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6.53 crore peoples' lives hang in the balance

UNDP's report calls for urgent cash payments to the right people

A UNDP working paper has suggested that nearly 6.53 crore people need to receive time-bound temporary cash payments in order to cope with the devastating financial impact of the Covid-19 pandemic. The enormity of this statement cannot be lost on the government. It means 6.53 crore people are in dire need of cash in the coming months. The UN organisation recommends Tk 2,100 per month for the next few months so that the beneficiaries, mainly poor and the newly impoverished, can stay at home which will help to slow the spread of the virus. At present, infection rates are high and the virus has spread all over the country—the 16th worst hit in the world. Partial opening to ease the economic hardship has led to this situation which will worsen unless drastic measures are taken.

The hardest hit by the pandemic are those in the informal sector who earn low wages and include women, young people, migrant workers, refugees and people with disabilities—none of whom are covered in the social insurance programmes. According to a Brac survey, earnings of 51 percent households in Bangladesh plunged to zero due to the coronavirus outbreak. Without such cash handouts, they may literally starve.

A national strategy is therefore immediately needed to provide this cash support while increasing testing and contact tracing in areas where transmissions are high.

Firstly the government must acknowledge the enormity of the task ahead which is to come up with an estimated USD 1,623.4 million to help these people to help them buy food, pay for health and education expenses, etc. This will require mobilising funds from its own sources as well as from the international community and the private sector.

But just having enough funds to pay such emergency cash handouts will be of no use if the money is not managed properly and distributed to those who need it most. The government has allocated Tk 1,250 crore for nearly 50 lakh families and each family is supposed to receive Tk 2,500 a month. But the government has managed to disburse the funds only among 16.16 lakh families amid inconsistencies found in the list of beneficiaries. The list has been revised and sent by the district administration but according to the finance division around 10 lakh families will be provided with cash before the coming Eid. This is only a fraction of the population that must be helped immediately.

The irregularities that lead to leakages in the funds available must be eliminated before new funds are distributed. This means the list has to be properly made with the legitimate beneficiaries identified by experts and organisations that work with poor populations. The cash can be distributed through electronic transfer. The task at hand is no doubt formidable. But it has to be undertaken on an urgent basis and can be accomplished if there is political will. With 6.53 crore peoples' lives hanging in the balance, there is no time to waste.

Ensure affordable internet for students, teachers

Reduce the education divide

IT is concerning that many students and teachers across the country are finding it hard to bear the cost of online classes because of the high internet charges. Around four crore students in the country, from primary to university level, have been affected due to the pandemic since all educational institutions were closed on March 17 to contain the spread of Covid-19. Although many institutions have introduced online classes to make up for the loss of learning, a vast majority of students cannot afford the high internet charges.

The high cost of a broadband connection and the necessary equipment, such as a router, needed for online classes, have added to the burden of parents who are struggling to meet the regular household expenditure. The same is true for teachers as paying the internet bill every month with their meagre salary has become very difficult for many of them. The cost of mobile operators' data plans are even higher than the cost of broadband connections. And for many students living in the remote rural areas, online education remains completely inaccessible because of poverty, poor internet connectivity and a lack of necessary equipment.

Although the issue of the digital divide created during this pandemic has been discussed in the media and various other forums, we are yet to see any comprehensive plan from the government to address the problem and ensure that online education is accessible to all students at every corner of the country. Questions have also been raised about the lack of preparations of our public universities in holding online classes and reaching students from disadvantaged backgrounds. Public and private universities have been calling for affordable mobile internet packages for their students for a long time. And the UGC has also urged the government to introduce free internet packages for university students to enable them to access online education. We hope to see a positive development in this regard soon. It is good to know that Shahjalal University of Science and Technology have already signed an agreement with a telecom operator to provide affordable internet packages for its students. We hope other universities will also take such steps.

A strong banking system makes a strong economy



ABU AFSARUL HAIDER

FOR the last several years, the banking sector in Bangladesh has been playing an important role in our USD 300-plus billion economy where banks comprise more than 80 percent of all financing activity. Besides providing investible funds to both the public and the private sector, they are also facilitating international trade and service payments, generating employment, earning foreign remittance, strengthening rural economy, developing the housing sector, etc. But in recent years, this crucial sector has been facing many challenges, which include among others, a big volume of non-performing loans (NPLs), lack of corporate governance, increasing capital shortfall and slow loan recovery that have raised serious concerns about the efficiency and soundness of this sector.

According to the "Global Competitiveness Report 2019" of World Economic Forum, Bangladesh scored 38.3 out of 100 and ranked 130th out of 141 countries in soundness of banks. This ranking is the lowest among South Asian countries (India scored 60.4 and ranked 89th, Pakistan ranking 93rd, Sri Lanka 94th and Nepal 106th). In defining banks' soundness, weak monitoring, growing default loans, lack of good governance, balance sheets and availability of funds, and capacity to repay were taken into consideration. Another report (Financial Stability Report, 2019) unveiled by the Bangladesh Bank (BB) shows that the country's banking sector maintained the lowest capital adequacy ratio (CAR) in 2019 compared with neighbouring countries (India, Pakistan and Sri Lanka). Bangladesh maintained the CAR at 11.60 percent, way less than 17 percent in Pakistan, 16.5 percent in Sri Lanka and 15.1 percent in India. Capital adequacy ratio (CAR) is the reflection of all financial indicators of banks, including the ratio of defaulted loans, the capability of keeping provisioning against regular and classified loans and the actual situation of corporate governance.

It is an open secret now that the country's banking sector has been mired in a series of scams and irregularities, such as the funneling of loans worth billions of taka by violating banking rules and procedures to influential people, who have been known to be lax with repayments. As a result, as of September 2019, defaulted loans in the banking sector stood at a record Tk 116,288 crore. Disappointingly, instead

of taking any strict action against loan defaulters, Bangladesh Bank (BB) opted for a relaxation of various rules. Under the relaxed policy offered in 2019, the central bank has given special loan rescheduling facility to loan defaulters, allowing defaulters to regularise their loans for 10 years by paying just two percent of their loans as down-payment. As a result of the central bank's decision, last year, a record Tk 52,770 crore was rescheduled, but of them, Tk 13,284 crore have turned sour again, according to BB data. BB data also showed more than 50 percent of the defaulted loans amounting to Tk 48,057 crore were with the eight state-run banks and 41 private banks together had defaulted loans amounting to Tk 44,174 crore, as of December 2019.

Industry experts, however, have strongly criticised the policy. Khondkar Ibrahim Khaled, former deputy governor of Bangladesh Bank, said, "The policy

will destroy the banks." The policy will have serious "side effects" on the money market. When loans are not recovered for a long time, lending rates go up and hurt businesses, he added. In a similar vein, Ahsan H Mansur, executive director of the Policy Research Institute said, "Actually, this is just an eyewash to camouflage the actual situation of defaulted loans." Wholesale rescheduling indicates that banks are trying to clean up their financial balance sheets artificially in a bid to show profits. The volume of non-performing loans (NPLs) would have increased significantly if banks had not regularised the defaulted loans in a relaxed manner, he pointed out. These numbers (reduce defaulted loans) may look good on paper but in the long run the policy would deteriorate the banking sector's financial health because long-term loan rescheduling would hurt and squeeze

the banks' capacity to give fresh loans to productive sectors which in turn could bring disaster to the economy. Amid such a situation, the coronavirus outbreak in March added salt to the wound for the banking sector. Due to the ongoing economic fallout of the coronavirus pandemic, most of the business houses have been forced to take out a large amount of money to pay wages and salaries to employees and for other operational expenditures. Individuals too are withdrawing deposits from their savings account, cashing out fixed and deposit pension schemes prematurely to support their family expenses. According to Bangladesh Bank, bank deposits decreased to Tk 12,28,000 crore at the end of this April from Tk 12,53,600 crore in January 2020. Moreover, the governments' recent move to cap bank interest rates within 9 percent against loans and 6 percent for deposits will surely encourage

budget deficit. It seems the current trend of high government borrowing would increase further in the coming months due to a dismal revenue collection amid the global coronavirus outbreak. Economists and bankers anticipate all this to definitely put further pressure on bank deposits in the coming days, which will ultimately increase the risk of crowding out the private sector with adverse effects on private investments.

Once the outbreak is contained and the economy resumes its normal activity there will be more demand for money, both from the private and public sector. Private sector will be needing money for business structuring and the government will need to spend a substantial amount of money on development projects to boost up economic activities and to create aggregate demand, but the question remains, how can banks lend smoothly if they do not have adequate funds. To answer the question, economics 101 tells us that when the economy starts growing, the country needs more sources of finance and more sources of credit. Today, there is a strong need for other types of institutions like venture capital, private debt equities, strong bond and capital market, etc., so that businesses can raise longer-term finance through these institutions and reduce their reliance on short-term bank finance. Similarly, the government should also focus on availing foreign grants as well as low-cost funds from external sources and should take initiatives to strengthen the bond market as the country needs long-term investment to achieve its development goals and thus reduce dependency on bank borrowing.

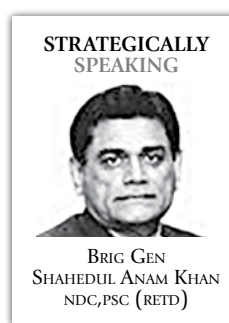
Therefore, it is high time for our policymakers to understand that a healthy, strong and efficient financial sector is a vital component of economic growth. Anne-Marie Gulde-Wolf, the International Monetary Funds (IMF's) Asia-Pacific Deputy Director said: "Reforming the banking sector is one of the top priorities for the government to enhance the resilience of the economy... Comprehensive reform is required to address banking sector weaknesses. Measures should include enhanced banking regulation and supervision, state-owned commercial banks reforms, tighter criteria for loan rescheduling/restructuring, stronger corporate governance in the banking sector, and enhanced legal systems to accelerate loan recovery." Therefore, the sooner the government starts to implement the above recommendations, the faster Bangladesh will embark on a path that would create a stronger economy.

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borrowing but banks will face hurdles in attracting depositors. Furthermore, the government decision to raise excise duty by 20 to 25 percent in various slabs on deposits above Tk 10 lakh in the current budget for 2020-21 is expected to further discourage depositors to park their money in the banking system. Unfortunately, while the banking sector is passing through such a financially difficult period, government's borrowing from the banking system continues to rise. Data shows in the just concluded fiscal year the government's net borrowing from the banking sector stood at Tk 85,000 crores, up by Tk 37,633 crores from the original estimate due to a dismal revenue collection amid the global coronavirus outbreak. For this fiscal year (2020-2021), the government has set its bank borrowing target at Tk 84,983 crore to meet part of its Tk 1.9 lakh crore

There is indeed something 'rotten in the state of Denmark'



BRIG GEN SHAHEDUL ANAM KHAN NDC, PSC (RETD)

WE knew that our system was plagued with moral and systemic corruption, but we couldn't imagine that it was this bad, and were it not for Covid-19, much of the muck that has surfaced in the last four months might have remained under the surface. The pandemic has bared us at all levels, individual and collective; and at the administrative level, the veneer of rectitude and scruples has been all but removed.

But corruption is not a recent phenomenon. It's enough to mention Bangabandhu's memorable comment about corruption without quoting it, to jog our memory. Unfortunately, corruption had never left us. Every regime since his, of whatever shade, has practiced it with due diligence and unwavering single-mindedness. And every succeeding administration has not only replicated it, but practiced also with vengeance and gusto. If there is any list that we have had the misfortune to top or be thereabouts with regularity, it is the corruption index, which every regime has vehemently disagreed and trashed out of hand, not unpredictably. The conspiracy theorist going on overdrive to discover heinous motives behind the machinations of the watchdogs, the media singled out for concocting stories and overlooking the truth.

The last four months of the pandemic has been for many an existence like Alice in the Wonderland. But things are not only getting "curiouser" and "curiouser", it is exposing the faults in the system ever more. But what is the most frightening is the truck between some people in the administration and the corrupt in the public sphere. The revelations have been startling, though not shocking. We have gone past the stage of being stunned long ago. The malaise has infected all strata of our society and all areas of our activity, polity not excepted. The environment that

Covid-19 has created has become a mirror that reflects our society. Getting up every morning to see the mirror is not gratifying at all.

The panic created by the virus has eroded the human in us. Ailing parents have been discarded, left to die by their children. Burial of dead parents was done by a few humanitarian organisations and some UNOs. Some doctors and health workers, our front line fighters, were not allowed to enter their own homes, forced

that allows a convicted felon to go about not only freely in public, but also enter into deals with banks, set up hospitals, get enrolled in an important sub-committee of the ruling party, have bank managers root for him for loans discarding the normal scrutiny and verification process, pass off as a member of the PM's staff, commandeer the services of UNOs for personal business, fleece thousands from people through sham MLM companies, and endanger the security of the country



Md Shahed posted this photo of 'meeting' at the office of director general of DGHS on his Facebook profile on April 2.

out by neighbours for fear of being infected. Even land grabbers are exploiting the situation to illegally occupy property. And of course there are the PPE suppliers and some private hospitals that have made capital out of the crisis. Some have been caught, others not yet.

One wonders whether we would ever come to know about the inimitable craftiness of Md Shahed had the pandemic not intervened. If the media had revealed any one of his "deeds" at any other time, charges of defamation and slander of a very "honourable man" of the society who was conducting his business "honestly" would have been brought against those revealing the blatant misdeeds.

How would one describe a legal system

nobody who could remove him. His deputy has followed suit. The DGHS and his directorate must shoulder much of the blame for the pathetic condition the health sector is in and for all the illegal and corrupt practices conducted by some of the hospitals. The former DG manifests in himself the decay and the pitiful state of the health sector—a sector that by far outruns all the others in corruption. Should we not shudder when we hear a minister admitting that signing documents without ever reading it is the norm rather than the exception? Will he be held to account for the damage his action and inaction have done to the country? Will the DGHS retirement be the end of the story as far as he is concerned?

Can one have faith in a system which allows two big businessmen to evade arrest on allegations of attempted murder, by flying out of the country ostensibly as corona patients? Their private air ambulance was used for the purpose, and that too during the strictest period of lockdown when there were no international flights operating to and from the country! Will one be remiss in suggesting that everything is not well with the state machineries when an act of absconding is allegedly facilitated by state officials?

The present state is the consequence of the absence of accountability. Public servants and elected officials no longer feel obligated towards the public, since it's not public support they need any more for their political validity. The People's House has become, largely, a place for exchanging plaudits and dispensing platitudinous banalities instead of a forum for holding the administration and the lawmakers answerable on behalf of the people they are supposed to represent, and whose interest they are supposed to uphold. Absence of accountability creates people who subvert the nation's interest and security, which may become hard to reclaim. Surely there is something wrong in our state, and it will take not only the Heaven's direction but also drastic actions by the people at the helm to cure it.

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