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Business

Interview

## Tough challenges for Bangladesh

ADB DG tells The Daily Star

Sajjadur Rahman

Bangladesh economy faces grim challenges in 2009, as the country's real economy may slow down on weakening external demand, warned a top Asian Development Bank (ADB) official.

The newly elected government needs to undertake a contingency plan on an emergency basis to deal with impacts of the ongoing global financial crisis, now spreading from the US to Europe and Asia.

"I suggest that the newly elected government form a high-powered taskforce to assess the crisis impacts on Bangladesh economy, besides monitoring and formulating policies to mitigate such impacts," Sultan Hafeez Rahman, director general, Pacific Department of ADB, told The Daily Star in an interview.



Sultan Hafeez Rahman

Rahman is a Bangladeshi who holds such an important post in the Asian lending agency.

He said: "The taskforce must be task-oriented because the time is too short."

He believes the crisis would linger till the first six months of 2010 meaning that the new government's first one and half years would go through the worst-ever global meltdown.

Rahman also suggested a great attention on how the country can tackle the crisis, as the risk exposures could turn nasty in an economic downturn.

These risks, according to the ADB official, include slowdown in exports because of shrinking demand and fewer orders from abroad and a reduction in remittance. This sluggishness in exports and remittance would certainly affect business confidence and imports, Sultan Hafeez Rahman cautioned.

Bangladesh is doing well in all the above indicators till date, but the rosy picture may be seen from the second half of 2009, he predicted.

The lending agency official also focused on other issues, including the new government's economic challenges.

Considering the implementation of the winning party's election manifesto 'a great challenge', he also pointed out that addressing the issues like regional economic development and climate change effects would be two other major challenges for the Awami League (AL).

Bangladesh has restored democracy in an election held on December 29, 2008 after two years of a caretaker rule. On its victory with a outright majority, the AL-led grand alliance is forming a government today.

The new government inherits some challenges because of the ongoing global crisis and it would be too tough for them to implement their polls manifesto.

"The Prime Minister should have a council of economic advisers who would help the government to implement her election manifesto by managing resources," the ADB DG said.

Talking to The Daily Star, Rahman suggested the government take some measures to avoid a deep slowdown in economy in 2009 and the first half of 2010, although the country so far remains relatively immune from the crisis fallout.

The ADB official said the meltdown that started in the US in mid 2007 took about one year to see the first collapse of Fannie Mae and Freddie Mac, two mortgage financial institutions in the US. Later in 2008, some other giant institutions, including Lehman Brothers, also collapsed.

After the US, Europe first got into the crisis and now it has affected the Asian big economies like Japan and China. Sultan Hafeez Rahman warned of a slowdown in economic growth in many countries, including the emerging Asians.

He described the current situation as a 'serious and complex crisis', which, he thinks, was not seen in the last 100 years.

"No doubt, it is likely to be prolonged and there will be a rise in unemployment and slowdown in economic growth in many countries," he said.

He said the fallout from the crisis on Bangladesh would be different from other countries that have already been affected through their financial channels.

Bangladesh is not so exposed to the global economies and its portfolio investment is also very poor, Rahman said, adding that there is hardly any chance for Bangladesh to be affected through financial institutions.

"Despite this sort of immunity, the risk is pretty high for Bangladesh because the crisis may lead to a slowdown in export, remittance and import," he said.

Middle East, a region from where Bangladesh's lion's share of remittances comes, has already been hit by the crisis, he added.

If Bangladesh's export and remittance are hit hard, import will not be immune from the fallout, he warned.

"To avoid a deep slowdown, the government has to work by a balance in its monetary and fiscal policies," the ADB official said.

If the crisis hits Bangladesh, it would also affect exchange rate, inflation and make tough for the ruling party to implement its election manifesto.

A population of three million is being added every year to Bangladesh's workforce, but roughly half the figure is provided with jobs.

He also focused on Bangladesh's bright sides. Food production has doubled despite a population boom, he added.

"The private sector has done wonders in Bangladesh," he noted.

Micro-finance institutions have also played an important role in alleviating poverty, he said.

He suggested that the government should not focus more on becoming a middle-income country in a stipulated timeframe, it will automatically be so if growth continues to happen.

Replying to a query, he said Bangladesh needs 8 percent growth rate at a row for 20 years to reduce poverty to 15 percent from 40 percent plus now.

"What political leaders want is very important in this regard," he commented.

He said inequality in Bangladesh has increased and no country can become a middle-income country with this level of disparity.

"The government should review the policies adopted so far by different governments to reduce the poverty level," he said. "Growth alone can't drop the poverty, it needs a broad-based policy and setting up of more and more labour-intensive industries."

On the top economic priority of the new government, the ADB official said: "Regional economic development is very crucial at the moment. The new government can move to form a regional platform involving Bangladesh, Bhutan, Nepal and India."

Bangladesh can also play a role in making Bimstec an effective regional platform, he suggested.

Climate change issue and its impacts on Bangladesh is also a huge challenge for the new government, Rahman said.

On the donors' role in Bangladesh, he said: "It's Bangladesh's matter, but the country must formulate its own policy for a meaningful engagement of donors."

Bangladesh needs to carry out a series of reform programmes, including civil service, judicial and governance, he said.

Rahman said education, particularly higher education, is neglected here. "No country can develop without first rating graduates," he added.

How they want to see Bangladesh in 2025 must be focused in the government's policies, he said, suggesting a long term and clear-cut economic vision of the government.

*The views expressed here are of the ADB DG's own, not necessarily of his organisation.*

**Sajjad@thedailystar.net**