Economic challenges that budget 2022-23 must address

SELIM RAIHAN

Dr Selim Raihan is a professor at the Department of Economics of the University of Dhaka, and executive director at the South Asian Network on Economic Modeling (Sanem).

THE current global political, economic and trade situations are not favourable for a developing country like Bangladesh. Covid fallout and the domino effects of the ongoing Russia-Ukraine war have had profound impacts on the global economy. Such global crises have already exerted unwanted pressure on Bangladesh's domestic economy. The immediate effects are price hikes of food and other essential items. The disruption of supply chains, induced by Covid, is worsened by the Russia-Ukraine war. The International Monetary Fund (IMF) and the World Bank are discussing the possibility of a global recession. Bangladesh, like many other developing countries, is vulnerable to the effects of any global recessionary situation.

Bangladesh's macroeconomic challenges are manifested by high inflationary pressure, escalated current account deficit, negative growth in remittances, stress on the US dollar exchange rate, and strain on the foreign exchange reserves to support a sufficient and comfortable number of months of imports. In addition, long-standing challenges—such as job creation—remain.

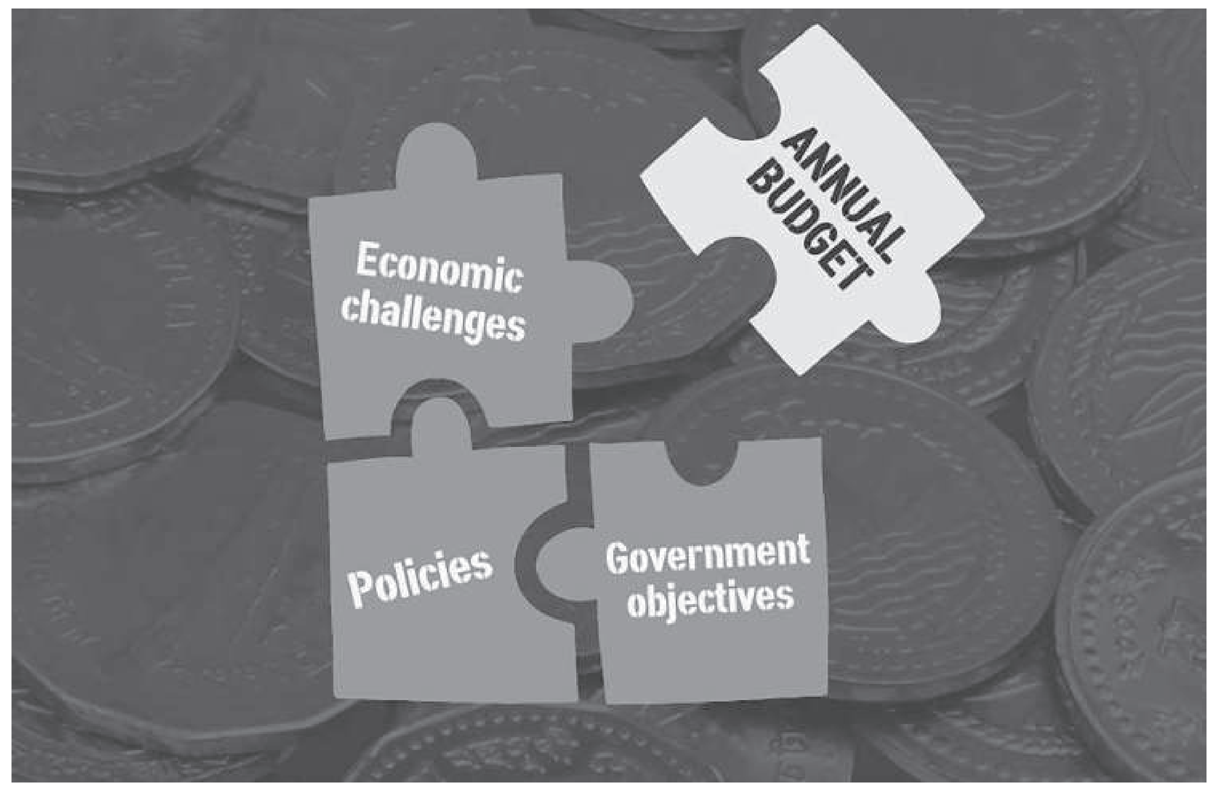
The inflationary pressure, triggered by the supply chain disruption and soaring prices of food and essential items in the international market, has led to a situation where marginalised people have been suffering the most. A recent study by Sanem has shown that low income groups in Bangladesh face almost double the inflationary pressure than what the government data suggests. Hoarding and market manipulation by unscrupulous businesspeople taking advantage of the crisis aggravate the situation.

The pressure on forex reserves is high. The surge in imports, alongside a sizeable negative growth in remittances, resulted in a large current account deficit despite a strong export growth. There are concerns about the surge in imports as well—particularly whether illicit money transfer through over-invoicing is causing this import growth. The government's recent decision to raise certain restrictions to slow down the import of luxury goods is timely. However, allegations of over-invoicing are there even in cases of imports of capital machinery and raw materials. The regulatory authorities need to take necessary measures in this regard.

A key area of intervention to check on imports and to provide the right kind of incentives for remittance inflow and export is to contain the misalignment of the USD exchange rate against the taka. The taka's exchange rate against the USD was an area of relief over the last decade with an ample supply of dollars in the market. However, that comfort also diminished with the recent shortage of dollar inflow. Taka's depreciation against the USD cannot be withheld forcefully, and it needs a gradual adjustment. The higher the difference between official and unofficial exchange rates is, the more the remittances would come in through unofficial channels. During Covid, the surge in remittance flow through official channels can largely be explained by the fact that many unofficial channels of sending remittances were blocked for months, which forced the remitters to send money through the official channels. But with economic activities getting back to normal both at home and abroad, along with the widened black-market premium, the official channels of sending remittances have become unattractive once again.

In terms of debt management, Bangladesh is currently not under pressure like Sri Lanka. However, we must remain alert, since many of the megaprojects in the country are foreign-debt-financed and, in recent years, the amount of foreign debt has been on the rise. There are also concerns related to the lack of proper feasibility studies and the cost and time overruns in many megaprojects. All these may create unwanted pressure on Bangladesh's debt burden in the future. Thus, a proper stocktaking of the current megaprojects in this regard is warranted.

Bangladesh is yet to recover from the Covid pandemic. While economic recovery is visible, social recovery in terms of improvement in poor people's livelihood and jobs is slow and not visible enough. Several surveys by Sanem have shown that, while micro- and small enterprises were the primary victims of the Covid fallout, they received the lowest support from the government, and their recovery remained much slower than that of larger-sized firms. Also, in the absence of sufficient support from the government through social protection, affected households resorted to various crisis-coping strategies, risking some long-term negative implications for these households and the economy. Therefore, while the government has a priority to focus more on economic recovery and macroeconomic stability right now, the need to address the concerns of poverty, vulnerability and rising inequality is equally crucial.



VISUAL: STAR

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Over the last two decades, while Bangladesh has been doing well in macroeconomic stability, such stability came at the cost of lost opportunities for social development as successive governments continued spending very little on education, healthcare, and social protection. Such low social spending can primarily be explained by successive failed attempts to raise the miserably low tax-GDP ratio. However, there are also concerns that policymakers are yet to get their priorities right in the case of investing highly in education, health, and social protection.

There is a need to resolve the high mismatch between the government's stated objectives, plans, and programmes mentioned in critical policy documents (like the Sixth, Seventh and Eighth Five-Year Plans, and the Perspective Plan) and the approaches taken in the annual budgets. All the critical policy documents focused heavily on the significant departure from poor public spending on social sectors, substantially enhancing the tax-GDP ratio, and reforms in some vital economic domains like taxation, banking, capital markets, and export diversification. However, the approaches taken in the annual budgets remained primarily incremental in nature, with no clear links with the critical policy documents and no clear direction of the changes.

Bangladesh is facing its biggest macroeconomic challenge in a decade. The country will also be confronting a new set of challenges after its graduation from the LDC status by 2026. At the same time, Bangladesh aims to achieve large development goals by 2030. Therefore, incremental approaches taken in the national budgets will not be helpful at all. The issue of resolving policy paralysis in undertaking and effectively implementing important policies, strategies, plans, and programmes will remain critical in the coming days.

Why Bangladesh should adopt Agriculture 4.0

Feeding the world's most densely populated country needs a paradigm shift

SAYEED AHMED

Dr Sayeed Ahmed is a consulting engineer and the CEO of Bayside Analytix, a technology-focused strategy and management consulting organisation.

"Everything can wait, but not agriculture."

– Jawaharlal Nehru, first prime minister of India

HELAL Sarkar, a young farmer from Bangladesh's Meghna floodplains, looks up the weather forecast on his artificial intelligence (AI) powered farming app. It has already warned—with data from Internet of Things (IoT) probes—that his summer vegetable field is running low on moisture. The forecast says it may rain in two days. He sends a request through the app for irrigation from the local provider, just enough for the plants to carry on till then. If it doesn't rain after that, the app will prompt him to send another.

This year, the technophile farmer has opted for aubergines and bitter gourds on his multilayer farm. The app—actually, its AI engine—has recommended it after analysing the last few years' prices, supply and demand, and this year's estimates. He has prepared the soil according to its nutrient content and the plants' needs. The IoT probes watch soil nutrient levels and send the data to the system, which in turn sends early warnings and recommendations to Helal's phone.

Through the app, Helal has already registered his interest to bulk-sell the harvest for interested buyers to pick up. With such direct contacts, no intermediaries can mislead him with low offers. The app also keeps him informed of the prices his produce will fetch at the markets in Dhaka, Chattogram, and elsewhere.

Soon, offers start pouring in. But our wise farmer doesn't commit to anyone yet. The harvesting has a few more weeks to go, and something or the other can always go wrong. And it does. Almost.

The aubergine leaves are curling up. Concerned, Helal at once scans them with his phone camera and sends the photos to the app's support centre. Luckily, the problem isn't serious, and a solution pops up within a few minutes. It has come from the system's AI engine—not any human specialist—, which Helal doesn't know. A human scientist steps in only when the system doesn't have enough "intelligence" to resolve the issue.

The solution works, and the plants recover soon. Our farmer is now confident of making a deal, and strikes one with a bulk buyer, and another with a transport contractor. Delivery vans will collect the vegetables in about a week when the robots (from another service provider) will have picked and sorted them. The app records all these agreements and payments in the Cloud, which Helal's tech-savvy daughter downloads onto the computer as a backup. All financial transactions are secure and linked to the bank. Helal can now plan the next crop.

The above is, of course, a fictional account—but it's quite plausible. Internet, computer hardware, smartphones, AI, blockchain, IoT, and other relevant technologies are getting more affordable with time. This allows farmers like Helal to adopt what we call Agriculture 4.0, which offers much greater efficiency and production potential, as a recent Chinese experiment has shown.

In May 2020, China's largest agri-tech platform, Pinduoduo, and China Agricultural University organised a "smart agriculture competition" to grow strawberries. Three traditional teams of top growers and four teams of scientists worked till November. With intergenerational skills, knowledge, and wisdom, the traditional teams started with a lead. But the scientists steadily caught up as they employed IoT devices, data analysis, and automated greenhouses. In six months, they produced an average of 6.86kg of strawberries against the traditional teams' meagre 2.32kg. The scientists analysed historical cultivation data and strawberry images, combined it with water, nutrients, and greenhouse climate models to develop an intelligent decision strategy. They controlled moisture, nutrients, temperature, and humidity, combining smart farming and precision agriculture to achieve a much higher yield. *That* is Agriculture 4.0, or the Fourth Agricultural Revolution (4AR).

Most importantly, adopting 4AR will reduce a nation's dependency on other countries for the supply of basic agricultural commodities.

But just growing more strawberries doesn't solve the problem, unless it ensures fair value to all stakeholders with an integrated value chain. Growers, seed suppliers, farm machinery providers, irrigation managers, bulk buyers, storage owners, transport contractors, and consumers—all can benefit from an integrated, digitalised value chain. Consumers can also ensure that they get what they pay for. With blockchain technology, a simple QR code would record the whole chain from start to end.

The 4AR, together with a digitalised value chain, may achieve other benefits, too. Less use of water, fertilisers, pesticides, and energy will have a significant positive impact on the environment. Increased household income from greater yields will also facilitate better health and nutrition, education, and a better quality of life. But most importantly, it will reduce a nation's dependency on other countries for the supply of basic agricultural commodities.

Depending on imported food is a risky business. The current global supply chain disruption because of the Russia-Ukraine war has made that amply clear. A nation may not be able to produce all its food, but at least basic needs should not depend on imports.

Often, Bangladesh is blindsided when the source countries suspend their exports. Such a practice will continue as richer nations will weaponise everything—food being among the top—to exert their influence on others. That's why becoming self-sufficient in agricultural production is crucial for sustained progress. To achieve that, Bangladesh must embrace the opportunities that 4AR offers.

CROSSWORD BY THOMAS JOSEPH

ACROSS
1 Rock beater
6 Judge's place
11 Keen
12 Maui greeting
13 Backpack part
14 Unyielding
15 Painter Frank
17 Lennon's love
18 Merino mom
19 Et cetera
22 Sinking signal
23 Produces
24 Hardly courageous
25 Tap type
27 Mercury or Mars
30 Hold tightly
31 Orangutan, for one
32 Darling of baseball
33 Lace's place
35 In the know
38 Dancer Castle
39 Silver or gold
40 Frisco player
41 Practical joke
42 Bike parts

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1 Goes by
2 Play part
3 Makes baby food, maybe
4 List-ending abbr.
5 Showing over
6 Butter unit
7 Yale rooter
8 Rotten
9 Casual pants
10 Wore
16 Bring to life
20 Sending into battle
21 Shrewd
24 Finish first
25 Less speedy
26 Target at a party
27 Lead ore
28 First game
29 Hampers
30 Muscle woe
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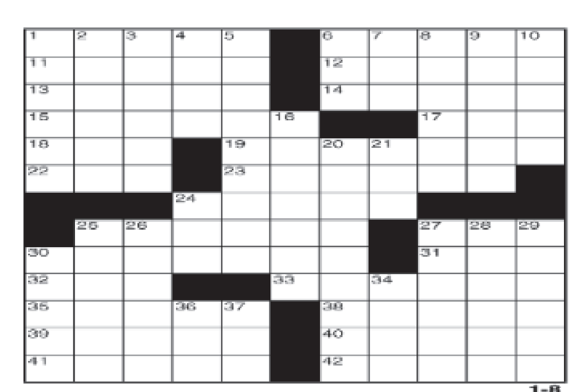
37 Caribou's kin



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TUESDAY'S ANSWERS

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