

Media News Report on “Strategies and Policies for an Upper-Middle Income Bangladesh”

Sunday, Nov 10, 2019

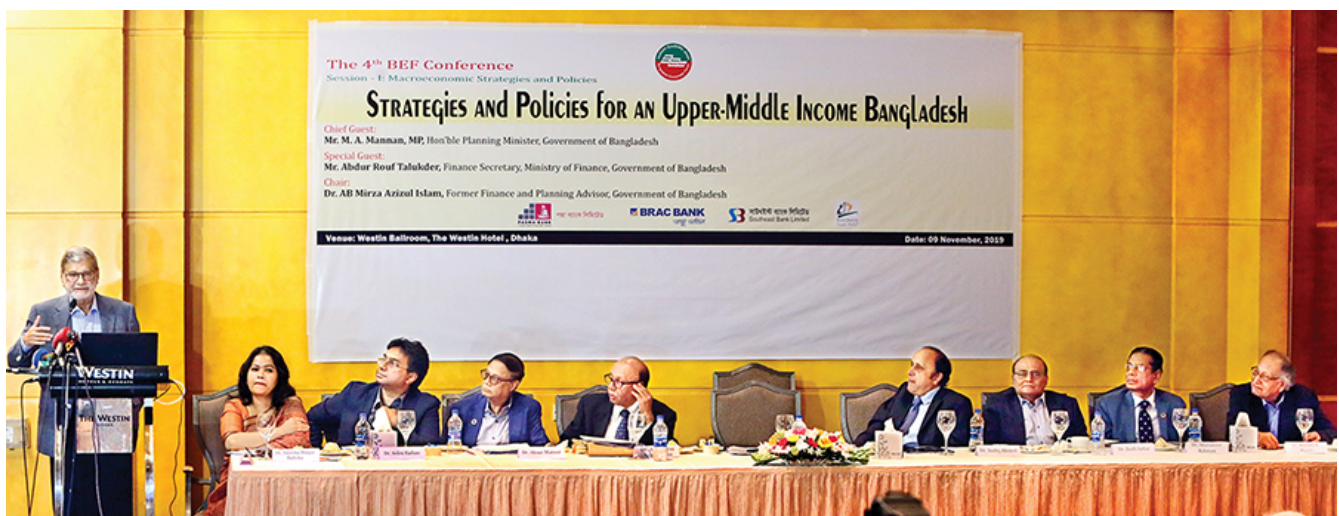
4th BEF Conference 9th November 2019



Country’s post-graduation challenges worry experts

Selection of professional NBR chief suggested

FE REPORT | November 10, 2019 00:00:00



Planning Minister MA Mannan speaking at the 4th BEF conference held at a city hotel on Saturday. Also seen seated are former Finance Adviser to caretaker government Dr A. B. Mirza Azizul Islam (fourth from left), PRI chairman Dr Zaidi Sattar (third from right), PRI vice chairman Dr Sadiq Ahmed (fourth from right), InM executive director Dr Mustafa K Mujeri (extreme right), PRI Executive Director Dr Ahsan H Mansur (third from left), CPD distinguished fellow Prof Mustafizur Rahman (second from right), SANEM executive director Prof Selim Raihan (second from left) and DU associate professor Dr Sayema Haque Bidisha (extreme left) Story on Page 1 — FE photo

Bangladesh will have to address a few core policy challenges to achieve the upper-middle income country status by 2031, economists said.

The challenges include ensuring equitable tax system, capital market vibrancy, and export diversification.

Currently, the country remains mostly concentrated on the readymade garment exports, which are likely to come under threat after its graduation.

The views came in the fourth conference of the Bangladesh Economists’ Forum themed ‘Strategies and policies for an upper-middle income Bangladesh,’ held at a city hotel on Saturday.

In the first session on ‘Macroeconomic strategies and policies,’ planning minister MA Mannan was the chief guest while former finance adviser to the caretaker government Dr A. B. Mirza Azizul Islam was in the chair.

Vice chairman of the Policy Research Institute (PRI) Dr Sadiq Ahmed presented a paper on ‘Tax policy management for an upper middle income country (UMIC)’, executive director of the InM Dr Mustafa K Mujeri on the role of financial sector management, PRI executive director Dr Ahsan H Mansur on addressing the balance of payment concerns and PRI chairman Dr Zaidi Sattar on facilitating export diversification for the UMIC.

Distinguished fellow of the Centre for Policy Dialogue (CPD) professor Mustafizur Rahman, executive director of the SANEM professor Selim Raihan and associate professor of Dhaka University Dr Sayema Haque Bidisha were discussants on the papers.

While presenting the paper, Dr Ahmed of PRI said the country’s tax-GDP ratio has to be jacked up from the present 9.0 per cent to 17 per cent to be a UMIC.

He suggested fiscal decentralisation, separation of tax policy wing from the collection, and the selection of a professional chairman for the National Board of Revenue with fixed tenure.

He also stressed the need for addressing the issue of non-performing loans in banks, raising substantially the property tax rate, bringing the increased number of rich people under tax net and reducing harassment of taxpayers.

He said the interest burden on the people is increasing due to costlier instruments like savings certificates.

Dr Ahmed, a former World Bank senior executive, said higher dependence on revenue from trade sources distort the export performance of the country.

Currently, up to 30 per cent of the taxes is coming from trade sources.

He said the existing tax system has to be reexamined to address those issues.

Dr Mujeri expressed the fear Bangladesh would face an increased economic and financial vulnerability after its graduation.

He said strong and coordinated medium-term macro-economic framework is needed to face the challenge.

“An economic crisis that includes the banking trouble has a more severe and prolonged impact on real sector,” he said.

He listed four challenges in developing the capital market: macroeconomic stability, banking sector development, institutional quality and protection of the shareholders.

He said the country’s share market is ‘immature’ and ‘illiquid.’

Dr Ahsan H Mansur underlined the need for tracking what he called “missing elements” in the economy: foreigners’ repatriated money, overseas medical treatment, etc.

He said the country’s losses in the European Union export market will be higher after its graduation.

The tax for apparels in the US market is 15 per cent against its global average of 2.0 per cent from other countries, he added.

He stressed the need for developing the negotiations skills capacity for boosting the bilateral trade while diversifying export basket.

Dr Zaidi Sattar said high tariff protection in the import-substitute industries works as anti-export bias in the country.

He said incentives for the local market are higher than those of the export market, which is affecting export diversification away from garment.

CPD distinguished fellow Professor Mustafizur Rahman said Bangladesh will lose preferential and other facilitates in the world market after its graduation.

He said the country will have to identify the sectors where it should give strategic support.

“We have to look at the global regime how democratic they are,” he added.

Not only tariff regime but transport connectivity and other infrastructure issues are also important to stay competitive in the global market.

He said the journey towards graduation will not be possible without equitable distribution of wealth.

It should be determined what type of political economy the country needs, he added.

Dr Selim Raihan said the tax-GDP ratio remains poor despite increasing the GDP base, though

the scenario is opposite in other countries.

He said the large infrastructure projects involved higher cost and often time overrun.

There is a lack of appetite for carrying out reforms, he added.

Dr Bidisha said the US-China trade war, Brexit issue, and non-tariff barriers to trade have to be taken into consideration while transitioning into the upcoming status.

She said skilled labour, automation of industries are needed as the country’s demographic dividend will not sustain for a long.

Former finance minister M Syeduzzaman took a swipe at the family oligopoly and the extension of board of directors’ tenure to nine years from six years in the banking sector.

He also said the leather sector has the potential to take off if it is provided with necessary policy support.

Dr Mirza Aziz said the government has taken too many projects with insufficient allocation. Still, the allocated money is not spent properly, he added.

He suggested privatising all of the state-owned enterprises as those are incurring losses, running with inefficiency and indulging in corruption over the years.

He suggested better coordination between central bank and the securities regulator to resolve the conflicting signals like Grameenphone issue.

MA Mannan said all projects are on track now except the Padma bridge.

About privatising state firms, he said he “personally favours this but not as minister.”

doulot_akter@yahoo.com

<http://today.thefinancialexpress.com.bd/public/first-page/countrys-post-graduation-challenge>

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Govt fears reforms lest it stall development, says MA Mannan

[Mohammed Monirul Alam](#)

- Published at 12:00 am November 10th, 2019



Discussants at a conference on strategies and policies for an upper-middle income Bangladesh organized by Bangladesh Economist Forum at a Dhaka hotel on Saturday, November 9, 2019 Dhaka Tribune

Economists call for reforms, including privatization of all state-owned enterprises, to create ground for good governance

Planning Minister MA Mannan said on Saturday that the government was afraid of bringing about reforms lest it put a brake on the ongoing development activities.

The minister came up with remark in response to critics, analysts and economists calling for immediate reforms in the financial sector in order to create a ground conducive to good governance.

“We reaped benefits from the strategy we applied in the last few years. The government wants to take forward both the politics and economy simultaneously. We do not want to lose or slow down the pace we have brought to the economy because of reforms,” said M A Mannan.

He was addressing the fourth conference of Bangladesh Economist Forum (BEF) on “Strategies and Policies for an Upper-Middle Income Bangladesh” at a hotel in the capital.

The planning minister said majority in his government felt the necessity of reforms but any reform usually takes a long period to take effect.

He maintained: “Many (speakers) suggested structural reforms. Those in the government also recognize that there is need for reforms. No reason to get disappointed. The government is actively thinking about it.”

The minister stressed that the government had a duty to each of the citizens, even a thief.

He countered the experts’ call for privatization of the all commercial entities of the state.

“I can feel your concerns about banks, state-owned enterprises (SOEs) and the need for their privatization. But, what is politics?. It is an art of compromise; everyone must be included in politics. No one should be left behind, not even a thief. We have to take also a thief along the development journey. As a citizen, a thief has rights to get benefit of development. We want to establish such a situation in the country,” he elaborated.

Speaking on the occasion, noted economists of the country recommended immediate reforms in the financial sector to bring good governance.

In two separate sessions, noted economists placed a total of nine keynote presentations portraying the current state of different sectors of export products, import substitute local industries, tax policy, balance of payments, financial sector management, investment, education, migration and challenges of skills development and recommended ways to address the issues.

As chair of the first session of the conference, former finance and planning adviser to a caretaker government AB Mirza Azizul Islam underscored the need for reforms in capital market, merger of banks and privatization of the SOEs.

“Why are we not privatizing all the state commercial entities? These are plagued by corruption, misappropriation, irregularities. They generate loan burden and become partisan,” Mirza Azizul said adding: “We have worst example of Jute Mills Corporation before us.”

He said governance in the banking sector weakened due to the recent changes that enabled all members of a family to become board members for a period of six to nine years.

He said the finance minister often told the media that merger of weak banks might happen if situation demanded but there was no such initiative so far.

He said irrational behaviour at capital market was destroying small investors' confidence but the government did not seem sincere about addressing the problems.

He said the government was not offloading shares of public entities in the capital market, which was discouraging the private sector companies.

He said the tussle with Grameen Phone was having a negative impact on the market and giving the foreign investors bad impressions.

“GP is significant in the capital market,” he observed, adding that there was a need for listing both foreign and local companies with the capital market.

Former Bangladesh Bank governor Dr Atiur Rahman said the investment GDP (Gross Domestic Product) ratio in the country remained static at 31%, which needed to be boosted up to attain the projected double digit growth.

The speakers at the conference also stressed the need for moving beyond the single product export basket of readymade garments and extending policy support towards diversification of export products.

They said some of the export items of the country were doing good in the global market but facing tremendous competition due to the emergence of many countries with same products.

Chairman of Palli Karma Sahayak Foundation Qazi Kholiquzzaman Ahmed chaired the afternoon session of the conference.

Member of board of trustee of BEF and Vice Chairman of PRI Sadiq Ahmed welcomed panel discussants and guest speakers.

Chairman of Policy Research Institute Dr Zaidi Sattar, Executive Director of Institute of Inclusive Finance and Development Mustafa K Mujeri, former president of Bangladesh

Economic Association Mohiuddin Alamgir, Executive Director of PRI Ahsan H Mansur, Distinguish Fellow at Centre for Policy Dialogue Prof Mustafizur Rahman, Executive Director of SANEM Selim Raihan, Associate Professor at Dhaka University Dr Sayema Haque Bidisha and senior research fellows at Bangladesh Institute of Development Studies Dr Nazneen Ahmed, Dr Anwara Begum and Dr Minhaj Mahmud and senior economist at PRI Dr Ashikur Rahman spoke, among others.

<https://www.dhakatribune.com/business/2019/11/10/govt-fears-reforms-lest-it-stall-development-says-ma-mannan>



Graduation to Inclusive Upper-Middle Income Country

Redistributive fiscal policy to be developed: economists

[Staff Correspondent](#) | Published: 00:00, Nov 10,2019



Planning minister MA Mannan attends as chief guest the 4th BEF Conference organised by Bangladesh Economists’ Forum at the Westin Hotel in the capital on Saturday. Former interim government adviser AB Mirza Azizul Islam chaired the event, also attended by Policy Research Institute of Bangladesh chairman Zaidi Sattar, vice-chairman Sadiq Ahmed, executive director Ahsan H Mansur and South Asian Network on Economic Modelling executive director Selim Raihan. — New Age photo

Economists on Saturday said developing a redistributive fiscal policy, improving institutional capacity and having a strong financial sector were required to ensure an inclusive upper-middle income Bangladesh.

In the 4th BEF Conference organised by Bangladesh Economists’ Forum at the Westin Hotel in the capital, they also warned of middle-income trap saying that Bangladesh would have to design policy for dual graduation, least developed to developing country and lower-middle

income to upper-middle income country.

The theme of the conference was ‘Strategies and Policies for an Upper-Middle Income Bangladesh’ and four papers on tax policy, financial sector management, balance of payment and export diversification were presented at the conference.

In the papers, economists suggested that the government ensure good governance of functional institutions, human capital development and equitable distribution to go to the upper-middle income status.

‘Income inequality has gone up. We do not want a Bangladesh just a middle income Bangladesh. We want inclusive middle income Bangladesh,’ Centre for Policy Dialogue distinguished fellow Mustafizur Rahman said.

Without having a more equitable society, Bangladesh would not be able to be an upper-middle income country, he said.

The dual graduation would be difficult for Bangladesh and the country would have to design policies how to make the journey possible, Mustafiz said.

He also suggested tapping the potential of regional export market saying that there was immense potential for Bangladesh in India but the country exports to the market stood only at \$1 billion.

Along with export products diversification, Mustafiz emphasised intra-RMG diversification.

Sadiq Ahmed, vice-chairman of Policy Research Institute of Bangladesh, suggested making the budget growth-oriented, developing a redistributive fiscal policy to lower income inequality and establishing a productive, efficient and equitable tax system for upper-middle income Bangladesh.

He also suggested reforming public enterprises to maintain long-term fiscal solvency and avoiding misuse of public resources and promoting fiscal decentralisation.

Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development, stressed strong and coordinated medium-term macroeconomic policy saying that as an upper-middle income country Bangladesh was likely to face increased economic and financial vulnerability.

Bangladesh needs to ensure that all banks are strong and healthy, he said.

‘It also needs to manage the pace of further liberalisation of the financial markets and to balance it against the risk of interconnectivity of domestic financial markets with global financial flows.’

Mujeri suggested that the government introduce appropriate measures and regulations to ensure that the stock market does not become a source of instability or short-termism in the economy.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said in his paper that Bangladesh’s balance of payment was suffering from export concentration in terms of lack of diversity in exports of goods and services and also in terms of destination of exports.

He said that no country in the world could become an upper-middle income country or high-income country with such a high degree of concentration in a single product requiring low level of skill and corresponding low level of wages for workers.

Mansur also suggested developing a comprehensive strategy for improving the country’s service account balance over time and reorienting the economy to enhance service sector productivity and to manage exchange rate policy flexibly with a view to ensuring competitiveness of exports.

Demanding elimination of trade policy bias against exports, PRI chairman Zaidi Sattar said that high tariff protection raised profitability of import substitute production that created an inherent anti-export bias.

‘Regardless of how much trade infrastructure (transport, customs, and port facilities) is

improved and modernised, as long as the structure and degree of protection remain at the current levels, the attractiveness of sales in the domestic market will far exceed the incentives for exports — particularly non-RMG exports,’ he added.

‘There is no doubt that Bangladesh would become a middle income country. The issue is what kind of upper-middle income country we want,’ South Asian Network on Economic Modeling executive director Selim Raihan said.

He identified high and growing nonperforming loans as one of the challenges for transition to high-middle income country.

Regarding export diversification, Selim said that there was serious consensus among politicians and businesspersons over the stimulus package for the RMG sector but this kind of consensus remained absent in other sectors.

He blamed lack of appetite for reforms for the weak financial sector, low tax-GDP ratio and high concentration of export basket.

Criticising the poor governance in the banking sector, former interim government adviser AB Mirza Azizul Islam said, ‘You give loans to your friends and relatives and don’t bother to recover those.’

Allowing four members of a family to be the directors of a bank was not conducive to good governance in the sector, he said.

Mirza Aziz said that there were allocations for too many large projects in the country but the funds were not properly utilised.

He suggested the government spend more in health, education and social safety net to be an upper-middle income country.

Planning minister MA Mannan assured that all the government projects except Padma Bridge would be completed in estimated time.

গণমাধ্যমে প্রকাশিত খবর অনুযায়ী বাংলাদেশ সরকারের উদ্দেশ্য হলো একটি উচ্চ-মধ্যম আয়ের দেশে পরিণত হওয়া। এই লক্ষ্যটিকে বাস্তবায়ন করতে সরকার বিভিন্ন কৌশল এবং নীতিমালা প্রণয়ন করেছে।

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গণমাধ্যমে প্রকাশিত খবর অনুযায়ী: সরকার উচ্চ-মধ্যম আয়ের দেশে পরিণত হওয়ার লক্ষ্যে বিভিন্ন কৌশল এবং নীতিমালা প্রণয়ন করেছে।

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