

Rebuttal of BNP statements on the economy



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IMMEDIATELY after assuming office the BNP-Jamaat government launched a small campaign of misinformation against the preceding Awami League government. Finance and Planning Minister Mr. Saifur Rahman led the chorus of sweeping attacks on the record of the previous government. Prime Minister Khaleda Zia's television speech on 19 October and President Justice Shahabuddin Ahmad's speech to the Parliament on 28 October were full of unjustified criticisms of the Awami League government. The aim seems to be to create an impression in the public mind that the Awami League government was inefficient and that it left the economy in a very bad condition. Truth seems to be the first victim in this campaign against Sheikh Hasina's government. What was the macroeconomic situation during the five years of the Awami League government? In what condition did we leave the economy in the middle of 2001?

Let us first look at the growth rate. This is an internationally recognized basic indicator of the actual state of the economy. Until almost the end of the 2000-01 financial year the economy was growing vigorously at a rate that is the highest attained in the last two decades. The Bangladesh Bureau of Statistics has calculated the GDP growth rate in 2000-01 as 6.04%. If 1984-85 were taken as the base year the rate would be 6.6%. The average growth rate during the five-year period of the Awami League government was 5.83% while the rate during the BNP period was only 4.5%. Whose performance was better?

The rate of inflation, when we handed over power in July 2001, was 1.59%. When BNP handed over power in June 1996 the rate of inflation was 6.65%. In 1994-95 the rate was 8.87%. (Source: BBS and the Ministry of Finance). Yet Mr. Saifur Rahman is talking as if he is the only one who can manage the economy. Begum Zia and Justice Shahabuddin both made remarks that were nothing but travesties of the truth. Both of them in formal speeches gave a gloomy picture of the economy, openly accusing the Awami League government of poor management. Apart from the BBS data, let us see how the Asian Development Bank and the World Bank described the state of the economy.

The ADB, in its quarterly economic update in June 2001 said, "In FY2001 (ending 30 June), Bangladesh achieved robust economic growth with low inflation due mainly to successive bumper harvests and rebounding of growth in the industrial sector. Food grain self-sufficiency is no longer a dream for two consecutive years, the country has produced food grains in excess of domestic requirements. The manufacturing sector has also recovered sharply from the lackluster performance of the preceding two years." The report further said, "Although the floods caused extensive damage to the standing crops and physical infrastructure in the southwestern region, the overall impact on the national economy was limited. The economy remained robust and GDP growth in FY2001 is estimated to be about 6 per cent, close to the 5.9 per cent growth achieved in FY2000. Exceptionally high crop harvests, and a sharp recovery in the industrial sector contributed to the impressive growth performance." No one can say that these remarks even remotely reflect or corroborate the dismal picture of the economy painted by the BNP leaders.

In assessing the state of the economy the World Bank report

said, "GDP growth in FY01 in Bangladesh improved to 6 per cent, according to latest BBS estimates. This is better than the current consensus 3.7 per cent average GDP growth forecast for Indonesia, Korea, Malaysia, Philippines and Thailand but less than the 6.1 per cent growth in India and 7.5 per cent growth in China. Inflation has remained low at around 2 per cent, notwithstanding sizable monetary expansion during the last two years. These are laudable achievements." Describing various steps taken by the government to cope with global recession, the report said, "The large exchange rate devaluation in May 2001 was a brave move in a very difficult political environment."

Prime Minister Khaleda Zia has painted a pessimistic, almost pathetic picture of the economy on account of the increase in borrowing by the government. According to her, this was done by the Awami League government because we "increased import duty" which hurt import-dependent industries. Obviously she or her speechwriters did not do their homework. Following our commitment to liberalization and the market economy, we consistently reduced, in all the budgets presented to the Parliament, import duty on all imports. In particular, duty on imported raw materials and intermediate products was drastically reduced. A very important policy of our government that we implemented is misreported and distorted by Begum Zia. She said

stantial to criticize, the increase in government's borrowing has been blown out of proportion by the BNP leaders. They forget that the moderately expansionary policy was deliberately followed by us to prevent the economy from sliding into recession after the 1998 floods. We wanted to revive the industrial sector. We significantly increased credit flows, especially agricultural credit and by doing so maintained the economy's growth momentum. Despite the devastating blow of the floods combined with the direct and indirect impact of the Asian economic crisis we managed to achieve a growth rate close to 5 per cent in 1998-99 and maintain overall macroeconomic balance. In the wake of the floods, the inflation rate rose to 8.9 per cent in 1998-99 but we brought the rate down to 3.41 per cent in 1999-00 and to 1.59 per cent in 2000-01. The people of Bangladesh continued to enjoy the fruits of a stable price level and a healthy growing economy.

We planned to reduce the level of borrowing over the next two to three years and began the planned reduction in the 2001-02 budget. Let me quote what the World Bank said on this issue. "The FY02 Budget, passed in the Parliament on 29 June 2001, is relatively more prudent and is, therefore, a step in the right direction. The size of the central government fiscal deficit targeted for FY02, if achieved, would reduce the fiscal pressure to 5.4 per cent of GDP, assuming 9 per

cent growth in nominal GDP. The net domestic financing of central government deficit is planned to decrease significantly from 3.5 per cent of GDP in FY01 to 2.6 per cent in FY02, reflecting the planned reduction in overall central government deficit as well as a highly optimistic projection of the availability of concessional foreign financing." Quite clearly it is the responsibility of the government to manage the macro economy, taking into

account the state of the economy and the national and international situation and the overall interest of the nation. We could certainly have done by simply reducing borrowing but we believed that given the challenges of coping with the floods and the deteriorating external environment the economy would be ill-served by the pursuit of contractionary financial policies at that time. The US had a huge national debt and yet it continued to enjoy unprecedented prosperity during the nineties. President Clinton was able to gradually retire the debt once this period of sustained growth helped to achieve sizable budget surpluses.

Foreign exchange reserves are certainly important for the smooth functioning of the economy and foreign trade. On 12 July 2001 reserves stood at US \$1324.02 million. In June 1996 the reserves stood at US \$2039 million. In five years the net loss of reserves was about US \$700 million. Let us now look at the performance of Saifur Rahman. In 1994-95, according to BBS data, the reserves reached the level of US \$3070 million but in a period of nine months the reserves fell to US \$2039 million.

Every month reserves fell by about one hundred million dollars. In other words, his failure to arrest the rapid reserves depletion set in motion a dangerous trend that had to be stopped. In fact the Awami League Government did stabilize the reserves and arrested their rapid depletion. Unfortunately the floods of 1998 took their toll since we have to import nearly four million tons of food grains to cope with the poor situation. As an integral part of our macroeconomic management we ensured that the price of food grains remained stable despite the devastating floods and the loss of crops. Nearly a billion dollars had to be spent to import food grains through both the government and private account. We also had to repay the IMF loan, which the BNP government had taken to boost reserves. (In fact, the reserve figures in the

private sector to modernize and expand generation, transmission and distribution of electricity. During the Awami League government's tenure 13,713 new villages have been given electricity and 32,000 new pumps have also been provided with electricity connections.

The most dramatic success was achieved by the Awami League government in the agricultural sector. Let us look at the figures of growth in this sector during the BNP period and in the Awami League period. According to the BBS, growth in food grains production in the country from 1991-92 to 2000-01 was as given below:

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BNP period	Million MT	growth over the previous year	
1991-92.....	193.2	do	2.4%
1992-93.....	195.2	do	1.0%
1993-94.....	191.7	do	-1.8%
1994-95.....	180.8	do	-5.7%
1995-96.....	190.6	do	5.4%
Awami League period			
1996-97.....	203.37	do	6.7%
1997-98.....	206.64	do	1.6%
1998-99.....	218.13	do	5.6%
1999-00.....	249.07	do	14.2%
2000-01.....	264.91	do	6.4%

(Source: Bangladesh Bureau of Statistics, Annual Economic Survey)

the best BNP year. Was this simply the result of good weather? In addition to the disastrous floods of 1998 there were the unprecedented floods in the western districts in the year 2000. The success achieved was due largely to the strong support provided by the Awami League government to the agricultural sector, which included the following measures:

1. Agricultural credit was increased significantly. During the BNP period the annual average of agricultural credit was Tk 1195 crores, whereas during Awami League period the average credit flow was Tk 2395 crores. It may be noted that even sharecroppers were given credit facilities for the first time.

2. The withdrawal of import duty on all agricultural machineries including tractors, power tillers and pumps. This led to a massive increase in the use of modern agricultural tools and implements by the farmers.

3. Providing direct subsidy amounting to Taka 511 crore over the five years for maintaining fertilizer price at a low and stable level.

4. Providing indirect subsidy to the farmers for electricity and diesel. In the case of electricity the ratio was 26.4% and in the case of diesel it was 27%.

5. Ensuring that the farmers got remunerative prices for their products by large-scale procurement of rice and wheat. Efficient and timely supply of all the inputs by the Ministry of Agriculture including seeds of high yielding varieties of rice, wheat and vegetables.

It should be clear to any impartial observer that the Awami League achieved the distinction of food self-sufficiency by following well thought out and farmer-friendly policies.

Prime Minister Khaleda Zia and her ministers want to tarnish the image of the Awami League government. Let the public look at these figures and judge for themselves about the state of the economy that we left in July. It was a strong, stable and vibrant economy that was growing at more than 6 per cent rate.

Bangladesh faces enormous challenges in the next few years. Following the events of September 11, the international economy is slipping ever deeper into recession, Bangladesh will feel the impact of lower growth in key exports markets... and the key garments sector is

that the revenue receipts fell during our time. Begum Zia (and also former President Justice Shahabuddin) may not remember the Asian economic crisis of 1997-98. They may not appreciate the economic significance of this crisis for the countries of the region. I wish to remind her and her finance minister that we managed the macro economy through the crisis while maintaining a high growth rate.

Citizens of this country did not feel the brunt of this crisis, which overwhelmed many powerful economies. Even if Prime Minister Zia fails to appreciate the implications of the Asian economic crisis, how can she forget the worst floods of the century in 1998? The adverse impact of the floods on the economy reduced imports. As a result revenue collection was affected. But the economy had largely recovered by the middle of 1999.

We made a number of basic reforms in revenue administration during this period that resulted in dynamic growth in revenue collection. Let me quote the World Bank on this issue. "The FY01 Revised Budget estimates a total revenue growth of slightly over 21 per cent. Notwithstanding poor non-NBR revenue collection performance, this is possible given the very impressive NBR tax revenue collection growth of over 24 per cent during July-May 2001 relative to July-May 2000. NBR's efforts in recent years to tighten tax administration and to take on vested interests are beginning to bear fruit. Recovery in industrial production, surge in imports and significant exchange rate devaluation also helped."

Referring to revenue performance, the ADB said, "Revenue performance improved notably during FY2001. Revenue collection in this fiscal year displays a clear break from past trends, especially from the sluggish performance of the last two years. In FY2001 revenue collection under the National Board of Revenue (NBR), which accounts for around 94 per cent of tax revenues and 75 per cent of total revenues, is expected to register a growth of 21.1 per cent compared to the previous fiscal year. This is a remarkable achievement as it exceeds the ambitious budget target by 1.7 per cent." Perhaps there could be no more eloquent rebuttal to BNP's campaign of disinformation and vilification on revenue performance.

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stantial to criticize, the increase in government's borrowing has been blown out of proportion by the BNP leaders. They forget that the moderately expansionary policy was deliberately followed by us to prevent the economy from sliding into recession after the 1998 floods. We wanted to revive the industrial sector. We significantly increased credit flows, especially agricultural credit and by doing so maintained the economy's growth momentum. Despite the devastating blow of the floods combined with the direct and indirect impact of the Asian economic crisis we managed to achieve a growth rate close to 5 per cent in 1998-99 and maintain overall macroeconomic balance. In the wake of the floods, the inflation rate rose to 8.9 per cent in 1998-99 but we brought the rate down to 3.41 per cent in 1999-00 and to 1.59 per cent in 2000-01. The people of Bangladesh continued to enjoy the fruits of a stable price level and a healthy growing economy.

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challenges in the next few years. Following the events of September 11, the international economy is slipping ever deeper into recession, notwithstanding numerous measures to stimulate the economy. The frequent and large cuts in interest rates in the US and other economies appear to be more in the nature of acts of desperation that are unlikely to yield significant benefits in the absence of a major shift in investor confidence. Bangladesh will feel the impact of lower growth in key exports markets, and the key garments sector is already facing serious problems. These are likely to get worse in the years ahead. Perhaps the most difficult task will be to maintain the momentum of growth, vital to pull millions of our countrymen out of poverty. These challenges are not insurmountable - and as the events of 1998 proved - our people certainly have the courage and resilience to deal with these challenges. It will require good judgment and calm management to overcome the obstacles to this country's development. Mr Saifur Rahman would do well to focus on the tasks ahead rather than engage in diatribes against the Awami League government.

Shah AMS Kibria was the finance minister of the AL government.

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