production, food security and prices depends on what happens in these areas during the various seasons.

Given that boro rice is cultivated during the dry season, irrigation is absolutely essential for its cultivation. That means in the N-W districts where average annual rainfall is much less than in other places in the country drought, particularly prolonged drought during the rainy season is likely to make irrigation (both surface and ground water irrigation) difficult and costly. In fact, even without drought, because of the rise in average temperature due to climate change, higher evapotranspiration necessitates more frequent irrigation than usual which also raises costs of production. In case of the N-E districts, not so much drought but early and higher occurrence of flash floods, a far more likely event under climate change, can damage much of boro output before or during harvest. As 18-20 per cent of domestic boro rice output comes from Sylhet division districts, such a situation may create major food crises in the country as well as in the region. It may also be noted that as a lot of agricultural labourers from other parts of the country temporarily migrate to these N-E districts during boro harvest, their food security and livelihood will also be affected adversely if such disasters happen.

Consider now aman rice. As much of its growth period falls within the rainy season, and given that rain floods, sometime heavy ones, are common in one or other part of the country almost every year which also cause river erosion, aman area and output are likely to fall more and more over time under climate change. Furthermore, if rains fail or drought conditions prevail, this may also create problems of water shortage, particularly during the flowering period around October when rains are much less. Then again, these are the months when cyclones and storm surges including higher water salinity, particularly in the S-W districts in Khulna and Barisal divisions are likely with their occurrence and intensity to be no less under climate change over time than at present. In fact, with rising sea level these adverse impacts are likely to be more intensive. Quite obviously, such trends bode much worse situation in future for people's livelihood including agricultural activities, because of permanent inundation of many parts in the coastal areas in general.

What awaits Bangladesh crop agriculture in terms of lower land productivity than at present over the future years (2030/2040/2050) may be summarised, according to a study, as follows: Rice: *2.6, 4.0 and 5.3* percent;Wheat: *3.5, 5.1 and 6.4* percent;Vegetables: *2.9, 4.3 and 5.7* percent;Pulses: *4.2, 6,3 and 8.4* percent;Oilseeds: *3,1, 5.7 and 6.3* percent; andJute: *1.4, 2.2 and 3.0* percent.

At the same time, due to higher temperature, labour productivity may fall up to 11 percent over time. Declining land availability and lower land and labour productivity will mean much lower output from domestic crop agriculture significantly threatening food and nutrition security in coming years unless proper remedial measures are undertaken right from now.

SEE PAGE 22


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The Banker, an affiliate publication of the world-renowned *Financial Times UK*, has awarded City Bank the 'Bank of the Year 2025' in Bangladesh.
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On the trophy is Brendan Bracken, founder of *The Banker* magazine in 1926

Climate change, agriculture and food security challenges

FROM PAGE 20

LIVESTOCK, FISHERIES, AND ADAPTATION GAPS

Focusing on livestock and poultry, heat stress causes a range of physiological and behavioural changes, including reduced feed intake, nutrient absorption, and feed conversion efficiency, lower feed availability, and diminished reproductive capacity. These effects lead to declines in milk and meat production, lower productivity in poultry and cattle, reduced wool output in sheep, and poor growth and weight loss in cattle and sheep. Public knowledge of the extent to which climate change affects livestock and poultry output in Bangladesh remains extremely limited; however, without ameliorative measures, adverse impacts are inevitable.

The other major sub-sector of agriculture which is expected to be adversely affected due to climate change impact is fisheries both inland (open capture, aquaculture) and marine fisheries. Recent information indicates that of the total output of 50 lakhs mt of fish, 30 lakh mt or 60 per cent was from aquaculture in closed water bodies, while over 14 lakhs mt or nearly 30 per cent was from open water bodies like rivers and estuaries and very extensive flood plain. Marine fisheries account for the rest mainly from territorial water, exclusive economic zone and continental shelf.

Even without climate change, fish habitats particularly inland open waters and marine systems are already under significant stress. Overfishing, degraded water quality from industrial effluents, infrastructure development across water bodies, and elite capture of fishing grounds have long contributed to this pressure. Climate change both intensifies and adds to these stressors, with rising water temperature as the common and most critical factor. Higher temperatures are likely to alter species composition as fish migrate to cooler depths or areas, especially in open capture and marine fisheries, while others may fail to survive or face eventual extinction. In aquaculture, farmers may need to adopt heat-tolerant breeds. Across all systems, warmer waters also increase the likelihood of water-borne parasites and viruses, degrading fish health and potentially compromising food safety.

In case of marine fisheries, several types of observed changes are known to have occurred in the ocean water which are rising temperature of sea water, acidification and deoxygenation. All are known to adversely impact on fish stock, changes in species and in cases outright extinction. For example, in case of the Bay of Bengal adjacent to Bangladesh coast, it has been found that while in 1971 there were reports of 475 fin fish species; this fell to 185 for fin fish and shellfish by 1993; to 98 for finfish along Naf river estuaries, and just 53 finfish by 2013 (in Ganges Meghna estuaries).

Overall fish output from all types of fisheries, is likely to decline over time unless appropriate adaptation measures are undertaken. However, for marine fisheries such adaptation at national scale is not possible unless vigorous global mitigation efforts are underway which is not the case at the moment.

SNAPSHOT

Climate change threatens Bangladesh's food and nutrition security through rising temperatures and erratic rainfall.

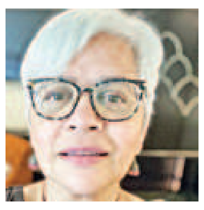
1. Water availability and biodiversity loss are central channels through which climate impacts agriculture.
2. Rice production, especially boro and aman, faces rising risks from droughts, floods, salinity, and heat stress.
3. Livestock and fisheries are increasingly vulnerable to temperature rise, disease, and ecosystem degradation.
4. Existing adaptation plans lack clear, sector-specific pathways for crops, livestock, and fisheries.

ADAPTATION GAPS AND THE WAY FORWARD

The above discussion indicates that food and nutrition security as a whole is under extreme threat in both near and long-term future under climate change and its multifarious impacts. Question is how far we are aware of these problems and what have we done so far? As required by the United Nations Framework Convention on Climate Change (UNFCCC) of which Bangladesh is a Party, the country has prepared and submitted in 2022 its latest National Adaptation Plan (NAP: 2023-2050) covering various sectors including agriculture vulnerable to climate change and its impacts.

While this is not the place for detailed discussion on the strategy and programmes for adaptation, one good point about the NAP is its focus on water resources issues which as we have stated earlier is the key to managing many of the problems arising out of climate change including those in agriculture. Given this, however, one looks almost in vain, for clear and specific ideas about adaptation in crop, livestock and fisheries. The reasons are not far to seek as the NAP itself calls for specific data and information on the vulnerabilities that these sub-sectors face. Whatever adaptation measures have been proposed needs to be firmed up now through a clear roadmap for implementation and revising the proposals, if necessary to achieve the goals. The sooner this is done is better.

Women, work and the demography of development



SAJEDA AMIN

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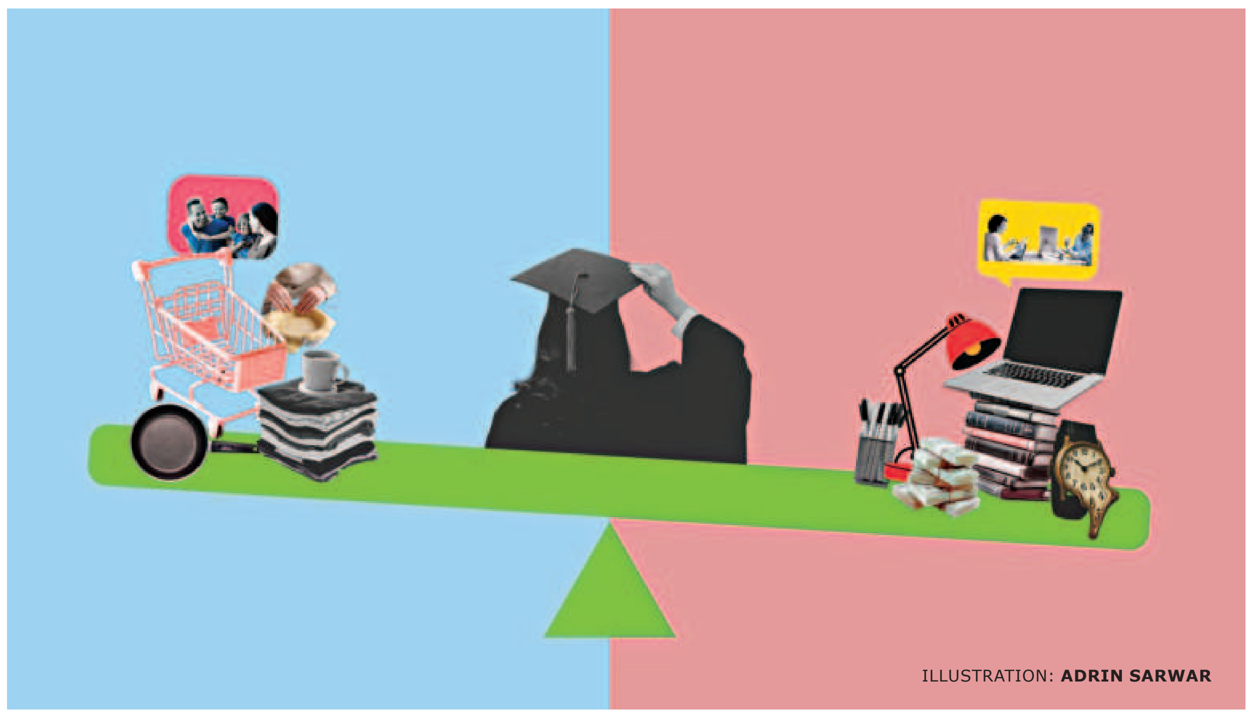

ILLUSTRATION: **ADRIN SARWAR**

Bangladesh is at a crossroads of several major social and demographic trends. Women are at the centre of these trends. Falling birthand death rates are generation-defining trends in Bangladesh today. In the years since the birth of Bangladesh, expected length of life has increased by over 25 years on average and more so for women. Life expectancy rose from 50 in 1972 to over 75 today. Until the 1990s men and women had about the same lifespan—females born now can expect to live up to 76 years while males will live up to 73 years. In approximately this same timeframe, birth rates declined from over 6 children per woman in the 1970s to just over 2 births per woman on average. In historical perspective demographic transition in Bangladesh happened at great speed—in Europe similar change took 150 to 200 years. Understandably, cultural change has not kept pace.

A RAPID DEMOGRAPHIC SHIFT

Fewer births and longer life can have promising implications for development but only if the right investments are made. These trends create favourable conditions for economic growth, for a limited period of time, when the working age population has relatively few dependents. When birth rates decline the ratio of child to adults is low. Bangladesh is now enjoying a window of opportunity of low dependency ratios when it can benefit from a relatively large workforce. However, this is only a potential dividend that depends crucially on the right investments. East Asian economies that reaped the benefits of demographic dividend to catapult themselves out of low levels of development made crucial investments in education and work opportunities for women.

THE PROMISE AND FRAGILITY OF THE DEMOGRAPHIC DIVIDEND

Bangladesh has made great strides in improving female education but these have not translated into expected trends in the workforce. Women constitute half the population but represent only a third of the workforce. Even that does not show the full extent of women's under-employment. Most women work part-time. While women's labour force participation has improved in rural areas it has declined in urban Bangladesh. Some part of this declining trend is in the garment sector but that is not the full story. The changing nature of garment production, in knitwear and other less labour-intensive sectors, is likely the cause of decreases in feminisation of the workforce—in the initial years of the introduction of garment manufacturing for export the workforce predominantly female with some estimates suggesting 90 per cent were women and girls. Recent surveys show women constitute only 54 per cent of the workforce in the garments industry.

WHY EDUCATION HAS NOT TRANSLATED INTO WORK

There are other much more foundational barriers to entry for women, in terms of acquiring requisite skills and cultural expectations around early marriage and child-bearing as well as exclusive responsibilities of providing care to children and elderly, and household chores. These constitute hurdles at individual, household and societal levels, that if not overcome, will present formidable challenges to development at all of these levels. Analyses of national labour surveys that routinely collect time use data show that on average women spend 3 to 4 times more time in child care, elderly care and domestic work compared men who spend less than an hour of average. Women are also more likely to leave the workforce when they marry, whereas men are more likely to join the workforce in order to marry. Even now, nearly 50 per cent of all women are married before the legal age of marriage of 18 years. Choices about childbearing and childrearing further entrench these differences, setting men and women on vastly different career trajectories with implications throughout the life-course.

CARE, MARRIAGE AND THE GENDERED EXIT FROM WORK

Broader cultural change is needed to reduce these gendered inequalities. Greater sharing of care and domestic responsibilities between men and women can be at the core and need not be limited to preaching about norm change. Changing minds and mindsets have to be in the pathway but the road to such change needs to occur at the level of incentives and motivations that perpetuate norms and expectation. Within household changes can and ought to be supported by policies that incentivise such sharing. What is needed is greater investment in reducing the burden of care through better technologies and support, compensation for care provision, and incentivising better workplace support for care. For example, reducing the burden of care can be varied—for families with school age children this might take the form of after-school programs. In urban Bangladesh transporting children to and from school and providing supervision during holidays can be decisive hurdles to parents being able to work 9-5 jobs. Globally, there are now emerging success stories of financial compensation programmes paid to family members who take time off work to take care of indigent and elderly family members. Such support can take the form of tax credit for childcare for parents such as those offered in the United States, or through direct subsidies to institutions that provide such care in many countries.

SEE PAGE 24

Women, work and the demography of development

FROM PAGE 23

POLICY GAPS IN SUPPORTING CARE AND FLEXIBILITY

Policy prescriptions regarding care work have at best been limited. On the books, labour laws have been implemented to guarantee 6 months of maternity leave for pregnancy. It is not clear that these laws are enforceable in the private sector. And with declines in children ever born these actions are only going to become less and less important components of care work. Women who are required to balance care responsibilities with career demands because of other forms of dependencies for the elderly and indigent, not to mention older children who need care and supervision are not supported by policy measures. Such policies could be focused around flexible hours and the option of remote work. Studies show that sectors of work that allow such flexibility in time and location of work are more likely to recruit and retain women workers.

URBANISATION, SKILLS AND THE RISK OF EXCLUSION

Rapid urbanisation and the need to acquire technical skills pose additional challenges for future work trajectories for women. National labour statistics suggest that for the first time in history the number of women working has declined and more so in urban areas than in rural areas. Declining participation is undoubtably related to the nature of work opportunities—urban employment is more often in the formal sector and away from home whereas rural women are more likely to engage in economic activities in and around the home. The growth of new economic opportunities is likely to further exacerbate the exclusion of women, the biggest gender wage differentials exist in these sectors driven by technology led growth. The fastest growing sectors of work are information technology and finance. Labour force data suggests women's participation is lowest in these sectors because of the historical exclusion of women from technology-oriented fields.

Putting demographic change in context highlights the multiple ways in which women's issues are at the core, and policy action must address the needs of women. Addressing gender inequities—whether in access to opportunities or in the burden of care—isn't just a moral issue; it's a strategic investment with measurable returns. We need to shift our focus on smart policies that address the realities of men's and women's everyday lives and the centrality of unpaid care responsibilities.

SNAPSHOT

Bangladesh's demographic transition with fewer births and longer life expectancy has occurred at unprecedented speed.

1. Despite major gains in female education, women remain under-represented and under-employed, especially in urban areas.
2. Unpaid care work, early marriage, and weak policy support continue to push women out of paid employment.
3. Without targeted investment in care, skills, and workplace flexibility, the demographic dividend may be lost.

Economic democracy in Bangladesh: Scope and realities

FROM PAGE 18

In ICT services, while three-fourths of the top quintile households have access to internet services, the comparable figure for the bottom quintile is only 9 per cent. In rural areas, only 3 per cent of the households have computers, and 78 per cent of the rural population do not know how to use a computer.

HUMAN DEVELOPMENT GAPS AND SOCIAL EXCLUSION

In Bangladesh, there are gender-disparities in outcomes as well as opportunities. For example, the female enrolment rate at the tertiary level is 17 per cent, and the male enrolment rate at the same level is 24 per cent. The labour force participation rate among women is 36 per cent, compared to 81 per cent among men. The representation of women in senior and middle-management of the country is only 12 per cent. The gender-disparity in the use of mobile telephones is 29 per cent. About 33 per cent and 17 per cent men and women use internet respectively.

GENDER, POVERTY, AND DEMOCRATIC DEFICITS

Overall deprivation of poor and marginalised people is a major obstacle to economic democracy. Today, about 36 million people live in poverty in Bangladesh, with 30 million new additions during the last three years. About 110million people do not have access to safely managed drinking water. Only 59 per cent births of children under-5 are registered and only 47 per cent of children have birth certificates. After finishing primary education, 56 per cent of children cannot make it to class 10. There has been a steep rise in child labour in Bangladesh over the past 6 years, from 6 per cent in 2019 to more than 9 per cent in 2025. Today, the rate of child marriage is 56 per cent, implying that 1 n every 2 girls get married before they reach 18. In the political spectra of Bangladesh, disparities are deep-rotted, a fact that has been observed again and again in the past and the near past. Any space for political discussion and discourse is monopolised by the rich and the educated segments of the society. Women are excluded from the process. Voice and autonomy, and freedom of expression do not mean a lot to the poor and the marginalised.

POLICY PATHWAYS TO DEMOCRATISE THE ECONOMY

There are clear opportunities to democratise Bangladesh's economic space. The core requirement is that economic policies be equitable and take account of all forms of human deprivation, with deliberate tilting towards those who are deprived and dispossessed where necessary. Accordingly, Bangladesh's economic policy matrix must be framed with economic democracy in mind. This would include policies to ensure access to basic social services such as health, education, and safe drinking water. Pro-poor monetary policy, equitable fiscal policies on taxation and expenditure, and targeted incentives for small-scale and informal-sector entrepreneurs can further widen equitable access to productive resources. In short, an inclusive growth strategy can advance economic democracy in Bangladesh.

Second, corrective measures with targeted interventions are essential for groups unable to care for themselves, including older persons, people with disabilities, children, and those living in ecologically vulnerable areas. Social assistance and a comprehensive social protection framework should form the backbone of these targeted interventions.

Third, the governance and the institutional structure of the economy must be non-discriminatory and equity-friendly. Economic institutions must hold the values of economic democracy. Such values would require a strong framework of transparency and accountability, which would hinge on a strong monitoring and evaluation framework and a robust credible statistical system. With a goal to democratise the economic sphere would require institutional reforms. One of such reforms should concentrate on credible, robust disaggregated data on poor and marginalised people.

In recent times, country's major political parties clearly indicated that if elected, the country's economy would be their top priority. This is a welcome news to all the citizens of Bangladesh. But at the same time, one major goal of that priority should be democratizing the economic space of Bangladesh. Without economic democracy, the country will not be able to have either a sustainable political democracy or a society free from discrimination. The next elected government of Bangladesh must take note these challenges of economic democracy seriously and include them in the future economic road map of Bangladesh. If the government moves forward in the correct direction with objective and honest policies and strengthened institutions, it will build a development trajectory which will ensure economic democracy with equality and non-discrimination, enhanced well-being of the people of Bangladesh.

> Without economic democracy, political democracy cannot endure. Inequality in access, voice, and opportunity undermines social cohesion and weakens the foundations of governance.

Rethinking social protection in Bangladesh: What role can active labour market policies play?

DR M ABU EUSUF

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Bangladesh's social protection system has a long history of experimentation and has played a meaningful role in reducing poverty since the early 1990s. Bangladesh allocates around 15 percent of its national budget—about 2 percent of GDP—to social security, spread across nearly 95 programmes. In recent years, revisions and reviews of key programmes have helped consolidate the social security system and improve coherence. Yet the system largely evolved in a fragmented and relief-oriented manner, responding to immediate vulnerabilities rather than anticipating longer-term structural changes in the economy—leaving important gaps unaddressed.

These gaps have become increasingly evident due to the social protection system's limited responsiveness to emerging labour market and socio-economic dynamics. The existing social protection architecture remains weakly aligned with labour market dynamics and ill-equipped to address emerging challenges such as rising unemployment, pervasive informality, and persistent skill mismatches. Labour-market-focused interventions remain marginal within the broader system: only BDT 4,171 crore—just 3.57 percent of total social protection spending—is allocated to 19 labour market programmes. This imbalance limits the system's ability to support productive employment and smooth transitions in an increasingly competitive and changing labour market.

Against this backdrop of mounting labour market pressures, active labour market policies (ALMPs) have gained renewed relevance. ALMPs are targeted interventions aimed at improving employability, strengthening job matching, and facilitating entry into productive work. The International Labour Organisation classifies ALMPs into five broad categories: skills training, public works, employment subsidies, self-employment support, and labour market services (Table 1). Their importance is underscored by recent labour market trends. The Labour Force Survey 2024 shows that national unemployment has risen to 3.66 percent, while graduate unemployment stands at an alarming 13.5 percent—more than double its level eight years ago. Youth unemployment has increased to 8.07 percent, and the number of young people not in education, employment, or training (NEET) has grown to 8.56 million, signalling a gradual erosion of Bangladesh's demographic dividend.

In response to growing labour market pressures, a range of active labour market interventions are already being implemented through government agencies. Public works programmes—most notably the Employment Generation Programme for the Poorest—provide short-term employment during

SEE PAGE 26

TRAINING	PUBLIC WORKS	EMPLOYMENT SUBSIDIES & PUBLIC WORK	SELF-EMPLOYMENT & MICRO ENTERPRISE CREATION	LABOUR MARKET SERVICES
Improve employability and acquire new skills to improve future job paths	Compensate shortcomings in private sector job creation to alleviate poverty and promote community development	Provide incentive for hiring new staff and maintaining jobs by reducing labor costs	Provide both financial and logistics support for self-employment or micro entrepreneurship	Connect job seeker with employers through career advice, job search assistance and other measures promoting reintegration into the labor market
Vietnam- Vocational Training + Industry Linkages India - Skill India / PMKVY	South Africa- Expanded Public Works Programme (EPWP)	Chile- Bono al Trabajo de la Mujer (BTM)	Rwanda - Kora Wigire Entrepreneurship Program	Colombia - JóvenesenAcción
Bangladesh- Technical and Vocational Education and Training (TVET)	Bangladesh- Employment Generation Program for the Poorest (EGPP)	Bangladesh- COVID-19 loan package	Kenya - Youth Employment & Opportunities Programme (KYEOP) Ethiopia - Productive Safety Net Programme	Germany - Dual apprenticeship system

SOURCE: ILO, SKILL INDIA MISSION, BONO AL TRABAJO DE LA MUJER (BTM)

ILLUSTRATION: E. RAZA RONNY

SNAPSHOT

Rising unemployment, informality, and skill mismatches expose gaps in the current system.

1. Active labour market policies aim to improve employability and job matching through training, public works, and services.
2. Existing programmes remain fragmented and weak.
3. International experience shows ALMPs work best when embedded within broader social protection systems.

Rethinking social protection in Bangladesh: What role can active labour market policies play?

FROM PAGE 25

lean agricultural seasons while supporting small-scale community infrastructure. Technical and vocational training is also provided for different age groups, including short courses ranging from one to five days. While Bangladesh does not yet operate formal wage subsidies or job retention schemes, the COVID-19 crisis offered an important policy lesson: the government's temporary BDT 5,000 crore loan package for export-oriented industries helped preserve jobs during an acute shock. Replicating such wage support in the post-COVID period, however, has proven difficult amid tightening fiscal space.

A key challenge confronting these labour market programmes is that they largely operate in silos, remain weakly connected to industry demand, and prioritise enrolment numbers over employment outcomes. As a result, many interventions fall short of improving long-term employability or helping workers transition into better-quality jobs in a changing economy.

These shortcomings point to a broader opportunity: rather than treating employment support as a peripheral add-on, active labour market policies need to be embedded more systematically within social protection—so that programmes not only cushion households against shocks, but also help people move into sustained and productive work.

International experiences offer helpful policy lessons. Countries across various income levels have used active labour market policies to reshape employment outcomes when supported by strong institutional coordination and close engagement with the private sector. Vietnam offers a particularly relevant example. By expanding vocational training centres, forging partnerships with global firms such as Samsung and LG, and targeting rural youth with industry-relevant skills, Vietnam facilitated large-scale movement from low-productivity agriculture into manufacturing. These reforms helped lay the foundation for Vietnam's emergence as a dynamic manufacturing hub—demonstrating how well-designed ALMPs can actively drive structural transformation, rather than merely manage its social costs.

Ethiopia's Productive Safety Net Programme goes beyond food security by combining public works with skills training, savings support, and small business grants, helping vulnerable households build resilience against shocks such as droughts. Rwanda's Kora Wigire Entrepreneurship Programme has similarly enabled thousands of young people—especially women—to start small enterprises through training, access to finance, and basic toolkits.

Latin America provides further evidence of targeted approaches. Chile's Women's Employment Subsidy offers cash incentives to low-income women, contributing to modest but measurable gains in formal employment. Colombia's Youth in Action programme combines training, stipends, life skills, and internships, leading to higher employment rates among disadvantaged youth. Comparable initiatives in Kenya and South Africa show that well-designed public works and youth employment programmes can improve employability when linked to skills development and labour market demand.

Advanced economies demonstrate the long-term payoffs of sustained investment in labour market institutions. Denmark's "flexicurity" model—combining flexible hiring with strong income support and active job-search assistance—has kept unemployment low and re-employment rapid. Germany's dual apprenticeship system, which integrates classroom learning with workplace training, has ensured smooth school-to-work transitions and consistently low youth unemployment. These examples underline a common principle: labour market policies work best when training, income support, and employer engagement are tightly coordinated.

For Bangladesh, the message is clear. Effective active labour market policies are coherent, demand-driven, and targeted. Training must be aligned with industry needs; internships and apprenticeships should be expanded; and vulnerable groups—particularly poor youth, women, and informal workers—must be prioritised.

Rather than expanding programmes indiscriminately, policymakers should focus on consolidating fragmented labour market programmes, strengthening labour market information systems, scaling up industry-linked training and apprenticeships, and piloting targeted wage or hiring incentives within clear fiscal limits. Embedding these reforms within the social protection system would allow Bangladesh not only to protect workers from shocks, but also to equip them for productive employment—turning social protection into a driver of inclusion, productivity, and long-term economic resilience.

The beleaguered financial sector and looming challenges

DR BIRUPAKSHA PAUL

Dr Birupaksha Paul is a professor of economics at the State University of New York at Cortland, USA. His book is Bangladesher Orthonitir Songskar (Reforms for the Bangladesh Economy).

The money and financial markets build the bridge between the goods and services as well as the labor market. The financial sector is the crucial conduit for output and employment. This relationship is akin to how fuel energizes the engine to make the wheels rotate so the car can move. That is why any defect in the financial sector is enough to make other machinery of the economy dysfunctional.

FINANCE AS THE ENGINE OF GROWTH

The health of the financial sector is the determinant of a country's journey to development, vindicating the success stories of Singapore, Vietnam, Taiwan, and South Korea. They all emerged from agricultural feudal society, and their current state of excellence is the secret story of how they handled the act of finance from day one of their journey. Bangladesh's success so far is attributable to how its financial industry developed. Its failures are also attributable to the practices of how politicians, businessmen, and bureaucrats corrupted the country's financial institutions.

The decadence in the financial sector began in the 1980s when the military ruler president Ershad wanted to create a group of bourgeoisies who will support his regime. The best way to make it happen is to allow some degree of default loans to facilitate their business operations and political ambitions. Since then both regimes of Awami League (AL) and Bangladesh Nationalist Party (BNP) continued that culture displaying an upward trend.

HOW DEFAULT CULTURE TOOK ROOT

However, it turned into a growing epidemic during the AL regime particularly after 2015 until the day they were overthrown in August 2024. The party changed characteristically under the dominant influence of business tycoons who earned a secret license to loot the banking sector in exchange for their unequivocal support for AL's continuation of power. The interim government, though promised to revert the situation, got little success in the banking sector while the overall investment scenario has not emerged to vitality, making growth prospects weaker than before.

The capital market and the banking sector are the two wings of an economy. For Bangladesh, both wings are bruised. The reasons are twofold: 1) negligence of the capital market and lack of punishing its wrongdoers 2) the defective practice of holding the banking sector responsible for long-term financing. While banks are here for supporting short-term funds such as working capital or operational cash flow for industries, they were forced to fund long-term capital, making the role of the capital market redundant and creating the mismatch of maturity in fund management. This fundamental defect is at the root of why Bangladesh debauched both the stock market and banks.

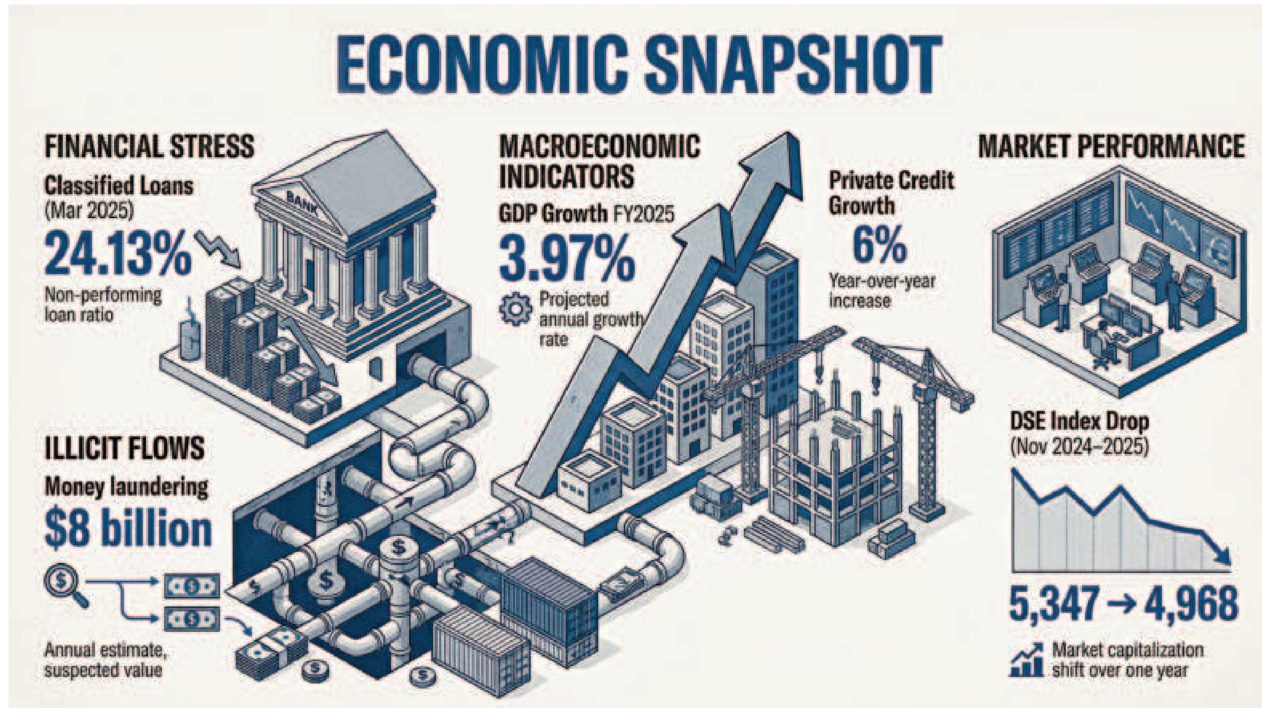
WHEN BOTH WINGS OF THE ECONOMY FAILED

The toughest challenge is the act of reversing this practice and making it comparable to what we see in other emerging nations. Bangladesh's financial sector is thus fundamentally flawed, and correcting this for good requires both knowledge and political intent. If politics is controlled by tycoons who are also engaged in tax dodging and money laundering, the oligarchs would never like to correct the practice since looting banks is easier than raising funds from the stock market where companies are vividly accountable to the shareholders by law.

Apart from this characteristic perversion in the culture of borrowing, the problems of Bangladesh's financial sector are deep rooted mainly because of its courtship with politicians. When politicians chase businessmen for rent seeking, that is one kind of problem which creates extortive ambience. But the problem is worse when businessmen turn into politicians and distort financial rules in their favour. This gambling ensures malfunctioning of the financial industry by launching perverse politics. The AL regime made the biggest blunder by empowering a group of businessmen who twisted financial law in their favour to normalize their plunder and laundering. Stock-market scammers and bank looters were made the guardians of the sector.

The July-August uprising of 2024 created a glimmer of hope, and we expected to see the end of the businessmen-led politics and bureaucratic tangles. A lot was spoken about financial reform while little might have been achieved without touching the main flaws of the financial world. The White Paper report was intended to get the future guidelines, and the Economic Task Force report was aimed at taking

SEE PAGE 28



SNAPSHOT

Bangladesh's financial sector deteriorated through decades of political patronage and loan default culture.

1. Banks were forced into long-term financing, weakening both banking stability and capital markets.
2. Business tycoons entrenched themselves in politics, blocking accountability and reform.
3. Interim government measures have failed to address core structural flaws.
4. Rising default loans, tax evasion, and money laundering remain deeply interconnected.

The beleaguered financial sector and looming challenges

FROM PAGE 27

ILLUSTRATION: E. RAZA RONNY

steps toward a healthy economic order and fiscal empowerment. The interim regime, however, failed to produce a coherent set of economic laws which would govern the financial industry to reduce default loans and illicit financial transfers.

Default loans kept rising without any sign of abating. The amount of classified loans occupied 16.93 percent of total outstanding loans in September 2024, rising to 24.13 percent in March 2025. Recently, the central bank has resorted to using the sugar-coated definition of default loans, which will simply put the dirt under the carpet temporarily without delivering any viable solution. Global Financial Integrity estimates the annual figure of money laundering as around 8 billion dollars, with no evidence that this figure has gone down since the interim government took office.

A SYSTEM LOCKED IN POLITICAL FINANCE

Politicization of the business world is at the root of the growing disease of nonperforming loans. Since ill-gotten money is not safe to keep inside the country, money laundering becomes inevitable. Rising default loans also enable tax dodging as most oligarchs take the opportunity to show losses beforehand and are thus waived from paying taxes. This creates a second impulse for illicit financial transfers. The financial industry is trapped in the devils' triangle with loan defaulters, tax dodgers, and money launderers, and the interim government is still far away from breaking it.

While empowering the central bank with autonomy is a step forward, that reform alone is not enough to rescue the beleaguered financial sector from decadence and perversion. Reforming the capital market first is the way to push long-term borrowers toward that market, allowing banks to focus on short-term working capital and some startup loans to agriculture and small enterprises. The Dhaka Stock Exchange Index was 5,347 in early November 2024 but fell to 4,968 around the same time one year later, suggesting growing debility in the stock market despite the interim government's six-point revitalization strategy.

STABILISATION WITHOUT REFORM

Although unemployment is a concern for the labor market, addressing joblessness is impossible without financial stability that enables private investment and employment generation. Domestic private investment is not only in the doldrums but dwindling, while foreign investment remains below one percent of GDP and private investment stands at around 22 percent.

Low inflation—the precondition for financial stability—remains elusive. Its 12-month average stood at 9.95 percent in August 2024 and was still 9.22 percent in October 2025, despite promises to bring it down to 6 percent by June 2025. The call money rate has remained close to 10 percent since June 2024, keeping borrowing costs prohibitively high.

With GDP growth falling to 3.97 percent in FY2025, the overall rate of return in the business sector has likely dropped below 10 percent. Borrowing for business thus becomes unwise unless default is premeditated. Private credit growth has accordingly fallen to around 6 percent, far below the 15 percent needed to support real growth.

The declining trend in reserves has been reverted and that gives credit to central bank policy of the market-based exchange rate but import contraction has played the main role in reserves' buildup. This contraction has been as high as 9 percent for intermediate goods and 25 percent for capital machinery for FY2025, partly hinting at why GDP growth has come to the lowest point in the post-Covid era.

A fair, inclusive, and acceptable election is expected to boost private investment via market confidence, but other tangles of the financial world such high default loans, tax dodging, money laundering, and the capital market irregularities will persist, requiring a fresh batch of reforms by the elected government in 2026.

KEY NUMBERS AT A GLANCE

1. Classified loans (Mar 2025): 24.13%
2. Money laundering (annual estimate): $8 billion
3. DSE Index drop (Nov 2024–2025): 5,347 ⟶ 4,968
4. GDP growth in FY2025: 3.97%
5. Private credit growth: 6%

How IMF is scrubbing economic ledger

ZAHID HUSSAIN

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Bangladesh entered the IMF programme at a moment of deepening stress. By late 2022, foreign exchange reserves had fallen below $20 billion, down from over $40 billion just a year earlier. Import bills had surgedwhile export growth and remittances weakened. The Bangladesh Bank repressed exchange rate flexibility. Inflation was in double digits, GDP growth on a downslide.

The IMF supportcame against this backdrop. The Fund approved a 42-month package worth $4.7 billionin January 2023, later expanded to $5.5 billion with one year extension to June 2027. The programme disbursement, designed to stabilise the balance of payments and push fiscal, monetary and banking reforms, is currently paused until after the elections.

What role has it played so far? What is the outlook?

THE SCORECARD TWO YEARS ON

Growth was subdued compared to pre-programme expectations, with IMF staff repeatedly marking down projections amid political uncertainty, trade headwinds, and tighter financial conditions. External balances improved in 2025. Programme financing catalysed budget support provided by other significant creditors.

A central plank of the programme has been moving toward greater exchange-rate flexibility and reducing quasi-fiscal and administrative distortions in the foreign exchange market. The idea is to curb discretionary intervention, align rates, and improving foreign exchange liquidity via market instruments. The 2025 IMF staff reviews linked tranche releases to progress on flexibility and transparency. BB reporting of reserves using BPM6 definitions was triggered by the programme as was the reporting of distressed assets in the banking system.

> The IMF programme has pushed long-delayed reforms forward, but it has also exposed deep banking and governance fragilities, revealing how fragile macro-stability remains without durable political ownership.

ILLUSTRATION: **ZARIF FAIAZ**

Tax-to-GDP ratio needs to rise to protect social and priority investment even as subsidies—especially electricity—are rationalised. The programme targets higher, more sustainable revenue through phasing out exemptions, strengthening VAT compliance, and reorganising tax administration. The outcomes have eluded programme target of increasing tax to GDP ratio by 50 basis points annually.

Banking fragilities—rising non-performing loans, capital shortfalls, corporate and regulatory governance weaknesses—were flagged early and

SEE PAGE 31

ILLUSTRATION: E. RAZA RONNY

SWIFT weaponisation shattered the global financial trust

PROFESSOR A K ENAMUL HAQUE PHD

Professor A K Enamul Haque, PhD, is Director General of the Bangladesh Institute of Development Studies (BIDS).

As we stand at the threshold of 2026, the global economy is not merely navigating a cycle of inflation or shifting trade balances; it is grappling with a fundamental dissolution of the invisible glue that holds the modern world together: mutual trust. While analysts often focus on interest rates and supply chains, I suggest that we are witnessing a systemic breakdown where the "minimum requirement" for international stability—trust—has been discarded, leaving the global world in significant trouble.

For decades, the global economy functioned on the assumption that even rivals would adhere to "standard norms". However, as we transition into this difficult new year, it has become clear that these norms have been shattered, and the consequences are manifesting in every corner of the financial and geopolitical map.

SNAPSHOT

The global economy is facing a breakdown of trust rather than a conventional economic cycle.

1. The disconnection of Russia from SWIFT marked a turning point in the weaponisation of financial systems.
2. Attempts to seize sovereign assets have raised fears about the safety of global capital.
3. Distrust is spreading beyond adversaries to long-standing allies, affecting trade and mobility.
4. Restoring basic norms of trust is essential for economic stability heading into 2026.

THE WEAPONISATION OF FINANCE AND THE END OF REGULARITY

The current crisis can be traced back to a series of pivotal decisions that prioritised immediate geopolitical pressure over long-term systemic stability. A primary catalyst was the disconnection of Russia from the SWIFT system in 2022. At the time, this was viewed as a necessary sanction, but it can be argued that it was a foundational mistake that "broke up the trust". By preventing a major global actor from making payments in a "regular economic manner," the international community effectively signalled that the global payment infrastructure was no longer a neutral utility, but a political weapon.

This loss of trust is like "putting toothpaste back in the tube"—once it is out, it is nearly impossible to reverse. When nations realise they can be arbitrarily cut off from the global financial system, the incentive to participate in that system evaporates. This has directly led to a world where the global economy struggles to "come to a sense" because the basic mechanics of international commerce are now mired in suspicion.

THE THREAT TO SOVEREIGN SECURITY: A PRECEDENT OF FEAR

The erosion of trust deepened with the recent proposals by European entities to confiscate Russian sovereign and federal assets. Although certain nations, such as Belgium—the host of the primary clearing house—resisted these requests to protect the integrity of their financial institutions (more importantly to avoid legal backlash from Russia!), the mere attempt has fundamentally weakened the global economic foundation.

This raises a chilling question for the global market: if the property of a superpower can be targeted for confiscation, "who else is going to keep money in this world?". This breach of trust has created a chilling effect, signalling to every nation—regardless of their size—that their assets are only as secure as their current political alignment with Western powers. This realisation is driving a massive relocation of global financial capital. We are now seeing the rise of new financial hubs in the UAE, Singapore, and Hong Kong. These locations are positioning themselves as the new centres of the financial world specifically because they promise to "keep the trust" that has been abandoned by traditional Western nations.

THE FRACTURE OF ALLIED RELATIONS: WHEN FRIENDS BECOME STRANGERS

Perhaps the most alarming development in this era of distrust is its expansion beyond warring factions to historically ironclad alliances. For example, there has been a dramatic shift in the relationship between Canada and the United States. Previously, the border between these two nations "virtually did not exist," characterised by friendly travel and integrated economies.

However, as of 2025, this trust has been "broken unequivocally" by the political rhetoric in the U.S. when President Trump spoke about potential annexation of Canada or its absorption as a "51st state". The atmosphere has turned from cooperation to caution. This isn't just political theatre; it has tangible economic impacts. Canadians have largely stopped crossing the border with their previous frequency, and the spectre of unfavourable tariffs has replaced the "standard norms" of North American trade.

This pattern of broken trust is a global contagion. It is evident in the friction between Europe and America, as well as in the tariff-driven tensions between the United States and South American nations like Brazil and Venezuela. When the "Western world" is in an uproar and friends are "losing trust on each other," the entire global framework begins to buckle.

A LEADERSHIP DEFICIT IN A WORLD WITHOUT NORMS

The outlook for 2026 is "pretty difficult" because we currently lack leaders who are "conciliatory" or willing to prioritise diplomacy over escalation. In the past, historical precedents like the Magna Carta served as tools for rebuilding trust, even among warring parties. Today, however, there is an absence of a "minimum requirement of sanity".

Leaders of major superpowers—from the U.S. and Russia to China and India—face a world where personal animosity often overrides statecraft. When leaders "hate each other" and accuse one another of direct attacks, the room for diplomacy vanishes.

THE ROAD TO 2026: A DUTY TO REBUILD

I conclude that 2026 must be a year of rebuilding trust. This is not a sentimental request but an economic necessity. The global economy cannot return to a state of growth and stability if nations are constantly bracing for the next confiscation, the next payment disconnection, or the next surprise tariff.

Leaders must recognise that they have a "duty to rebuild trust". This requires moving beyond personal narratives to re-establish a "minimum sanity" in international relations. Without a return to "standard norms" of what to do and what not to do, the world will remain a collection of isolated, suspicious actors rather than a functional global economy.

The stakes could not be higher. As we look at the fractured landscape of 2025, it is clear that the road back to a better world starts with a simple, yet Herculean task: making the decision to trust once again.

To understand the gravity of our situation, consider trust as the lubricant in a complex machine. When that lubricant is removed, the gears—representing international trade, sovereign assets, and allied cooperation—begin to grind against each other, creating heat and friction that eventually cause the entire mechanism to seize up. Once those gears are damaged by the heat of conflict and the friction of suspicion, simply adding more lubricant later may not be enough to make the machine run smoothly again; the parts themselves may need to be entirely replaced.

How IMF is scrubbing economic ledger

FROM PAGE 29

intensified through 2024–25, setting aggressive targets such as reducing banking system NPL down to 10 per cent. Actual NPL moved in the opposite direction with accelerating momentum, prompting the programme's recalibration. The 2025 reviews highlight "increasing stress in the banking sector." Reforms in resolution, corporate bankruptcy, and state bank governance are work in progress.

Accumulated arrears in taka and dollars needed urgent attention. The previous government left behind $3.2 billion, or roughly Tk 390 billion, in foreign loans in the power and energy sector. The Interim Government repaid Tk 290 billion of that debt by April 2025. Despite these measures, arrears to private power producers remained significant, with the Bangladesh Power Development Board (BPDB) still owing around Tk 200 billion in unpaid bills.

The IMF has elevated arrears clearance to the level of quantitative performance criteria (QPCs)—the most binding form of conditionality. This means arrears reduction targets must be met for loan disbursements to continue, or Bangladesh would need to request waivers. The programme requires the government to gradually eliminate arrears in power, gas, and fertiliser through transparent budget transfers rather than ad hoc bonds.

The programme has disbursed $2.74 billion. Programme financing and foreign exchange policy reforms helped address arrears and build reserves.

SNAPSHOT

Bangladesh entered the IMF programme in late 2022 amid reserve depletion, high inflation, and slowing growth.

1. The IMF approved a $5.5 billion programme to stabilise the economy and advance fiscal, monetary, and banking reforms.
2. Progress has been uneven, with some gains in reserves and transparency but rising stress in the banking sector.
3. Arrears in the power and energy sector have become a binding programme condition.
4. The IMF has paused the next tranche, awaiting an elected government able to own reforms.

POLICY CONTINUITY AND PROGRAMME FLEXIBILITY

The journey has by no means been smooth. Both sides negotiated hard on sequencing exchange rate liberalisation, revenue restructuring, and strategies for banking sector stabilisation.

Tax reform confronted entrenched interests resistant to losing their stake. Banking reform threatened powerful borrowers and politically connected defaulters. Exchange rate unification and adjustmentpropagated inflation. The IMF's presence anchored credibility, but it also heightened tensions by insisting on reforms that were politically unpalatable even for the apolitical Interim Government.

The experience so far illustrates how governance rupture and macroeconomic instability can collide in ways that are both constructive and destabilising. On one hand, the programme nudged long-delayed reforms: dismantling interest rate caps, unifying exchange rates, and initiating a long-overdue clean-up of the banking sector. On the other hand, it exposed deep fragilities without adequate buffers, leaving the economy vulnerable to shocks and social unrest.The BB Governor has publicly downplayed the need for IMF loans, describing them as a "sweetener" rather than a necessity while at the same time stressing the need for technical support to implement reforms.

The programme underestimated the scale of banking fragility. Non-performing loans were far higher than official figures suggested, provisioning shortfalls are deep and pervasive, and governance weaknesses systemic. Without brutally honest diagnostics and credible restructuring plans, macro stabilisation rests on quick sand.

The Fund's comparative advantage lies in forcing recognition of costs that entrenched interests prefer to externalise—whether inflation, reserve depletion, or systemic banking fragility. Yet without domestic ownership, even the most technically sound prescriptions risk becoming paper promises. Governance rupture in August 2024 tested programme resilience with changes in the central bank and finance ministry leaderships.

The adjustment with the new leadership was by no means frictionless. Both sides converged on recalibrating fiscal benchmarks and extending the programme period by one year with an $800 million augmentation in June 2025. The Fund combined the 4th and 5th tranche apparently to hedge against deep political uncertainty after the August change. These funds were released in June 2025 with a time bound action plan for the next six months so the 6th, worth about $800 million can be released in December. Note that the IG had already announced elections in February. Yet the tranche continuity was expected until the Fund changed mind in October-November.

A STRATEGIC PAUSE

The IMF has withheld the 6th tranche until a new elected government assumes office. The Fund presumably wants to ensure that the incoming administration is committed to continuing reforms. Key areas flagged include fiscal transparency, exchange rate flexibility, subsidy rationalisation, and financial sector reform. There isn't exactly a full meeting of mindswith the current counterparts on the nuts and bolts of policy action in these areas. What is not said about pausing the 6th tranche is perhaps more significant than what is said.

> The IMF programme totals $5.5 billion, of which $2.74 billion has been disbursed so far, while foreign exchange reserves had fallen from over $40 billion to below $20 billion by late 2022.

The Fund's June expansion was a strategic bet on Bangladesh's reform trajectory. Its November caution is not a reversal, but another hedge. The IMF is signaling their commitment to Bangladesh, but they will not underwrite reforms without a government that can credibly own them. In other words, the IMF gave Bangladesh more rope in June but by November, it decided to hold the rope until someone elected takes the other end.

Clearly, the IMF is not in the business of certifying democracy. It has lent to juntas, autocrats, and governments accused of rigging elections. What it probably is seeking is a government that can survive long enough to own the reforms. In Bangladesh today, that means waiting for February — not because the ballot box confers virtue, but because it confers durability.


বিকাশ অ্যাপে সিটি ব্যাংক-এর
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গড়ছে
জীবন
মিটছে
প্রয়োজন
লোন
কুলছুমা আকতার
রাঙ্গুনিয়া, চট্টগ্রাম
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সোনাইমুড়ী, নোয়াখালী
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বনশ্রী, ঢাকা
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How will artificial intelligence transform THE LABOUR MARKET?

MUHAMMAD SHAFIULLAH

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PHOTO: PRABIR DAS

Artificial Intelligence (AI) is expected to pose the biggest disruption to global labour markets since the industrial revolution in the 19th century. The speed and scope of this unprecedented disruption will not be felt equally across industries, and nations. Bangladesh, a developing economy, will likely undergo a unique labour market transformation. Bangladesh's job market remains largely informal, routine-task dominated, and credential-biased—rendering workers particularly susceptible to AI-powered automation. This poses a seemingly insurmountable risk for the two million Bangladeshis entering the labour market annually, including more than six lakh university graduates. Contemporary AI and robotic technologies are unable to undertake dextrous work rendering tenuous respite to vocational and technical jobs.

The skills mismatch between Bangladesh's education system and labour market is widely highlighted in the nation's public discourse. The rote-based education system prepares students for general repetitive tasks (Figure 1)—i.e., garments production line or customer service. AI and robotics can easily replace, and perhaps supersede, humans in these tasks. Bangladesh's labour force is largely unprepared for complex and creative tasks in emerging professions at home and abroad. This has culminated in grade- and credential-inflated Bangladeshi 'white-collar' workers who remain inadequately prepared for many in-demand skills such as creative and professional content creation, design, data analysis, computer programming, AI prompt writing, inter alia.

Bangladesh's labour is overwhelmingly informal (Figure 2)—with impromptu, uncompetitive hiring/firing and no employer involvement in workers' skill development.Employees and employersplace their trust on blind loyalty instead of upskilling and re-skilling.This creates a perplexing scenario where entry-level jobs erode due to automation and postponed hiring while firing remains minimal.

This phenomenon, however, is prevalent not only in Bangladeshbut alsoacross much of the developed world. The 'informality' of Bangladeshi jobs makes workers more vulnerable, as employers may replace them for intermittent AI service subscriptions. Moreover, inequality is expected to worsen since entry- and mid-level roles, especially informal ones, are 'hollowed out' by AI.

The solution to this doomsday scenario is a structural transformation of how we educate our workers. Instead of banning AI from classrooms, students need to learn to use AI to their advantage. AI can help our students improve and develop their creativity, data analysis, and programming skills.In class, I often present the following perhaps overly optimistic and simplistic outlook for an AI-powered future:

Imagine a 2050 Facebook entrepreneur selling designer clothes—popularly known as 'api's' or 'sisters.' During a live stream, she takes an order, designs a unique dress, and manufactures it in real time using AI prompt-writing and 3D printing, and delivers it within hours via AI-powered autonomous drones.

Such a scenario may not be far-fetched, as similar job roles and AI functionalities exist under current technologies. The key is to train these 'api's' and create an enabling environment for AI to complement her creativity.

SEE PAGE 34

Vocational and technical training may also help the aspirant migrant workers land overseas roles that are managerial, more secure, and well-paid. PHOTO: **PRABIR DAS**

How will artificial intelligence transform the labour market?

FROM PAGE 33

To date, Bangladesh's policymakers, industry leaders, and educators placed limited emphasis on envisioning or planning for such a fully integrated future. Contrary to this doom and gloom, professions requiring vocational or technical skills appear relatively resilient to AI takeover for now. This is because contemporary AI systems are often centred around large language models which are suited to replacing desk-based routine tasks. In contrast, the latest automation and robotic technologies lack dexterity and adaptability needed to undertake non-routine manual work such as automobile repair, construction, cooking, and plumbing. These jobs also require on-premises diagnosis and problem-solving, decision-making, experience and intuition, and human interactions. AI-powered automation may perform some individual tasks more efficiently than human workers. However, AI is incapable of situational judgment that requires a holistic combination of all, or most, of the above tasks.

This represents a ray of hope for Bangladeshi workers. The country enjoys a demographic dividend, with some 4 in 10 Bangladeshis are under the age of 25. Yet, the economy is incapable of generating sufficient well-paid 'white-collar' jobs for the two million or so new jobseekers entering the labour market. Consequently, many are either unemployed or underemployed, with reports of workers with postgraduate qualifications filling menial roles. Here, vocational and technical skills can assist these workers reach their earnings potential and avoid getting replaced by AI and automation. Vocational and technical training may also help the aspirant migrant workers land overseas roles that are managerial, more secure, and well-paid. As such, 'blue-collar' skills can further boost Bangladesh's remittances receipts. However, participation in formal vocation land technical training and work in Bangladeshis lacklustre ((2%; Figure 3), due to unfavourable societal attitudes, insufficient and underfunded formal training as well as institutional support.

Bangladesh's labour market economics also presents an apparent reprieve from worrisome technological unemployment. Bangladesh has developed little or no indigenous AI technologies and is almost entirely import-dependant. Imported AI-powered automation remains expensive and, against the backdrop of abundant cheap labour, remains economically untenable considering the costs and benefits—especially for manual- and service-based roles. This scenario presents a case for AI-assisted productivity gain rather than AI replacement of jobs, especially in low- and middle-income economies like Bangladesh.

AI-powered automation is expected to aggravate gender inequality, as more women languish in automatable roles. This is in part due to societal barriers women face while accessing vocational training and technical jobs, which often require travel and after-hours work.

In conclusion, AI will disrupt Bangladesh's labour market, akin to that in other countries. AI-powered automation—a once-in-a-lifetime disruption—poses substantial risks and opportunities to Bangladesh's workers and the economy. Yet there is a lack of readiness among the country's policymakers, education system, workers, and business community. It is important to develop a cohesive, competitive, democratic, and forward-looking strategy to prepare our labour and industry to implement AI to their advantage—analyse data, develop robust systems, and formulate creative solutions. If executed properly, AI-powered automation could help leapfrog Bangladesh's development trajectory and improve citizens' quality of life.

On a final note, I love writing—and I'd like to think AI-powered automation won't take my job... yet.

SOURCE: **2023 & 2024 LABOUR FORCE SURVEYS, BANGLADESH BUREAU OF STATISTICS.**

SNAPSHOT

Skills taught in the education system remain poorly aligned with emerging, AI-resilient jobs.

1. Informal employment makes workers more vulnerable to AI-driven job erosion and inequality.
2. Vocational and technical skills offer relative protection and new income opportunities at home and abroad.
3. Bangladesh's limited AI adoption creates scope for productivity gains rather than large-scale job loss.
4. AI will not simply eliminate jobs in Bangladesh. It will expose long-standing weaknesses
5. In skills, informality, and labour market preparation that the country can no longer afford to ignore.
6. More than two million Bangladeshis enter the labour market each year, including over six lakh university graduates, yet formal vocational and technical training participation remains below 2%.

Figure 1: Employment in Bangladesh by Task Type

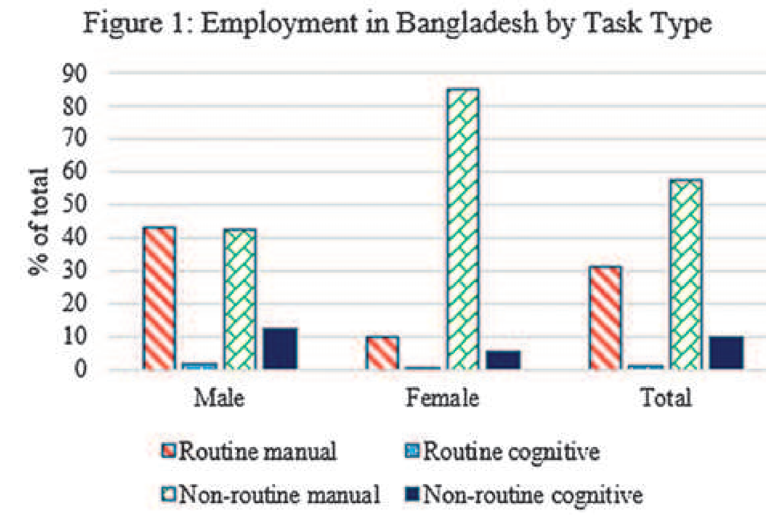


Figure 2: Bangladesh Labour Market Informality

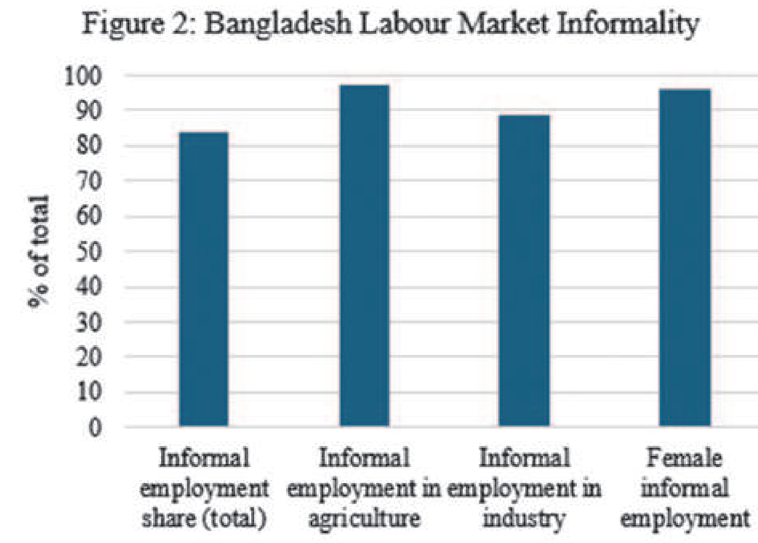
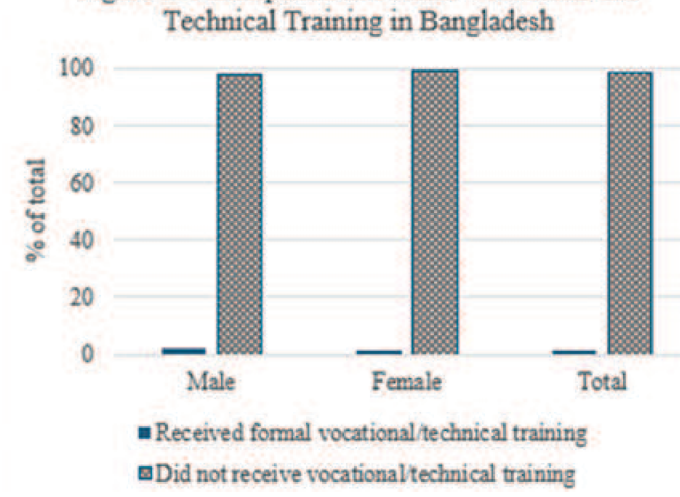


Figure 3: Participation in Formal Vocational and Technical Training in Bangladesh



Will artificial intelligence lead to the end of jobs?

RIZWANUL ISLAM

Rizwanul Islam *is an economist and former Special Adviser, Employment Sector, International Labour Office, Genevaa*

Fear of new technology is not new. Whether new technology will replace human beings is a question that has been haunting humankind from time immemorial. One may remember the "Luddites" in early nineteenth-century Britain - workers who went to smash new weaving machines for fear that they would replace human labour.

Such concerns have returned with the advent of artificial intelligence (AI).

Advances in computing power have led to the development of tools and applications that are so versatile that they can accomplish a lot of tasks hitherto performed by human beings. As this technology is portable, countries with the requisite infrastructure can make use of it. And that is happening at a time when the labour market of Bangladesh is already facing multiple challenges. The question naturally arises whether the challenges will now become more difficult.

LABOUR MARKET WOES IN BANGLADESH HAVE WORSENED

The labour market in Bangladesh has never been without its challenges. The shortage of good jobs in the formal sector, a high degree of dependence on the informal sector, low and falling rate of women's participation, decline in women's jobs in the ready-made garment industry, and a high rate of open unemployment among young people are issues that are not new.

Data from the Labour Force Survey of 2024 shows that labour market woes have worsened. As there has been very little growth of jobs in manufacturing in recent years, the process of structural transformation of the labour market is moving in the opposite direction. Instead of a rise in the share of manufacturing and a fall in that of agriculture, the opposite is happening.

Unemployment among the educated remains a major issue, and the rate of unemployment is the highest among those with tertiary education (Figure 1).

THE ADVENT OF ARTIFICIAL INTELLIGENCE (AI) IS RAISING CONCERNS

Previous experiences with technological and industrial revolutions have shown that while innovations can transform the lives of human beings, they also create challenges and raise fears about their possible adverse effects. While AI has huge potential for raising productivity, possible negative effects on employment and the need for developing new skills have emerged as important issues.

WHICH SECTORS ARE LIKELY TO MAKE MORE USE OF AI?

Almost all sectors of the economy can use AI in some way or another; however, there are certain sectors where it can be used more easily and effectively. They include manufacturing, wholesale and retail trade, transportation, information and communication, finance, health, education, and services of various kinds.

The above list should not be taken to imply that sectors like agriculture cannot benefit from AI. For example, it can be used effectively in research and development work, in innovative and yield raising practices, and in making marketing more efficient.

IS AI GOING TO CREATE HAVOC IN THE LABOUR MARKET?

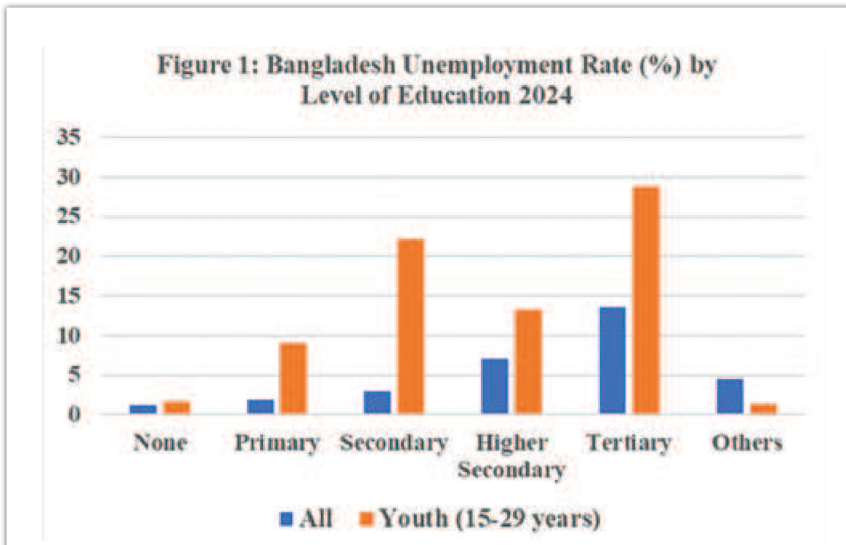
In its extreme form, the scare that often makes the rounds is that AI can replace human labour in most jobs, and widespread use of this technology may mean the end of work. However, the history of technological progress shows that while some jobs disappear, new jobs are created, and on the whole, more people get employed. Can it be different this time? Although it is too early to provide a clear answer to this question, it is possible to say a few words based on current experiences.

As very little research has been done in developing countries on the possible impact of AI on their labour markets, one may look at the situation in developed countries for some indication. In that context, data from a survey carried out in the USA in 2024 (Figure 2) may be relevant. If anything, this data does not support the doomsday scenario that is often painted. On the whole, less than a third of the enterprises covered expect AI to lead to a decrease in their workforce, and 19 per cent expect an increase. Taking into account those who say "little or no change," one can say that over half don't foresee a decrease in jobs.

While the scenario mentioned above varies between sectors, even in manufacturing, nearly half don't foresee a decrease in workforce. If that is the expected impact in a developed country like the USA, can the outcome in developing countries - where the rate of adoption of the technology is likely to be much slower and limited - be one of large-scale job losses?

HOW IS THE LABOUR MARKET OF BANGLADESH GOING TO BE AFFECTED BY AI

To address the above question, it would be necessary to ask whether Bangladesh is likely to see a widespread application of AI in the near future. The answer to this question, in turn, would depend on the structure of the economy and the likely speed of change in it. In that context, it is important to look at the sector composition of employment. Data presented through Figure 3 indicates that agriculture still remains the major employer in the labour market; and sectors where AI is likely to make quicker and easier inroads, e.g., manufacturing, trade, education, health, finance, etc. account for just about a third of total employment. Moreover, large proportions of the activities in some of them are in the informal segment, where the likelihood of adoption of AI is limited.



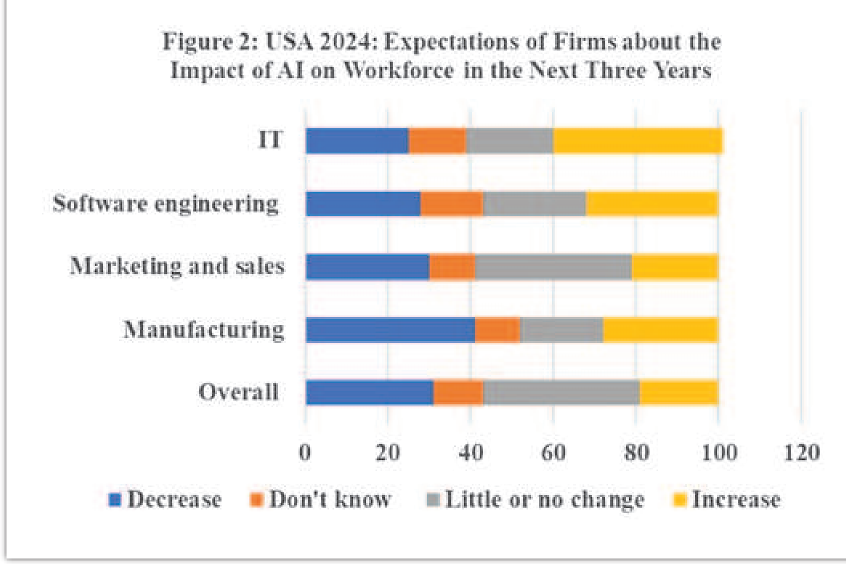
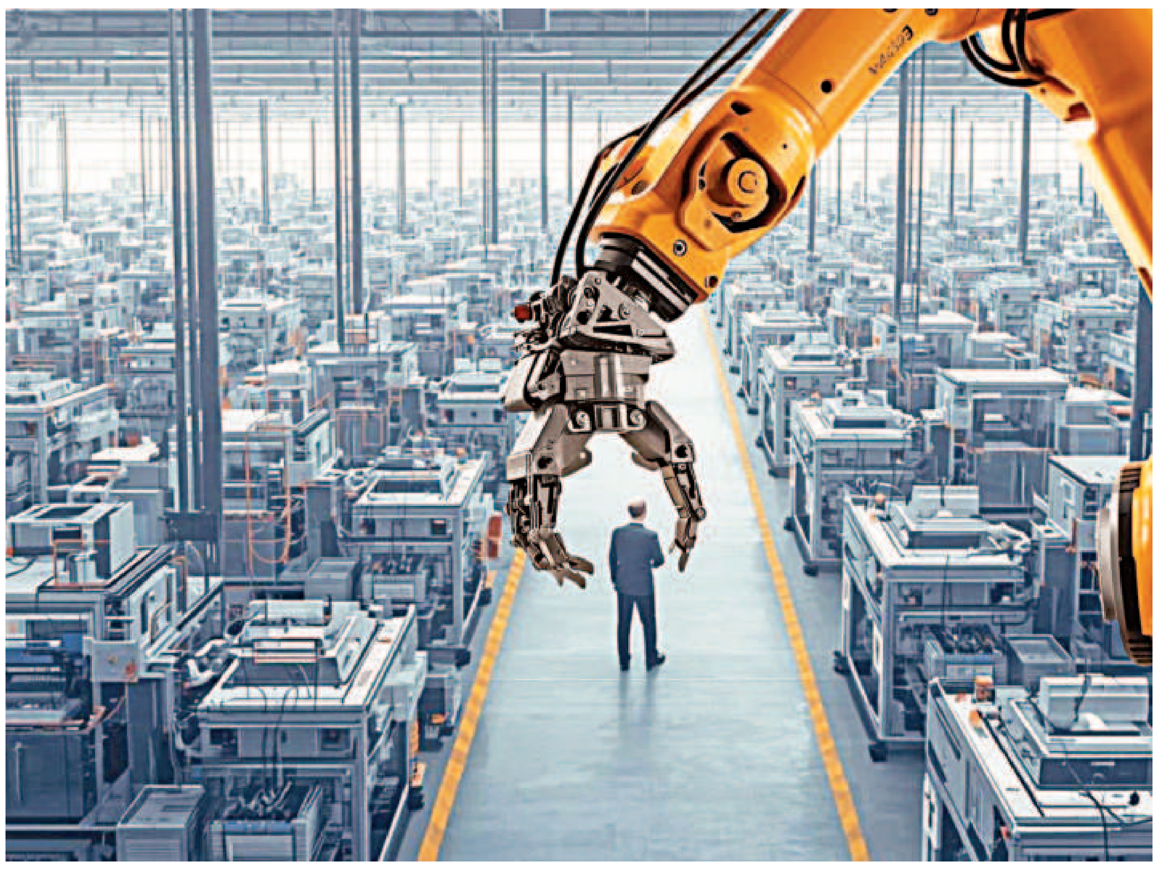


FIGURE 1
SOURCE: **PREPARED BY THE AUTHOR USING DATA FROM BANGLADESH BUREAU OF STATISTICS: LABOUR FORCE SURVEY 2024**

FIGURE 2
SOURCE: **PREPARED BY THE AUTHOR USING DATA FROM CERITY PARTNERS, MCKINSEY & COMPANY SURVEY 2024**

SEE PAGE 36

Will artificial intelligence lead to the end of jobs?



SNAPSHOT

Fear of job loss from new technology has resurfaced with the rise of artificial intelligence.

1. Bangladesh's labour market already faces unemployment, informality, and weak structural transformation.

2. Evidence from developed countries does not support widespread job destruction from AI.Bangladesh's employment structure limits rapid AI adoption, but educated workers face new risks and opportunities.

3. Long-term gains from AI depend on investment in skills, infrastructure, and policy readiness.

FROM PAGE 35

Bangladesh's labour market already faces unemployment, informality, and weak structural transformation. Evidence from developed countries does not support widespread job destruction from AI. Bangladesh's employment structure limits rapid AI adoption, but educated workers face new risks and opportunities. Long-term gains from AI depend on investment in skills, infrastructure, and policy readiness.

But the above should not be taken to mean that Bangladesh can or should ignore opportunities associated with AI. Productivity and competitiveness are important, and AI can contribute towards achieving these goals.

Furthermore, AI is particularly important from the point of view of the educated job-seekers because they are likely to seek jobs in the modern sectors of the economy which have good potential for its application. However, they already face high rates of unemployment; and AI opens up both opportunities and challenges for them. Those with technical competence in the field will be able to benefit from the opportunities, while those lacking in such skills will be left behind. Hence, rather than ignoring AI as irrelevant or fearing it, it is important to increase the preparedness to adopt and benefit from it.

IS BANGLADESH WELL-PREPARED TO EMBRACE AI?

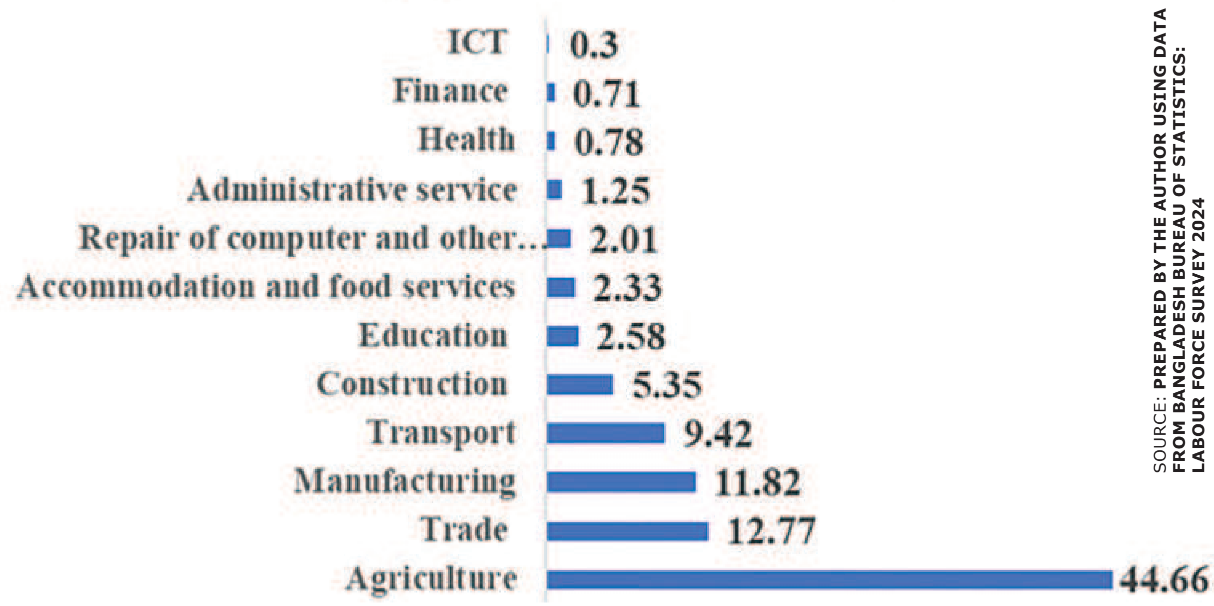
Preparedness to adopt and benefit from AI has at least two major dimensions - physical and social infrastructure. The former includes hardware, especially what is known as "data centres", supply of electricity, and internet services. Social infrastructure basically refers to the level of competence of the workforce which in practical terms means qualifications in the areas of science, technology, engineering, mathematics (STEM).

Data centres are large-scale computing infrastructures that are used primarily for storing data, hosting websites, and supporting computer applications. On the hardware side, they form the key pillars of the IT sector. In terms of number, strength, and capacity of data centres, USA is the leading country of the world. And China, India, and Republic of Korea are among the top ten countries. Bangladesh does have some capacity that includes one "tier IV" and one 'tier III" data centre run by the government, and a number of centres run by private companies. Whether they will be adequate to meet future demand is something that will depend on the speed of adoption of the technology. But given the costs involved and the size of investment needed to install a data centre of reasonable size, it may not be realistic to expect private initiative in the field - unless, of course, foreign investment can be attracted.

Preparedness of the workforce to make effective use of AI hinges critically on competence in STEM subjects; and that is a major concern. For example, in 2022, about 8,000 students graduated with engineering degrees in various fields. For reference, it may be noted that in 2018 (the year in which the graduates of 2022 may have passed HSC), about 860,000 passed the HSC examination. It is thus clear that a very small proportion of students go to study engineering and related subjects. Even if one adds other science subjects and mathematics, the proportion is unlikely to be much higher. In India, even after a decline recent years, the proportion of of undergraduate enrolment in engineering was 12% in 2021.

WHAT STRATEGY IS NEEDED?

In order to benefit from the potential of AI, action is needed to strengthen both physical and social infrastructure. As physical infrastructure is likely to involve big investment, the government would have to come up. The orientation of students will have to be changed towards STEM subjects; and it is better to do that from early stages. The capacity of the education system will have to be beefed up accordingly. Furthermore, the management also has to have good understanding of potential uses and possible abuses and pitfalls. What is called for is a long-term strategy focusing on both hardware and skills.



SOURCE: PREPARED BY THE AUTHOR USING DATA FROM BANGLADESH BUREAU OF STATISTICS: LABOUR FORCE SURVEY 2024

PROGRESS
with macroeconomic adjustment

SADIQ AHMED

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Since the advent of Covid19 in March 2020, Bangladesh has faced a series of external shocks. Combined with macroeconomic mismanagement and corrupt practices, the Bangladesh economy nose-dived reflected in rising inflation, plummeting external reserves, sharp depreciation of the exchange rate, falling tax to GDP ratio, falling investment rate and declining GDP growth rate.

The downturn in the economy along with growing unhappiness with an autocratic political regime led to a mass movement, which caused the downfall of the ruling Awami League government. An interim government was established with the task of stabilising the macroeconomy and conducting national election for smooth transfer of power to a democratically elected government.

The national election is now scheduled for early February 2026. A key policy debate is the state of the economy that will be inherited by the new national government and the challenges ahead. The objective of this write up is to provide an assessment of the macroeconomy and identify the key policy challenges in the post-election period. The assessment seeks to be evidence based, using the available macroeconomic database from government sources.

Significant progress has been made in stabilising the macroeconomy (Table 1). The current account of the balance of payments has turned around from a large negative number to positive, reserve run down has been arrested and a modest recovery of reserves is now underway. The upward trend in inflation has been contained with a modest slowdown in inflation. On the other side, the quality of the macroeconomic adjustment has been weak. Private investment rate has fallen significantly. Public ADP spending has been cut sharply. GDP growth has continued to slide, falling to a low of 4 per cent in FY2025.

On the socio-economic front, unemployment rate, especially for the educated youth, has increased. Underemployment is pervasive. There is also evidence of a rise in poverty owing to slowdown in GDP growth, high inflation, falling real wages and slowdown in public spending on social protection.

The weak quality of the adjustment effort is explained by the inability to implement most of the required policies. On the positive side, the two most fundamental reforms have been the establishment of a market-based exchange rate and ending the interest rate controls. Interest rates are now primarily market based with the Bangladesh Bank (BB) using its various policy tools to lower credit and monetary growth that is consistent with lowering inflation. Both policies have helped to improve the balance of payments and reduce inflation.

SEE PAGE 38

SNAPSHOT

External shocks and mismanagement triggered a sharp macroeconomic downturn after 2020.

1. Recent adjustment has stabilised inflation, reserves, and the balance of payments, but growth has slowed.
2. Weak fiscal reform has cut public investment and social protection, worsening jobs and poverty outcomes.
3. Investment remains subdued due to policy gaps, banking stress, and energy constraints.
4. Post-election recovery depends on restoring rule of law and accelerating structural reforms.

The private investment rate has fallen significantly. Public ADP spending has been cut sharply. GDP growth has continued to slide, falling to a low of 4 per cent in FY2025.

ILLUSTRATION: **ZARIF FAIAZ**

Progress with macroeconomic adjustment

FROM PAGE 37

As against these positive policy developments, implementation of other policies, especially fiscal policy, has been weak. The much needed overhaul of the tax system has faced various political and administrative implementation challenges. The reform of state-owned enterprises (SoEs) did not happen. Progress on reform of energy subsidies has also been lack luster. Consequently, the tax to GDP ratio has continued to fall. The SOEs, especially the public utilities, have continued to be a huge drag on the woefully limited public resources. As a result, non-tax revenues have also fallen as a share of GDP.

Resource shortfall along with growing interest cost of public debt and energy subsidies have forced large cutbacks in ADP and social protection spending to contain the fiscal deficit. So, while fiscal discipline has been maintained, the cost of fiscal adjustment has fallen on GDP growth and poverty reduction. ADP spending has fallen below 4 per cent of GDP over the past 2 years. The prospect for a recovery of ADP spending in FY2026 is also bleak. Falling ADP and GDP growth have hurt employment prospects in both rural and urban areas. High inflation, falling real wages and weak employment situation have contributed to rising poverty. The fall in social protection spending has also hurt poverty reduction.

Other growth enhancing reforms like improvement in the investment climate, better availability of energy, lower trade protection, dynamising the micro and small enterprises (MSE) sector, and enhancement in labor skills have similarly lagged behind. Law and order concerns along with political uncertainties have hurt the investment climate. Both domestic and foreign private investment remain subdued. The turmoil in the banking sector along with energy constraints have further added to the weakening of the investment climate. While the flexibility in the exchange rate has benefited the export sector, the absence of any meaningful trade reform has hurt export diversification. After showing some signs of recovery from a low base, exports growth do not show the promise of stimulating an immediate recovery of GDP growth.

> Macroeconomic stability has improved, but the quality of adjustment remains weak, with falling investment, slower growth, and rising social costs.
>
> GDP growth fell to 4% in FY2025, while ADP spending dropped below 4% of GDP for two consecutive years, highlighting the growth and employment costs of weak fiscal adjustment.

Falling investment rate along with the sharp slide in GDP growth have caused the growth of imports to slow down considerably. Capital imports in particular have experienced large negative growth. The growth of intermediate imports also show sluggishness. So, while the slowdown in imports has benefited the balance of payments, this improvement is not sustainable in an environment of rising investment rate and GDP growth unless it is associated with a sharp rise in the growth of exports.

What is the way forward? Unfortunately, there are no quick fixes and a concerted policy reform effort encompassing several reform areas will need to be sustained over an extended period. The upcoming national election presents a major opportunity to turn around the economy. The biggest plus the elections offer is the opportunity to lower political uncertainties and restore the rule of law. A credible and participatory national election will be key requirement for this. Following the election, a quick restoration of the rule of law irrespective of political connection or party affiliation and ensuring the full independence of the judiciary will be critical elements to restore business confidence.

While a credible election and rule of law will help calm down private investor nervousness, the recovery of investment, and in particular, the inflow of foreign direct investment (FDI) will require strong progress with strengthening the investment climate with a focus on reducing the cost of doing business. Further investment deregulation, improving the foreign currency regime with simplified inflow and outflow of foreign capital, tax deregulation and simplification, port efficiency enhancement, and improved availability of skilled labour are all important elements of a strategy to reduce the cost of doing business.

Along with efforts to improve the business environment, the focus on tax collections and public resource mobilisation will be of paramount importance to support the recovery of GDP growth and regain the momentum on poverty reduction. On the tax front important reforms include implementation of the newly created tax policy unit with professional staff and leadership, strengthening the NBR, rapid digitisation of tax filing and payments, simplifying tax laws and tax forms, selective and productive audits, and minimization of tax exemptions.

Some quick revenue gains can be made by reforming SoEs and establishing a modern property tax system. The SoE sector continues to suffer from huge operating losses and absorbs over 2 per cent of GDP annually in terms of net fiscal transfers from the budget. This can be reversed with corporate governance and pricing reforms, which could eliminate the losses and instead enable an 8-10 per cent rate of return on the book value of invested assets, currently estimated at 16 per cent of GDP. This would yield additional non-tax revenues of 1.4-1.6 per cent of GDP.

Similarly, establishment of a proper property tax in major urban centres could yield additional 1 per cent of GDP in government revenues, which could be a major source for improving the delivery of basic urban services.

On the spending front, priority reforms include cutbacks in energy subsidies, elimination of subsidies on remittances and exports (because the market-based exchange rate provides adequate incentives while the cutback in trade protection will also support exports), reduction in interest cost through reduction in domestic financing of fiscal deficits, and greater spending on health, education, water, and social protection.

With the upcoming LDC graduation, the challenge of export diversification needs to be tackled upfront. The LDC graduation has been in the cards for over past 8 years. Yet, little preparatory progress has been made. The most frustrating policy failure is the absence of meaningful trade reforms. Despite demonstrated quantitative evidence showing how high trade protection hurts non-RMG exports, very little progress has been made to reduce trade protection. This is partly because the trade policy reform has been hijacked by the NBR that relies heavily on custom duty revenues and therefore is a major opponent of trade reforms. Progress on reduction of trade logistic cost has also been lack luster. Reduction of trade protection and trade logistic cost ought to be top priorities for the new government.

Along with export diversification that will create new jobs, the jump-starting of the dynamism of micro and the small enterprise sector (MSEs) holds the key to job creation. The reform agenda is well known but reform efforts are lacking. Associated reforms include strengthening MSE access to institutional credit, participation in global value chain (GVC), promoting technology transfer, easing tax and regulatory constraints, and establishing a one-stop shop for MSE promotion in the spirit of the US Small Business Administration (SBA).

PROGRESS WITH MACROECONOMIC ADJUSTMENT

	FY22	FY23	FY24	FY25p	FY26e
Real GDP Growth (%)	7.1	5.8	4.2	4.0	4.5
Private investment (% of GDP)	24.5	24.2	24.0	22.5	23.0
ADP/GDP (%)	4.7	4.3	3.9	3.8	3.7
Exports Goods and NFS (USD billion)	59.5	50.8	47.6	51.4	55.0
Imports Goods and NFS (USD billion)	99.9	84.7	78.6	82.2	86.3
Export growth (USD%)	29.4	-14.7	-6.2	7.8	7.0
Import growth (USD%)	31.2	-15.2	-7.2	4.5	5.0
Remittances (USD billion)	21.0	21.6	23.9	30.3	33.3
Reserves BPM6 (USD billion))	35.8	24.8	21.7	26.7	28.0
Current Account Balance (USD billion)	-18.6	-11.6	-6.6	0.1	1.7
Tax/GDP (%)	7.5	7.4	7.4	6.8	7.2
Revenue/ GDP (%)	8.5	8.2	8.3	7.9	8.2
Total spending/GDP (%)	13.1	12.9	12.2	12.6	12.7
Overall Fiscal Balance (% of GDP)	-4.6	-4.6	-3.9	-4.7	-5.0
Inflation rate (%)	6.2	9.0	9.7	10.0	8.0
Debt /GDP (%)	33.7	37.4	37.6	38.1	40.3

Is Bangladesh's industry ready for an AI revolution?

SHEIKH JASIM UDDIN

Sheikh Jasim Uddin is the Managing Director and CEO of AKIJ Resource Group.

Artificial Intelligence (AI) is no longer confined to research labs or tech giants but has become a driving force in shaping global industries. It is playing a key role in market forecasting, bringing efficiency to supply chain operations and manufacturing goods. AI is currently redefining competitiveness in the industrial world.

Bangladesh's industrial journey has been impressive. Once an agrarian economy, Bangladesh has emerged as a manufacturing and trading hub where ready-made garments, agro-processing, cement, steel, consumer goods logistics, and trading sectors play key roles. Due to growing global competition and changing consumer expectations, efficiency, precision, and adaptability are required for smooth business operations. In these areas, AI can play a transformative role.

While Bangladesh is still in the early stages of AI adoption, signs of progress are evident. In manufacturing, automation and basic data analytics are increasingly being used for quality control, inventory management, and predictive maintenance. In trading and logistics, digital platforms are improving demand forecasting and route optimisation.

In manufacturing, AI offers significant benefits, including waste reduction, improving energy efficiency and ensuring consistent quality assurance

In manufacturing, AI offers significant benefits, including waste reduction, improving energy efficiency, and ensuring consistent quality assurance. These factors are critical for export-oriented industries striving to meet strict global standards. For agro-based industries, AI can provide better forecasts, optimise storage, and reduce post-harvest losses. In trading and distribution, intelligent analytics stabilise supply chains, minimise price volatility, and enhance market transparency. Most importantly, AI can enable Bangladeshi firms to move up the value chain—from cost-based competition to value-driven production. This shift is essential if the country is to sustain growth beyond its low-cost labour advantages.

Although AI adoption is imperative for Bangladeshi industries, several barriers exist. The primary challenge is the shortage of skilled professionals. While Bangladesh has a large youthful workforce, there is a deficit of experts in AI-related fields. Industry, academia, and training institutions must collaborate to cultivate professionals in these areas.

Infrastructure is another major constraint. Mindset also matters. Many industrialists still view AI as a high-cost, high-risk investment rather than a necessity for progress. This caution is understandable, especially among small and medium-sized businesses. However, global experience shows that delayed adoption often proves more costly than early experimentation.

Large business groups in the country can play a responsible role during this transition. They can set examples for medium and small enterprises on how to integrate AI responsibly into industrial operations.

At AKIJ Resource, for example, the focus is on using technology to improve efficiency, transparency and operational discipline across business verticals. AI-driven analytics, automation, and digital monitoring systems are not ends in themselves. There are tools to support better decision-making and long-term value creation.

The responsibility of fully preparing Bangladesh's industry for AI does not lie solely with corporates. It is a national issue. Policymakers have a key role to play in creating regulatory frameworks and data protection standards to facilitate AI adoption in industry.

Bangladesh has already demonstrated its ability to adapt. Advancements in digital financial services and e-governance are testaments to this capability. Creating an AI-ready industrial ecosystem is a continuation of this journey. Companies that adopt AI will advance, while those that lag behind will fall behind.

The global industrial environment is changing rapidly. Bangladesh must embrace AI as a core component of its industrial development. AI is not just technology. It represents judgment, leadership, and preparedness.

SNAPSHOT

AI is redefining industrial competitiveness—and Bangladesh must adapt fast to stay relevant.

1. Early adoption is visible, but skills gaps and mindset barriers remain the biggest hurdles.
2. AI offers a path beyond low-cost labour to higher value, smarter industrial growth.