

Alternative facts and contradictory policies



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LIKE dead characters in Hollywood and Bollywood movies, paradoxes seem to reappear in Bangladesh's economic landscape more often than analysts would like. Here are two new arrivals:

Pick your deficit: The Finance Division has at long last published the Monthly Report on Fiscal Position with a full account of the fiscal outturns for FY19. It has come exactly seven and a half months late, but better late than never. The figures, however, leave one baffled. Fiscal deficit excluding grants plummeted to 3.9 percent of GDP in FY19, compared with 4.65 percent in FY18 and 4.1 percent in FY19. Deficit has declined not just as a percent of GDP but also in absolute taka amount (see Table-1) by nearly 6 percent relative to last fiscal year. This happened in year when the government allowed

generous subsidies and tax waivers prior to the national elections. Yet revenue growth outpaced expenditure growth to yield a lower budget deficit.

So, where is the problem? This belies all expectations. But the bigger problem is that both the level and direction of change in fiscal deficit reported by the Bangladesh Bank (BB) in its Major Economic Indicators are exactly the opposite of what we have from the Finance Division. BB's estimate, based on the financing side, says fiscal deficit increased from 3.89 percent of GDP in FY18 to 4.5 percent in FY19 and that the level of deficit in FY19 was 30.5 percent higher than in FY18. The BB is the banker of the government while the Finance Division is the treasurer.

How can the estimates of these two arms be so different? Take a look at the FY19 financing numbers from these two sources in Table-2.

It is mind boggling to see such massive differences in estimates of net foreign financing and bank borrowing between the two institutions. Both institutions are represented in the Macro Fiscal Policy Coordination Council. Are these numbers not discussed in their meetings? Doesn't anyone feel any need to reconcile the differences between these estimates? The fiscal policy adjustments warranted by falling deficit is obviously different from the one warranted by rising deficit.

The mind boggles even more when you look at the actuals on the NBR revenues and the ADP expenditures from different government sources.

NBR revenue collection in FY19 amounted to Tk 2,238.92 billion according to the BB and Tk 2,187 billion according to the Finance Division—a difference of Tk 51 billion which is more than twice the amount of supplementary duties reported to have been collected in FY19 by the Finance Division. Differences between the numbers on ADP

TABLE-1
FISCAL OUTCOMES IN FY19
(Taka in billion)

	FY17	FY18	FY19
Revenue	1,996.18	2,165.56	2,520.57
Expenditure	2,772.47	3,220.50	3,515.24
Deficit	806.29	1,054.94	994.67

SOURCE: FINANCE DIVISION, MONTHLY REPORT ON FISCAL POSITION, JUNE 2019

expenditure reported by the Implementation Monitoring and Evaluation Division (IMED) and the Finance Division are even more dramatic—Tk 1,583.7 billion and Tk 1,135.2 billion respectively. The Finance Division data suggests that the implemented size of the ADP in FY19 was 5 percent lower than in FY18 while the FY19 ADP budget was 32.2 percent higher than the FY18 ADP budget—speaking of intentions and realisations moving in opposite direction!

With such varied numbers on the same revenue and expenditure categories from different sources in the government, we really have all the wherewithal to construct what is known as "alternative facts" that could

not be dismissed as falsehoods, untruths or delusions. If we use the BB estimate of the NBR revenues in the Finance Division's fiscal table, the deficit estimate goes down to 3.7 percent of GDP while the IMED's estimate of ADP expenditure in the Finance Division's fiscal table raises the deficit to 5.7 percent of GDP!

If you pride yourself as a fiscal dove who likes pumping money aggressively into the system, borrow as much as possible, and spend the way to higher growth, you can pick 5.7 if you want to give credit to the government and pick 3.7 if you want to criticise the government for not pumping enough. The fiscal hawk who is much more reticent and wants to cut spending, reduce the deficit and borrow less, is well advised to choose the opposite strategy. As the pragmatic theory of truth says, the value of the truth in a proposition is determined according to its practical outcomes and the

utility that it provides.

Pick your policy: To help bankers implement the single digit interest rate agenda, the finance minister promised to the bankers just a couple of weeks ago that 50 percent of the government funds will be kept in private banks at 6 percent rate of interest.

The government on January 14 placed a bill in parliament to bring the surplus money held by 61 state agencies to the national exchequer to use it for development projects. The surplus funds will have to be deposited to the national exchequer within three months of completion of a fiscal year. These agencies had Tk 2,188.39 billion in banks as deposits as of June 2019.

Are these two policies workable at the same time? When the state agencies transfer surplus funds to the national exchequer, those funds will be held under the Treasury Single Account (TSA) in the BB and will not be back to the banking system until the government releases them back to the agencies to implement development projects. But those funds won't stay with them too long because after the end of the fiscal year, the agencies will have to transfer the surplus back to the TSA.

Not surprisingly, the decision evoked concerns from bankers who feared the transfer of these funds to the national exchequer would worsen the liquidity crunch and hinder the move to bring lending rates down to single digit.

So many transactions for so little money to achieve what ends?

The author is an economist.

TABLE-2
DIFFERENCES IN DEFICIT FINANCING ESTIMATES
(Taka in billion)

	Bangladesh Bank	Finance Division
Net foreign financing	420.84	83.91
Net bank borrowing	182.69	294.79
Net non-bank borrowing	519.28	542.38

SOURCE: IBID AND BB, MAJOR ECONOMIC INDICATORS MONTHLY UPDATE, DECEMBER 2019

Novoair takes Jaago kids on 'Flight Fantasy'

MAHMUDUL HASAN, back from Cox's Bazar

Joyous exclamations and hurrahs of youngsters erupted amidst the tranquillity of the pressurised cabin as the wheels of an ATR 72-500 started rolling on Hazrat Shahjalal International Airport's runway. They were nowhere near nervous boarding an aircraft for the first time. Instead the sounds of bliss grew as the aircraft rose over 15,000 feet.

Once the cruising altitude was reached, sixth-grader Sharmin peered through the window and shouted, "There, hills of clouds!" Her mouth was agape with incredulity.

Sharmin is one of 20 students of a Jaago Foundation school who got the opportunity of experiencing an exceptional pleasure trip organised on Tuesday by Novoair, one of the country's leading private carriers, as part of its corporate social responsibility.

The foundation is a non-government



COLLECTED

Students of a Jaago Foundation school fly for the first time during a pleasure trip organised by Novoair on Tuesday as part of its corporate social responsibility.

organisation catering to educational needs of children from socially and economically disadvantaged backgrounds.

"Flight Fantasy" took the children away from the hustle and bustle of Dhaka to the world's longest unbroken sea beach in Cox's Bazar.

"I never imagined that I would be able to dip my toes in the sea after an adventurous journey by plane," said another sixth-grader, Tamjid Islam. He expressed his gratitude to the airline for taking them on this trip.

The delights continued with a visit to Bangladesh's biggest aquarium, Radiant Fish World. Afterwards the children were taken to lunch and presented gifts before being flown back in the evening.

"Journey by plane, walking along the sea shore and watching underwater aquatic animals and flora at the aquarium will be unforgettable memories of my life," said

Umme Habiba, another student.

Mofizur Rahman, managing director of the airline, said, "I hope through such experiences the students will be able to broaden their imagination, which ultimately helps develop creativity. I hope one day they become pilots, aircraft engineers or cabin crew."

He said the airline also distributed medicines for free among the destitutes, sponsored sports competitions and held various events on a regular basis.

Rahman, Mes-bah-ul-Islam, head of marketing and sales, Korvi Rakshand, executive director of Jaago Foundation, and a group of journalists had accompanied the students.

Established in 2007, Novoair flies six times a day from Dhaka to Cox's Bazar, six to Chattogram, five to Saidpur and Jashore, twice to Sylhet and Barishal and once to Rajshahi and Kolkata.

HOT WATER ON DEMAND

Once thought to be a provision of the affluent class, electric geysers have now become the ordinary man's home appliance. Expansion in light engineering has helped prices come down to as low as Tk 8,000. Sales are nearly limited to the winter months, as per those in the business. The photos were taken at (clockwise from top left) Kazi Nazrul Islam Avenue, Gulshan-1 and Kalabagan in Dhaka recently.



STAR



NEXT STEP

Making a DIFFERENCE

Bangladesh is rapidly moving towards middle income status by 2021. Our businesses definitely offer immense opportunities for the growing economy and this diversity needs a stage for the stories untold. See Bangladesh make its mark on the global map as Making a Difference brings you our proudest success stories from across the country.

Importance of stay interviews

When you're given the responsibility to work in HR, understanding what your organisation is doing in terms of employee satisfaction while the employees still work in the company should be of greater importance than finding cure to problems once they've left. This is where stay interviews come in - an avenue to get to know what the organisation is doing best or how it can improve further. Let's get to know some more reasons that make stay interviews absolutely essential for any organisation.

HARBOURING AN ENVIRONMENT OF TRUST

Let your employees know that the feedback they give on whether or not their line manager provides clear answers to their doubts, or any other questions that arise, is handled in a safe space. If you think they are still not being able to trust your approaches, take anonymous employee surveys. In either case, ensure the employees that their opinions are being heard by the organisation.

GETTING THE OPPORTUNITY TO PRE-EMPTIVELY SOLVE A CRISIS

Stay interviews give a platform to get to know what is going on in the various levels and departments of the office from the employees directly. The positive and negative reinforcement factors can be known that help



address any lingering issues before they arise, or worse, get serious enough to demotivate an employee to an extent where they quit.

MAKING SURE THE RIGHT CHANGES ARE BEING DEPLOYED

It's best to be careful so that the various kind of changes based on incorrect feedback aren't brought into practice. Stay interviews thus make way for direct/face-to-face

conversations between the HR and the employees that ensure employees that they aren't being singled out. Instead, they are assured that the problem that they're facing is a common problem faced by others and the organisation will be taking necessary steps to solve that.

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