

Done well, but can be better

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SINCE 2010, when the last household survey to assess poverty was done, Bangladesh maintained progress towards reducing poverty by sustaining growth at 6% or more and by holding inflation at moderate single digits. In all likelihood, Bangladesh in 2013 surpassed the MDG target of halving extreme poverty by 2015, two years ahead of schedule.

Although progress on poverty reduction may have slowed somewhat in FY14 due to a slower pace of economic expansion, significant poverty reduction continued. Below, we provide an overall assessment of Bangladesh's economic performance in the current fiscal year, the near- and medium-term outlook, and the development challenges.

Resilient growth and macroeconomic stability

Economic activities recovered in the second half of FY14, driven by resilient exports and domestic demand, following setbacks suffered in the first half due to political uncertainty and turmoil: A recovery in export growth and increases in public expenditure are likely to help achieve 5.4% GDP growth in FY14, slightly higher than the average for developing countries but lower than last year's 6%. The political turmoil in the last quarter of 2013 inflicted a value-added loss of about \$1.4 billion, of which 86% was in services, 11% in industry and the remaining 3% in agriculture. Business and consumer confidence in general suffered through declines in rate of return on investment perceived by domestic and foreign investors, remittances and demand for labour.

Sound macroeconomic management helped contain inflation at a moderate single-digit level: Inflation has increased somewhat in recent months due to cost push from supply disruptions and wage increases. The political disturbances obstructed food distribution channels, resulting in constrained supplies and higher food prices. Stability in international commodity prices, weak domestic demand, and some

appreciation of the nominal exchange rate combined with a restrained monetary policy to moderate the recent increase in inflation.

Foreign exchange reserves have increased to adequate levels, with a sustained large surplus in the overall balance of payments: The external current account surplus has remained comfortable due to good export growth and weak imports which more than offset the decline in the level of workers' remittances. A large surplus in the overall balance of payments, underpinned primarily by surplus in the current account, and Bangladesh Bank's frequent intervention to prevent an appreciation of the nominal exchange rate led to further accumulation of official reserves to over 5 months of GNFS import cover.

The financial sector is stressed: Deteriorating fundamentals of the banking sector were exacerbated by a rise in default risk across the board due to losses inflicted by a prolonged disruption in production and trade. The state-owned banks were already negatively impacted by the earlier financial scams. The growing nonperforming loans of private commercial banks are also a matter of concern. Capital market turnover has been increasing in the post-election period, but it will be important not to get swamped by another bout of irrational exuberance.

The well-established tradition of prudent macroeconomic management continues: Monetary policy pursued a restrained path, achieving broadly the targets for the first half of FY14. Implementation of monetary policy benefited from slowdown in private credit growth. This contributed to an increase in excess liquidity; despite stepped up sterilisation operations by BB in response to overshooting of the target for growth of net foreign assets.

The fiscal deficit and public borrowing have remained within sustainable limits: Fiscal management this year is facing challenges because of a large and growing shortfall in NBR tax revenue, demand for fiscal support from sectors adversely affected by the political turmoil and slower utilisation of ADP. Tax revenue growth in the first seven

months of FY14 was barely 10%. Usual shortfalls in public investment spending may not be enough to keep deviation from the FY14 budget deficit target within a reasonable limit. Government bank borrowing so far has been contained, while net nonbank borrowing has increased.

Near and medium-term challenges

Key near-term challenges need prioritised attention: The momentum of GDP growth acceleration has been deflated in the last three years as a result of lingering uncertainties around the modality of political transition, the slow pace of structural reforms and the inability to get started on building transformative infrastructure. In the immediate future, Bangladesh faces three sets of formidable challenges: (i) maintaining stability and resolving the remaining political uncertainties while boosting investment in power and roads; (ii) managing well the transition in the readymade garment (RMG) industry; and (iii) stemming the decline in remittances.

The medium-term challenge is to boost productivity: The medium-term development challenges include re-invigorating structural reforms that boost supply capacity and productivity by investing in transformative infrastructure, energy and streamlining trade and investment regulations. Growth in Bangladesh may rise to a potential 6.5% within a couple of years if stability prevails. But it is unlikely to accelerate much further without hitting capacity constraints and generating overheating pressures in the absence of continuing structural reforms and upgraded infrastructure.

The external balance cannot be taken for granted: The sustainability of the external balance will depend on addressing garments and remittance related challenges. As the RMG industry upgrades both factory and labour standards, export growth will likely recover after moderating in FY15. Remittances are expected to normalise from FY15, assuming improved demand for Bangladeshi labour with the relaxation of restrictions in Saudi Arabia, UAE and Kuwait, made possible by inten-

sified economic diplomacy. Failure to act in time on RMG standards and the legal status of Bangladeshi labour in GCC countries combined with a pick-up in import growth due to a recovery in private investment demand may quickly dissipate the reserve comfort currently in place.

What would it take to raise the growth rate to 8 percent?

Macroeconomic stability must continue and investment-oriented reforms need a new lease of life: Confidence and economic activity will improve in the near- and medium-term if stability is sustained. Supported by the demand and supply effects of enhanced public investment in infrastructure, harnessing of the demographic dividend, fostering human capital accumulation, and structural reforms to revamp the climate for domestic as well as foreign private investment, the pace of poverty reduction will rise with growth acceleration regaining momentum. Continuation of prudent macroeconomic management will contribute to reducing inflation to around 6%, below the threshold where it begins to hurt growth.

The growth rate can be raised to 8 percent quickly: Overall, the Bangladesh economy did well in the outgoing fiscal year, considering the large costs of political turmoil. The near- and medium-term outlook is favourable because of the recovery in Bangladesh's key trading partners and the restoration of internal stability. A rise in public investment in transformative infrastructure will be critical to boosting private investment and capacity creation. Other things being equal, increasing the growth rate to a new normal of about 8% from the current rate of 6.5% could be achieved by a combination of annual average 14% export growth, 13% remittance growth and 15% growth in public investment, compared respectively with 11.6%, 13.3% and 8.5% average growth rates achieved in last ten years. Bangladesh's own experience suggests this is doable.

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All that glitters...

SHAHNOOR WAHID

FINALLY we have set real life example of what the famous line, "All that glitters is not gold" means. We have presented gold plated crests to foreign dignitaries that were made with 75% less gold than what has been declared by the organisers! Yes, you heard that right, 75% of gold is missing from the crest given to the foreign freedom fighters whom we had honoured some months back. Even the amount of silver is also much less than what has been declared. And none other than the Bangladesh Standards and Testing Institution (BSTI) authorities unearthed the scam which has been published by Prothom Alo on April 6.

Reportedly, suppliers in cahoots with some staff members of the department concerned did this to earn a hefty amount each at the cost of our national pride, prestige and sentiment. This has no doubt taken corruption in this country to the highest level indeed. Had he been around, Greek conqueror Alexander would have uttered in total disgust, "I am not surprised any more Seleucus. I have had my fill. Let's get out of this darn hole." What beats us is that those people who "minted" money in such a lowly way possibly talk about morality, ethics and righteousness with their children every day.

This horrendous incident urges me to call up everyone from the literary, agriculture, business, sports and cultural arenas to take the gold crest or gold medal they received from various local organisations to a goldsmith and have them checked. If our gold-hungry brothers can do such a shameful thing to our foreign guests, they can do even worse to our own people. We really should "dig" deep to find out how much gold is there under the surface.

We know sportsmen and women in the Olympics or other big international events playfully bite on gold medals, but that's not really done to express any doubt. Firstly, the event organisers wouldn't do something like what our brothers did without any qualms. Secondly, there are layers of checking and re-checking to ensure that the medals contain the exact amount of gold that is supposed to be there. But, who knows? If the news from Bangladesh gets front page coverage in those countries, players might actually bite harder to check for themselves the authenticity of the medals. And from here on maybe foreign guests will bite on the gold crests to ensure there is gold in them!

Gold has this strange influence on people. Novels, short stories and historical facts would tell us a lot about this strange metal. Mighty kingdoms have fallen for possessing enormous quantities of gold. Incas died by the thousands for the gold they possessed. Pyramid diggers dared to venture into the labyrinth only for the gold of the dead Pharaohs. Nothing could dissuade them from going into the graves again and again. Alchemists of the dark ages tried to create gold in their laboratories.

Goldfinger, the villain in the Ian Fleming novel of the same name, poured hundred percent authentic liquid gold on his victims. He could save money by making an alloy with less costly metals but he had to prove his class so he never opted for less when it came to killing. Sadly enough, even a villain rates better than our greedy officials. When the family members buried the mummified bodies of the Pharaohs in the depth of pyramids they decorated the lifeless form with pure gold ornaments. Gold was precious even in those days and had to be ferried in from distant lands. And yet, to save money or to make money, the followers did not use anything below the purest of gold. I am sure when the Pharaohs offered foreign guests a gift made with gold it contained 100% and not 25% gold.

So, our villains have made big money by cheating some elderly and respected foreign guests who risked their lives for the liberation of this country 43 years ago. Have these villainous men become richer? Are they happier now? Will they pay the school fees of their children with that money? What if those children one day read about it? Will they have any respect for their parents for doing such a dastardly thing?

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Do bureaucrats really want strong local government?

SHAKHAWAT LITON

IT is pretty interesting, and surprising too. Bureaucrats who had jumped on the bandwagon of politicians to keep the upazila parishads paralysed during the last five years have now spoken in favour of strengthening this local government institution by minimising triangular conflicts among local MPs, upazila chairmen and UNOs.

At a meeting with Prime Minister Sheikh Hasina on Monday, some secretaries also stressed the need for effective enforcement of the laws on different local government bodies and for bringing amendments to them if needed. It is also quite surprising that the bureaucrats also spoke for running the zila parishads through elected representatives. This means the bureaucrats want the government to hold long overdue elections to zila parishads, which have been run by administrators since December 2012.

All this sounds good. But their call for strengthening the local government does not match with the long bureaucratic culture, which is still against the growth of the local government system. The upazila parishad has been the worst victim of this culture. The past Awami League-led government made a blunder by amending the upazila parishad law. It made MPs advisors to the parishads, empowering them to meddle in the functions of the upazila parishads which were constituted through elections in January 2009 after a long gap of 19 years. The newly elected upazila chairmen had strongly denounced it and demanded scrapping of the provision that allowed MPs to become advisors. This gave birth to conflicts between the local MPs and upazila parishad chairmen. The upazila level administration led by UNOs has been benefi-

ciary of the conflicts.

The government had empowered the upazila parishads to supervise and manage the affairs of 17 departments under various ministries at upazila level. This move did not make the upazila administration happy. They demanded bigger role in the local administration. They did not need to stage demonstrations for realisation of their demand as their superior officers in the ministries kept favouring them with powers by issuing numerous circulars. In the last five years, different ministries have formed more than 80 committees through circulars, and UNOs were made chiefs of almost all the crucial committees to run the upazila administration bypassing the parishads. Aggrieved upazila chairmen had nothing to do, but to air their grievances. The UNOs who were made secretaries to the upazila parishads in 2009 were later made chief executive officers. They were also very tactful and did not annoy MPs. They maintained good relations with MPs to exercise their powers to run the administration.

If top bureaucrats now sincerely want to see strengthened upazila parishads, they need to scrap many of the circulars and stop issuing such circulars in future which empower the UNOs over the elected representatives to the upazila parishads. If they do not do this, the remarks they made at the meeting with the premier will remain as rhetoric.

The crucial question is, what prompted the bureaucrats to speak in favour of strengthening the local governments? Did they feel the sentiments of Prime Minister Sheikh Hasina who, according to some, wants to take measures to strengthen the upazila parishad system. For this, she needs to demonstrate strong leadership. She needs to begin the process at her own home by stopping MPs

from meddling in the functions of upazila parishads. Her government should immediately amend the upazila parishad law to scrap the controversial provision that makes MPs advisors to the parishads. Some more new efforts need to be taken to make the upazila parishads vibrant.

If the upazila parishads are made functional in a real sense, it will in no way curtail her supreme power in the cabinet. Rather, it will brighten her image. She will be enjoying strong support at upazila level. The upazila parishads will be able to work to implement her government's plans for development. She has no other alternative but to make the upazila parishads functional if she wants to implement her party's electoral pledges.

The bureaucrats' suggestion for running the zila parishads through elected representatives is also significant. It is not clear what prompted them to give such advice. Were they encouraged by the ruling AL's electoral manifesto, which speaks for a strong zila parishad system? All depends on the prime minister now. She needs to demonstrate her will for holding polls to zila parishads. Only elected zila parishads can ensure people's participation in the parishads' activities through their representatives.

To implement her party's electoral pledges on decentralisation of power in a real sense, she must take the leadership and direct the bureaucrats to formulate and implement the plans to this effect. Under her leadership the cabinet needs to constantly monitor implementation of such plans. Remaining dependent on the bureaucrats will not yield the desired result.

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QUOTABLE Quote

Good for the body is the work of the body, and good for the soul is the work of the soul, and good for either is the work of the other.

Henry David Thoreau

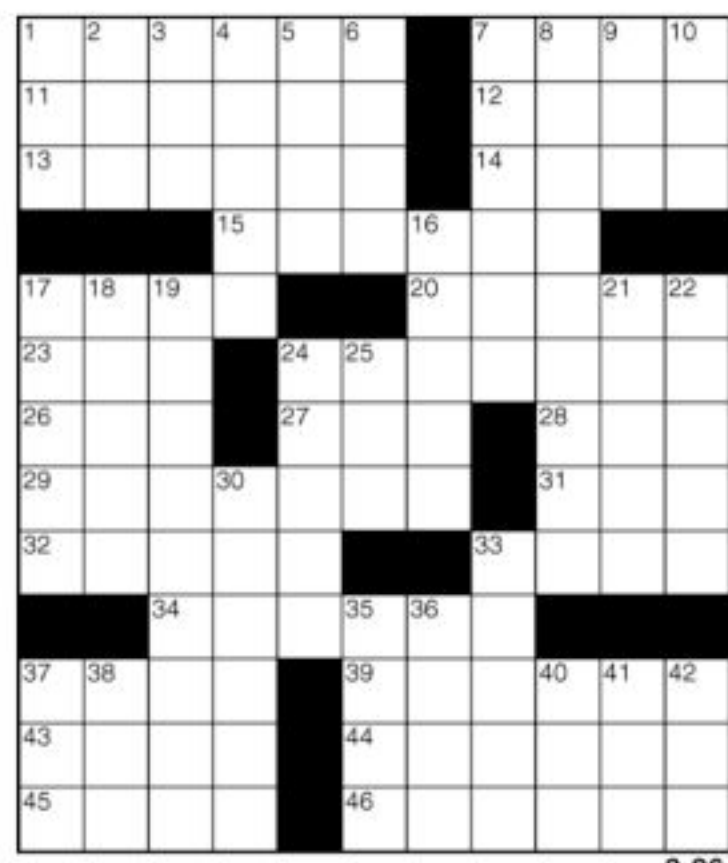
CROSSWORD by Thomas Joseph

ACROSS

- South Seas sights
- Uncertain
- Became depleted
- Foot part
- Tours setting
- Brutish sort
- One always working out
- Mealtime protectors
- Ready for sleep
- Fuss
- Notorious box opener
- Hot brew
- Bible boat
- Radius setting
- Mythical monsters
- Dem.'s foe
- Church leader
- Casino figure
- Paleontologist's prize
- Organ part
- Stage comments
- Betting group
- Stringent
- Price to play
- Play-ground fixture

DOWN

- Sandy's sound
- Paver's goo
- "Not-dare!"
- Has yearnings
- Sister of Linus
- Goble part
- Vacation spot
- Bed's bottom end
- Winter bug
- To date
- Skating spots
- Soak in the tub
- Perfect
- Lumber measure
- Misplayed
- Muffles
- Skating category
- Verb for you
- Folks
- Green hue
- Pert talk
- "Got it"
- Place for the pampered
- Hauler's unit
- Moines
- Pitcher's star
- Make darts, say



CRYPTOQUOTE

OWVDOAVSW VC WSA AIB OZA SY
FZOLVWJC AIOA DSHB XGA ZOAI BZ AIB
OZA SYDSHBDBWAC AIOA OZB FZOLW.

-- WSZDOW DPUOZBW

Yesterday's Cryptoquote: ONCE YOU DECIDE TO TITILATE
INSTEAD OF ILLUMINATE, YOU'RE ON A SLIPPERY SLOPE.

-- BILL MOYERS

Yesterday's answer

WASTE SANTA
EXCONTRIAL
BLOODSAMP
SET RAG SEX
NUDES
BARON SIEGE
IDES XRAY
TOXIC STALE
RASPY
ASH NOR SEW
BLOODSIMP
CONDO NOISE
STEER TONED

A XYDLBAAXR is LONGFELLOW

One letter stands for
another. In this sample,
A is used for the three
L's, X for the two O's, etc.
Single letters,
apostrophes, the length
and formation of the
words are all hints. Each
day the code letters are
different.

BEETLE BAILEY

by Mort Walker



HENRY

by Don Trachte

