Fathoming the depeening global crisis

ATIUR RAHMAN

THE world economy has changed spectacularly since September 2008. What began as a slump in the US housing sector is now a global crisis, spreading to both rich and poor economies. Many believe that this may go down in history as the worst crisis since the Great Depression of the 1930s wiping out almost 10 trillion US dollar worth of value from stock markets over the past months. The triggers for the present global financial crisis were in the US subprime mortgage market the crumbling of which engulfed the global financial markets leading to a painful recession of the world economy.

Bangladesh, though not so much globalised financially, depends a lot on foreign trade. More significantly, its exports including readymade garments, shrimps, leather, etc are solely dependent on the western consumer demand. So the employment decline and hence that of the income of the ordinary consumers in the USA and Europe are bound to have serious impact on our export potentials. This has started impacting since January with the buying spree during Christmas sales coming to an end. Similarly, there can be negative impact on the export of Bangladeshi low-skilled manpower following the ever declining oil price and a likely depression in infrastructural development activities in the Middle-East.

The new government will have to face these economic crises head on. One positive thing is of course the falling prices of oil and commodities in the international market. This will surely dampen inflationary pressures.

Let us now try and understand the nature of the global financial crisis.

Getty

The extent to which the crisis will hurt the economy of Bangladesh is still unclear. At present, some indicators such as exports and remittance are actually encouraging. However, that does not mean that the government can be complacent. A prolonged global recession now seems likely, and therefore, negative impacts may be inevitable. So, Bangladesh must be prepared to face this crisis, both at the macro and micro level. Policy adjustments may have to be made at any time as demanded by the depth of the crisis. Appropriate policy taskforce, in addition to the routine monitoring by technical groups will have to be functioning continuously to provide necessary guidelines to the implementers, so that no sense of complacency, and hence, inaction creeps in.

Subprime crisis

Subprime lending is the practice of making loans against mortgaged property to borrowers who do not qualify for market interest rates owing to various risk factors, such as income level, size of down payment, credit history, employment status and so on. Banks transferred credit risks to third-party investors through a process called securitisation -- Mortgage Backed Securities (MDS) and Collateralised Debt Obligations (CDO). Four primary categories of risks are involved in subprime lending -- credit risk, asset price risk, liquidity risk and counterparty risk.

The value of US subprime mortgages was estimated at \$1.3-2 trillion as of March 2007, while total mortgage market was estimated at \$12 trillion. Between 1997 and 2006, American home prices increased by 124 per cent. Thus second mortgage of properties increased and the added funds were used for consumer spending. As a result, household debt grew from \$680 billion in 1974 to \$14 trillion in 2008. However, records of nearly 4 million unsold existing homes were for sale which placed significant downward pressure on prices. As a result, more homeowners were at risk of default. Factors that contributed to the global financial crisis include: poor judgment by borrowers and/or lenders, speculation and overbuilding during the boom period due to lower price and interest rates, risky mortgage products and high personal and corporate debt levels, weak financial regulation and lack of oversight of financial institutions, aggressive activities by the insurance companies and vague ratings of assets and securities, overexposure of banks to risky lending and easy credit money, greed of Wall Street financiers, unsupervised cross border integration of financial markets, market fundamentalist philosophy and so on.

Governments across the world have taken multiple efforts to mitigate impact of financial crisis. The US, UK, Ireland and others have virtually 'nationalised' giant financial institutions including banks, insurance companies, and mortgage houses. In the US, Congress adopted a massive bailout plan with taxpayers' money. It initially approved a law to buy \$1.5 trillion worth of bad mortgages and other assets from the troubled banks, which would wipe debts from their books with the hope that they will be able to start lending more freely again.

Overall, a \$2.4 trillion dollar rescue package has been put into motion in the US, the EU and Asia. India cut its key interest rates (20, October) by one percentage point -- from 9 per cent to 8 per cent. China also cut interest rates and announced a \$586 billion stimulus package focusing mainly on infrastructure and social programmes. This was followed by a similar \$11 billion fiscal stimulus package announced by S Korea. The International Monetary Fund (IMF) has urged the major central banks to provide direct support to the banking system, saying some \$657 billion would be needed in the next few years. Several meetings have already taken place regarding the restructuring of the global financial system and more are scheduled in the near future.

Global consequences of the financial crisis include sharp fall in exchange rates of most of the currencies against the US dollar, despite ongoing recession in the US territory, sharp decline in global stock markets, fall in property prices in many western countries and sharp rise in unemployment in the US -- over 65,400 jobs cut as of September 2008. Currently, unemployment rate is estimated to be around 6.5 per cent and fall in consumer confidence has been observed in developed economies and so on. Some projections made by IMF in its World Economic Outlook, October 2008 indicate that world economic growth would slow down to 3.9 per cent in 2008 and 3.0 per cent in 2009 from the relatively robust growth of 5.0 per cent in 2007.

Impact of meltdown on developing countries

Developing countries -- at first sheltered from the worst elements of the turmoil -- are now much more vulnerable, with dwindling capital flows, huge withdrawals of capital leading to losses in equity markets, and skyrocketing interest rates. It is no longer a question of 'whether' but 'when' and 'how' the ongoing financial crisis will affect developing and least developed countries. The effects will vary substantially across the globe depending on size and structure of the national economy, as well as level and nature of global integration. The full effects of financial crisis on developing countries have not yet been registered. Lack of real time data is a problem. The risks for low-income countries vary, but all are potentially severe.

Large external demand shocks will immediately have real economy impact as they can not be cushioned by internal demand. Unfavourable effects in Official Development Assistance (ODA) may accelerate economic slowdown in LDCs. World Bank projects the real GDP growth to slowdown across all developing regions in 2009. GDP growth in developing countries -- only recently expected to increase by 6.4per cent in 2009 -- is now likely to be only 4.5 per cent, according to economists at the World Bank. Moreover, rich countries are now expected to contract by 0.1 per cent next year. Thus LDCs are to be affected more, given the trade relationship. Progress towards MDGs faced setbacks over the last 2 years due to soaring food and fuel prices. Now the challenge for many LDCs who rely on exports is how to cope with falling demand for these exports and prevent mass unemployment. But unfortunately, the challenge of high inflation has yet to fade away in some regions.

Impact on South Asia

If we compare the economic integration of Bangladesh, India and Pakistan with the rest of the world, we will find that in 2006 trade as percentage of GDP is highest in India (48.78 per cent) followed by Bangladesh (44.22 per cent) and Pakistan (38.61 per cent). Pakistan receives the highest FDI inflow as percentage of GDP (3.37 per cent) followed by India (1.19 per cent) and Bangladesh (1.13). From the exchange rate side it is noticed that Pakistan rupee has depreciated the most against the US dollar, followed by the Indian rupee while Bangladeshi Taka has remained relatively stable.

The IMF data and projections indicate that all the three countries are expected to experience some slowdown in GDP growth rates from the previous years. Bangladesh government expects over 6 per cent growth in FY 2008-09. The Indian PM forecast growth at 7.5 per cent. Pakistan's economy has grown by 7-8 per cent over the past few years but most of this growth has taken place in sectors such as consumer financing. Real economy (agriculture, industry, mining, etc.) has not had much growth and impact on poverty reduction has been minimal at best. IMF projects high inflation of 23 per cent and growth rate of only 3.5 per cent for 2009. The depreciation of Pak rupee has adversely affected the country's ability to repay foreign debts. As a result, the foreign exchange reserves of the country have fallen so low that they hardly cover 9 weeks of imports. To avoid default, Pakistan has sought help from the IMF. A US \$7.6 billion has been approved and the country is expecting about \$500 million loan from China. Pakistan will immediately access US \$3.1 billion of the loan under a 23-month facility, with the rest phased in.

The slowdown of economic growth in India has been less rapid than in more export-dependent East Asian economies like Hong Kong, Singapore and Taiwan. GDP growth in the second quarter of the current fiscal year declined to about 8 per cent on the back of weakening investment. According to the Commerce Minister of India, the global meltdown in financial markets will impact demand in developed countries for Indian exports and the export target of \$200 billion for the current financial year may be missed. Real estate and textile sectors are already facing a slump. Unrelated to the crisis, tourism and some related sectors may face short-term setbacks as a consequence of the tensions following the Mumbai terrorist attacks. Export growth in India slowed in the third quarter of FY08 from 33.7 per cent year-on-year in July to 12.6 per cent in September as demand from developed countries dropped dramatically. Trade and commercial services, manufacturing and agricultural sectors have all

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Navigating the turbulent waters in 2009

PROFESSOR MUSTAFIZUR RAHMAN

BECAUSE of the ongoing global financial crisis, by all counts the year 2009 is going to be a bumpy ride for all countries, high, middle and low income, large and small, North and South. The related discourse with regard to the crisis has now shifted from 'where did it all originate' and 'who were the main culprits' to 'what are the possible consequences' and 'how the adverse impacts should be best addressed'. A common refrain, oft-repeated and widely circulated, is that things will get worse before they start to get better. Experts tend to agree that the recession will continue and deepen in 2009, and possibly stabilise in early 2010, to be followed by recovery which will perhaps kick start only towards the end of 2010. Across the globe, from US to Germany, and from China and India to Singapore and Malaysia, countries are preparing to negotiate and navigate the turbulent waters in 2009.

To address the attendant challenges, developed and emerging economies have by now set in motion various initiatives in the form of bailout measures and stimulus packages. The objectives of such initiatives appear to be primarily five-fold: (a) to stimulate domestic demand, (b) to create new jobs, (c) to stabilise financial markets, (d) to support domestic industries and (e) to safeguard export interests. In view of the above, it is only pertinent to ask how the recession and the consequent adverse affects, as also the wide-ranging response-measures taken by partner countries, are going to impact on the overall macroeconomic performance, price levels, domestic industries, exports of goods and services as also the balance of payment position of low income economies such as Bangladesh. How the current crisis will impact on the above mentioned performance indicators, during the current fiscal year and over the next, and which policies Bangladesh should pursue in this regard, are important questions that merit serious and urgent consideration by the policymakers.

So far so good ...

Bangladesh's increasing integration with the global economy through trade in goods and services is a measure of the potential impact that the ongoing crisis could have on the economy. However, thankfully, till now Bangladesh has been spared the worst consequences of the ongoing crisis. When the early signals started to blip on the radar screen in 2008, Bangladesh Bank took speedy and energetic steps to safeguard the country's reserves. Since foreign portfolio investment accounted for less than three per cent of market capitalisation in Bangladesh, her capital market did not witness the sort of volatility that was experienced by stock markets world over including those of the neighbouring India. With hindsight, it also proved to be a blessing in guise that the SEC and the Bangladesh Bank did not succumb to pressure by various quarters to allow trading in exotic but toxic derivatives in the country's share market. That Bangladesh did not go for capital market convertability of her currency also proved to be a saving grace.

During the first six months of FY 2008-09 (July-December, 2008) export from Bangladesh posted a growth of 19.4 per cent over the corresponding period of FY2007-08; remittance flow during the same period registered a growth of about 31 per cent. The fall in the prices of food, fertiliser and fuel eased the burden of import payments, growth of which is expected to decelerate further in near future. This is likely to lead to some improvement in the balance of payments situation over the coming months. Some deceleration in inflation, particularly food inflation, is already visible. Bangladesh Bank's projections about GDP growth for FY2008-09, with its low case of 6.3 per cent and high case of 6.6 per cent, appears to be realistic and attainable.

A close look at the various recent trends concerning some key macroeconomic and sectoral indicators

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seen a slight decline in growth rates. Much of Indian industry is taking a more financially prudent stance, given the impact of the global financial meltdown. India is likely to miss the revenue and fiscal deficit targets in the current fiscal year as the government wants to spend extra money to boost the aggregate demand in the economy which has shown clear signs of slowdown.

The government has forgone 31,000 crore rupee worth of revenue through reduction in taxes and duties, on account of fiscal measures to stimulate growth and fight inflation. Indian currency has come under pressure, prompting the Reserve Bank of India to intervene in support.

Impact on Bangladesh economy

This crisis has several downside risks for the Bangladesh economy. However, the impact on the Bangladesh economy will depend on the nature, scope, severity, and duration of the crisis. Although the economy of Bangladesh has become increasingly integrated with the global economy in recent years, the country's financial sector is not as globally integrated as India's. Private foreign players are important in the banking sector; however, foreign portfolio holdings in the equity market are relatively small at only 2.6 per cent. Also, currency transfers abroad are restricted, so no question of large-scale capital flight. Therefore, the country's financial markets have yet to feel any direct impact.

The risks are likely mainly in the areas of export earning, remittances and foreign aid. Financial sector is in relatively good health, underpinned by prudent regulation and sound management due to past reforms. It is highly insulated from foreign markets and lacks sophisticated financial derivatives linked to Western capital markets. Non-performing loans are decreasing and the capital base is relatively comfortable. Foreign exchange reserves remain well managed and kept mostly in cash, US Treasury securities, accounts with central banks, and in sovereign bonds with no holding of any corporate bonds. At present they are equal to about $5.3 billion. The banking system is mostly separated from international financial markets, and does not have sophisticated financial products. These factors also apply to the financial sectors in Sri Lanka and Nepal.

The capital account remains non-convertible with few private transactions permitted such as foreign direct investment and portfolio investment. There is a positive current account balance that reduces the risks emanating from short run fluctuations in the exchange rate and foreign reserve situation. Net inflow of FDI has remained relatively stable in recent times whereas private debt transactions are limited and strictly monitored by the central bank.

One potential threat for the banking sector however is the likely incidence of payment default by foreign buyers against export orders, especially of RMGs, in the event of their going bankrupt.

Nearly 87 per cent of Bangladesh's export are destined to markets in developed countries. Ready Made Garments (RMG) make up over 75 per cent of all exports, mostly to US and EU markets. The impact on RMG exports will therefore determine the impact on the country's overall exports. With the ongoing recession in the US and EU, it is likely that exports will be hurt. There are some moderating factors that should be considered. Since the country's RMG exports mainly cater to the low price segment of the apparel market, the current slowdown may create less impact on the country's RMG exports. With incomes falling, even some diversion of demand from the high-end garment segment to low-end may take place. But people may also compensate by not diverting to low-end and just buying far less high-end clothing.

Major purchasers of RMG products may move to take advantage of the market situation by negotiating less favourable order contracts for suppliers from LDCs. Bangladesh is the cheapest producer of RMG in the world at present. In fact, a local company has received a $10 million order that was diverted from China. There are also negotiations for orders that are being diverted from India, Turkey, Indonesia, and Cambodia. Latest data from government indicate exports from India, Turkey, Indonesia, and Cambodia. These indicate exports during Jul-Sep 2008 being up by about 42 per cent over the same period of the previous year. But a more important question would be if this trend can be sustained if recession prolongs.

Bangladesh is a net importer of essential food commodities and fuel. In recent months prices of commodities such as rice, wheat, edible oil, fuel, fertiliser, etc. have dropped significantly in the global market which favours Bangladesh. The settlement of L/Cs for consumer goods during Jul-Oct 2008 declined by 19 per cent (Source: Bangladesh Bank). On the other hand, settlement of L/Cs for capital machinery has increased by about 8.5 per cent which is a positive sign for future industrial growth and productivity. Taka has appreciated against many currencies such as the euro, Aus $, Canadian $ etc. so this makes imports from those countries cheaper. Official general inflation figures are: 7.26 per cent in October down from 10.19 per cent in September. Food inflation is 8.08 per cent, down from 12.09 per cent (these are point-to-point calculations).

Remittance receipts during July-October 2008 went up by around 36.5 per cent compared to the same period of the previous year. Most remittance to Bangladesh is from the Middle Eastern Gulf states whose financial health has not yet been severely affected by the crisis. However, the price of oil has fallen very sharply, from $147 a barrel in July to under $50 at present. If this continues, the demand for labour from Bangladesh is bound to fall as new construction projects are halted.

Bangladesh has had little flow of FDI and most of this is longer term in nature. Tighter global credit markets have raised the cost of capital in the international market and are likely to reduce FDI in developing countries. Increasing FDI flow to Bangladesh depends more on domestic factors such as improvements in infrastructure, power supply, and governance and business practices.

Most of Bangladesh's aid sources (nearly 80 per cent of the total) come from multilateral sources. Aid inflows are likely to remain unaffected in the short run although the promises of significant aid increases may not materialise. Aid during FY 2009-10 is not likely to increase as developed countries mobilise resources to tackle their domestic economic problems.

Bangladesh Bank projects growth of around 6.2 per cent for the current fiscal year. However, World Bank projects it will be in the range of 4.8-5.4 per cent. Official forecasts are based on the fact that Bangladesh has not had any major natural disasters this year which set back agricultural output earlier on. Over half of all economic activity in the country occurs in the informal sector. Accurate data regarding this sector is hard to come by. The informal sector employs a large segment of the population (particularly lower income groups) and the global financial crisis is unlikely to affect it.

It is therefore difficult to paint an accurate picture of the impact of the crisis on the economy of Bangladesh, lower income groups in particular. The newly elected government will have to actively focus on these issues.

In fine, South Asia as a whole is clearly feeling the effects of the current global financial crisis in varying degrees. Pakistan might be the most affected in the subcontinent on current reckonings. India has felt the adverse effects and is trying to tackle the slowdown with several stimulus measures.

The extent to which the crisis will hurt the economy of Bangladesh is still unclear. At present, some indicators such as exports and remittance are actually encouraging. However, that does not mean that the government can be complacent. A prolonged global recession now seems likely, and therefore, negative impacts may be inevitable. So, Bangladesh must be prepared to face this crisis, both at the macro and micro level. Policy adjustments may have to be made at any time as demanded by the depth of the crisis. Appropriate policy taskforce, in addition to the routine monitoring by technical groups will have to be functioning continuously to provide necessary guidelines to the implementers, so that no sense of complacency, and hence, inaction creeps in.

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E-Governance: Myth or reality

ANIR CHOWDHURY

"WE are not technical enough to understand e-Governance ...", "Our people don't even have computers ...", "Fine! Connect my office to the internet ...", "... e-Governance does not make sense for 95% of our citizens. I doubt they will have internet access in their lifetime!" were some of the comments heard in a series of workshops on e-Governance for senior and mid-level policy makers and deputy commissioners conducted throughout 2007 at the Chief Adviser's Office, Planning Commission and Bangladesh Computer Council. These comments were testament to the fact that Bangladesh's planning for e-Governance is largely influenced by the thoughts, choices and decisions by our western counterparts without critical analysis of whether their context applies to the reality of our country. Many of the workshop participants agreed that changing mindset about e-Governance in the context of our country is a necessary first step for them.

Time has come to break down some of these myths that exist in the minds of our policy makers.

Myth 1: e-Governance is only a website. Many e-Governance projects in our country popularized the idea that e-Governance means setting up websites for the service provider organizations. That kind of e-Governance frenzy started the trend of establishing websites for many of the ministries and other agencies. The good aspect of the frenzy was that these government organizations were inspired by the message of being technology oriented. However, the bad side was that the frenzy has stopped at setting up websites with no more than introductory information serving as mere web presence of the organization but does not come to the aid of common citizens. Some common questions from a citizen are: How useful is it to know the mission and structure of an organization if I cannot download the form I need from that organization I still have to waste the time and money by making a trip to the nearby district headquarters? What good is a website if it cannot serve me? Shouldn't e-Governance really be about providing services to the people any time and anywhere? If it does not do that, it can be electronic, but it certainly isn't governance.

There was a time when people had to travel to a limited number of designated centres to get government services. The great democratization effect of technology is increasingly levelling the playing field in favour of the citizens. As a citizen, I can get my SSC and HSC results through the Ministry of Education website now from any location which has an internet connection. I don't have to travel a great distance like I used to before, I don't have to fight a crowd of a few thousand people in front of the results notice board. Through the Hajj Information website, I can find out where my father, who has gone for Hajj, is, at a given time; I can even send him a message through the site.

That kind of website makes sense for me, not the kind that features merely a message from the head of the organization, the mission of the organization and a few phone numbers. I want my most needed information and services through the web. That is establishing my right to information, and my right to services at my location. That is good governance.

Myth 2: You must have a desktop computer for e-Governance. The majority of the country's population does not use desks they work in fields, they work in factories, they work in small shops. It should not be a surprise to the policy makers that a desktop-centric e-Governance paradigm does not make too much sense for our citizens. If e-Governance is really about delivering services to the citizens to their locations, it cannot be through a mechanism that we impose on them. Who said that the 'e' in e-Governance is really about computers? Why can't it be about other forms of e-devices such as the mobile phone, TV and radio, the kinds of 'e' they already have access to? Why should we be influenced by the e-Governance technology options of USA, Canada, Australia and Singapore where computers do make sense because that option is already a part of the established infrastructure? The technological reality is very different in our country. That doesn't mean it doesn't exist. It just means it exists in a different form. It exists in the hands of the people in the form of mobile phone, TV and radio. That is why it makes tremendous sense for our citizens to pay their electricity bills through a simple mobile phone recharge mechanism from the nearby 'mudi dokan', or check their SSC and HSC results on the phone. That is why the fishermen listeners of Kothmale Radio in Sri Lanka are very happy to get life-and-death weather information in their specific deep-sea localitions. They don't have to log onto the website to get it. They call the radio station from deep sea with their mobile phones, the radio station finds the information from the internet and makes a radio broadcast of that vital information to a large number of fishermen. In this case, the combination of mobile phone, internet and radio is serving a community who cannot be served if they depended on desktop based e-Governance.

The immensely popular and useful 'Mati o Manush' could increase its usefulness if it included phone-in option where the farmers and agriculture, fisheries and livestock field officers could call in with real questions from the field to be answered by experts on the spot. This programme has the potential to act as a greater social mobilizer to gather members of agriculture co-operatives and farmers' clubs during the programme for collective brainstorming and interaction with the experts at the studio.

Several private sector and NGO initiatives in our country are using mobile phone and digital camera for the patients to access a call centre of doctors, and exchange relevant pictures of patients for remote diagnosis and consultation. These are all models of service delivery through e-Governance that do not depend on desktops and leverage technologies that are already available, accessible and affordable.

Using text messaging (SMS) in many countries has become a very vital and viable choice for citizens' communication with the government for policy debates. In times of natural disaster, text messaging is often the most rapid and direct means of communication to a large number of people. If the citizens can vote for their favourite music star and send comments on political issues to TV stations through mobile phones, why can't the government employ similar mechanisms for public consultation on policy issues?

Myth 3: Connectivity is enough. A few years ago, the e-Governance demand mostly focused on the unavailability of adequate hardware aka desktops. With the falling desktop prices and the acquisition of desktops by various government offices, the new demand is that of connectivity: these offices have hardware but they are not connected to the internet. While this is a legitimate demand of the government offices that they be connected to the internet with bandwidth that is usable and dependable, the next obvious question is what will happen if these computers are all connected. As a result of the spread of online access using wireless connectivity options including the ones provided by the mobile phone operators, connectivity

is becoming a reality at a much faster pace than was projected even two years ago. So, we need to plan very quickly on how we will use this connectivity.

Email will be a good use. It will certainly speed up communication and decision making. However, the large are of e-Governance which is a matter of having the right type of software and the right type of content will still be missing if concerted efforts are not made to develop them as quickly as possible. Databases and GIS (geographic information system)-based systems that will support decision making need to be planned, designed and implemented as soon as possible.

Just as the hardware in our offices are being used as 'better type-writers' and not for better administration and service delivery, the connectivity may fall into the same 'non-planning' trap and find its farthest use in email. It will be another case of not being able to reap adequate return on our national investment.

Looking at the connectivity-content equation from the perspective of the citizens, the lack of content in our local language becomes glaringly obvious. A lot more of our citizens have connectivity through mobile phones and cybercafes / telecentres nowadays, but there is very little for them in Bangla to make use of. The website run by the Department of Agricultural Marketing publishes daily price information of many commodities from over forty districts. While this information is valuable to the researchers and agriculture economists, the intended primary target group namely the farmers do not derive any benefit from this website. Apart from the obvious limitation that they don't have access to the internet, they would not understand the content, even if they were given access, because the content is all in English.

Myth 4: e-Governance is expensive. There is no denying the fact that technology comes at a fairly high start-up cost. The good news is that a large part of this cost is already borne by the government and private sector mobile infrastructure companies. The other good news is that e-Governance has reportedly reduced cost of transaction worldwide, and it can, too, in our country.

If we start making use of the computers in our offices as more than mere type-writers by developing and using databases for our decision making, we will be well on our way towards efficient e-Governance without incurring any extra cost. If we start making greater use of the connectivity infrastructure laid by the mobile operators in the form of GPRS and EDGE for our office instead of waiting for a 'broadband' connection, we can be connected rather quickly and inexpensively. If we can factor in private investment in the form of public-private partnership for our upcoming e-Governance projects just like the Hajj Information website and the Railway Ticketing System did in the past, we can gain at least two advantages: the government does not have to put up initial investment, and the marketing / publicity effort will take on a proactive life of its own which is often weak in purely government efforts. The 'forms' website established by the government two years ago is largely unknown to many quarters of the government even today. A private sector marketing effort of this site probably could make it known and usable to all ministries, district and upazila offices in a shorter time.

Myth 5: Technologists should lead. e-Governance has a small 'e' and a big 'G' indicative of the importance of technology versus that of governance. e-Governance is about establishing good governance by using technology. It is very much about prioritizing governance issues and determining how technology may address them. e-Governance is not about starting with a technology focus. It is not about force-fitting technology options to a development or governance problem. It is not about believing that technology is a panacea. Letting e-Governance initiatives be led by technologists often emerges into the situation that "... when the only tool you have is a hammer, you see every problem as a nail."

This is often the perspective that has ensured the demise of many an e-Governance initiative not only in our country but also in many others. The governance experts and the policy makers should lead e-Governance; the technologists should present the relevant technology options and impact of those options in solving a particular development or governance problem. For example, how technology should address the problem of lack of transparency such as publishing of budget and expenditure publicly and filing of complaints should be guided by a policy maker while the technologist points out where the internet or mobile phone options may be relevant and efficient. Starting the problem resolution process with a hammer may find a nail that is not even part of the problem.

Keeping the end users involved from the inception of an e-Governance initiative ensures that it will be designed through their eyes. The failure or poor impact of many e-Governance projects finds their root cause in the issue that the citizens or government end users were not sufficiently involved. The English website of the Department of Agriculture Marketing would have been in Bangla and mobile phone accessible if the farmers were involved in the design consultations.

Conclusion

If we fail to plan e-Governance in terms of more efficient, transparent and accountable administration and more effective service delivery to citizens, we are actually planning to fail in establishing good governance. Emanuel C. Lallana, ex-Commissioner, Commission on ICT, Office of the President in Philippines commented, "Any eGovernment program in developing countries runs the risk of failure if they ignore mobile phones." He identifies that it is often the limitation of imagination on the part of the policy makers that fail to leverage public innovations such as payment systems over mobile phones to be utilized for payment for government services. It is heartening in Bangladesh that the policy makers are starting to take such innovations very seriously for service delivery and administration. On our valiant national journey towards better governance, e-Governance is an essential vehicle. Leadership and mandate must come from the top. However, at the same time, without enthusiastic buy-in of the mid-level and junior officials no e-Governance effort can be sustainable; without involvement from the citizens from inception to design to implementation, no e-Governance effort can be meaningful.

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A global view of energy security

DR. ABDULLAH AL FARUQUE

CONTINUED supply and availability of energy is essential for sustainable economic growth of any country. Ensuring sufficient, reliable and sustainable energy supply remains a global challenge. Access to relatively secure and clean energy sources has become an important factor for achieving social and economic objectives of a country. High and volatile oil prices; growing demand for energy, huge capital investment requirements, the need to protect the environment and to tackle climate change are fundamentally important issues that should be tacked globally for energy security.

In the past three decades, worldwide energy consumption has nearly doubled, driven by population growth, rising living standards, invention of energy-dependent technologies, and consumerism. The UN Millennium Development Goals can not be fully achieved without sustainable access to energy for the poor people in developing countries.

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Ensuring of energy security is dependent upon many factors, including stable and effective legal and regulatory frameworks, diversification of energy supply and energy sources, promotion of energy saving and energy efficiency measures, environmentally sound development and use of energy, promotion of transparency and good governance in the energy sector to discourage corruption.

An energy policy of a country should seek to achieve three mutually reinforcing goals- energy accessibility, energy availability and energy acceptability. The search for an integrated policy with a view to ensuring energy security is central to the achievement of sustainable development. An effective energy policy must put emphasis on renewable energy sources and use cleaner technologies to reduce harmful effects of current finite resources of oil, natural gas and coal.

Continued escalation of energy demand has inevitable impacts on climate change. In response to global challenges of climate change, and increasing energy demand, investment in sustainable energy is rapidly increasing. There is a discernible trend of introducing legislation and support mechanisms to accelerate the development of the renewable energy. Greening of industry and public awareness of climate change and other environmental issues are key drivers of renewable energy and energy efficiency.

No discussion of energy policy is complete without focusing on energy security. Policy responses must be integrated in a way that maximises energy security. Energy security has three interrelated dimensions-social, economic and environmental. The social dimension of energy security requires the government to intervene to reduce the energy gap between the rich and the poor. The social dimension of energy security does not directly relate to the availability of energy resources, but rather to the ability of the poor to get these resources, which might explain price controls and subsidies in most countries. Most energy policies do not focus on the social dimension. When energy prices are high, the gap between the rich and the poor becomes more obvious. The government can enhance the social dimension by adopting fiscal policies that reduce the energy gap between the poor and the rich by increasing economic growth, and eliminating all energy subsidies to the rich.

Economic dimension of energy security is concerned with proper

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Energy security

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pricing, regulation and fiscal policy on energy. Prices should be at the right level reflecting all costs to prevent market distortions. Effective metering and a workable energy payments system are critical to the promotion of greater energy efficiency. Energy policy must be concerned with efficiency of production and distribution. For this purpose, it requires prudent management of state-owned enterprises and regulating private sector participants in the energy sector. It entails coordinating the activities of various government agencies and of the relevant state-owned enterprises involved in energy sector.

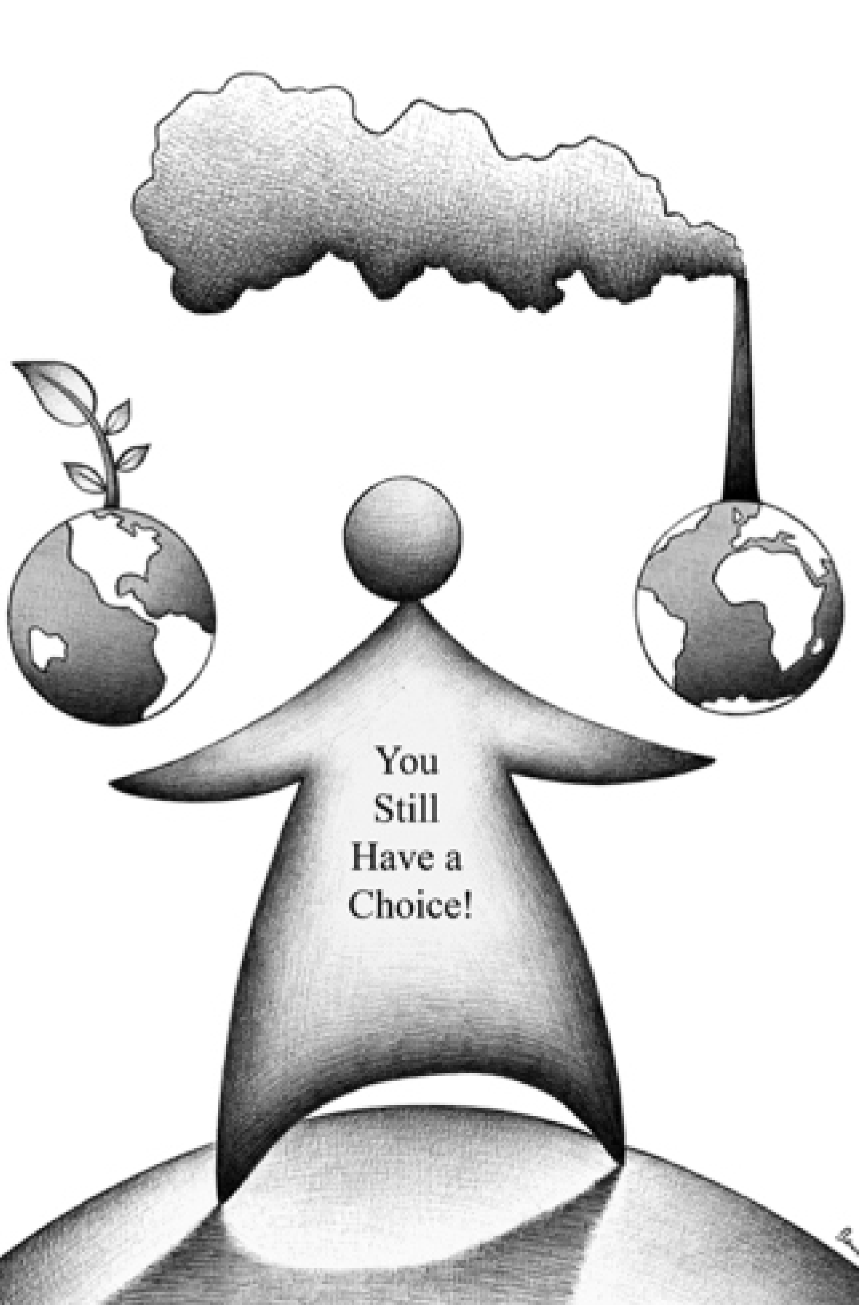
The environmental dimension of energy security dictates that since the exploration and transporting of energy has profound negative environmental consequences, environmental objectives should be incorporated into their energy policies. Symbiotic relationship between energy and environment is explained by the fact that use of non-renewable sources such as fossil fuels can emit carbon dioxide.

International community is increasingly pursuing energy security and sustainable development through deployment of cleaner, more efficient and low-carbon energy technologies. Environmental dimension of security is sometimes linked with its economic dimension. For instance, low energy prices enhance energy use and hence, lead to more environmental pollution. On the other hand, it is contended that higher energy prices will reduce energy consumption and consequently reduce pollution. Therefore, price of energy should fully reflect this externality of environmental cost.

Security of supply is one of the most important aspects of energy security. The supply of energy can be constrained by many factors including poor infrastructure, lack of proper distribution system and bureaucratic control over energy sector.

Bangladesh's main non-renewable resources are natural gas and coal. Natural gas accounts for more than 70% of the commercial energy use in Bangladesh. Gas in Bangladesh is mainly used to produce electricity. A part of it is used to produce fertilizer as well. Currently Bangladesh's recoverable proven reserve of natural gas is around 14TCF. It requires about 26TCF additional gas by 2025 to attain a 7% gross domestic product (GDP) growth. Bangladesh has coal reserves of 2.5 billion metric tones in four fields, which may be equivalent of 65 TCF Gas. Natural gas resources are fast depleting in absence of any new major discoveries in recent past. Therefore, existing reserves of coal has enormous potential for future source of power generation to meet the growing energy demands. Bangladesh has a per capita electricity consumption of about 167 kWh per year, which is one of the lowest in the world. Only 33% of the population has access to electricity and about 15% have direct access to natural gas. Therefore, adequate attention should be given to the exploration and prudent use of coal. In order to meet mounting demand in industries, power generation and household use, energy sources should be diversified.

Bangladesh should generate energy from renewable sources to reduce its dependency on natural gas and oil. More investment should be made for exploring renewable energy sources such as biomass, heat, solar and wind-based power, and for developing untapped hydro resources. Bangladesh formulated energy policy in 1996 and 2004. However, the objectives of energy policy are yet to be fully achieved due to inadequate planning, political instability, unnecessary delay in decision making and lack of good governance in energy sector.



Widespread corruption in state-owned enterprises in particular, marketing and distribution companies of Petrobangla of Bangladesh is well documented. Corruption adds to the cost of energy by creating tremendous economic inefficiency and the loss of opportunities to achieve the goals of energy accessibility, energy availability. Such corruption and mismanagement has resulted in ostensible 'system loss' in unbelievable proportions at the expense of public welfare. Full transparency and accountability should be ensured for not only for the sake for good governance, but also for preserving and protecting country's scare resources.

The energy policy of Bangladesh, 2004 appropriately highlight the necessity of ensuring optimum development of all the indigenous energy sources, sustainable operation of the energy utilities, rational use of total energy sources and environmentally sound sustainable energy development programmes causing minimum damage to environment; encourage public and private sector participation in the development and management of the energy sector. But legislative support is yet to be put in place to implement the policy.

Given the fact that energy development programmes are highly capital intensive, private sector's involvement is especially imperative for exploring both non-renewable and renewable energy. For facilitating increased level of private and foreign investment in energy sector, presence of a functioning legal framework and process, political and economic stability is vital to provide reasonable predictability for making business decisions and to reduce the political risks factors.

Many areas, both onshore and offshore, of Bangladesh remain unexplored. Therefore, extensive exploration and drilling should be undertaken on urgent basis to increase reservoir of petroleum resources. Recent effort of offshore bidding is a step in right direction, but demarcation of maritime boundary with India and Myanmar remains major stumbling block in the offshore exploration. It should be noted that the offshore areas have enormous potential as Myanmar and India have already discovered large gas reserves in the Bay near the maritime areas that belong to Bangladesh. Problem of maritime boundary delimitation with neighboring countries shall be settled on the basis of well established principle of international law on the urgent basis in order to harness natural resources in sea and to enhance our energy security.

Bangladesh should desparately develop and invest in development of renewable energy such as geothermal, ethanol fuel, biogas. Renewable energy systems encompass a broad, diverse array of technologies, but operating costs are comparatively low. Renewable energy sources are generally sustainable in the sense that they cannot 'run out' as well as in the sense that their environmental and social impacts are generally more benign than those of fossil fuel. It is gratifying to note that we have a Renewable Energy Policy which has been formulated in last year. The Renewable Energy Policy, 2008 aims at efficient utilisation of renewable energy and achieving the targets of developing renewable energy to meet five percent of total power demand by 2015 and ten percent by 2020. However, adequate legal and institutional support is needed for exploring renewable energy and private investment in this sector. In fact, some private initiatives have already been successfully undertaken in Bangladesh for producing solar energy, but still more efforts are needed for generating energy from wind, tide, wave and ethanol.

Nuclear energy is increasingly gaining popularity as alternative energy source, which is simultaneously reducing harmful air pollution and addressing the climate change challenge. Establishment of nuclear reactor for generating electricity appears to be most viable options for energy security. To meet the Bangladesh's energy demand in the future, case for nuclear energy should vigorously be pursued. Many developed and developing countries are heavily reliant on nuclear energy. Although nuclear energy is very efficient, it is relatively costly. The other concerns regarding the nuclear power are safety, and nuclear waste disposal. However, these concerns are greatly eliminated by adopting appropriate technology and international standards on environmentally sound management of nuclear wastes.

Strong institutional framework is essential for securing energy security and pursuing the energy policies. We have not yet any regulatory body on renewable energy. A regulatory body Sustainable Energy Development Agency as envisaged in the Renewable Energy Policy, 2008 should be put in place to take concrete steps to remove policy, institutional, financing, market, information, technical and human resource barriers existing in the renewable energy sector of the country. According to the Policy, the proposed institutional mechanism has been entrusted to formulate financing and delivery mechanism to increase the affordability of renewable energy systems for the rural poor. The regulatory body is also supposed to encourage community based organisations, NGOs, rural energy entrepreneurs and private sector organizations in development of renewable energy and facilitate the institutional requirements for successful implementation of these projects. Existing institutional mechanism such as Energy Regulatory Commission should be strengthened further for competitive energy market and to deliver its stated goals.

Energy conservation is vital for energy security of any country. There is a saying that energy saved is energy produced. Efforts to improve energy efficiency and energy saving contribute greatly to the strengthening energy security. Increased energy efficiency and conservation reduce stress on infrastructure and contribute to a healthier environment through decreased emission of greenhouse gases and pollutants. Recently, the government has formulated a draft Energy Conservation Act in 2008 in order to ensure energy efficiency and energy conservation. It is heartening that the draft has been aired for public opinion. It is hoped that the draft Act should be turned into law immediately taking into consideration of considered opinion of experts and stakeholders.

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TIME TO TURN A CORNER

PART-3: GLOBAL TRENDS: ADVERSITY OR OPPORTUNITY?

DHAKA WEDNESDAY FEBRUARY 25, 2009

Navigating turbulent waters

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of Bangladesh economy transmits some cautionary notes.

A wake up call

Export growth, over the first two quarters, as mentioned above, was a robust 19.3 per cent. However, as a matter of fact, in the second quarter of FY2008-09 (October-December) the growth had indeed been negative, at -1.4 per cent. This is something which is unheard of in recent memory (export growth rate in the months of October, November and December, 2008 were -7.4 per cent, 13.5 per cent and -10.0 per cent respectively when compared with corresponding months of FY 2007). This closely reflects the trend in export of apparels, the dominant item in the export basket, over the same period.

The July-November export growth have been in the negative territory for several of Bangladesh's non-apparels items: growth of export of Jute and Jute goods were -6.8 per cent and -12 .5 per cent respectively; export of engineering products was (-)3.1 per cent. What is also to be noted is the dismal record of leather export (-17.9 per cent). The emerging shipbuilding industry, which received an export order of about USD 400 million in recent years, is also at present experiencing difficulty.

It is to be kept in mind that many of Bangladesh's developed country partners which account for most of Bangladesh's exports of goods and a large part of export of services (remittance), are now officially in recession. The US economy which accounts for 25.5 per cent of Bangladesh's global export of goods and 17.4 per cent of remittance is projected to experience negative growth of -0.7 per cent in 2009; the 42 year old Consumer Confidence Index is at its lowest reading. For the Euro-area countries the growth projection for 2009 is -0.5 per cent.

It is also to be noted in this connection that world trade which registered a rise of 4 per cent in real terms in 2008 is projected, according to World Bank estimates, to experience a negative growth of 2 per cent in 2009, a first time in recent history.

Bangladeshi exporters have been able to sustain their market share by offering discounts, tolerating, in many instances, order deferment and cancellations, and by taking significant cuts in profit margins. Currency devaluation in competing countries such as India, Sri Lanka, Pakistan, to the extent of 10-40 per cent over the recent years, have also undermined competitive strength of Bangladeshi products, including apparels, whilst the BDT has held steady over the past one year, depreciating only by 0.6 per cent between January 2009 and January, 2008.

To take advantage of the emerging opportunities, Bangladesh will need to devise appropriate policies to create adequate incentives to encourage domestic entrepreneurs and to attract foreign investors. Policymakers could consider the idea of creating an export-stimulus fund to support entrepreneurs and export business. Such funds could be used to provide credit at lower rates, encourage acquisition and adoption of new technologies and promote R&D and product diversification at enterprise level.

It is to be recalled here that the 7.5 per cent cap on growth of Chinese export of apparels to the US market has been lifted recently, as of January 1, 2009. China has also recently reversed a number of measures which were aimed at encouraging producers to move upmarket (e.g. tax on lower end products). Exports of low-end apparels from Bangladesh had earlier benefited from such policies.

Stimulus packages designed in support of producers and exporters in India and China will also start to have impact on Bangladesh's competitiveness in the global market. Recently India has designed a plan to inject USD 4.5 billion into the financial system to help exporters, with the Reserve Bank of India adding another USD 1.3 billion through a refinance operation. In November, 2008 China announced a package of capital spending plus income and consumption support measures to the tune of USD 546.0 billion. Bangladesh's backward linkage spinning sector, with an investment of about 27,000 crore taka, has already made its case as regards their weakened competitive strength vis-à-vis imported Indian yarn in view of the new price dynamics. The price of 30 count yarn has now become 30-40 cents higher in Bangladesh compared to what is offered by Indian exporters. Knitwear sector and spinning sub-sectors will likely suffer most because of the emergent situation.

The data show that in October of FY2008-09, growth of import duties was lower (-1.7 per cent) compared to corresponding month of FY2007-08 (growth of total import related duties was +6.6 per cent), whilst the November figure indicates a further dip (-10.0 per cent and -0.5 per cent respectively). The December figures are rather alarming with the two corresponding figures being -12.2 per cent and -13.9 per cent (in the backdrop of falling VAT duties of -19.7 per cent). As a result, revenue mobilisation targets are likely to be missed in FYT2008-09.

Over the last two years, in 2007 and 2008, a record number of Bangladeshi workers (1.7 million) had left the country in search of jobs abroad. In 2009, in all likelihood, the number of workers going abroad will be significantly lower, also particularly because some of the new destinations including those such as UAE, Malaysia and Singapore have indicated caution in the face of sluggish economic growth and lower demand for construction and other services. Saudi Arabia and Kuwait have already instructed their embassies in Dhaka not to issue workers' visa). Although no reliable estimates are available with regard to returning migrant workers, anecdotal evidence suggests the need for attention to this issue as well.

Crisis as an Opportunity

Every crisis creates opportunities for those few who are willing and prepared to look for and realise the potential benefits. Inspite of the adverse impacts and potential dangers, there are some encouraging signs which Bangladesh should seize on and try to make work to her advantage. Major buyers from Japan, a market worth about USD 22.6 billion imported apparels (Bangladesh accounts for only about USD 29.6 million out of this, about 0.13 per cent) have started to show renewed interest to source from Bangladesh, by diverting imports from other countries (mainly from China). The adverse affects of recession, pressure to appreciate the Yuan (appreciation of 5.2 per cent over the last one year), wage rates that are about 2-3 times higher than Bangladesh (though productivity is higher in China) make Bangladesh an attractive destination for major buyers of apparels inspite of China's dominant presence in the global market. For example, only Vietnam's performance (16.9 per cent growth during July-November, 2008) is comparable to Bangladesh's record (15.7 per cent) in the US market. Indeed, Bangladesh's strategy in these times of recession and falling global apparels demand should be to go for higher share in a shrinking pie by making best use of the emerging opportunities.

As is known, two committees have been constituted earlier by the caretaker government in view of the crisis. The Hon'ble Finance Minister has recently mentioned that a multistakeholder committee will be constituted to provide recommendations in view of the emerging crisis. This committee will be asked to review the developments and give suggestions. The committee will need to consult with the private sector and exporters to review the situation on a continuing basis, and provide appropriate policy inputs to the government for speedy decision making. It is good to see that the monetary policy recently announced by the Bangladesh Bank evinces sensitivity to possible adverse impact on our economy. To take advantage of the emerging opportunities, Bangladesh will need to devise appropriate policies to create adequate incentives to encourage domestic entrepreneurs and to attract foreign investors. Policymakers could consider the idea of creating an export-stimulus fund to support entrepreneurs and export business. Such funds could be used to provide credit at lower rates, encourage acquisition and adoption of new technologies and promote R&D and product diversification at enterprise level. Such a fund could also be used to support entrepreneurs who are interested to set up common services such as effluent treatment plants, skill upgradation and dyeing facilities in the industrial clusters that are growing up around the Dhaka city and also in the proposed special economic zones. This fund could also be used in support of initiatives for workers (e.g. government could take an initiative to build dormitories for workers in such clusters). To stimulate productivity, a technology upgradation fund could also be set up (such a fund, in support of jute and textile sectors, has been in place in India for several years).

Given the emerging situation and in view of the interest of potential investors to invest in Bangladesh, all efforts need to be geared towards creating a conducive business and investment environment in the country. Required investments will also need to be made to enhance the capacity and facilities provided by EPZs and specialised investment zones. The export-support fund proposed above could be used for this purpose. It is to be reckoned that at times like these whilst investors tend to be cautious, they also are on the look out for new and safe FDI and portfolio investment opportunities.

Concluding remarks

As was noted earlier, thus far, Bangladesh's relative insulation from global capital market and heavy dependence on lower-end exports of goods and services have provided some cushion to the economy. But there is no room for complacency. As the above discussion would suggest, Bangladesh will need to be on the alert. We must examine closely the recent trends, identify the disquieting developments and undertake appropriate initiatives and measures to address the attendant challenges originating from the ongoing crisis and try to take advantage of the emerging opportunities.

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DHAKA WEDNESDAY FEBRUARY 25, 2009

The impact on RMG and remittances

M. ABU EUSUF

ON Tuesday, January 06, 2009, one of the oldest and also one of the largest British retailer Woolworths closed their business forever. Woolworths had 807 stores in England and its collapse leaves 27,000 people out of work. Since the start of financial crisis, many prominent retailers have collapsed and Woolworths is the latest case. Now, is there any implication of this collapse of Woolworths for our RMG industry? The answer is profoundly yes.

On one hand, the Woolworths had a large retail clothing segment and the website says - it regularly sources clothes from Bangladesh, besides Hong Kong and China. So, with their collapse, some factories in Bangladesh have already lost future orders. As the numbers of collapsing retailers are increasing in USA and UK, it's for sure that some more factories in Bangladesh are going to lose orders.

On the other hand, 27,000 people who have lost their job in Woolworths will now consume significantly less which means less clothing sales. In the most conservative estimate, in total at least 100,000 (one lakh) people will lose job in UK, just in the retail sector. And, if other sectors (banking and manufacturing) are included, the estimated job losses in UK this year will be around 3 lakh. In case of USA, the figure is more depressing. According to US Labour Department, a total of 2.4 million people have lost job in 2008, and the number of people continuing to claim jobless benefits reached 4.62 million the highest level since 1982. The financial crisis which started in the end of 2007 in the US is now spreading fast to EU economies. Spain and very recently, Germany, have seen significant job losses which according to IMF, OECD and other international institutions will surge in the next six months.

This panic of losing job at any moment has forced people in these economies to tighten their belt on consumption. Whenever any reporter asks a person, "Where will you cut your spending?" The most common answer is "I will go less in restaurants and eat more at home, buy less clothes and furniture, and stop purchasing gadgets that do not require emergency upgradation." So, 'clothes' are one of the segments which will see significant decline in 2009. Some market analysts are forecasting that world apparel demand is to fall by 15 percent in 2009. (The Vietnam government announced recently that textile and apparel orders from USA dropped by 20 percent in the fourth quarter of 2008 compared with those of the same period in the previous year.) It is now clear from world income data that consumer income began to decline in late 2007 across all major economies, thus setting the stage for a contraction of apparel demand in 2009 and may also be in 2010. So, this will be the first year in many decades which will see a drop in cotton consumption and apparel manufacturing.

But, there is always a silver lining in a period of crisis and fortunately the RMG sector of Bangladesh is currently positioned in a way that can achieve significant growth even in this adverse scenario. What is that silver lining? RMG products that Bangladesh exports to USA are low cost item, income elasticity of consuming these goods should necessarily be inelastic. Thus the fall of the income of USA consumers will affect our RMG exports to some extent. But it will not hurt severely our exports, as there are many factors that are working in favour of our export expansion. Reduction in income leads consumers of high and medium cost RMG items to substitute their consumption with the low cost RMG items that might help Bangladesh to keep the pace of growth of RMG exports.

In this period of financial crisis and recession, the sales in discount retailers (Wal-Mart and Marks & Spencer are the largest discount retail chain in USA and UK respectively) have been increasing tremendously as the customers main concern is now low price rather than brands. Both of these discount retailers procure significant amounts of clothes from Bangladesh as we are the cheapest supplier of apparel among the 10 largest apparel exporting countries. And, trends show that in this time of record number of job losses and consumer spending downturn, price competitiveness suddenly become the core issue leaving the quality behind. Thus, it can be widely expected that (i) the discount retailers in developed countries who are currently procuring apparel from Bangladesh will increase their purchase size, and also (ii) other discount retailers who currently are not procuring from Bangladesh will soon start purchasing from Bangladeshi garments if targeted and appropriate marketing approaches are taken.

What the government currently needs to do is to make sure that Bangladeshi garments can remain price competitive in this turbulent environment. For this purpose, government needs to take some policy actions immediately (i) opening up and simplifying the yarn import from any country (local yarn producers usually charge at least 10 percent more than international price), (ii) reduce the price of basic foodstuffs so that the wage rate remains stable, (iii) slash the interest rate on loans made and future loans (India and China slashed interest rates by more than 2 percentage point in the last 3 months to reduce the manufacturing cost) and (iv) increase the cash incentive by 2 to 3 parentage points on current rate (the rationale of increase in cash incentive percentage is operating in low price segment means low profit margin, but these companies had to continuously invest in machineries to become more price competitive in future. The low profit margin usually is not sufficient to cover the investment needs so cash incentive can fill the gaps.)

There are many important aspects of 2009: (i) the world economy is entering in a critical period of recession and deteriorating consumption levels, (ii) as per the USA-China apparel accord, all the remaining quotas in 32 categories have been removed from Chinese apparel export from 1st January this year, and (iii) on the very same date, Vietnam started to enjoy duty free access to Japanese apparel market because of a free trade agreement. We hope that government should take bold and immediate decisions on recommended policy suggestions and also swiftly address any new situations as the situation is becoming worse and difficult in the next one to two years.

There is also another important implication of Woolworths example for our economy other than RMG export. It is very possible that there are some Bangladeshi expatriates among the 27,000 employees who lost their job in Woolworths. Any job loss by a Bangladeshi expatriate results into less remittance flow to his family in Bangladesh. So, with increasing job loses throughout the developed economies and large emerging economies, a threat of less remittance flow in the coming months is increasing.

Remittance is a very important component of our economy. In the last year, 2008, Bangladesh received around US$ 9 billion as remittance and remittance has turned out to be the largest 'net foreign currency' earning sector in the country. We finance our large and increasing trading gap of import and export by this remittance. Bangladesh receives its remittance mostly from the Middle East, the top destination of unskilled workers. The largest employing sector for Bangladeshi expatriates is the construction sector followed by plantation and industry sector. In the mid 2008, the financial crisis which originated in USA reached the Middle East in terms of lower oil prices, overnight capital flight from the Middle East Stock Exchanges which lost over 60% of their value in just two weeks, and less demand of luxury real estate from European and American.

The skyrocketing property price which was the main reason of the construction boom soon evaporated. The international banks in November, 2008 published a report which shows that real estate prices has declined at least by 40 percent and it is expected that the price will fall further by 50 percent within next three months. As a result, observing that property price is still falling, the Dubai and Abu Dhabi governments in December 2008 asked the developers to postpone all new projects and develop only the ongoing projects which were not finished. This is very grim news for Bangladesh (i) As soon as the ongoing projects finish, there is a large possibility that the construction workers will be sent back to Bangladesh. (ii) As no new projects are going to start in immediate future, Bangladesh will not be able to send new workers in these countries.

The only good news is Saudi Arabia, the largest employer of the Bangladeshi expatriates, is planning for a massive construction project to get rid of the financial crisis and also diversify its economy from oil. The government, therefore, immediately needs to draw a plan in association with the Saudi government to obtain the highest benefit of this newly planned construction boom. And, for the expatriates who will come back home because of job loss, the government needs to arrange training programmes as per the preference of these repatriated workers and help them go back again.

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