

## Attacks on BSMRSTU students condemnable

Find and punish the assailants

We strongly condemn the attack on students at Bangabandhu Sheikh Mujibur Rahman Science and Technology University (BSMRSTU) in Copalganj. The students have alleged that the attackers are goons hired by the university VC. According to demonstrators, "outsiders" wielding sticks and sharp weapons attacked them at four different locations while they were on their way to the campus to demonstrate, leaving at least 20 students injured. Even female students were not spared by the assailants, who especially targeted anyone who had dared to record the incident on their mobile phones.

Students of BSMRSTU have been demanding the removal of the VC who has been accused of being involved in corruption and irregularities. As this newspaper reported on Friday, allegations of sexual harassment, nepotism in recruiting teachers and other employees, and corruption in development projects have also been made against him. Thousands of student protesters have been demanding a fair probe into the allegations since Thursday, with a section of them going on a fast-unto-death.

The allegations themselves are extremely serious and demand investigation. But the latest string of attacks on students with deadly weapons makes it even worse. And to top it all off, the authorities have severed power and water connections to the university's dormitories and shut the dining halls, the students alleged, in a bid to force them off campus and to stop them from protesting.

These harsh measures by the authorities—in complete disregard for the welfare of the students, many of whom have no place to go at such short notice—are simply appalling. Instead of resorting to such tactics, the authorities could have tried listening to the students' grievances and assured them of a fair inquiry into the various allegations.

Despite the regretful series of events, we hope the authorities will now look into the matter with greater urgency and initiate the long-due investigations as per the students' demand. Parallel to that, law enforcers should investigate the attacks on student protesters, apprehend the assailants and beef up measures to prevent the recurrence of any such incidents.

## Will the BCL never learn?

No let-up in their extortion activity

THE dust has not yet settled after the recent shakeup of the AL's student wing and the fallout of its youth wing's involvement in large-scale operation of casinos in the capital, and there the BCL goes again in Thakurgaon. This time it was stopping the construction of a model mosque, a government project, because they were not paid the extortion money they had demanded. Not only that, they entered the construction site and ransacked whatever was there to vent their displeasure.

The local BCL have, as usual, denied the allegations. But is their excuse—that they had only asked for subcontract for supplying certain construction material—acceptable? Is it for the leaders of the BCL to run subcontract in the locality? It is the same old story like we heard in case of the JU, that the BCL leaders only wanted a "fair share" of the cut.

While commenting on the same very issue recently, we had observed that the psyche of the BCL as a whole needs to undergo a change. The present state is the unfortunate consequence of a feeling of complete immunity from any retribution or punitive action for whatever they do. They had lived under the blessings of some very powerful quarters within the AL who, despite the PM's repeated calls to purge the BCL of these elements, have not only tolerated but also nurtured them. But changing one's ethos remains a long and somewhat difficult process. In the meantime, it may be a worthwhile exercise to purge the entire senior crop of the appendage, who without exception have this seemingly incurable malady that compels them to extort, coerce, disturb the education atmosphere and often interfere directly with the administrations of the institutions they belong to.

## LETTERS TO THE EDITOR

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### BRI: Risks and opportunities for Bangladesh

The belt and road initiative (BRI), initiated by Chinese president Xi Jinping in 2013, is expected to increase global connectivity through land and sea routes and facilitate trade among the BRI signatory countries.

BRI has been widely accepted by many countries. The initiative to enhance connectivity has been extended from Asia to Europe, Africa and Latin America. So far, more than 120 countries have already joined the BRI and Bangladesh is one of them. During the visit of Chinese President Xi Jinping to Bangladesh in 2016, he pledged USD 40 billion for building up infrastructure under the BRI and signed an MOU in this regard. Many big projects are being built in Bangladesh under this initiative.

China has vast resources which remain untapped. The country now needs to boost trade with regional and global powers to emerge as an economic super power. Moreover, this initiative enhances China's influence as a soft power international diplomacy.

The proponents of the BRI in Bangladesh are seeing this initiative as a window of opportunities for Bangladesh. Other groups are apprehensive of the potential debt trap that it might put Bangladesh in. Bangladesh should not get swayed away by the possibilities that BRI opens up for the country; rather it should carefully weigh its options and make wise and informed decision for the greater interest of the country.

Mohammad Zonaid Emran, A banker

# Managing Bangladesh's external account imbalance



MIZANUR RAHMAN

BA NGLADESH has recorded an unprecedented 8.3 percent economic growth in the 2019 fiscal year. An accelerating economic growth coupled with a declining population growth led its per capita GDP to grow from USD 576 to about USD 2,000 in the last decade alone. The country is poised to become a developing country by 2024, but there are a few challenges that are threatening its macroeconomic stability. An unsustainable external account imbalance is one of them.

At present, the money market in Bangladesh is plagued with a worsening liquidity crisis. The liquidity crisis is surely an outcome of the ballooning current account deficits of recent times. This surge in current account imbalance is an outcome of rising dissaving by both the government and the private sector. Government dissaving is primarily driven by the government's commitment to spending more for building big infrastructures. The government is investing tens of billions of dollars on mega projects. Against the soaring spending, the government revenue as measured by tax-GDP ratio has remained stagnant in the last decade. Public dissaving, thus, increased in recent times.

The private sector also incurred rising dissaving in recent times. In the two years since 2017, the private sector seemingly borrowed and invested heavily but gross private saving did not rise in a commensurate way. The biggest problem in the surging volume of private-sector investment is the quality of the investment. Private-sector investment in Bangladesh is heavily bank-centric. So there has been massive borrowing from banks and financial institutions in order to finance big projects, particularly in energy and other infrastructures. In an environment of weak regulations and lack of enforceability, bad borrowers found it very easy to redirect a part of their borrowings towards unauthorised ends.

The rising current account deficits happened as a result of both private and public sector dissavings. Bangladesh did not have significant current account imbalances until FY2016. But since then, current account deficits worsened, amounting to about USD 8.8 billion in FY2017-18. The situation has improved to some extent recently, although deficits have remained large. It is estimated to be USD 5.3 billion in FY2018-19, and predicted to be USD 4.6 billion in FY2019-20.

Now, in macroeconomics, a rising current account deficit is always accompanied by real exchange rate appreciation and that exactly happened

in Bangladesh. Real exchange rate is the ratio between home price and foreign price converted in terms of home currency. Given that foreign price (e.g. price level in the US and Europe) is changing at a very slow rate, to the tune of about 1-2 percent per year, the domestic price level in Bangladesh has increased by 7-11 percent per year over the last decade. This implies that Bangladesh had a persistent home inflation differential against its major trading partners. When nominal exchange rate is *de facto* fixed within a band and the domestic price level is rising faster than foreign price level, the home country

exchange market. These are positive developments definitely. But we have to be cautious. Current account deficit remained at USD 5.3 billion in FY2018-19 and it is predicted to remain so in FY2019-20. Furthermore, this export growth may not sustain unless exports are made more competitive in the foreign market. Our exportable goods lost price competitiveness in foreign markets in the last 10 years because of a persistent real exchange rate appreciation. Our import growth in the last two years happened to be the fastest and that is causing the foreign exchange reserve to be stagnant

strategy to address this disequilibrium is to depreciate Taka against the US dollar. That will discourage imports and increase price competitiveness of exports. Non-Resident Bangladeshis (NRBs) will also find the devaluation an incentive for their remittances. The inflow of remittances will rise substantially as a result of devaluation. Devaluation is the only way to stabilise foreign exchange and money market disequilibrium.

That said, the decision of Bangladesh Bank to grant 2 percent cash incentives to Non-Resident Bangladeshis is a bad public policy. The central bank admitted that the flow of inward remittances needed to be compensated "for an overvalued exchange rate of Taka against foreign currencies." Bangladesh Bank is taking this desperate move to attract an increasing flow of inward remittances. As the current account deficit is large and persistent, foreign exchange reserve is depleting fast. The fundamental question is if the nominal exchange rate is overvalued, which it is, why does the central bank choose a selective cash incentive only for foreign remittances? This will create many distortions in the economy.

I think Bangladesh Bank should first recognise that the Taka is overvalued. Then it must go for a gradual devaluation of Taka. That will produce a wide array of benefits. It will stimulate NRBs to send home more foreign exchanges. It will increase price competitiveness of exports and discourage imports of all kinds. And we must reduce double-digit growth in imports. We must decrease government spending in unproductive areas. We must reign in unsustainable public dissaving. A Taka devaluation will surely cause the current account imbalance to improve in the long term, slow down foreign exchange reserve depletion, ease the liquidity crisis in the banking system, and bring about macroeconomic growth and stability.

The policymakers' fear that a Taka devaluation will cause hyperinflation is unwarranted. A Taka devaluation will of course increase Taka price of imports. But the pass-through of an exchange rate devaluation to domestic prices is not uniform across products. So, the price effects are not one-to-one. Taka devaluation will also increase the Taka value of Bangladesh's external indebtedness. But we must not underestimate the long-term gains for exports and inward remittances. An overvalued exchange rate would cause external indebtedness to rise exponentially via depressing exports and other capital flows. There are many empirical studies that showed that the long-run effect of an exchange rate devaluation is always welfare-enhancing. It contributes towards external account adjustments and brings about macroeconomic stability.

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ILLUSTRATION: UTTAM GHOSH

experiences a persistent real exchange rate appreciation. This is exactly what happened in Bangladesh in the last decade. And that is at the heart of an unsustainable current account imbalance in the country.

Money market is facing a crushing liquidity crisis because the central bank kept selling US dollars to commercial banks in order to finance the surging current account deficits amid a fixed Taka/Dollar exchange rate. When the central bank sells dollars to support its commitment to the nominal exchange rate, a depletion of actual and potential foreign exchange reserves happens. Money supply contracts as an outcome. Thus, the current episode of liquidity crisis arises from the surging current account deficits in recent years.

The flow of both inward remittances and exports registered a modest growth in 2018/19 fiscal year and that helped ease the growing tensions in the foreign

at USD 32 billion in the last four years. Recently, a downward pressure is seen at the foreign exchange reserve level. So, the accumulation of foreign exchange reserves that happened after 2010 has now stopped. This is posing a danger to macroeconomic stability.

Bangladesh Bank has continued to inject US dollars in the banking sector to stabilise the volatility in the foreign exchange market. The selling of US dollars by the central bank for meeting the rising foreign exchange demand in the market is an indication of disequilibrium in the foreign exchange market. This strategy is inappropriate because it will further deplete the foreign exchange reserve—a barometer of macroeconomic stability. The central bank's intervention further implies that Taka is overvalued against the US dollar. A persistent current account deficit is at the heart of this rising demand for foreign exchange. The most viable

# Building capacity to implement the Paris Agreement

MIZAN R KHAN

THE Asia-Pacific Climate Week was held at the UN Conference Centre, Bangkok from September 2 to 6, 2019. The objective was to have a regional dialogue on how to ratchet up ambition in mitigation and speed up adaptation actions. This event has also been held in some other regions. It covered a whole range of issues including adaptation, mitigation, loss and damage, capacity building, climate finance and the role of private sector. The synthesis of the dialogues will be presented at the UN Climate Summit, which will be held today (September 23) in New York.

For us, the key event there was the Knowledge to Action Day, which was held on September 2, jointly organised by the UNFCCC, UNESCAP, the Paris Committee on Capacity Building (PCCB), Stockholm Environment Institute, International Centre for Climate Change and Development (ICCCAD) and the LDC Universities' Consortium on Climate Change (LUCCC). The importance of knowledge and adequate capacity to implement the Paris Agreement (PA) is given an added impetus in view of the "climate emergency", as the UN Secretary-General has called it.

The recent record-breaking heat in all regions is a wake-up call loud enough to be responded by the comity of nations. Obviously, the focus of the Knowledge to Action Day was to explore and explicate the role of universities and research institutes in contributing to sustainable capacity building, as some of the Nationally Determined Contributions (NDCs) have identified universities as the main institutional hub for that purpose.

For an effective response to the current climate change, developing countries rightly make the implementation of their NDCs conditional on capacity building (CB)—which is the most frequently requested type of support, even more than climate finance. This continued demand suggests that past CB efforts by development agencies have been insufficient and ineffective. Defining the scope of CB or monitoring the results has proved difficult because of its nature as an umbrella term, which allowed different projects to be packaged as promoting CB. But they have been mostly project-based, short-term, foreign consultancy-driven and workshop-focused ad-hoc initiatives, with no systems of capacity left behind.

CB is not a discrete product, but a continuous process. One of the nine elements of the Work Plan to be coordinated by the Paris Committee on Capacity Building (PCCB), established at COP21, is to explore means of ensuring national ownership. It has also been urged to learn from past experience in CB (paragraph 73.e of the PA). In addition, the Paris Agreement includes CB as one of its main pillars through articles 11 (capacity building), 12 (education, training and awareness) and 13 (transparency). These provisions are indicative of a need for a new approach to CB for implementation of the NDCs.

However, defining the CB needs for addressing the multidimensional problem of climate change is even more challenging. It warrants the building of *generic capacities*, such as access to education, health services, income opportunities and political participation as well as *specific capacities*, such as vulnerability assessments, analysis of climate change impacts, costing of adaptation, loss and damage and mitigation options. Following the book of Mizan Khan et al on CB, published by Routledge last year, we suggest that capacity needs for climate change relate broadly to: a) better understanding of the problem, both in its cause and effect dimensions and their assessment; b) ability to formulate and implement national strategies to help limit the problem through mitigation of GHG emissions, and to curb impacts through reducing risks and adapt to them; and c) to analyse, build consensus on and articulate national interests in the UNFCCC negotiations.

We have done an analysis of countries' priorities



of CB in the NDCs, which shows that the elements most frequently indicated are research and technology, education, training, institutional strengthening and awareness raising, mainly in the sectors of agriculture, water, fisheries and energy. The limited in-country capacities partly explain the dominance of foreign experts in implementation of most climate change projects particularly in the LDCs. As mentioned before, the previously supported actions did not pay enough attention to all the elements of CB, covering all the levels and elements. For this purpose, we only share two pillars here for a new framework of CB.

First, universities should be the central hub of CB, as was the consensus in Bangkok. Universities are tested institutions on education, training, public awareness, research and technology development. Historically, as powerful arbiters of knowledge in societies, universities have the ability and minimum logistics needed to generate both generic and specific capacities, creating a synergy

for building overall human resources for development and climate change. They have a ripple effect across all segments and sectors, reaching students (through curricula) to supplying graduates and experts, thought leaders and policy makers. Even the small LDCs have at least one university, with a certain level of multi-and-interdisciplinary expertise across disciplines, including environmental science and natural resource management. Together with mainstreaming climate change education, universities also can offer semester-long certificate programmes for stakeholders including government officials and NGO/private sector leaders.

Students through research assignments can become sustainable agents to support M&E to assess the outcomes and impacts of CB, which are more important than some immediate outputs. But this was not the culture before, in the workshop-based practices. As adaptation is mostly locale/region-specific, field-based *learning by doing* is key to finding locally specific solutions, which combine both indigenous and scientific knowledge.

Second, long-term financing is vital. CB requires dedicated, long-term programmatic support to have a sustainable impact. Although a new approach was agreed by successive multilateral declarations on enhancing aid effectiveness during 2005-2011 in meetings of Paris, Accra and Busan—all emphasising recipient country ownership and mutual accountability—there has not been much change in practices. Our research shows that development agencies usually do not fund education and sustained research in universities, except for short-term research projects. Targeted and sustainable funding is needed for universities to promote all the elements of CB. Together, universities, particularly in the LDCs, should mobilise better resources through university-industry, South-South and South-North partnerships. This is the goal with which the LUCCC was established in 2017 and politically endorsed by all the LDCs in 2018. So, funding for LUCCC member universities should be a prime "ask" from LDC leaders at the UN Climate Summit in New York.

Finally, in this mission, youth capacity building should be the focus, as the youth are the future stewards of their societies. Gobeshona, as a climate change research platform established in Bangladesh a few years ago at ICCCAD's initiative, is exactly geared to promoting and mentoring young talents for scientific research worthy of publication in peer-reviewed journals. Together, universities must have adequate research funding. Though the government of Bangladesh spends about 10 percent of the budget on CB and research/knowledge management, the outcomes are not yet satisfactory. This warrants development of indicators for CB, which we at ICCCAD are presently working on, and we plan to discuss these issues at the PCCB Hub to be organised at the upcoming COP25 in Chile.

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