

Perspective Plan 2041: Sticking to implementation roadmap

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[The conclusion of two-part write-up titled Bangladesh Vision 2041: Coherence with Sustainable Development Goals and Bangladesh Delta Plan 2100]

The Perspective Plan 2041 envisages government's commitment in a host of other policy actions across sectors. These are:

- **EXCHANGE RATE MANAGEMENT:** The government has been following a flexible market-based exchange rate policy. This has helped exports and led to stability in the exchange rate, while at the same time strengthening the foreign exchange reserve. This policy will be maintained under PP2041.
- **SUSTAINABLE BALANCE OF PAYMENTS:** The export strategy of the future will take a two-pronged approach: (a) put in place a policy regime that accords the same facilities (duty-free imported inputs) to all non-RMG exports as are provided to RMG, and (b) the tariff and protection regime will be rationalised to eliminate the policy bias against exports. On the capital account, emphasis will be placed on attracting direct foreign investment to finance infrastructure and manufacturing investments.

- **SAVINGS-INVESTMENT NEXUS FOR GROWTH:** A key driver of higher GDP growth will be investment, which is projected to grow to an average of 35 per cent of GDP under PP2041. While productivity growth will also play a major role in accelerating growth, higher public and private investment rates are necessary to build the production base and support physical and social infrastructure.
- **ZERO POVERTY COUNTRY:** Consistent with the dream of Bangabandhu, the Vision for poverty reduction is that by 2031 extreme poverty will be eliminated and by 2041 the incidence of absolute poverty will be minimal (three per cent or less). By 2041, all citizens will be guaranteed a minimum quality of life based on employment income for all who seek work and social protection benefits for the vulnerable population who cannot participate in the labour market because of age and physical disabilities. The PP2041 also sets a modest target for reduction in income inequality as measured by the Palma Ratio.
- **SUSTAINABLE AGRICULTURE TO ENSURE FOOD SECURITY AND NUTRITION:** The key priorities for the future of sustainable agriculture include strengthening local adaptive capacity by providing public goods and services, such as better climate information, research and development on heat-resistant, salinity-resistant crop varieties and other techniques, early warning systems, and efficient irrigation systems. Use of state of the art agricultural technology will get the utmost importance. It is envisaged that the share of agriculture to GDP will be at 5.0 per cent while the labour force engaged in agriculture will be around 19.0 per cent. In water resources, the priority is to scale up existing good practices of water conservation and management, and apply more widely integrated water management, including flood control and prevention schemes, flood early warning systems, irrigation improvement, and demand-side management. In the forestry sector, the priority is to implement effective public-private partnerships for reforestation and afforestation.
- **ACCELERATED GROWTH WITH INDUSTRIALISATION AND TRADE:** Growth acceleration now and in the future will need to rely on the dynamism of industry and trade. Trade openness, therefore, is another lever of development that will have to be fully mainstreamed with Bangladesh's growth process. At least for the medium-term, low cost labour will continue to be the source of competitiveness of Bangladesh exports in RMG as well as non-RMG products. However, policymakers and private entrepreneurs will have to look out for (and ready to adopt) the technological advances occurring in the global marketplace in the coming decades in order to ensure sustained competitive advantage in exports.
- **INDUSTRY 4.0 AND TRADING IN A COMPETITIVE DIGITAL WORLD:** The Bangladeshi industries sector is gradually embracing the latest technologies though cost imperatives are still tilting towards labour-intensive production. It will take several years for technological change to catch up though leapfrogging innovations that are technology-intensive are likely to occur in the near future. These changes - automation - will have to be closely watched due to the risk of machine-driven labour displacement.

- **STRENGTHENING COMPETITIVE ADVANTAGE:** Competitive advantage on low labour cost cannot be guaranteed. The new theory of competitive advantage starts with the premise that competitive advantage is dynamic and evolving. To address future challenges and ensure competitiveness, a harmonious public-private endeavour has to develop in Bangladesh in the following priority tasks: Easing infrastructure constraints; Enhancing the quality of the workforce; Investing in R&D to promote innovation at every stage of production; Improving the business climate and reducing the costs of doing business; Mobilising large funds needed for physical and social infrastructure; Integration with Global Value Chains; and Ensuring environmental sustainability and climate resilience.

- **CHALLENGES ASSOCIATED WITH GRADUATION FROM LDC STATUS:** Graduation from the LDC status by 2024 will put the country's exports under stress due to significant preference erosion in key markets. Preliminary simulation results suggest that the loss of preferences in the markets of European Union, Canada, Australia, Japan, India and China in 2027 might lead to an annual reduction in total exports of Bangladesh by 11 per cent or around US\$ 6 billion. Also, many of the exemptions of WTO provisions, will no longer be available after 2027. Therefore, the country has to prepare itself over the next few years to counter these losses.

- **EMPLOYMENT CHALLENGE AND STRATEGIES:** The outcome of growth in terms of employment is critical in order to ensure that the fruits of economic growth get distributed amongst the people. For purposes of looking at the future in terms of employment prospects and challenges, the period up to 2041 may be divided into two broad phases: the first phase is expected to last till 2030, while the second phase is expected to start after that. 2030 also represents the terminal year for attaining the SDGs. While attaining full employment has to be the major focus during the first phase, maintaining it alongside the quality of jobs will be the challenge for the second phase.

- **SUSTAINABLE POWER AND ENERGY:** The objectives and targets set for PP2041 will put Bangladesh's power and energy sector on a path for a high-income economy. The main elements of the underlying strategies and policies are as follows: (i) Adopting a least-cost power generation expansion path; (ii) Promoting supply of low-cost primary energy; (iii) Developing the required infrastructure for primary fuel; (iv) Ensuring investment balance between generation, transmission and distribution; (v) Promoting efficient use of installed capacity; (vi) Promoting private investment in energy; (vii) Further expanding power trade; (viii) Ensuring proper energy pricing policy; and (ix) Strengthening power and energy institutions.

- **CREATING KNOWLEDGE BASED AND INNOVATION ECONOMY:** Having driven growth with labour advantage over last two decades, it is now time for Bangladesh to ride over the technology, innovation and digital opportunities to attain higher growth acceleration to reach upper middle-income status by 2030-and to reach the advanced economy status by 2041.

- **DIGITAL OPPORTUNITIES AND INNOVATION:** Leveraging on the Fourth industrial revolution for strengthening competitiveness and creating high-income future work opportunities will help Bangladesh prosper. By 2041, Bangladesh will set targets so that the benefits from the fourth industrial revolution are 50 per cent more than the likely loss. Focus should be on integrating big data, data analytics, robotics, AI, and automation in creating more jobs than likely to be lost on the factory floor.

- **MOVING FROM FACTOR-DRIVEN STAGE TO INNOVATION-BASED ECONOMY:** Changing production priorities from replication and imitation of simple products to innovation, for driving process and product sophistication and increasing TFP contribution to economic growth, should be given due priority. A strategy will include: (i) Software and process innovation, and service digitisation, (ii) Fusion of labour advantage with science and high-tech innovation, and (iii) Leveraging fourth industrial revolution-AI and smart machines for competitiveness and low carbon economy.

- **BUILDING TRANSPORT AND COMMUNICATIONS INFRASTRUCTURE FOR SUSTAINED GROWTH:** The Transport Sector Strategy for PP2041 will focus on: (i) Strengthening long-term planning and setting priorities; (ii) Improving inter-modal transport balance; (iii) Strengthening implementation capacity; (iv) Ensuring sustainable financing of transport infrastructure; (v) Developing and implementing key policies for ensuring quality and reliability of transport services; and (vi) Strengthening management capabilities and efficiency of public transport authorities.

- **COMMUNICATIONS DEVELOPMENT STRATEGY:** The PP2041 strategy will continue to provide policy and institutional support to private investments in telecommunications network and services, boost the expansion of private print, audio and video media, and provide an enabling environment for competitive and healthy expansion of communication services and knowledge and information sharing.

- **MANAGING THE URBAN TRANSITION:** The PP2041 stipulations for the urban sector include (a) Having an economy where some 80 per cent of the population lives in urban areas; (b) An urban physical environment where there is a proper balance between ecology, the natural environment and needs of the urban population; (c) An urban social structure where there is no incidence of absolute poverty, and there are no slums; (d) An urban service industry that provides quality urban infrastructure and urban services on demand and in good quality; and (e) An urban governance structure that is elected by the residents, is responsive to the needs of the residents, and is largely self-financing with a healthy and sustainable combination of urban betterment taxes, predictable national government transfers, cost recovery from services provided and responsible borrowings.

- **URBAN GOVERNANCE REFORM:** The PP2041 recognises the need for decentralised and autonomous urban governments as a key part of the political and administrative layout underlying a HIC. A sound strategy for reforming city

management calls will require: (i) redefining public-private roles with a view to strengthening this partnership for better services; (ii) strengthening capabilities of public urban service institutions; and (iii) establishing an accountable city government.

- **HUMAN DEVELOPMENT-HARNESSING THE DEMOGRAPHIC DIVIDEND:** Specifically, the PP2041 programme includes: (a) Institution of a knowledge-based economy; (b) Population with 100 per cent literacy rate; (c) Universal free education for up to 12 years; (d) Flexible supply of training institutions for all who seek to acquire job-based skills; (e) Universal access to health insurance schemes at affordable prices; and (f) 100-per cent coverage of employment based accidental and health insurance schemes for all workers in the organized sector.
- **MANAGING ENVIRONMENT AND CLIMATE CHANGE FOR SUSTAINABLE GROWTH:** The main focus of the PP2041 environmental management strategy will be to integrate environment and climate change considerations in the growth strategy. So, essentially, under PP2041 Bangladesh will adopt a green growth strategy. The specific strategies, policies and institutional reforms will include: (a) Integrating Environmental Costs into the Macroeconomic Framework; (b) Implementing the Delta Plan 2100 to Build Resilience and Reduce Vulnerability to Climate Change; (c) Reducing Air and Water Pollution; (d) Removing fuel subsidies; (e) Imposing green tax on fossil fuel consumption; (f) Taxation of emission from industrial units; and (g) Prevention of all surface water pollution.
- **MARCHING FORWARD:** The challenges for PP2041 are, of course, steep but not insurmountable. The foundation stone has already been laid under PP2021 and a roadmap developed under PP2041. The next step is to strengthen the institutions, develop an implementation plan and move full steam ahead with the implementation of PP2041.

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