

Protecting our financial framework

Implementation of Basel II Framework protects the financial system against risk of overexposure. BB has commenced Basel II capital adequacy assessment for banks from January 2009 to instill quantitative awareness in banks about all material risks associated with their operations and capital bases.

MAMUN RASHID

THROUGH monetary policy the central bank of a country controls supply, availability and cost of money so as to achieve optimum growth and economic stability. Monetary policy is flexible i.e. immediate changes can be made in response to shocks, as opposed to fiscal policy, which takes longer to manage and implement.

Monetary policy can be expansionary, i.e. increasing the total supply of money, as opposed to being contractionary, which decreases cumulative money supply. Expansionary policy is adopted when confronted with unemployment during recession by lowering interest rates. Conversely, contractionary policy is espoused to stabilise inflationary pressure through elevated interest rates. Lately, we have been hearing about "accommodative monetary policy" -- warranting a balance between growth and inflation. In such policy, we see relatively quick shifts from expansionary to contractionary measures and vice-versa to fine tune growth in an economy prone to inflationary pressures.

Advanced economies formulate monetary policies based on a wide range of factors, including short and long term interest rates, velocity of money, exchange rates, bonds and equities government versus private sector spending/savings, international capital flows and financial derivatives. Developed

nations often use advanced tools like quantitative easing, an asset-repurchase program employed by the Bank of England to combat recession.

Conversely, in emerging economies' policies, are often constrained by under-developed financial markets, low per capita income and significant poverty. The scenario is complicated additionally by existing political and economic pressure. The central banks of the emerging world have to design prudent regulations and maintain exchange rates within a specific range while managing domestic activity and inflation.

Since inception monetary policy in Bangladesh was conducted with full direct control on interest rates and exchange rates, as also on the volumes and directions of credit flows. However, as of today, directed lending has been abolished and gradual liberalisation of interest rate has taken place. Thus, interest rates have become market driven. Exchange rate has become floating, with Bangladesh Bank (BB) buying or selling currencies to keep liquidity at desired level, though we at times hear about "managed float" or "moral-suasion."

BB has reverted over to open-market operations mainly through government treasury bills (T bills) auctions. As a result Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) have become more stabilised.

Bangladesh's Monetary Policy Statement (MPS) for July-December 2009,

released by Bangladesh Bank, is geared towards addressing stable rate of inflation, high capacity utilisation resulting in low level of unemployment, optimum economic growth and effective exchange rate management.

The discussion of the core strategies adopted by Bangladesh Bank in the MPS July-December 2009 is categorised into the following facets:

• **Inflation:** In Bangladesh inflation exhibits an upward trajectory compared to the International Monetary Fund's (IMF) forecast of one percent decline in consumer prices in emerging and developing economies.

High growth of reserve fund has induced excess liquidity in the system, resulting in inflationary pressure. Elevated reserve fund was due to enhanced Net Foreign Asset (NFA) build-up caused by continued large remittance inflows and decline in import payments. However, BB has estimated a declining NFA, resulting in a decline of foreign reserves, thus diminishing inflationary pressure. The decline in domestic annual average CPI inflation is estimated to be slower in FY 2010, and is projected to be at 6.5 percent by June 2010.

• **Capacity utilisation:** Domestic investment gets discouraged due to prevailing high cost of funds. BB, has, therefore, prescribed lending rate ceilings in priority economic sectors to accelerate growth and employment. As treasury yields and deposit rates have declined BB has taken mandatory as opposed to advisory steps to diminish interest rates and service charges. BB programs have placed greater directional emphasis on credit needs of agriculture and Small and Medium Enterprises (SME), which are grossly underserved by the market.

However, analysts opined that move-

ment from market-based financial intermediation should be temporary as priority sectors may become credit starved due to banks diverting to non-priority sectors due to higher rates.

• **Exchange rate management:** BB has kept BDT at an undervalued stable level with continuous foreign exchange purchases from the domestic market to protect export competitiveness and to maintain incentive for remittances. In the existing recessionary environment this can be viewed as a prudent move as export sustainability has become an imperative issue.

• **Sovereign credit rating of Bangladesh:** BB has finalised steps to for obtaining the credit rating, thus facilitating lower costs for private sector borrower and banks. However, the government doesn't have immediate plans of borrowing on commercial terms from the international market.

• **Economic growth:** BB maintains enabling credit conditions to sustain growth in a global recessionary environment. Real GDP growth for FY 2010 is estimated to be 6 percent given all parameters set by the policy is met at a desired level.

Some economists in their analytical commentary have expressed the view that the MPS should have addressed the scenario as a significant portion of the classified loans can be attributed to public sector corporations. However, bad debts cannot be associated directly with the MPS and is more linked with credit recovery regulations and frameworks and, as such, the MPS shouldn't be criticised in this accord. It is also not prudent to discuss the bad debt and classified loan scenario in details in the monetary policy.

Implementation of Basel II Framework protects the financial system against risk of overexposure. BB has commenced



A penny saved is a penny earned.

Basel II capital adequacy assessment for banks from January 2009 to instill quantitative awareness in banks about all material risks associated with their operations and capital bases.

Analysts have criticised the MPS due to absence of detailed indications and guiding principles of mandatory compliance for the banks. Since financial institutions are encouraged to lend at lower rates to priority and often riskier sectors it is expected that Basel II Framework would be risk adjusted likewise, thus regulating banks to keep reserve according to their future risks.

Nevertheless, the MPS is not a regulatory framework exhibiting precise details about each and every single policy stance, rather the policy statement outlines BB's standpoint towards attaining highest sustainable economic growth without triggering a surge in inflation rates. There are other committees within the government and central

bank where capital adequacy framework can be discussed in detail.

Monetary policy statements in developed countries are generally short and precise, primarily focusing on the state of the economy and the stance (e.g. expansionary, contractionary) the monetary authority might be taking to sustain growth and to keep inflation at a reasonable level. It is more of a framework or direction -- rather than detailed discussion of the policy measures. Our monetary policy statements have also given us the government's view of the economy from time to time. We can, of course, support or debate the views of the government on the economy and inflation. However, it would be unjust if we expect something out of the monetary policy statement for which monetary policy is not meant to be.

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Joining up

Digital technology has covered the operation of all levels of education from kindergarten to doctoral studies. The new technology has even started challenging higher educational institutions worldwide to redefine their student constituencies and teaching practices.

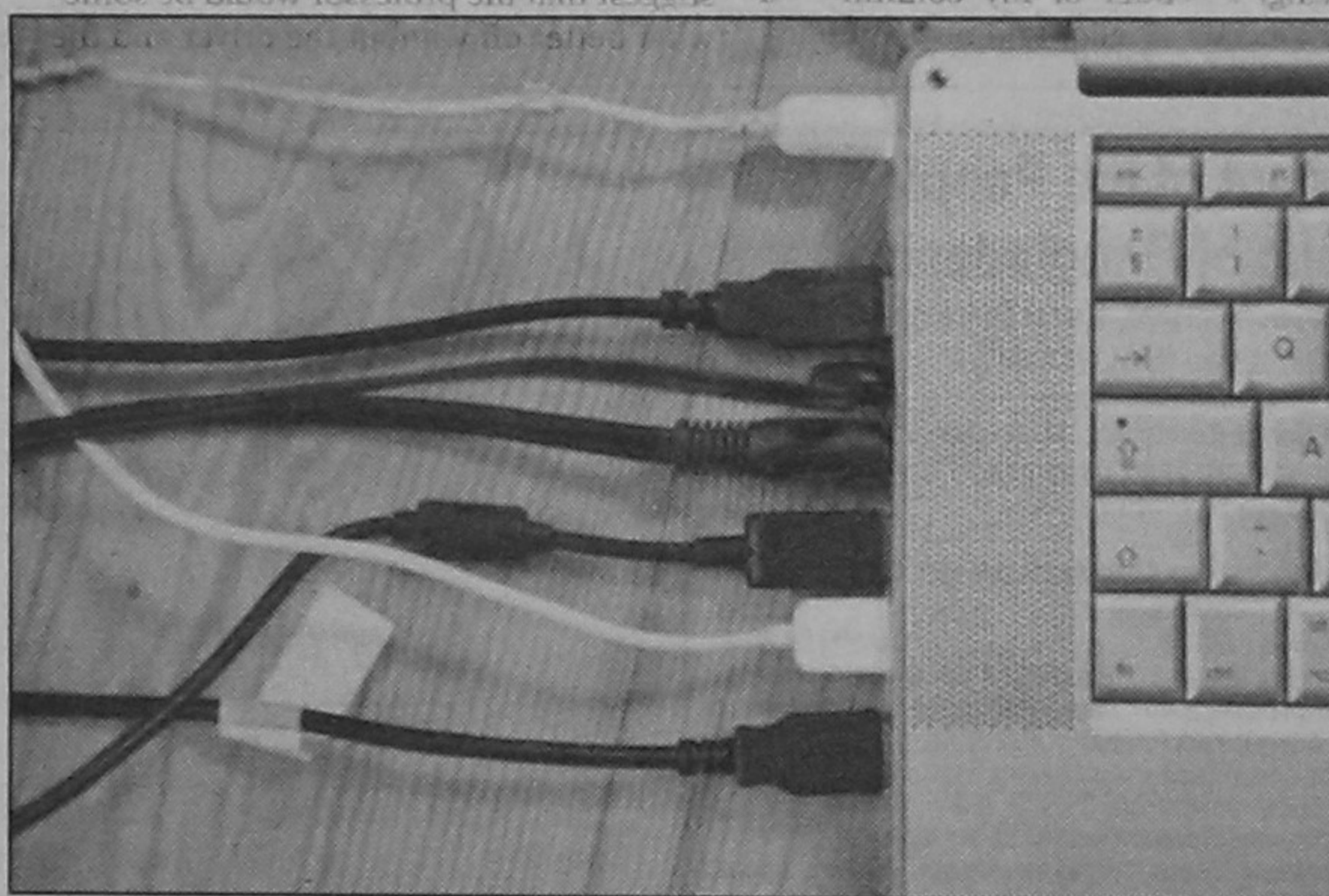
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NOWADAYS, technology affects practically all activities in our life. Digital technology has covered the operation of all levels of education from kindergarten to doctoral studies. The new technology has even started challenging higher educational institutions worldwide to redefine their student constituencies and teaching practices. Bangladesh has just started a journey on a new vehicle equipped with digital technology and run by local national experts and technologists.

The higher education institutes in Bangladesh, particularly private universities, are opening new departments related to digital technology. The People's University of Bangladesh is one of the oldest private universities, and has departments of Computer Science and

Engineering (CSE) and Electronics and Telecommunication Engineering (ETE). The departments are rich in digital technologies. I teach students of both departments and topics like satellite communications, radio communications, data communications, optical fiber communications, Laser and nano-technology automatically become part of our discussions.

Teaching modern technology subjects is very interesting and exciting, because the students want to learn more about the innovations. In a class of two hours duration, most of the time is utilised in answering questions about the devices with applications, status of Bangladesh, future of Bangladesh, problems and solutions, and possibility of students' inclusions in nation building activities with digital technology.



Plug in to the digital world.

Interestingly, the students have discovered that their knowledge of physics and mathematics of higher secondary level is enough to understand the technologies of satellite communications, fiber optics etc. They just need an experienced and qualified guide who can answer their questions according to their requirements. The concerned teacher must have

academic, industrial and research experience at home and abroad. Otherwise, technology-based higher education will never emerge in the country.

At the initial stage, a survey conducted among the students and the researchers revealed that students were interested only in a certificate, which they need for their career development. After three

classes on satellites, I found that the students were very thirsty for knowledge about modern technology. They are very interested in learning about availability of satellite communications in Bangladesh. Neighbouring countries have launched satellites, but Bangladesh has yet to do that. This indicates our backwardness in technology.

Students in Bangladesh have no scope of observing satellites that revolve around the earth in fixed orbits, but the internet has made things easier for them. From the websites they can learn the details about the satellites, and this learning has encouraged them significantly. Opportunities for open discussions increases their confidence as well.

I teach a research-oriented course at People's University of Bangladesh. Here, learning occurs outside the traditional educational environment, using the World Wide Web to deliver interactive education programs, especially in higher education. Questions and issues of why and how the Web can be used as a delivery mechanism are causing concern. I like to share some of the results of my observations and discussions with students of telecommunications.

Digital technologies have also gener-

ated many conflicting claims and predictions as to the present, and mainly future, effects that the internet and World Wide Web might have on higher education environments. On one hand, the emergence of the new technologies has broadened access to many new student clientele and contributed greatly to social equity in higher education; and on the other hand, the continuous development of advanced and complex technological infrastructures widens the digital divide between developed and developing countries, and between rich and poor.

Most academics in advanced countries have eagerly adopted the technological capabilities provided by the internet in their research activities and, at the same time, many professors still feel reluctant to incorporate technologies in their teaching. The digital technologies gave rise to many new providers of higher education and increased the competition in the academic global market. At the same time, we are witnessing a growing trend of collaborations and convergence of academic practices enhanced by the new media.

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Leprosy education in MBBS curriculum

The truths about leprosy now are; leprosy is curable; its treatment is freely available; and there is no place for social discrimination against people affected by leprosy.

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LEPROSY is not as big a problem in Bangladesh as many diseases like tuberculosis, malaria, typhoid, etc. are. But this disease is not merely a health hazard but also a social problem. Because of the stigma, which also causes self-stigma, the life of the affected person gets devastated. Nine NGOs have been working towards the eradication of this disease under the banner of National Leprosy Elimination Program under the Directorate General of Health Services.

The World Health Organization (WHO) had targeted leprosy for elimination as a public health problem, i.e. reducing prevalence to less than 1 in 10,000 people by the end of the year 2000.

Bangladesh achieved this goal at the national level in 1998. However, this is still to be achieved at the sub-national level.

There are pockets of leprosy prevalence in parts of the country higher than that, e.g. in Bandarban, Khagrachori, Gaibandha and Nilphamari districts.

Besides, this does not necessarily mean that leprosy will be completely eradicated from the country within a foreseeable future.

It is necessary that our medical colleges give adequate amount of education on leprosy. Leprosy is taught in the MBBS course in our country. However, the teaching needs to be imparted in a systematic and integrated way. The following areas are basic:

- Public health and leprosy.
- Signs and symptoms of leprosy.
- Diagnosis and treatment of leprosy.
- Managing complication like reaction and neuritis.

Integration of leprosy treatment is being done at government health complexes, though in many places only officially because of lack of adequate staff, but total leprosy treatment should be made available at all private and government medical college hospitals. This will help in quick detection and treatment as the MBBS graduates can take up the respon-

sibility of treating the patients at those hospitals side by side with the care that the different leprosy related NGOs have been providing. The eradication of the cause and consequences of leprosy can thereby be accelerated.

The most important cause for concern in leprosy is the occurrence of disabilities, which are caused due to delayed case detection and wrong treatment. These disabilities are obvious and often result in severe impairment of working capacity, and seriously limit the social life of the person affected.

Globally there are strategic documents/charters advocating for the protection of human rights of people with leprosy, such as the UN Charter of Universal Human Rights, UN Convention on the Rights of Persons with Disabilities, Declaration of the Human Rights Council, etc. The Bangladesh Constitution has nothing specifically against the enjoyment of human rights and privileges even by people who are/were affected or even disabled by leprosy.

The obsolete, segregating Lepers Act 1898 needs to be repealed so that leprosy affected people can be mainstreamed into the society. This will transform the lives of many people excluded from the society. The Lepers Act 1898 was promul-

gated at a time which was very different from ours: there was no scientific treatment against leprosy. People having leprosy were cast away even by their own families and had to live on begging, and a sub-human life. Forbidden by the society to work with others, people with leprosy were forced to depend on charity.

In absence of effective treatment the disease could spread easily. Besides, leprosy was thought to be a hereditary disease. So they used to be arrested if found begging and were put into government custody or asylums. This was the context then. But there has been a remarkable change.

Since the 1980s, effective treatment of leprosy, i.e. Multi-drug Therapy (MDT) is available. The truths about leprosy now are; leprosy is curable; its treatment is freely available; and there is no place for social discrimination against people affected by leprosy. Therefore, the said Act is now obsolete, and is pre-judicial to the human interests of the leprosy-affected people. The very title of the Act is derogatory: we cannot call a person affected by leprosy a "leper." The irony is that, today, like in many other countries, there is still stigma attached to leprosy in our country. Spouses are still divorced, jobs terminated, schooling for children is not easily



Carry on her work.

accessible, so on and so forth.

The said Act and similar ones have been repealed by some state legislatures in India.

We appeal to all relevant authorities in the governmental machinery, including the Ministry of Law and Parliamentary Affairs, Ministry of Health and Family Welfare, and the parliamentary committee on health to take steps towards the

repealing of that Act by our parliament. This will add to public awareness about the present fact about leprosy, transform the mind-set of people and contribute towards the building of a society where the leprosy-affected people will be able to live with dignity.

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