How should our economy grow in the second half of this decade?

Dr Nawshad Ahmed,
a retired UN official, is an economist and urban planner. He can be reached at nawnahid@gmail.com.

NAWSHAD AHMED

Despite a low average annual GDP growth of around five percent and persistently high inflation (averaging eight to nine percent) in the first half of the 2020s, if key economic reforms are properly executed, Bangladesh can still target a stronger performance in the upcoming years.

As is now clear, the growth performance during the first half of this decade has not been as promising as it could have been post the pandemic. We missed the opportunity due to several factors. Besides severe mismanagement of private sector bank loans and macroeconomic instability, the Bangladesh Bank also failed to maintain adequate foreign exchange reserves, resulting in devaluation of the taka and increased import prices affecting both investment and consumption expenditure. Non-performing loans (NPL) shot up during the first half of the 2020s as the central bank's governance faltered and real private investment nosedived. Market confidence in the sector also withered in the face of uncertainty and corruption. Per the data released recently by the central bank, the total NPL in the banking sector reached Tk 588,704 crore, as high as 32.26 percent of the total disbursed loans amounting to Tk 1,824,668 crore.

The main growth drivers in the country have been expanding the service sector, agriculture, manufacturing, and exports. Growth follows a process—from investment, employment, consumption, savings, and then to higher levels of investment. However, this process needs to be effective as the Bangladesh Bank's operational efficiency is critical in ensuring investment. Employment depends on investor confidence, which in turn is dependent on a variety of factors such as availability of capital, availability of reasonably priced fuel and electricity, level of education and training of human resources, transport and communication infrastructure, effective macroeconomic management, tax rates and structures, human security, urban facilities, external shock management, political stability, forward and backward linkages, investment-friendly commercial and legal systems, profitability, and insurance regime. So, there are a host of critical factors that should all be favourable to ensure a high rate of private investment. These are mainly supply-side factors, and if any of these factors are not in favour of investors, it can alter the decision to invest. For example, in recent years, due to chronic natural gas and electricity shortages, some factory owners were forced to switch to costly alternative power sources like diesel and LPG, while others suspended operations, leading to significant job losses.

Last month, the central bank announced a Tk 60,000 crore stimulus package to revive ailing private sector manufacturing and service industries, thereby generating over 25 lakh jobs. This fund, if successfully handled, is likely to spur GDP growth. In the face of stagnant private sector investment from the last five years, a subsidised credit opportunity such as this will be conducive to energising the private sector. However, targeting only private sector entities is unlikely to fully yield the desired results. All the factors mentioned above also need to be carefully considered and necessary reform undertaken to effectively facilitate private investment.

It has been found in the experiences of many countries that education and health expenditure in the national budget play a very significant role in the achievement of higher growth rates by equipping the youth for productive employment. Unfortunately, public spending on health and education is very low in Bangladesh. When modern technology is introduced in higher education and when affordable healthcare is delivered, labour productivity rises. In the short term, however, technical and vocational education must be prioritised. A portion of the just announced stimulus package may be made available to this end. It is essential to invest in human capital development in order to reap the benefits of our demographic dividend.

FILE VISUAL: **ANWAR SOHEL**

While it is important to prioritise export-oriented sectors, it is even more crucial to focus on diversification of production in an effort to move some emphasis away from readymade garments, which currently account for over 80 percent of total exports out of Bangladesh. Our export potential lies mainly in labour-intensive industries such as leather and footwear, light engineering, furniture, food processing, jute products, pharmaceuticals, electronics, rubber, and porcelain items. The country also has a comparative advantage in these areas as these industries have the potential to absorb the existing supply of low-cost labour. A faster rate of urbanisation, spurred by rural-to-urban migration, is an opportunity that should be utilised to enhance the benefits of urban agglomeration. Converting urban informal sector workers to productive labour will have a positive impact on GDP growth, arresting the slowdown of the rate of poverty reduction and boosting exports. The importance of increasing export earnings cannot be overstated, since nearly \$30 billion might be necessary for debt servicing (principal and interest) in FY2025-26 alone. We cannot afford to fall into a debt trap.

Investors are considered the pillars of an economy. They are capable of creating jobs, paying taxes, indirectly boosting savings, and ensuring growth. By building on the structural and financial reforms initiated in the 1980s and carried forward through the 2010s, Bangladesh Bank's new stimulus package could empower a new generation of entrepreneurs to absorb excess labour. Although resisted initially, those reforms ultimately helped transform the economy through policies that promoted deregulation, market competition, and export-led growth, and proved beneficial in the long run as the rates of savings, investment, productivity, and trade rose while the poverty rate fell. Indeed, the average GDP growth increased from 3.8 percent in the 1980s, to 4.7 percent in the 1990s, to 5.6 percent in the 2000s, and to 6.4 percent in the 2010s. For higher GDP growth, what we need is an environment conducive to private investment such as market-determined interest rate fixation, independence of the Bangladesh Bank in policymaking, a favourable rate of tariff to encourage local industries to remain globally competitive, and for bank lending to follow strict government regulations.

Reimagining our digital identity ecosystem

T.I.M. Nurul Kabir
is a business, technology and policy analyst. He can be reached at timnkabir@gmail.com.

T.I.M. NURUL KABIR

The National Identity (NID) Card is the primary document of identification that Bangladeshis use to access an array of essential services every day. It is a legal proof of identity to conduct financial transactions as well as to access services in both public and private sectors, as well as to protect citizens from identity fraud and theft. It has also strengthened the government's capacity to improve the distribution of social benefits.

However, the country's identity landscape remains fragmented. Citizens still have to rely on multiple registries and navigate separate identity services to acquire documents such as birth certificates, NID cards, and passports, which often operate in isolation from each other. As the government expands digital public services and social protection programmes, the limitations of this fragmented approach has become evident.

This challenge can be addressed through an effective digital identity ecosystem. Such a system would require a robust and interoperable technical and infrastructural foundation, high standards of security and privacy, strong public trust, and broad user inclusion and adoption driven by everyday relevance and usability.

The current NID system evolved from the voter registration overhaul in the country two decades ago. The Preparation of Electoral Roll with Photographs (PERP) project (2007-2010), led by the Election Commission (EC), was designed to support voter registration and create a credible voter list with photographs in order to facilitate free and fair elections. Since then, it has remained integral to the voter registration process.

According to the National Identity Registration Authority (NIRA) Ordinance, passed by the then caretaker government in 2008, the voter cards issued by the EC would be considered NID cards and would be required to avail 22 services, including the issuance and renewal of passports, driving licence, trade licence, opening bank accounts, and mobile phone registration. The ordinance eventually became the National Identity Registration Act in 2010.

A year later, the Identification System for Enhancing Access to Services (IDEA) project was initiated with the World Bank's support, aiming to issue smart NID cards replacing the paper-laminated cards. Under the IDEA project, the central NID database has been linked with public and private service providers to automate and secure e-KYC and identity authentication.

Along with expanding the distribution of smart NID cards under the second phase of the IDEA project, which was initiated in 2020, the EC is offering digital NIDs featuring scannable secure QR code stored as e-files. Citizens can download a copy of the e-file and print it on regular paper to use as an official identification. As these formats are used partly as printable document substitutes, a fully operational digital identity system still remains absent.

To achieve efficiency and data security, Bangladesh must integrate all its various identity programmes into a unified, autonomous digital identity ecosystem. Experiences of the neighbouring countries provide valuable lessons in this regard.

India, for instance, has the Aadhaar digital ID system, which is one of the largest and most distinct biometric identification programmes in the world. The Unique Identification Authority of India (UIDAI), established in 2008, was mandated with the task of providing a unique and non-duplicable proof of identity to every resident of the country. The UIDAI issues a unique identification number (UID) linked to an individual's iris scans, fingerprints and basic demographic data. Residents of India are eligible to apply for the Aadhaar card irrespective of age. UIDAI regional and nodal offices have worked with schools and orphanages across the country to reach children under the age of 18. A specific Aadhaar variant, Baal Aadhaar, is issued to children below five years of age.

In Pakistan, on the other hand, the National Database and Registration Authority (NADRA) is an autonomous government agency formed in 2000. Besides issuance of computerised national ID cards for citizens, overseas Pakistanis, and Pakistan-origin cards, NADRA maintains vital statistics including birth, death, marriage, and divorce records, and issues family registration certificates.

In Bangladesh, the government has recently launched its Family Card and Farmers Card to strengthen financial inclusion and social protection. The Family Card is a database-driven digital identification and social protection instrument that integrates multiple welfare services under a single identity to deliver regular financial assistance directly to vulnerable households. The Farmers Card integrates farmer identification with secure digital payment capabilities for disbursement of subsidy for farmers across the country.

If all these systems are brought under a well-integrated and interoperable digital identity system capable of supporting access to services and benefits for all citizens, including poor families and children, service delivery will become streamlined. Such a system could develop a comprehensive foundational database by integrating existing databases and facilitating identity registration from birth, including the issuance of NIDs for individuals of all ages. It would also enable the government to accurately identify citizens and ensure that those most in need receive social protection benefits, disaster relief, and emergency assistance when needed, efficiently and effectively.

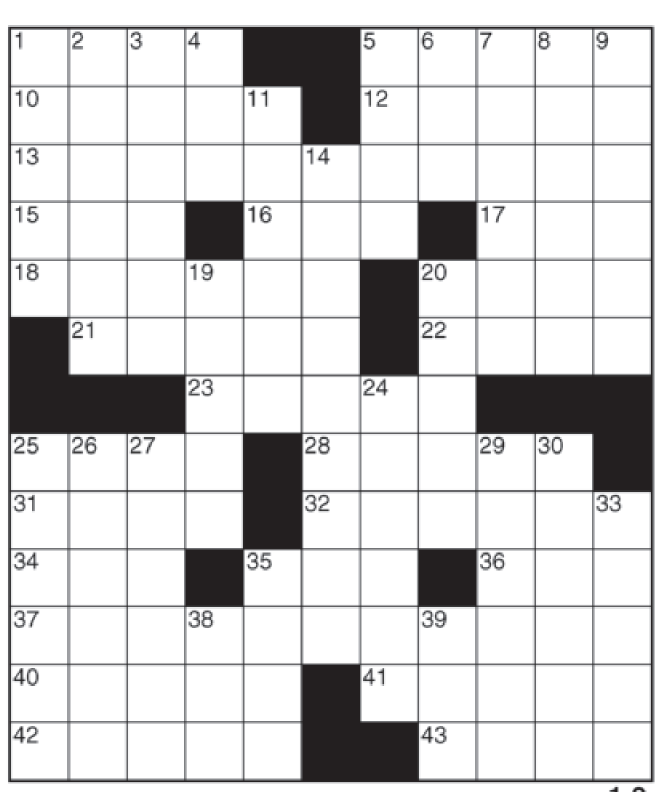
It is also critical to create interoperable linkages between NIDs and other public services and benefits, including the Family Card and Farmers Card programmes. Such integration would enable individuals to prove their identity seamlessly when accessing services and benefits while reducing identity fraud, duplication, and administrative errors.

To this end, the government can mobilise multi-stakeholder collaboration involving the private sector, technology experts, NGOs, and multilateral development partners to build a robust and secure digital identity ecosystem. In the 21st century, a state-of-the-art identity system is essential for strengthening financial inclusion and supporting the country's sustainable development goals.

CROSSWORD
BY THOMAS JOSEPH

ACROSS
1 Night fliers
5 Very serious
10 Fire remnants
12 Walled Spanish city
13 Orator
15 Salt, to Simone
16 Fish eggs
17 "__ been had!"
18 Stuck
20 Wallet bills
21 Steal
22 Milk carton size
23 "I wanna!"
25 Fortitude
28 Ventilated
31 Camera part
32 Scoundrels
34 Halloween mo.
35 Floral garland
36 Make a choice
37 Whiskey with a beer chaser
40 Concede
41 Sports spot
42 Yorkshire city
43 Whirl of water

DOWN
1 Low singers
2 Quaking trees
3 It has a long arm
4 Take in
5 Identical
6 Future embryos
7 Beach outfit
8 Late hour
9 Least common
11 Predicament
14 Many an old sitcom mom
19 Leaves at the altar
20 Verdi creation
24 Low points
25 Worldwide
26 Modify, as an app
27 Not too late
29 Conjured up
30 Rely
33 Wander off
35 "Why don't we!"
38 Pot part
39 "__ we there yet?"



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SATURDAY'S ANSWERS

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