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# EMPOWERING BANGLADESH'S PRIVATE SECTOR: THREE POST-LDC STRATEGIES

*by Selim Raihan*

The domestic private sector is the pillar of Bangladesh's economic growth, job generation, and export competitiveness. While the country is graduating from the LDC status in 2026 and targets to be an upper-middle-income country in the future, the development of private sector capabilities is a prerequisite for securing sustainable economic growth. Structural problems like inadequate infrastructure, inadequate access to finance, and a shortage of skills are hindering domestic business development. To enhance private sector capacity, Bangladesh must take certain policy actions in three areas.

**First: Improving access to finance and investment climate**

Private businesses in Bangladesh, particularly SMEs, are severely hindered by restricted access to finance through high interest rates, collateral requirements, and bureaucratic barriers. Financial system reform, investment, and a pro-business environment must prevail.

Broadening the credit facilities of specialised institutions and state banks is the priority. Building stronger credit guarantee schemes will reduce risk for lenders, allowing SMEs to borrow without unreasonable collateral. Creating alternative channels, such as venture capital and crowdfunding, will also facilitate funding for startups and high-growth firms.

Simplification of regulatory clearance, tax payment, and business registration is required to remove bureaucratic bottlenecks and enhance the ease of doing business. Domestic and foreign direct investment can be promoted by strengthening the Bangladesh Investment Development Authority (BIDA). Efficient dispute resolution and contract enforcement mechanisms will enhance investor confidence.

Developing robust capital markets and attaining financial inclusion are central to long-term growth. Developing a deeper bond market and access to new financial products will support long-term investment. Making stock market listings easier will increase equity financing access. Developing more digital financial services and fintech solutions will ease credit access and online payment for SMEs. Addressing these financial and regulatory challenges is crucial to supporting a robust private sector to deliver sustainable economic growth following LDC graduation.

**Second: Enhancing industrial productivity and technology adoption**

Bangladesh's private sector, which relies strongly on low-cost labour and traditional manufacturing, is not highly competitive in high-value global markets. It is necessary to upgrade industries, innovate, and digitise to build a future-ready sector that is robust. This needs to be done by transitioning to more contemporary and technology-led methods to enhance productivity and competitiveness.

Enhancing local supply chains and industrial clusters through the utilisation of SEZs and industrial parks will foster integration into international chains, stimulating economic growth and sustainability. The growth of backward-linkages in key sectors like textiles and electronics will reduce dependence on imports and enhance self-sufficiency. Local production of raw materials will be encouraged to improve local value addition and price competitiveness.

> “POST-LDC GRADUATION, BANGLADESH'S PRIVATE SECTOR GROWTH REQUIRES STRATEGICALLY RESOLVING FINANCIAL ACCESS, INDUSTRIAL PRODUCTIVITY VIA TECHNOLOGY, AND HUMAN CAPITAL DEVELOPMENT TO UNLOCK ITS FULL POTENTIAL.”

Encouraging technological upgrading and digitalisation through tax rebates and subsidies for automation and digital infrastructure is essential. Establishing technology adoption funds will allow SMEs to embrace Industry 4.0 technologies like AI and IoT. Expanding government-supported technology incubators will foster innovation and digital entrepreneurship.

Industry innovation needs public-private collaboration. Academia-business R&D collaboration will propel innovation in high-value industries. Product development and technology transfer grants will foster frontier development. Sector-specific technology hubs will expose local businesses to emerging technologies, making them competitive globally. Focus on supply chains, technological upgradation, and collaboration can make Bangladesh a powerful, future-ready private sector.

**Third: Developing human capital and entrepreneurial capacity**

A flexible and well-trained workforce is central to Bangladesh's private sector growth, where a wide skills gap hinders development. Technical education, vocational training, and entrepreneurial upskilling must improve to equip businesses with the necessary skills and drive innovation.

Economic development will be encouraged by redirecting vocational training and education through more TVET programs that are industry needs-responsive, such as in ICT and engineering. Practical skills will be enhanced through the creation of apprenticeship schemes with the help of private firms. STEM education and ICT literacy will equip the workforce for the Fourth Industrial Revolution.

Fostering entrepreneurship through startup incubation centers that offer mentorship and funding will fuel business innovation. Granting more tax relief and scholarships for startups in high-priority sectors like fintech and renewable energy will attract sustainable development. Women-only lending and training will generate inclusive growth and empower women entrepreneurs.

Strengthening labour market policies that address job creation, workers' rights, and adaptability in employment will address unemployment. Encouraging public-private discussion will ensure policies account for evolving business and worker needs. Facilitating cross-border labor mobility arrangements will make professional skills workable across the world, creating expertise and driving economic growth. Addressing these domains will cultivate a dynamic, skilled workforce, accelerating private sector growth.

**Conclusion**

The development of Bangladesh's private sector following graduation from the LDC status hinges on resolving critically constraining factors strategically. Through improving finance access and the investment climate, industrial productivity by adopting technology, and building human capital and entrepreneurship capacity, Bangladesh can unlock its private sector's full potential. Focused policy interventions in the three interlinked areas are critical to building a robust, competitive, and forward-looking private sector and ultimately realizing sustainable economic growth as well as upper-middle-income country status.

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## A BIRD'S EYE VIEW OF THE TASK FORCE COMMITTEE

*by Sheikh Tausif Ahmed*

On August 5, 2024, Bangladesh experienced a seismic political shift. Massive student-led protests, known as the July Revolution, culminated in the resignation and exile of Prime Minister Sheikh Hasina. The unrest was fuelled by widespread allegations of corruption, authoritarianism, and systemic human rights abuses under Hasina's 15-year rule. In the wake of this upheaval, an interim government was established on August 8, 2024, led by Nobel laureate Dr Muhammad Yunus, with a mandate to stabilize the nation and implement reforms.

In September 2024, the interim government formed a 12-member Task Force on Re-strategizing the Economy and Mobilizing Resources for Equitable and Sustainable Development, chaired by Dr. K.A.S. Murshid, to assess the country's economic challenges and recommend reforms. By January 2025, the Task Force released a comprehensive report outlining immediate and long-term strategies to revitalize the economy and improve governance. The roadmap was broad and ambitious, spanning governance, public service delivery, and structural change. Progress on these reform suggestions has been mixed. Some were already in motion, others were positively received and acted upon, while many remain untouched—and a few faced negative reactions.

Among the quick-win pilot reforms, BRTA stands out as a rare success story. For the first time in seven years, an advisory committee convened to tackle the transport regulator's longstanding dysfunction. Electronic licenses and digital interfaces are gradually being introduced,

> CURRENT ADMINISTRATION NEEDS TO ENSURE TODAY'S EFFORTS ENDURE BEYOND THE NEXT ELECTION AND A CHANGE IN GOVERNMENT

while BRTA remains under pressure to reform.

In contrast, other flagship pilots—such as building a pilot public hospital or school—have seen no progress. Similarly, there's been no movement on the proposal to restructure and digitize performance tracking at the ministry level.

The Task Force's proposal to restructure or even split Biman Bangladesh Airlines to improve efficiency hit a hard wall. Biman's CEO rejected the plan outright, calling it unjustified and claiming the airline is already as efficient as international carriers.

Progress on institution-building is uneven. There have been no updates on the proposed Centre of Global Excellence or the Centre for Social and Behavioural Change Communication. In economic governance, some progress came via the NBR's advisory committee, which was active before the report. The recommendation to establish a Regulatory Reform Commission (RRC) is one the books, but there is no visible progress.

Urban mobility and governance reform have advanced modestly. Since the report's release, a semi-automatic traffic signalling system has been piloted, and efforts were made in February to roll out a franchise-based bus service in Dhaka. While progress has since slowed, these remain notable steps.

On investment, the Task Force suggested improving the One Stop Service (OSS) and attracting foreign direct investment (FDI) in health and education. Since January, the OSS online portal has seen upgrades, and the Bangladesh Investment Summit led to several investment commitments in healthcare and higher education.

Commensurate with the taskforce's suggestions, the government has taken various steps towards economic diplomacy and labour export strategies. High-level statements have reinforced the need to align workforce skills with global demand. Meanwhile, the Task Force's recommendation to reorganize SEZs has gained traction. BIDA has moved to shut down ten SEZs it deemed unnecessary, while attracting foreign investment from Korea, China and other countries for the active ones.

In governance, the interim government has set up several commissions to review the constitution, judiciary, public administration, and corruption. Some of these bodies have already delivered their recommendations while the others will follow suit soon.

Efforts to address everyday extortion have started but remain modest. The DMP announced an anti-extortion drive across Dhaka, but the proposed anti-goon squad has not materialized. On government efficiency, some developments have emerged, backed by international partnerships such as the EU- and British Council-supported E-Governance project.

Data classification and management projects such as-the NID-based open data platform and re-categorization of MSMEs haven't seen any progress. Similarly, the proposals to utilize degraded land for solar energy and expand gas exploration remain unapproved, though listed in the development plan.

Financial sector reform remains politically sensitive. Bangladesh Bank has moved to reduce non-performing loans and tighten loan classification. While steps to reduce political influence in the banking sector have been announced, critics question their feasibility.

Many of the Task Force's recommendations on investment, governance, and infrastructure were long recognized in policymaking circles but stalled due to a lack of political will and vested interests. The post–5 August context presents a unique opportunity to act on these priorities. Still, the government must remain pragmatic and take sustainable steps. The current administration should learn from the past efforts at reform—learning from their failures as well as their success—to ensure today's efforts endure beyond the next election and a change in government.

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# BANGLADESH INVESTMENT SUMMIT 2025: BIG PROMISES AMID FRAGILE REALITIES

*by Sudeepto Roy*

Bangladesh Investment Development Authority (BIDA) and the Bangladesh Economic Zones Authority (BEZA) jointly organized the Bangladesh Investment Summit 2025, held from April 7–10 in Dhaka. In an unstable political climate, the summit marked a significant effort by the interim government to place the country as a competitive global investment hub. The event attracted 450 foreign investors and delegates from 40 different countries. It hosted around 150 B2B and B2G meetings to connect decision-makers with actionable opportunities. The summit's goal was to place Bangladesh as a strategic investment destination in South Asia. According to the BIDA Chairman, the summit secured investment declarations that add up to BDT 3,100 crore. The summit gives hope for raising investments when FDI inflows have remained low. According to Bangladesh Bank, in the fiscal year 2024, net FDI inflows stood at USD 1,468.17 million, reflecting a decline of USD 141.60 million—or 8.8%—compared to the previous fiscal year.

On top of that, a pipeline of potential investments will be developed based on expressed interest, with a roadmap

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spanning 18–24 months to ensure the summit's commitments lead to tangible, long-term outcomes. The summit also marked the signing of a preliminary investment agreement between two foreign firms and BIDA, including Handa Industries, a prominent China-based apparel manufacturer known globally for its expertise in high-quality knitted textiles, dyeing, and garments.

The 2025 summit represented a notable evolution from previous editions—not just in presentation, but in intent. While earlier summits often resembled high-profile networking events lacking clear follow-up, this year's gathering felt more focused. Organisers made a conscious effort to acknowledge past shortcomings, including Bangladesh's challenges in the ease of doing business. But the question remains if the government can follow up on the promises. BIDA chairman Chowdhury Ashik Mahmud Bin Harun talked about "true one-stop service," or a relationship manager model. The previous BIDA's online One Stop Service (OSS) had reports of negligence. If BIDA can effectively implement the proposed changes to its model, it would be a highly positive and welcome development.

The speech of the BIDA chairman garnered praise from every quarter, cause no previous BIDA chief could deliver in such an eloquent manner. As much as this is praiseworthy, a different site from the usual boring scripted speeches, will this be enough to attract investment? Ultimately, what truly attracts investors is the on-the-ground reality, not just promises or presentations. According to the World Bank's Business Ready report published in 2024, Bangladesh performs poorly in Business Insolvency (40 out of 100), Dispute Resolution (42 out of 100), and Market Competition (43 out of 100), highlighting institutional weaknesses that have long discouraged investor confidence. Public service (41 out of 100) delivery remains weak, with unreliable utility services and bureaucratic delays hampering business operations.

When the summit was urging investors to come to the country, the safety of the foreign brands came into question at the same time. The broken glasses in the outlets of KFC and looted showrooms of Bata on 7-8 April in the "peaceful" pro-Palestine protests painted a different picture than the summit wanted to show. Despite this setback, BIDA and the police force were swift to arrange a meeting later on with the officials from six foreign companies whose facilities were damaged during the protests. Bangladesh Police also announced plans to provide foreign investors with direct access to a dedicated emergency hotline, allowing prompt incident reporting and immediate assistance. This is a commendable initiative from BIDA's broader mission to position Bangladesh as a safe, sustainable, and investor-friendly destination, in line with the priorities of the interim government.

The BIDA chairman also talked about Vision 2035, where Bangladesh will be a destination like Singapore or Thailand in 10 years. There was little mention of current economic indicators, geopolitical risks, or real-time data to justify this confidence. There was mention of a high return on equity (ROE) between 56.1% to 80.9%, which is even higher than the global average. But if the returns are truly that high, why hasn't it translated into a surge of investor interest? Political stability has always attracted investors, which is evident from high FDIs whenever an elected party comes into office. Singapore's success was built on the foundation of strong institutions, something Bangladesh still struggles with due to persistent corruption across successive regimes. The plan to unify government agencies under one interface and create a "Private Sector Advisory Council" is ambitious, but details were lacking. How will this council be structured? What powers will it hold? How will conflicting interests between ministries be resolved? In the end, it remains unclear whether these promises will bring real change or simply fade away like many before them.

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## *SANEM Events*

**CONFERENCE:** SANEM, the World Bank Group, and CSEP jointly organized the SANEM-CSEP-World Bank North America Discussion Forum 2025 at the World Bank headquarters in Washington, D.C., USA, on April 30, 2025. The theme of the forum was "Bridge the Gap: Revenue Mobilization in Emerging Market and Developing Economies". Dr Selim Raihan, Professor of Economics at the University of Dhaka and Executive Director of SANEM, delivered a policy presentation on "Trade Tax of Bangladesh" at a session on "Tax Administration". Dr Raihan also presented a paper jointly written by him and Mr Mahtab Uddin, Assistant Professor of Economics at the University of Dhaka and Research Director of SANEM, on "How Does Tax Complexity Affect Firm Performances: Evidence from Cross-Country Data" at a session on "Raising Revenues for Development." The forum featured three paper sessions and a keynote lecture by Professor Sir Tim Besley, School Professor of Economics and Political Science and W Arthur Lewis Professor of Development Economics at the London School of Economics.

**CONFERENCE:** Dr Selim Raihan was a panelist at the Third LDC Future Forum organised by UN-OHRLLS at Lusaka, Zambia, from April 1 to 3, 2025. Dr Raihan presented his paper, "The price of inaction on social protection: Results from a CGE Model for 27 Countries in Asia and the Pacific," in the thematic session, "Designing and implementing targeted social safety nets to strengthen community resilience against multiple shocks". Professor Kunal Sen, Director, UNU-WIDER, chaired the session.

**CONFERENCE:** The Regional Science-Policy Dialogue, organized by ICIMOD, IDRC, FCDO, and SDC, was held at ICIMOD Headquarters in Kathmandu, Nepal, on April 7–8, 2025. Dr Selim Raihan was a panelist in the discussion titled "Empowering future low carbon and sustainable economies for South Asia,' held as part of the conference.

**CONFERENCE:** A panel discussion titled "Strengthening Fiscal Foundations: Enhancing Domestic Revenue Mobilization for Sustainable Growth in Bangladesh" was held at the 6th Bangladesh Economics Summit 2025, organized by ESC at the Department of Economics, University of Dhaka, on April 15, 2025. The session was moderated by Dr Selim Raihan. Professor Sharmind Neelormi, Department of Economics, Jahangirnagar University; Mr Dhruv Sharma, Senior Economist, the World Bank; and Mr Towfiqul Islam Khan, Senior Research Fellow, CPD, were the panelists in the discussion.

**CELEBRATION:** SANEM hosted a warm and vibrant celebration of Chaitra Sankranti on April 13, 2025, honouring the spirit of the Bengali New Year with cultural festivities.

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