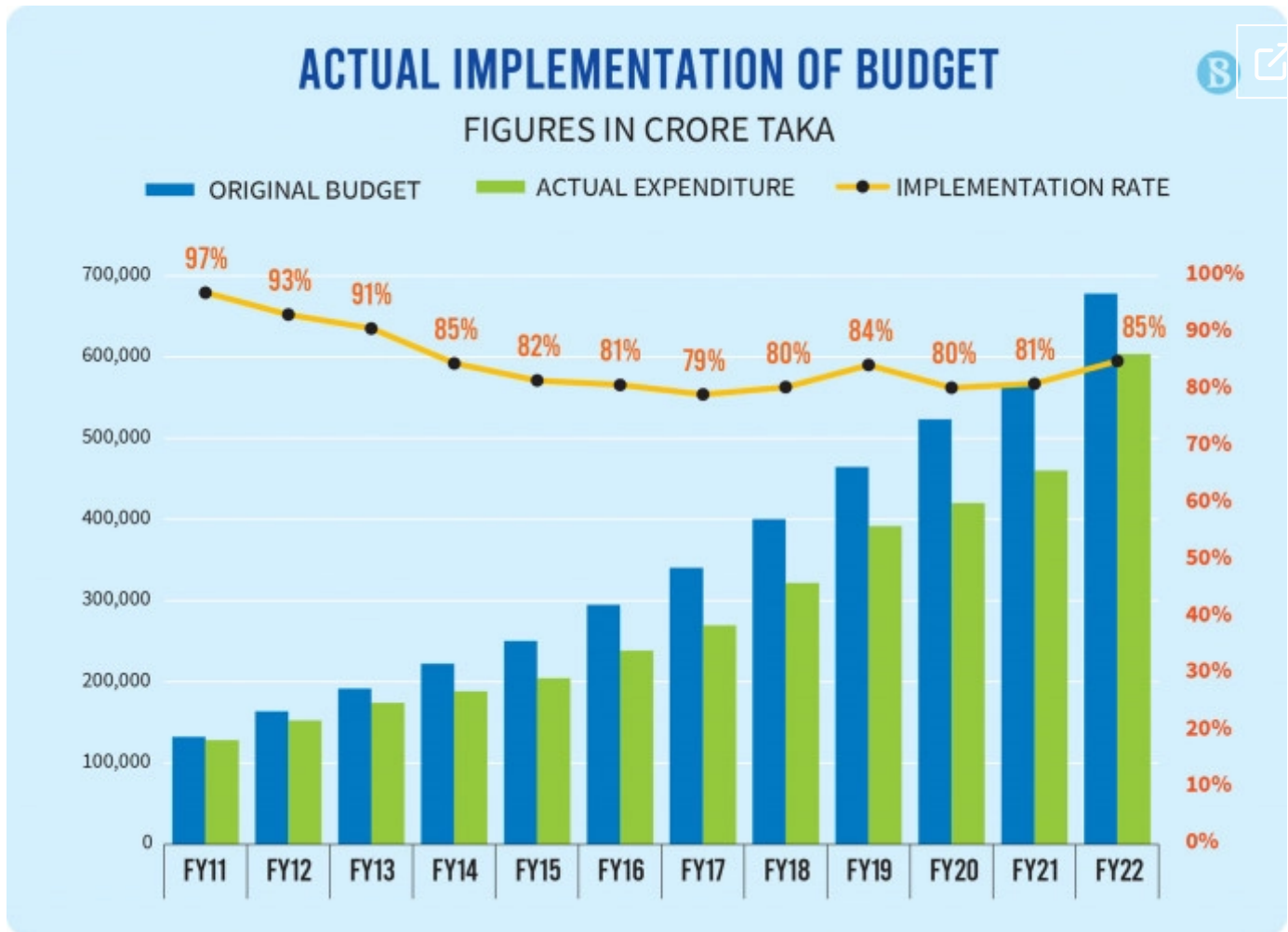


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Until the Covid-19 pandemic broke out in 2020 and then Russia-Ukraine war started last year (not much direct impact on Bangladesh economy), Bangladesh experienced positive annual growth since 1974-75, the last year of the Bangabandhu regime (a staggering 7.8% GDP growth that year). Bangladesh is third in the world in rice production and 4th in vegetable and sweet water fish production. Bangladesh was adjusted to be the fifth best in Covid-19 handling by NIKKEI. Infant mortality is down to under 30 per thousand. Primary and secondary enrolment of girls and boys are in proportion to female:male ratio in the population. The World Economic Forum has found Bangladesh to be second in Asia in gender parity.

In the UNDP's Human Development Report released a few days back, Bangladesh advanced four notches to 129th place in 2021 with an HDI value of 0.655. Bangladesh is ranked above India, Nepal, Pakistan and Afghanistan in South Asia. The rank remains the same at 129 even after the adjustment of the inequality phenomenon! There is thus no doubt that Bangladesh has progressed in many areas.

The impact of recession, pressure on reserves, energy mismatch, commodity shortage, inflationary pressure – all are worldwide phenomena. Those who compare Bangladesh with Sri Lanka, Pakistan or Myanmar, should think many times before making any such unkind comments. The foundation of Bangladesh is on a solid ground, as its economy has grown very strong. The socio-economic-cultural progress, the reasonable spectacular growth in manufacturing and the tertiary sectors has not happened out of the blue. It is the result of economic planning, political stability as well as hard work by the kishan-kishani-sramajibi patriots.

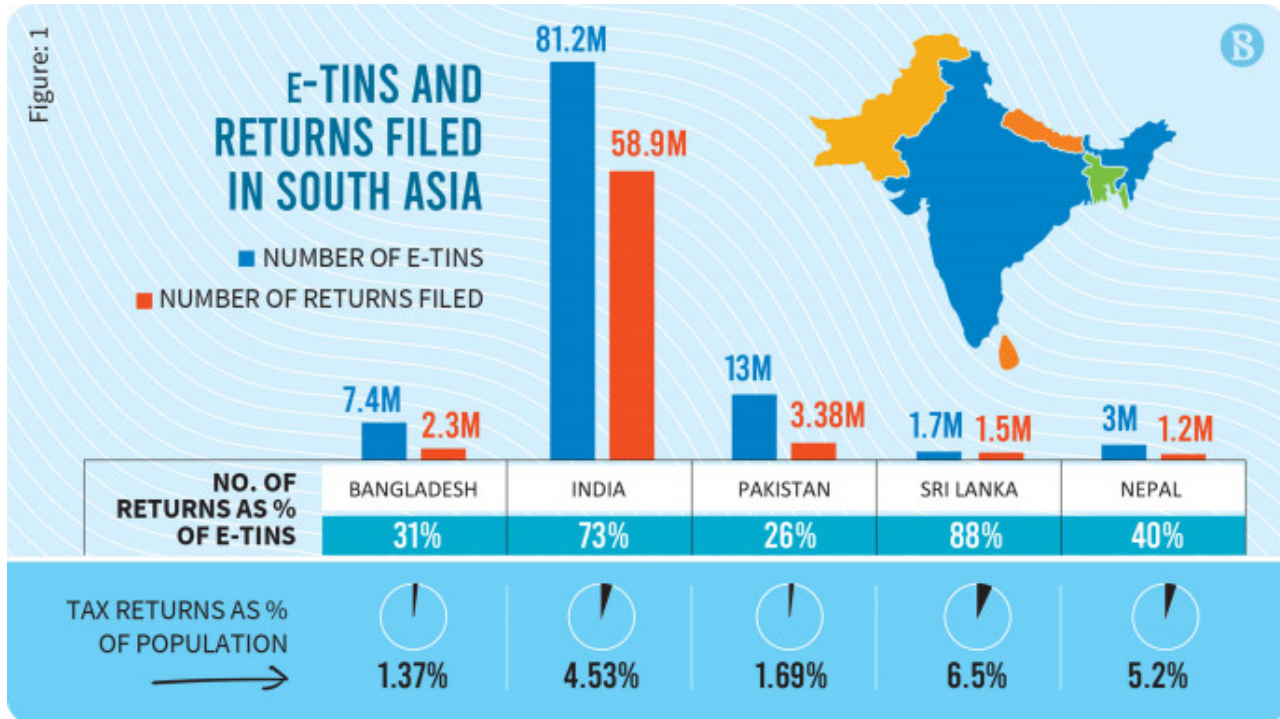
Bangladesh is not alone in facing the ongoing global inflationary spiral, energy crisis and market disruptions. Policy measures also can be blamed for causing the severity of the problems. At crucial times confusing information and mischievous suggestions are provided to the Head of the Government e.g. strong local currency means a strong economy, big population is necessarily an asset. Bangladesh should know how much price the country has paid through policy misconception. For a strongly developing country like Bangladesh the exchange rate has to remain in conformity with the trade competitors. Multiple exchange rate and unalloyed import preference are harmful. The Bangladesh Bank should be allowed to use its extraordinary capacity for computing Real Effective Exchange Rate (REER) through a constant updating of the currency basket ensuring inclusion/exclusion of not only the trade partners but also the trade competitors as well as the respective weights.

Remittance is a great treasure for Bangladesh. The 2.5% incentive may not be reaching the remittance earning workers. Remittance flow is not increasing despite the larger number of manpower service providers going abroad every year. The regulators may cause verification of a few cases through random sampling from remittance senders and the beneficiary recipients.

As exports had threatened to slow, Bangladesh should moderate its ambition of GDP growth in the current and next fiscal years. Growth records of Bangladesh are solid and the trend would resume if the remedial policy measures work.

With multiple exchange rates and dollars made available at the lowest rate to importers the "import preference" of Bangladesh burst into a whopping \$92b imports bill in 2021-22 including a jump of "CAPITAL GOODS" imports to an apparently impossible \$13b from \$3b in the previous year. Rampant over invoicing of imports up to 200% has been detected by the Bangladesh Bank. Heavy duty plus margins in excess of 100 percent plus speedy trials of the "luxury automobile for refrigerator" and "poppy seed for wheat" detected a decade ago is the need of the hour. Good tidings are on the horizon though. After months of decline, remittances in November 2022 have just surpassed \$1.59b compared to the remittances of \$1.53b in November 2021. More importantly, for the first time in the 51-year history of Bangladesh, exports earning from merchandise exports crossed \$5 billion in November 2022 [The data need scrutiny though]. As inflation is slowing in the USA and as demand for RMG and knitwear is still increasing even in Europe, Bangladesh is likely to return to the happy situation of $(X+R) > M$ of the yesteryears causing addition to the foreign exchange reserves every year. For continued prosperity, the minimum condition is to usher in and strictly maintain the discipline in the economic and financial management. Enforcing through prevention of money laundering ($> 7.5b$ a year), widening the tax net to include the wealthy and the surging middle class (as cited by BCG, HSB and Mastercard since 2015) and bringing back the grammar of loan reschedulement (10% down payment is cash, not more than three reschedulement, cancellation in the event of violation or failing to pay installment, discontinuation of morally hazardous interest waivers) as it existed on 1 January 2009. There are 25m people with a per capita income of \$4,000 or more and the number increases 10% or so every year to head towards the ninth largest consumer market globally by 2030. The economy is in track to become a trillion dollar GDP by that time, mostly propelled by private sector dynamism.

The country has to chalk out an innovative and prudently effective financial management to take advantage of its medium category UN human development index value at 0.655 and the rank at 129 in 2021 (133 in 2020) out of 191 countries. Bangladesh is also a low mid-income country as defined by the World Bank. But alas, it has the lowest tax collection in South Asia failing to cash in on the robust growth in GDP and GNI per capita. To see a comparison, a table prepared by the author from data taken from various sources is presented below:



The roadmap would have to ensure an increase of the numbers of e-TIN and returns filing every year to 20m e-TIN and 15m return filing by 2025 and 40m e-TINs and 35m return filing by 2030. Without such a resolute strategy, Bangladesh cannot get out of the dubious distinctions of having one of the lowest Tax: GDP (7-8%) and declining. Budget: GDP (15.1) and alarmingly reducing Investment: GDP at 26% or so. A long delayed reform separating policy from implementation of revenue administration at NBR as well as other major reforms including drastic reduction of tax waivers mostly to the wealthy need to be put in place to generate internal resources for growth towards sustainable development. A diversification in production and exports as is softly spoken about now must roar. The low implementation of the budget (the size has been itself below the optimality of 20% of GDP) during the period of FY09 to FY22 as under (source: the Ministry of Finance) clearly and loudly point to the urgency of Budgetary Reforms.

No progress has been made in the pre-election pledge made by the party in power for the 11th parliament for a zero tolerance for corruption. An obvious starter can be a strict enforcement of a range of internationally comparable price range for procurement of materials or services or constructions of roads and bridges. Other areas for attention are: to stop game play of eviction and reoccupation, checking drive for alleged driving license verification and purely temporary document ceasing, suspending route permits, noisy detection but quiet release of over invoiced and misdeclared imports. Recent initiatives in detecting over-invoiced imports may bear effective fruit if past cases of importing luxury cars in the guise of refrigerators, poppy seeds in the name of wheat and high duty electronics and liquors in the name of "capital goods" are vigorously pursued.

Kishan-kishanis and sramajibee patriots have been once again helped by Providence in the major turn around the Bangladesh economy is about to experience. Aman crop that is being harvested now may yield five to six hundred thousand tons of additional output. Government may wish to quickly repair the damage from the price hike of the "irrigation and transportation diesel" price (not easy because of the fungibility across the higher priced neighborhoods). One energy saving measure will be to discontinue the luxury of piping gas to the kitchen and introducing cylinder supply gas as everywhere else in the world effective 1 January 2024. May we also have a 32-hour four-day work week (Monday-Thursday) of offices from 8:30am to 5:00pm. Schools will start at 7:30am. This is to create congenial conditions for a bumper Boro crop as well. The nexus between some corrupt food officials and several of the 15000 plus rice dealers to create 1975 like Famine conditions by corruption in procurement and illegal hoarding will have to be crushed. Thanks to the Head of the Government's wisdom to keep the foodgrains stock at a minimum level of 1.5 million tonnes; GOB should have silo capacity and a GOB stock of 2 million tonnes for optimal food security. Many surplus farmers are wise in making their own stock. Hence only the enemies of the state raise the panic of famine. Farmers with a thousand taka loan default are taken to custody and released on the intervention of the head of the state; any punishment to those who put these farmers into jail?

Highly admirable is the handling of the debt servicing issue in Bangladesh ever since its birth (DSR has never been above 10; it is now only 05). Care may still have to be taken in re-negotiating the project aids of medium and short term duration from Russia, China and India for a few mega projects. If deemed prudent, the debts may be rescheduled and the project cycles slightly shifted back. UNCTAD may also be moved for "debt for climate change mitigation". It is also high time to redesign the development framework from a Poverty Reduction Model to Industrialization for Employment Generation towards Poverty Reduction and Disparity Denting. In particular, a carefully thought out Cottage, Micro and Small Enterprise Strategy (CMSE) should be adopted with a focal point (a separate wing of PKSF or a metamorphosed BSCIC) to identify, incubate, nurture, help market survey, access highly concessional as if grant type finance (mudaraba or venture capital) to industrially process the monumental success of agriculture, veterinary and animal husbandry. The implementation of the strategy will require major empowerment, particularly of women and expansion of long delayed renewable energy, solar and biogas. The government may also catalyze the spark of either forming growers-cum-marketers cooperation at villages as advocated by the Father of the Nation or cause initiation of modest sized family business around the farm sector.

A recognition is necessary that in an avowed market based economy, the price of money i.e. the interest rate as the main instrument of financial intermediation will be determined by the demand for and supply of loanable funds. The role of the government and Bangladesh Bank should be (a) to create competitive conditions, (b) discontinuing the morally hazardous interest waivers (taka fifty thousand crores so far!), (c) restoring the not more than two persons per family in the private bank board for three years, (d) resolve NPL issue amicably but firmly keeping the national interest in the upper hand (e) remove excise duties up to taka twenty lakhs deposits (the colonial power introduced excise duty to discourage people putting money in the banks) (f) think of a BB as statutory body or at least a governor for seven years single term, and (g) restore confidence in the capital market by

1. reforming the book binding method
2. very very restrictively allowing revaluation of assets
3. the stock market boards making to allow the CEO and CFO operate as per rules
4. separating the ownership and dealership functions
5. stopping the 'placement' business
6. carefully reviewing the two percent of equity holding as a pre-condition for a shareholder to seek election as a member of the company's board
7. more effectively using the excellent provision of 'independent' director by the BSEC choosing them rather than the corporate bodies requesting specific individual to be appointed in their boards
8. making sure that the independent directors receive adequate compensation and can enforce the propriety of the external auditors from acting as consultants behind the scene.

The government investigation must identify the person who declared eligibility "to get only taka one hundred thousand" from the bank irrespective of the balance amount. A major sabotage like this should be dealt with sternly. This is also the time for government insurance of bank deposits. A thousand crore taka may initially suffice to insure the taka1.2 million crores and then there is the re-insurance opportunity to explore. The initial kitty may be shared fifty-fifty between the government and the bank owners. How about a Financial Reforms Commission!

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