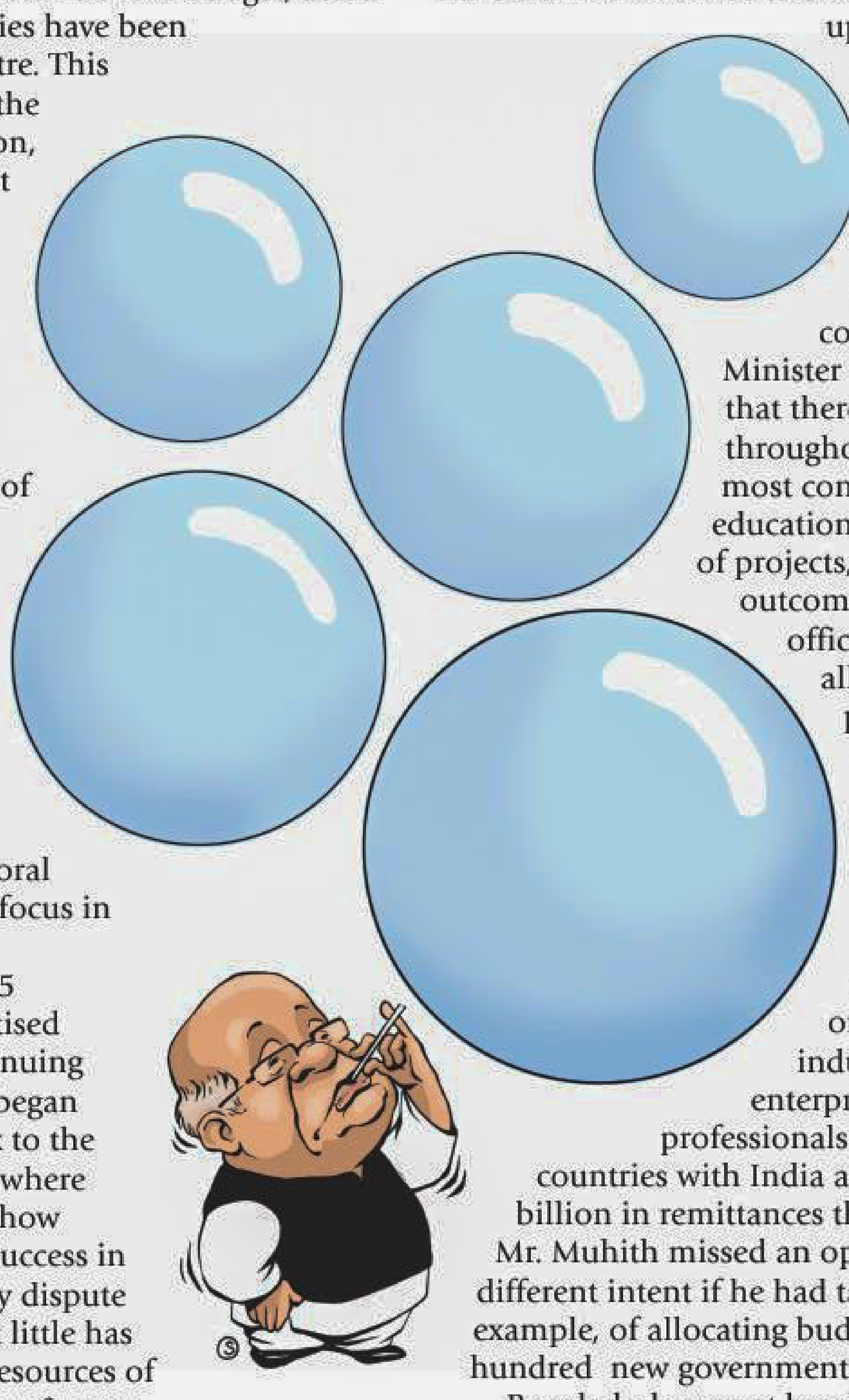
REPORT CARD ON MR. MUHITH

HOSSAIN ZILLUR RAHMAN

AL's affable finance minister is a lucky man having done the national budget more number of times than any other finance minister. Even detractors have to admire his stamina. For the ruling party, his smiling visage at the helm of finance creates a valuable sense of reassuring continuity in economic affairs even if ground realities may suggest otherwise. Budget after all is as much a political act as it is about hard financial numbers. That is why the size of the budget and high growth target is such a publicity priority. It exudes political machismo. What if the revenue projection sits on thin ice and expectations on FDI and aid flows are questionable at best. What if capital flight is on the rise and investment stagnant. What if the skewed distribution of the gains from growth is getting even more skewed. Mr. Muhith's focus is not on these deeply worrying vulnerabilities of the real economy. His task has been a different one, to weave a feel-good economic story that combines favourable macro-economic numbers, heroic can-do assumptions and sheer drum-beating that drowns out doubts. The larger public may not have bought the feel-good story but Mr. Muhith has certainly succeeded in preventing a more realistic and compelling counter-story to coalesce. Even the venerable CPD budget commentary could only bemoan implementation hazards and the unrealism of revenue ambitions. With Bangladesh now officially certified as a 'low middle income country' by the World Bank's statistical classification, Mr. Muhith's and by extension his government's over-complacent reading of Bangladesh's economic destiny just got even more entrenched.

Like the bureaucrat he once was, Mr. Muhith has many process achievements to show -- power-point presentation of budget, greater use of ICT and online access to financial data, even a new colour for the budget document. Pre-budget consultations have been aplenty, never mind that these rarely leave a mark on the actual budget. It has not all been cosmetic either. Revenue, most times short of target, has nevertheless crept upwards under Mr. Muhith's watch even if overall tax-GDP ratio remains abysmally low. Deficit-GDP ratio has been kept within the IMF prescribed limit of 5 percent. Critical short-term fixes such as quick rental have averted a power breakdown though at very high governance and fiscal costs. There have been important policy milestones too – national social security strategy to name the most significant one. These are no mean achievements. But do they add up to what it takes to address the two most important economic challenges facing the country in 2015: propel the economy beyond the glass ceiling of 6 percent growth and overcome the burgeoning problem of multi-faceted inequality? The cold truth is that Mr. Muhith's and by extension the AL regime's overall economic record is very much one of a sum being much lesser than its parts.

Despite the often soaring rhetoric of the budget, actual allocation and strategic priorities have been strangely pedantic and lacklustre. This disconnect is most glaring on the challenge of growth acceleration, a challenge recognised by most including Mr. Muhith as central to the next phase of Bangladesh's economic journey. For the last decade or so that spanned Mr. Muhith's tenure and the 6th five-year plan, growth target above 6 percent rate has remained out of reach. What was earlier celebrated as resilience has metamorphosed into growth stagnation. But the three elements which can unshackle this growth stagnation the most – an energy policy and financing strategy, a skills strategy that delivers and a compelling sectoral strategy – are strikingly out of focus in Mr. Muhith's action plan.



Take the case of energy. 2015 budget allocations have prioritised power sector over energy continuing the policy short-termism that began with quick rental as a quick fix to the power crisis. The country is nowhere nearer to a policy decision on how best to use its coal resources. Success in settling the maritime boundary dispute is already a year in passing but little has moved in tapping the energy resources of the Bay of Bengal. Recent flurry of mega-deal signings has failed to convince investors as evident in the static private investment rate of around 21 percent. Mr. Muhith and the regime he represents appear unable to rise beyond policy short-termism in this most critical of growth enablers.

On the other strategic issue of human development, Mr. Muhith's lofty rhetoric appears to be only just that. While the critical challenge on the skills agenda is to match supply to market demand, the 2015 budget document only offers yet more top-heavy bureaucratic bodies. Astonishingly, allocations for the two human development sectors – education and health – have not just been static but in the case of health has actually declined in percentage terms. This, in 2015, when the transition from MDGs to SDGs calls for significant scaling up of engagement on health and education agendas.

The issue of education demands a deeper introspection for Bangladesh's economic future. Resource inadequacy is not the only concern here. The Education Minister appears unwilling to accept that there is a huge quality gap throughout the education system, most consequentially at the secondary education level. While there is no lack of projects, the entire educational outcome has become a victim of an official mindset that is devoting all energy on securing higher pass rates through an apparent policy of easy marking while showing less concern with actual learning outcomes. The discomforting consequence of this is evident when we find that a substantial chunk of skilled jobs in our industries and other economic enterprises are occupied by professionals from neighbouring countries with India alone claiming nearly $4 billion in remittances that flows out of Bangladesh.

Mr. Muhith missed an opportunity of signalling a different intent if he had taken a bold initiative, for example, of allocating budget for a thousand or even a hundred new government secondary schools.

Bangladesh cannot break through the 6 percent growth ceiling without a bolder sectoral strategy. Bangladesh's economy has advanced thus far by banking on export-oriented industries and service-oriented domestic sector. Policy attention has been lop-sided towards the former mainly RMG while the latter has mostly grown despite policy neglect. Agriculture has been milked for its food security contribution but has received little support for its growth-driving potentials, for example through the growth-enabling sub-sectors such as aquaculture, dairy, livestock and forestry. While such a sectoral strategy has certainly produced dividends, it falls significantly short on the question of growth acceleration. This is where it is distressing to see that Mr. Muhith, despite some lofty rhetoric, has settled for narrow incrementalism rather than a bolder sectoral strategy.

One new element has been the talk about SEZs – special economic zones. The 2015 budget has touted SEZs as a key vehicle to jumpstart the growth process but like the equally touted PPP financing model of 2009 budget that largely failed to take-off, the proof of the pudding will be in the eating. There is also a danger that the policy dichotomy whereby foreign investors get pampered treatment via SEZs while domestic investors suffer policy neglect becomes more entrenched. In neighbouring India, SEZs have become a political hot potato because of its implications for land acquisition and land rights of farmers and rural dwellers. Such a debate is yet to start in Bangladesh.

Mr. Muhith has also been wanting on a bolder use of fiscal policy to advance equity goals. Sadiq Ahmad of PRI (Financial Express, June 22, 2015) has ably demonstrated this persistent failure. Data is showing that, in Bangladesh, it is not only the bottom 40 percent who have suffered a decline in their share of national income (from 18.22 percent in 1980 to 13 percent in 2010) but also the middle classes whose share declined over the same period from 51.53 percent to 46.5 percent. Over the same period, the 10 percent of the population classified as upper classes increased their share of national income from 30.25 percent to 40.5 percent (Bonik Barta, June 29, 2015). A significant part of the gains of the upper classes has come not through honest enterprise but through endemic corruption and political cronyism. Mr. Muhith has often been disarming with his candour on these dynamics as, for example, his recent admission that he cannot deal with banking mis-governance due to vested interests of his own party. The truth is, on the question of economic governance, Mr. Muhith is only a part player. Political and economic governance has always been intertwined in Bangladesh but under this regime, the blurring of these boundaries has occurred to such an extent that more than any policy deficiencies, politicisation of economic governance poses perhaps the biggest barrier to realising the twin goals of growth acceleration and equitable distribution of gains from growth.

The writer is executive chairman of Power and Participation Research Centre and former adviser to the caretaker government.

The future of remittance flows

SARAH AMENA KHAN

WHILE waiting for my connecting flight to Dhaka at Dubai's airport lounge, I came across throngs of fellow Bangladeshi nationals waiting to fly back home. Most of them eke out a hard-earned living in the Middle East while facing demanding working hours, harsh living conditions and fears of deportation to support their families back home. Additionally, the workers are treated as inferiors while adjusting to life on foreign soil. Yet, to add to their worries, they will likely face difficulties in securing jobs in the Middle East in the coming years.

With more than 8 million migrant workers abroad, Bangladesh earned about $15.31 billion in foreign remittances—about 10 percent of the country's GDP—in the recently concluded fiscal year. Moreover, 60 percent of all inflows to Bangladesh come from the Middle East. The Gulf Cooperation Council (GCC) countries—particularly Saudi Arabia and UAE—are the biggest employers of Bangladesh's largely unskilled migrant labour force; currently, more than 80 percent of all private sector jobs in the GCC are held by low-skilled foreigners. However, Gulf nations are enforcing nationalisation policies within the private sector to tackle rising unemployment among GCC nationals.

Saudi Arabia, for instance, is considered the experimental hub for nationalisation policies among Gulf nations. According to 2014 estimates—with roughly 400,000 new entrants to the labour force annually— it faces an unemployment rate of 11.74 percent and must create 1.1 million jobs for Saudis to successfully tackle the issue. Currently, the public sector is the biggest employer of Saudi nationals while foreign workers account for 85 percent of all Saudi private sector employees. Yet, the IMF states that public sector jobs are growing at a slower pace than those in the private sector. Consequently, at a recent summit held at the UN New York headquarters, the Kingdom's Ministry of Labour representatives emphasised on labour nationalisation policies; they highlighted the need to cut down their reliance on foreign workers to shift more Saudis into the private sector.

While Saudi nationalisation policies have been in place since the 1990s, the government has redoubled its efforts to implement labour market reforms through the ambitious Nitaqat quota system. Introduced in 2011, it aims to recruit more Saudis instead of migrant workers in the private sector; the "Nitaqat" (bands) classify firms into four levels of compliance with various combinations of penalties and incentives that chiefly restrict the firms' ability to acquire new work visas. Alongside such policies, the government now carries out a "correction" campaign or mass deportation programmes for undocumented workers. In late 2013, nearly 2 million expatriates were deported from Saudi Arabia. Currently, Saudi Arabia only permits migrants with machine-readable passports (MRP) to work in the country; according to Asia News Network, nearly 2.2 million Bangladeshi workers risk losing their jobs and face deportation if they don't obtain MRPs by November 24, 2015. Sadly, mission officials in the capital, Riyadh, have stated that it will be a monumental task to issue 0.24 million MRPs per month to cover all Bangladeshi workers.

Interestingly, experts opine that the Saudisation scheme will not affect migrant-sending countries in the short run. On one hand, the Nitaqat system has problematic incentives that focus on employing Saudis in numbers rather than based on their capabilities. On the other hand, according to the Saudi Gazette, the government is reconsidering implementing the system in specific sectors as it fails to attract Saudi citizens. Additionally, after Saudi Arabia lifted its 7-year ban on recruiting Bangladeshi migrant workers in February 2015,

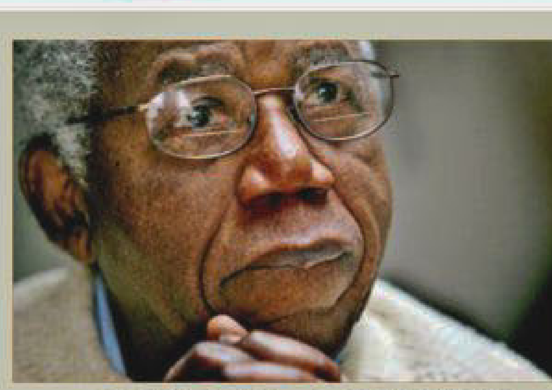
PHOTO: AFP

prospective migrants became hopeful about carving out a future in the Gulf state. Yet, considering Saudi Arabia's long-term efforts to curtail its migrant workforce, sending workers en masse to the Saudi kingdom is an unwise decision.

Given how remittances play a crucial role in the Bangladeshi economy, seeking new markets for manpower exports is a viable option for the Bangladeshi government. Many economies, however, require skilled foreign workers. According to a recent article published in the Financial Express, Bangladesh's exports of skilled manpower has declined from 45 percent in 2005 to 36 percent in 2014; the country is lagging behind competing nations in terms of receiving increased remittances. Hence, it is critical to equip Bangladesh's largely unskilled migrant workforce with the technical education and training demanded in prospective manpower markets. As this measure entails great foresight and careful planning, the Bangladeshi government can approach economies such as Japan where the East Asian government has an excellent track record in investing in human capital through its technical and vocational education sector. Simultaneously, Bangladesh can set up a data system that assesses the skills acquired by repatriated workers to absorb them into the local job market or arrange for them to acquire work visas abroad. In any case, Bangladesh needs to plan for a well-defined strategy to sustain remittance inflows in the long run.

The writer studied Economics at Mount Holyoke College, USA.

QUOTABLE Quote



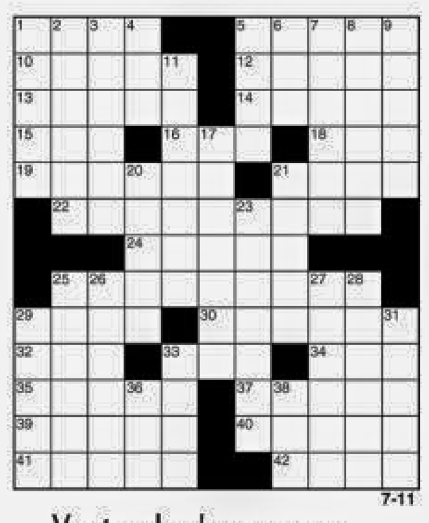
CHINUA ACHEBE

The problem with leaderless uprisings taking over is that you don't always know what you get at the other end. If you are not careful you could replace a bad government with one much worse!

CROSSWORD BY THOMAS JOSEPH

ACROSS
1 Heels
5 Leg up
10 "The Tempest" sprite
12 Shoe part
13 Designer Geoffrey
14 Map division
15 "-- a deal!"
16 Broker's advice
18 "-- pasa?"
19 Aries
21 Eats in the evening
22 "Georgy Girl" actor
24 Andrea -- (ill-fated ship)
25 "Argo" actor
29 Nicholas, for one
30 Botanist Mendel
32 Research site
33 Great expanse
34 Apply
35 Honolulu hello
37 "To repeat ..."
39 Deserve
40 Had a feast
41 School art staple
42 Grant of films

DOWN
1 Go by taxi
2 Singer Franklin
3 Truck fuel
4 Capitol Bldg. figure
5 Hard at work
6 Make a choice
7 Not clear
8 Frames
9 Kilmer poem
11 Syria neighbor
17 Offense
20 Speed checker
21 Share in a business
23 Blitz event
25 Flowering shrub
26 Dozen for Hercules
27 Scally pet
28 More inquisitive
29 Surgery aid
31 "I AM Woman" singer
33 Fill up
36 Batter's goal
38 [Not my spelling]



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Yesterday's answer

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P	E	T		C	A	B		R	I	P
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BEETLE BAILEY by Mort Walker

BABY BLUES by Rick Kirkman & Jerry Scott