



ILLUSTRATION: NAHFIA JAHAN MONNI

## The stock market-real economy 'disconnect'



**Dr Sharjil Haque**  
is an economist based in Washington DC. Views expressed in this article are his own and do not necessarily reflect the views of any institution he is affiliated with.

SHARJIL HAQUE

The stock market went through yet another sluggish year in 2022, with the broad market index declining by around 10.4 percent. It would be easy to blame global economic uncertainties, but recent reports in this daily suggest that, while markets in neighbouring countries have somewhat rebounded, Bangladesh remained an outlier. For example, India's BSE Sensex or Nifty 500 has risen during the same time. This trend raises important questions.

Why has Bangladesh's stock market remained depressed for so long, despite its economy having a GDP of more than USD 400 billion, which has grown consistently at a real rate of six percent or more? Why does the domestic stock market often appear to be disconnected from both domestic as well as global economic conditions? Unfortunately, the answer is weak regulations. Weak regulations have prevented high-quality companies from becoming listed, stunted the growth of institutional investors, and bred a toxic culture of market manipulation.

Nearly 70 years since its inception, the day we see a Dhaka Stock Exchange where investors – local and foreign, retail and institutional – are gathering in masses remains elusive. Our recent history is tainted by two calamitous market crashes: one in 1996, and the other in 2010. Both crashes were characterised by excessive stock price manipulation and the luring in of naive investors who were hoping to make "easy" money. The idea of long-term investment, backed by careful assessment of a company's fundamental potential, has never really taken off in Bangladesh. Speculation and "share trading" is still the norm. Nearly every year, we hear regulators claiming to have taken steps that will reduce the toxic culture of price manipulation. And every year, we turn away disappointed.

One of the key takeaways from the 2010 crash was the excessive leverage provided by banks, non-banking financial institutions, brokerage firms, and merchant banks to uninformed and unsophisticated investors, without any regard for fundamentals. This type of financial intermediation

needs to be carefully overseen. Regulators could consider using financial covenants that prevent debt-to-equity from exceeding reasonable thresholds. Otherwise, easy and unregulated access to margin loans will continue to fuel moral hazards and excessive risk-taking, leading to overvalued shares. And we all know how that works out.

One must wonder if regulators are too busy focusing on short-term remedies, rather than bringing in long-run improvement. Take, for example, the initiative to reintroduce price floors in 2022. Regulators could argue this prevented naive investors from buying undervalued stocks. But there were unintended consequences. The artificial price floor created a huge mismatch between buyers and sellers of stocks, ultimately drying up market liquidity. This is a cost that should not be underestimated. A persistent reduction in stock trading activity can translate to lower economic consumption, to the extent that it creates a binding financial constraint for a household. These effects are likely to be more pronounced for relatively lower-income families.

Rather than focusing on these temporary initiatives, regulators should focus on changes that will reduce the stock market-real economy "disconnect." The biggest factor behind the disconnect is that the largest companies with stable profitability refuse to come to the market. Large and mature companies with a track record of generating high cash flows will stabilise the market, raise confidence, attract more foreign capital, and allow institutional asset managers to flourish. Over the years, economists and analysts observing the market have repeatedly called on regulators to bring large multinational companies (MNCs) such as Nestle, Unilever, Chevron and MeLife to the market. These firms have been utilising our low-cost resources for many years and paying themselves exorbitant dividends without sharing this wealth with ordinary citizens. Only when they share their profits with the common people by going public will economic prosperity occur more broadly.

Unfortunately, as things stand now, MNCs are more likely to generate, rather than reduce, income inequality in Bangladesh.

Intriguingly, some of these same MNCs are listed in equity markets of other countries such as India. So how are the incentives offered by other countries different? An obvious strategy is to expand the tax-differential relative to private firms. The existing tax gap stands at only 7.5 percent, which is not nearly enough to encourage private firms, given that there are additional costs of going under public scrutiny. On top of that, MNCs likely have good long-term relationships with domestic banks, further reducing their need to enter the equity market.

Finally, I suspect an additional reason has to do with financial reporting. Since private firms have greater leeway to hide their true income, mere widening of the tax gap may not be a sufficient incentive. Regular and more thorough audits could help create a more level-playing field between public and private firms.

Another key reason behind the stock market-real economy disconnect is the dearth of institutional investors, such as mutual funds. The size of the mutual fund sector in Bangladesh is less than one percent of our GDP. Mutual funds are an important source of financial intermediation, which provides households with access to a diversified portfolio of stocks at low cost. In the US, for example, households often invest their retirement money in mutual funds. In fact, mutual funds can serve as a vital source of financial inclusion by giving relatively less experienced and lower-income households access to public equities that are managed by professionals. Greater presence of professional fund managers will reduce the importance of "rumour-based" trading, and bring greater harmony between real economic conditions and equity prices.

Regulators in Bangladesh should take notes from best practices around the globe to help develop this sector further, particularly in terms of the ease with which new funds can be opened, simplifying existing rules, and providing fund managers greater discretion in their investment decisions.

A vibrant financial sector requires both banks and a stock market to efficiently intermediate capital and accelerate financial inclusion. Unless policymakers address these structural issues, the stock market-real economy disconnect will become a perennial problem. Ultimately, ordinary citizens pay the price of an undeveloped stock market.

## Is global governance failing to deliver climate commitments?



MACRO MIRROR

**Dr Fahmida Khatun**  
is executive director at the Centre for Policy Dialogue.  
Views are personal.

FAHMIDA KHATUN

TO deliver on the climate commitments made by global leaders at the historic COP21 and COP26 of the United Nations Framework Convention on Climate Change (UNFCCC), several institutions will have to be reformed and improved to benefit the Global South, where people are facing economic, social and environmental challenges, and are most vulnerable to impacts of climate change. One of the reasons for international environmental and climate governance not delivering on the aspirations of the world is that they are very complex, and not only includes several organisations, but also agreements and treaties, policies and measures, rules, procedures, financing frameworks, and technology mechanisms. Environmental governance also connects with other areas of global governance, such as international trade.

Unfortunately, despite all these initiatives, environmental degradation continues. Deforestation, desertification, air and water pollution, and biodiversity loss are increasing, with the most dangerous threat being that of climate change.

One of the key global governance mechanisms for addressing this is the UNFCCC, which provides the framework for international action for the Paris Climate Agreement 2015. In line with the Paris Agreement to limit global warming to well below 2 degrees Celsius, commitments of greenhouse gas emissions were made at COP26 in December 2021. More than 150 countries have set deadlines for achieving net zero emissions by the middle of the century, and submitted their plans on how to do so and by how much with their target periods.

However, it did not take even a year after COP26 for some advanced countries to move away from their

climate pledges. In the wake of the Russia-Ukraine war, even the champions of net zero have moved backwards and resorted to coal for energy. This gives an ominous signal to the world. Such retreat from climate commitments is not going to fulfil the global ambition for net zero by 2050. Indeed, the Glasgow targets were not enough to meet ambitions for emission reductions. According to UN emissions gap estimates, despite these commitments, the world will see a 2.5 degrees Celsius temperature rise by the end of the century. Hence, enhanced commitments are needed, which must be stronger than what was set at COP26.

**While commitment is the first step, finance is the most important means for implementation of climate commitments. But in this case, there are huge gaps, as pledges remain unfulfilled.**

There are other examples of how global governance for the environment is not functioning well. While commitment is the first step, finance is the most important means for implementation of climate commitments. But in this case, there are huge gaps, as pledges remain unfulfilled.

In 2009, at COP15, developed countries committed to USD 100 billion per year by 2020 for vulnerable climate-affected countries, which was later extended till 2025. However, till 2020, about USD 83 billion has been mobilised. Moreover, the distribution of funds is biased towards mitigation activities, which comprise 58 percent of total climate funds. But the Global South needs

more adaptation funds to cope with environmental challenges to lives and livelihoods. Climate vulnerable, small island, least developed and developing countries need funds for early warning systems of natural disasters, floods and cyclones, as well as funds for food security.

There is also demand for separate financing facilities exclusively for loss and damage in climate vulnerable countries. For a long time, developed countries refused to recognise even the concept of loss and damage, which is the compensation to be paid by them for historical actions towards causing climate change. Recently, there has been a recognition of this responsibility by some developed countries, and a few also made commitments at COP27 to pay for loss and damage.

There is also a commitment by developed countries to support climate action in LDCs and developing countries through technology transfer under the trade-related intellectual property rights (TRIPS) agreement. But one observes slow progress in this case, too.

Several global organisations are part of climate governance, as they have linkages with environmental and climate issues. The World Trade Organisation (WTO) is one example. International trade has impacts on climate change, and vice versa. Countries can also address climate challenges through trade cooperation and trade policy measures. However, due to the slow progress of WTO negotiations, countries are not able to benefit from climate supportive trade measures.

Given that there are already so many institutions that deal with environmental and climate issues, there is no need for new ones. Rather, the existing ones should be strengthened and made more effective and functional. Countries in the Global South can work together to make this happen. There is a need for a thorough assessment of measures for each organisation to avoid and resolve any conflicting measures between multiple organisations. Therefore, a major task of the Global South is to ensure more transparency, comparability, compatibility, and harmonisation of environmental and climate measures. This will facilitate smooth implementation of climate promises.

**Government of the People's Republic of Bangladesh**  
Office of the Executive Engineer  
Education Engineering Department, Sylhet  
[www.eed.sylhet.gov.bd](http://www.eed.sylhet.gov.bd)

Tender Notice No. 11/e-Tender/Non-Govt.College/EED/Syl/2022-2023 Date: 23/01/2023

**Invitation for e-Tender (LTM)**

e-Tender is invited in the National e-GP System Portal (<http://www.eprocure.gov.bd>) for the procurement of works mentioned below under Education Engineering Department, Sylhet District.

Sl No.	Tender/Proposal Package No.	Tender ID	Name of works/package description	Last date & time of selling documents	Last date & time of submission documents
1	e-Tender-01/Non-Govt.College/XEN/EED/Syl/2022-2023	782024	Construction of RCC Internal Approach Road at Dakshin Surma Degree College, Dakshin Surma, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
2	e-Tender-02/Non-Govt.College/XEN/EED/Syl/2022-2023	782025	Construction of RCC Internal Approach Road at Bishwanath College, Bawanath, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
3	e-Tender-03/Non-Govt.College/XEN/EED/Syl/2022-2023	782026	Construction of RCC Internal Approach Road at Manikona High School & College, Fenchugonj, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
4	e-Tender-04/Non-Govt.College/XEN/EED/Syl/2022-2023	782027	Construction of RCC Internal Approach Road at Salukor College, Goalinghat, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
5	e-Tender-05/Non-Govt.College/XEN/EED/Syl/2022-2023	782028	Construction of RCC Internal Approach Road at Malik Nahar Memorial Academy, Kansighat, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
6	e-Tender-06/Non-Govt.College/XEN/EED/Syl/2022-2023	782029	Construction of RCC Internal Approach Road at Barohal College, Zakiagonj, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
7	e-Tender-11/Non-Govt.College/XEN/EED/Syl/2022-2023	782034	Construction of RCC Internal Approach Road at Balagonj Degree College, Balagonj, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
8	e-Tender-09/Non-Govt.College/XEN/EED/Syl/2022-2023	782036	Construction of RCC Internal Approach Road at Kushlars College, Golapgonj, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
9	e-Tender-10/Non-Govt.College/XEN/EED/Syl/2022-2023	782037	Construction of RCC Internal Approach Road at Dhaka Dakshin Multilateral High School & College, Golapgonj, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
10	e-Tender-12/Non-Govt.College/XEN/EED/Syl/2022-2023	782038	Construction of RCC Internal Approach Road at Blue Bird High School & College, Sadar, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
11	e-Tender-13/Non-Govt.College/XEN/EED/Syl/2022-2023	782039	Construction of RCC Internal Approach Road at Tajpur Degree College, Balagonj, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
12	e-Tender-14/Non-Govt.College/XEN/EED/Syl/2022-2023	782041	Construction of RCC Internal Approach Road at Hafizha Nazimuddin Monlia College, Zakiagonj, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
13	e-Tender-16/Non-Govt.College/XEN/EED/Syl/2022-2023	782043	Construction of RCC Internal Approach Road at Doyamir College, Balagonj, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00
14	e-Tender-17/Non-Govt.College/XEN/EED/Syl/2022-2023	782044	Construction of RCC Internal Approach Road at Fenchugonj Degree College, Fenchugonj, Sylhet (2 <sup>nd</sup> Call)	12/02/2023 Time: 16:00	13/02/2023 Time: 12:00

This is an online tender, where only e-Tender will be accepted in the National e-GP Portal and no offline/hard copies will be accepted. To submit e-Tender, registration in the National e-GP System Portal (<http://www.eprocure.gov.bd>) is required. The fees for downloading the e-Tender documents of said packages from the National e-GP System Portal have to be deposited online through any registered banks branches up to 12/02/2023 at Time 16:00pm. Further information and guidelines are available in the National e-GP System Portal and from e-GP help desk ([helpdesk@eprocure.gov.bd](mailto:helpdesk@eprocure.gov.bd)).

23/1/23  
Md. Nazrul Hakim  
Executive Engineer  
Education Engineering Department  
Sylhet  
E-mail: [ee\\_syl@eedmoa.gov.bd](mailto:ee_syl@eedmoa.gov.bd)

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