

Giving equal opportunities for youth

Rally permission to BNP denied

What has it proved?

It is not clear why the BNP was denied permission by the Dhaka Metropolitan Police to hold a rally at Suhrawardy Udyan on January 7 to mark what it calls "the democracy killing day" on January 5, the third anniversary of the parliamentary polls in 2014 which major opposition parties including the BNP had boycotted. This is in sharp contrast to AL's holding rallies and processions for observing what it called "Victory of the Democracy Day". Is it really a true manifestation of democracy when a major political party office is put under siege and it is denied permission to hold public meetings? Is this the face of true democracy? This is, however, not the first time the BNP was at the receiving end of such treatment from the authorities. The party which enjoys considerable public support, a fact conveniently forgotten by the ruling party, was refused approval for organising rallies and human chains on at least seven occasions in the last three years. What message does it give about the state of our democracy in the country?

Can democracy succeed if all the emphasis is on holding on to power and too little on its other essential features? What is democracy if individual rights such as freedom of speech and freedom to organise are not guaranteed? We have been constantly pointing out the ever shrinking political space of the opposition which does little to serve the cause of democracy. We wonder if the AL has achieved anything by not allowing BNP to organise a political programme.

A fire disaster averted

Well done Ansars

The quick response of Ansar members present at the Bangabandhu Sheikh Mujib Medical University on Saturday has prevented a major disaster, saving hundreds of lives in the process. As it is particularly difficult to move patients around in a hospital, we cannot even imagine what would have happened had the fire spread. Only a few days back, we had witnessed a fire in the Gulshan market engulfing more than 200 shops, causing loss of property worth Tk. 200 crore.

On that instance, it took fire-fighters hours upon hours to defeat the fire completely as the market had no fire-fighting equipment that could have helped battle the flames, despite repeated warnings by the fire department and other experts. The incident prompted experts to again reiterate the importance of having fire-fighting equipment installed and for basic fire-fighting training to be provided to individuals at all public places.

And by the looks of what happened at BSMMU, they have again been proven right. Over 50 fire extinguishers were present and used by Ansar men to initially try and douse the flames before the fire-fighters arrived, which, according to the fire-fighters, made all the difference. Ansar men at BSMMU were also trained in fire-fighting which helped them react appropriately to the fire and not panic under stressful conditions.

This should be the case everywhere. The authorities should ensure that all public places and establishments are equipped with adequate fire-fighting equipment and that those present are provided with sufficient training. No compromise should be made when it comes to saving the lives of human beings.



FAHMIDA KHATUN

MACRO MIRROR
RECENTLY, I had the unique opportunity to interact with more than fifty children aged around sixteen years. They had just finished their tenth grade at school. During my four days of interaction with them I gathered some wonderful experiences. This was a bit challenging for the children as they had to answer our questions that ranged from academic to non-academic and current affairs related issues. Moreover, this was a competitive exam. But the spirit and the courage they displayed was something remarkable. These were of course the well prepared and well groomed top students of well-known schools of Dhaka. They knew their subjects. They also knew much more than their subjects. All of them have a profile which is filled with extra-curricular activities that range from sports, music, arts and debating to volunteer services or internships at non-government organisations working for the poor. Very impressive indeed! I was amazed by their versatile qualities. I was also thinking when do they get time to do all this? And so perfectly! They were getting ready to walk into the larger world. I had no doubts that they would be successful in realising their dreams.

These are the children of mostly well off families, some of them being very rich. As opposed to the common perception amongst many of us that children of rich families are not interested in studies or they cannot do well in studies, these children amused me with their talents and creativity. I realised once again that it all depends on how children are raised and what values are instilled in them. Mothers in particular, play a crucial role in shaping the minds of these kids. Irrespective of their educational qualifications, I found how eager they were to get the best for their children and what sacrifices they have made for them.

I also saw a clear division of opportunities. I realised once again that quality education has become an opportunity only for the affluent section of the society. During the interview we found a few bright students from economically insolvent backgrounds who are at par with the students of posh

urban schools in terms of intelligence, creativity and enthusiasm. They were also brimming with potential and waiting to utilise opportunities. They were talented, motivated and innovative. This indicates that given the opportunity, children from poor families can perform equally well. Ironically, apart from only a handful of urban based schools, the standard of education in other schools is low. Their academic performance is very poor, let alone extracurricular activities. Most of them do not make it to colleges or universities. This divide in accessing quality education is creating division in the job market, in the income pattern

age population is larger than its number of dependents. Bangladesh has a large number of working-age people who can contribute to increased income, more savings, higher productivity and faster economic growth. The share of population within 15-24 years is close to 20 percent while the median age of its people are little over 26 years. This gives Bangladesh a competitive edge among other countries in the world which are aging fast. It is now widely discussed that economic slowdown in many advanced countries is partly attributable to higher share of aging population.

However, harnessing the full potential

dividend, all working age population has to be accommodated into the workforce. This requires creation of enough jobs in the economy. Major boost has to come from the private sector through higher investment. But from the supply side, these youths have to be educated and trained to cater to the demand of the job market. Unfortunately, employability of our young workforce is low. They lack education and training. However, this is not only about getting education. A lot of university graduates can neither write nor speak a single sentence correctly in English. So quality of education and appropriate skills are fundamental



PHOTO: STAR

and in the standard of living. This leads to intergenerational division within the society. The poor lags behind, the rich moves forward.

This however, is not a healthy sign for the economy which aspires to advance at a fast pace to reach at the height of prosperity. Among many strengths of Bangladesh, population, particularly the youth is a prominent one. Despite tremendous pressure of people on a small area of land, Bangladesh is in a unique position to reap from its 'demographic dividend'. This is a situation when the size of the working

of this young population is challenging. Though official unemployment rate is only 4.3 percent in Bangladesh, youth unemployment rate is 8.7 percent. A recent report by the International Labour Organisation reveals that the share of youth not in education, employment, or training is 40 percent in Bangladesh. This is of course a global phenomenon where labour force participation of young population has declined in developing countries and youth inactivity rates increased across the globe. But it is an alarming finding.

For realising the demographic

requirements for increased opportunity for youths. Investments in human capital are thus critically important to take advantage of the large young population. Sector specific skills and knowledge are needed for developing their capability, improving productivity and building entrepreneurship. This can fulfil the needs and aspirations of our young and burgeoning population. They can be the change makers and also the power to transform the future of our country.

The writer is Research Director at the Centre for Policy Dialogue.

Monetary policy brandishing double-edged swords



SHARJIL HAQUE

THE first monetary policy of 2017 will soon be unveiled. The central bank can take a bow for maintaining macro stability even as economic growth edges up. True, monetary policy has come a long way. The era of easy money that stoked double-digit inflation, burnt up foreign reserves and bloated stock prices some years ago was

rightfully dislodged by a more cautious approach. Tighter monetary policy, salted with lower commodity prices and favourable domestic harvests, cooked up a healthier concoction of lower inflation and interest rates. While prodigious accumulation of US dollar reserves insured the economy from external shocks and swelled our Export Development Fund, which might even be joined by a historic Sovereign Wealth Fund.

Yet, there are fault lines. Regulators are pursuing policies that, for all their front-loaded benefits, build up substantial economic risks along the way. By pegging the exchange rate to the US dollar, imposing tight foreign exchange regulations and targeting not-so-moderate inflation rates, monetary policy looks to be wielding double-edged swords. Consider the state of monetary affairs. Dollars are gushing in through exports, remittances, foreign aid, foreign direct investment and private borrowings. The only major source of outflow is through imports, which remain lukewarm without the infrastructure impetus. Resident corporations cannot invest overseas and make productive use of their excess savings. While fears over a current account deficit appear overblown considering that it will easily be swallowed up by a much larger surplus in the financial account. So even with the recent decline in remittances, Bangladesh Bank (BB) will be left with a bulging surplus in its balance of payments (BOP).

Sure enough, BB will devour excess dollars to hold the exchange rate steady. It will then have to sell bonds to soak up local currency that it injected into the system, a practice known as "sterilisation" in central banking parlance. Sounds like a foolproof plan, at least in theory, but financial markets have a way of defying text-book logic. Banks, for instance, might be unwilling to gulp down vast swathes of low-yield bonds that BB dishes out. Even more so if policy rates are cut. That BB's operating target for controlling liquidity and interest rates, known as reserve money, was overshot several times already this fiscal year shows the limits of sterilisation. So what becomes apparent is an imminent collision-course between the need to contain money growth and the need to secure exchange rate stability. Add to that the cost of paying for domestic bonds with reserves that hardly earn any interest, and the free lunch of a BOP surplus no longer appears "free".

Meanwhile, the slow decay in trade competitiveness is well under way. With the Taka tightly managed

relative to the dollar, there will be no stopping the Real Effective Exchange Rate (REER). Not that it should be wildly surprising. The dollar is appreciating against other major currencies fuelled by hopes of greater fiscal stimulus and faster monetary tightening in America, taking the Taka along for the ride. While 5+ percent domestic inflation, though lower than before, adds fuel to the fire of real effective appreciation in an era where many advanced economies are barely outrunning deflation. Supply-siders will insist infrastructure investment, and consequent import boom, might weaken the currency but further REER appreciation looks the most immediate outcome.

If REER stabilisation is a priority, policymakers might consider a basket, or trade-weighted average, of major

disproportionately benefitting the asset-rich. Considering 7.2 percent real growth target, broad money does not really need to rise by more than 13.0-13.5 percent. Take India and China for instance. Both averaged 7+ percent growth with broad money expanding by 12.02 and 12.64 percent respectively, during 2013-2015 according to World Bank and IMF data.

In the meantime, regulators face yet another conundrum: capital leaking out of the country through over-invoicing of imports. Though capital controls (official restrictions on capital flows) remain tightly screwed in place, the expansion of trade and consequent rise in manipulation of trade invoices provide an easy conduit for money to escape. And despite its best intentions, restricting access to foreign exchange ends up pushing people to pay a premium in the informal currency market (Hundi). By extension, remittance inflows get diverted by more attractive rates there. At the end of the day, there will always be some demand for capital transfer and perhaps even more so as income rises. Capital controls are easy but dangerous substitutes for what's really needed: supply-side reforms in institutions, infrastructure, business-regulations, governance and national security that build more confidence in the economy.

On the other hand, institutional savings that are cooped up in low-yield bank deposits remain starved of more profitable avenues like direct investment abroad. So a more liberal foreign exchange regime needs to find its way into the agenda. Greater financial openness will also reduce the need for BB to make substantial and costly interventions to keep the exchange rate stable.

Detractors can fret about instability and balance of payment difficulties, but make no mistake, such risks will remain contained if capital controls are relaxed gradually (following a medium-term plan) and political conditions remain, by and large, stable. In fact, some of the foundations that merit a more liberal foreign exchange regime are already in place: a large tank of reserves, low external debt with very little short-term obligations, prudent macroeconomic policies and stable growth rate.

In an ideal world, there are two more preconditions. First, bring more flexibility into the exchange rate, which would come from a REER-based approach noted above. Second, shift gears from money-stock management to interest-rate targeting. Managing inflation with broad money target becomes futile once capital flows a bit more liberally across borders. And herein lies the need for a vibrant local currency bond market, a prerequisite for targeting interest rates. Sadly, a deep bond market characterised by long-term debt instruments remain far from seeing the light of the day.

And so the end-game is clear. Some bold steps departing from established conventions are necessary. Things might seem harmless right now, but eventually double-edged swords could leave scars that will prove difficult to heal.

The writer currently works as a macroeconomic Research Analyst in Washington D.C. and is a Fellow at the Asian Centre for Development in Dhaka. E-mail: sharjilmuktafi.haque@gmail.com

Detractors can fret about instability and balance of payment difficulties, but make no mistake, such risks will remain contained if capital controls are relaxed gradually (following a medium-term plan) and political conditions remain, by and large, stable. In fact, some of the foundations that merit a more liberal foreign exchange regime are already in place.

currencies as benchmark for foreign exchange intervention. The added flexibility will absorb shocks from divergent monetary policies that are taking shape in developed countries (tightening in America and easing in Europe/Japan). It will also shore up remittance inflows from countries like the United Kingdom whose currency depreciated significantly against ours recently.

To be sure, inflation target must be reduced as well, preferably to 4.5-5.0 with a medium-term vision of below 4.0 percent. Worries over choking off growth by being more careful with money supply are overdone. The seductive fragrance of higher money growth and strong real economic activity will not go together for long. All it will do is feed into inflation,

LETTERS TO THE EDITOR

letters@thedailystar.net

Is Bangladesh prepared to face an earthquake?

Earthquakes are becoming more frequent by the day – the most recent one took us all by surprise on January 4. Experts have warned us that Bangladesh is under the risk of a major earthquake. But how many of us know about the safety measures to be followed in the face of such a calamity?

Families should discuss and decide on an emergency plan, and prepare an emergency kit including first aid equipment, food, water and other necessary items. It is also wise to keep printouts and photocopies of all family members' pictures, which can be used if you get separated. If an earthquake occurs, take cover underneath a strong table or desk, especially protecting the head, neck, and chest regions.

These are just some basic precautionary measures. In the meantime, the government and medical institutions should prepare strategies to deal with the repercussions of this imminent disaster.

Mir Abdul Alim
Journalist, Researcher and Columnist

The unsettled issue

Tamils have the right to live in peace and harmony in Sri Lanka. However, history is testament to the ethnic Tamils' unfortunate treatment in Sri Lanka.

A large number of civilians had fled the war zone and started migrating as refugees to the southern parts of India. Such an exodus may lead to a big humanitarian crisis. In this context, the Sri Lankan government should take urgent steps to prevent the looming crisis in the region, while also facilitating rehabilitation for the displaced. P. Senthil Saravana Durai, Mumbai