

## Killings at the border, again

Why do these keep recurring?

We wonder why Bangladeshi citizens continue to be shot by the Indian BSF despite assurances from the highest level of the Indian government that firing would not be resorted to by the BSF.

Over a period of two days recently, as many as four Bangladeshis were killed in three different districts bordering India. Coming as the deaths do on the heels of the four-day DDG level meeting of the border forces of the two countries that ended last Thursday the killings are even more unacceptable.

The recent killings raise several questions. It was reportedly claimed by the BSF that they had opened fire only in self defence. What was the BSF defending against? Were they being attacked by armed people?

It is also relevant to ask where the BSF was when they were allegedly under attack, behind or in front of the border fence. If behind the fence, how did the Bangladeshis manage to cross the fence, which is constantly under BSF observation throughout the day and night, both visual and electronic, in the first place, and more so when the BSF capacity to oversee the border is far greater than that of Bangladesh's. Did the BSF recover any lethal weapon that had supposedly threatened their lives? Reportedly, one of the Bangladeshi killed might have been strangled.

It appears that the harmless rubber bullets are not really harmless and apparently the Indian Home Minister's assurances during his visit to Dhaka in July that New Delhi had ordered BSF not to shoot anyone crossing Indo-Bangladesh border, no matter whatever the circumstances were, have not percolated down to the level of the Indian border outposts.

Every border killing widens the trust deficit, unfortunately. It only helps the cause of the detractors of the efforts to take the pitch of bilateral relations to a new level. And thus there is urgent need for the Indian authorities to strictly enforce what it has committed to Bangladesh. The message to freeze weapons must go down to the last jawan as was committed by Mr. Chidambaram not very long ago.

## Safer migration emphasised

Strengthen consular support

The International Migrants Day was observed worldwide yesterday with a view to establishing the rights of migrants. For Bangladesh the day is of utmost importance because foreign remittances constitute the second largest source of our foreign exchange earnings. On the occasion, while we cheerily recognize the contributions of Bangladeshi wage earners overseas, we express our grave concern over an increasing presence of illegal Bangladeshi migrant workers in foreign lands. Although there are no reliable statistics, concerned government bodies put the number of such migrants at more than one lakh a year.

Illegal migration is mostly a result of racketeering involving a whole lot of people especially the brokers and traveling agencies. Several recruiting agencies are also suspected to have their share in the underhand dealings. At the same time, many would go abroad on a student or travel visa and stay back to get a job. Therefore, there is a need for awareness building.

Ramifications of illegal migration are manifold. Most obvious of which is, the victims have to embrace a life of uncertainty and exploitation, often ending up in prisons. Second, they earn a bad name for the country and may adversely reflect on the goodwill of Bangladeshi workers in general.

The onus is now on the Ministry of Expatriates' Welfare and Overseas Employment to bring the sector under a far stronger legal framework. The Bangladeshi missions abroad should have a data base on all Bangladeshi workers for sure-footed actions to provide protection to our overseas workers. One of their jobs should be to legalize

## Banking system emerging stresses

MIRZA AZIZUL ISLAM, PH.D

THE banking system of Bangladesh remained immune to the global financial crisis of 2008 and 2009. Some analysts have attributed this achievement to sound supervision and management. Such an assertion does not portray the whole truth. The reason is that an examination of the roots of the crisis would lead to an ex ante conclusion that our banking system would not be affected by the crisis.

### The Causes Underlying the 2008-2009 Global Crisis:

The crisis originated in the housing and credit bubble in the United States. During several years preceding the first signs of crisis in August 2007, the United States saw the emergence of what Paul Volcker, the former Chairman of the Federal Reserve System called "bright new financial system." Under this so-called new system, the banks securitised their future receipts against loans to investors and consumers. These securitised assets were then pooled, divided into risk tranches and sold to other institutions. The process was repeated several times giving rise to a complicated set of debt products. The phenomenal growth of debt products was fuelled by bubble in asset prices under loose monetary policy regimes which provided wide access to borrowing at low interest rates. This enabled consumers to live beyond their means and investors to buy assets with borrowed funds. Banks avoided capital and other regulatory requirements by treating securitised assets as off-balance sheet items.

Eventually many borrowers failed to meet their obligations, leading to fall in asset values (both houses and other securitised financial assets) and credit squeeze. The credit squeeze translated into reduced demand for consumption and lower investment with devastating impact on the real economy. The United States and most European countries suffered negative growth in 2009. The growth of output of the advanced economies as a group decelerated from 2.8% in 2007 to only 0.1% in 2008 and 3.7% in 2009. Practically all countries of the world experienced deceleration in growth rates, even if positive. The banking system of

Bangladesh is not significantly integrated with the international financial markets. This lack of integration has ensured that our banking system was not exposed to toxic assets and therefore remained immune to the global financial crisis. The advanced economies are presently passing through another bout of financial crisis in the wake of overstretched sovereign borrowing. Once again our banking system will remain largely unaffected by the ongoing crisis because of lack of integration with the global financial system.

### Emerging Stresses:

Nevertheless, our banking system appears to have become exposed to a number of stresses in recent times. The Central Bank as well as the constituent scheduled banks should pay urgent attention to these stresses, noted below, in order to avoid any further aggravation.

- The growth of deposits seems to

*The policy makers and other concerned authorities should recognise that there are stresses in the system and promptly initiate corrective actions.*

have come to a grinding halt. During July-September 2011, demand deposit growth was negative while time deposit grew by a little over 3%.

- The growth of credit to the private sector has fallen substantially to 2.84% during the first quarter of the current fiscal year compared to 6.09% during the same period of the previous fiscal year.
- Parallelly, there has been a significant increase in low-yield credit to the public sector which grew by 7.26% in the first quarter of the current fiscal year as against a negative growth (-0.28%) in the same period of the last fiscal year.
- In consequence of the above, excess liquidity in the banking system has increased considerably from Tk. 27,088 crores at the end of March 2011 to Tk. 33,454 crores at the end of October 2011. This has been accompanied by an increase in the

proportion of government securities in total liquid assets. With virtual non-existence of secondary market in government securities, these assets are, for all practical purposes, illiquid, though technically counted as liquid.

- Between 2010 and 2011, return on assets as well as equity fell for all categories of banks except the foreign commercial banks.
- Between the last quarter of 2010 and the second quarter 2011, gross non-performing loan ratio of private commercial banks as well as foreign banks showed an upward movement, remaining at a relatively low level of under 4%. During the same period, the performance of state owned commercial banks and specialised banks showed some improvement in this regard, but the ratio remained unacceptably high at above 14% and 22% respectively for these two categories.
- Finally neither state-owned com-

mercial banks nor the specialised banks meet the risk weighted capital asset ratios and local private commercial banks are just marginally above the requirements, while foreign commercial banks are comfortably placed with ratios well above the requirements.

### Mitigating Actions

In order to minimise the potentially negative impact of the stresses mentioned above, the banking system has to adopt a number of measures. These are briefly noted below:

- The banks should make determined efforts to increase income. They can do so by diversifying their asset base.
- With a view to diversifying asset base, the banks must depart from the traditional practice of collateral-based lending. They should aggressively seek out new borrowers with high income potentials and viable project proposals.

- All out efforts should be made to recover non-performing loans (NPL). The state-owned banks have been able to reduce their NPL to total loan ratio, but perhaps mostly by rescheduling rather than cash recovery.
- In order to increase profitability, the banks need to focus on the volume of business and total profit, not per unit profit. This implies that they should reduce the prevailing high spread between deposit and lending rate, particularly by reducing the lending rate and thereby expand business.
- The banks should also look at their expenditure side to improve income-expenditure ratios. In particular, salaries and perks of employees and directors and ostentatious expenses on branch decorations should be reduced.
- Finally, banks should strengthen their risk management and early warning systems so that they are not caught off-guard by the emerging stresses.
- Bangladesh Bank must vigorously pursue its monitoring and surveillance responsibility and ensure full compliance with prudential norms by all banks, including state-owned commercial banks.

The mitigating actions noted above have become specially urgent now. The reason is that though our banking system is not integrated with the global financial system, the real economy is susceptible to external shocks. Recently there has been a significant slowdown of the growth of exports and imports; the picture of remittances is not particularly bright either. These developments, at least partly attributable to the negative impact of European debt crisis on the growth performance of advanced economies, do not auger well for income and profitability of our banks.

I do not mean to give a signal that the banking system of Bangladesh is about to collapse. Nevertheless, the policy makers and other concerned authorities should recognise that there are stresses in the system and promptly initiate actions to redress them.

The writer is a former Adviser to the Caretaker Government.

## Livelihoods for urban extreme poor

TOFAIL MD. ALAMGIR AZAD

DHAKA is one of the most rapidly expanding cities in the world. There are 3,500-4,000 slums in Dhaka, and about 35 million people living in slums in the cities. It is estimated that this will increase to about 68 million in 2015. About 40% of the urban population are living in slums and it is an emerging issue that needs to be given attention so that they can live their lives properly.

Poor people migrate to urban areas due to river erosion, natural disasters and lack of employment. They are also contributing to GDP through the non-formal (or informal) and formal economies. Urban poverty has not received due attention from the government, donors and NGOs. As a result, the number of poor has increased gradually.

Urban slums people face many problems. Some are mentioned below:

### Eviction:

Slums have been mostly established on public land. So, there is a constant threat of eviction. Although a number of development agencies including the UNDP have protested against any evictions before ensuring rehabilitation, in August and September 2010, and May 2011 we saw three major evictions; two at Sattola slum and T&T (a part of Korail) and one from Bosila road to Buddibibi baribad. As per High Court ruling the government must ensure rehabilitation before eviction, but this is not being followed. One solution may be ensuring the land tenureship for slum dwellers who have nowhere else to go. In the People's Report 2004-2005: Bangladesh Environment it was stated that average room rent (per sq. ft) is higher in slums than in most of the high quality residential buildings in Dhaka.

### Access to Health and Water and Sanitation (WATSAN):

WASA doesn't have any plan to set up a water supply system in slums. The People's Report 2004-2005: Bangladesh Environment stated that people living in slums have to pay 80 times higher prices than the water supplied by Dhaka Wasa. Health of the poor people is the main human asset that needs to

be maintained, otherwise any support or efforts will not be effective. The government is the main provider of WATSAN and health services in the country. It is inadequately operated in the slums. But health and WATSAN for the poor are related to different types of illnesses/diseases along with health related expenditure, which is a major contributing factor in their continuing poverty cycle and insecurity. So, access to water and sanitation and health services should be imperative in the

and provide support to lift them out of poverty.

### Alternative job opportunity and capacity building:

The City Corporation has suspended issuing licences for new rickshaws and rickshaw vans. But one of the potential income generating activities for many extreme poor households is rickshaw and rickshaw van pulling. Some old and disabled people are also earning by renting out their rickshaws, rickshaw vans, and boats. We can play a role to convince



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National Urban Sector Policy.

**Safety-net:** VGD, VGF, old aged pension scheme and 100 days work scheme that are available to the rural poor are not available for the extreme poor living in slums. We should ensure safety-nets for them. Although the government has allocated 7.3% of its budget for safety-net programmes, there is nothing for the urban poor. Urban slum dwellers are contributing to Dhaka's economic growth as they are providing necessary labour to manufacturing, services and other sectors. So, it is important to bring them into the mainstream economy

the City Corporation to provide licences, especially for poor slum people. Besides the allowances, the policy should support capacity building of income generating activities based on individual capability, skills, experiences and interest.

Alternative job opportunities and capacity building initiatives for elderly, disabled and widowed extreme poor deserve special attention.

### Co-operatives:

Poor people don't have any organisation. But it is imperative to have their own organisation where they can raise their voice and claim their right.

Cooperatives for the poor people sup-

ported by the policy can positively influence sustainability. A one-time asset transfer will not solve their poverty problems; it will require strong linkage with their own registered cooperatives with management systems, access to financial/microcredit institutions, and their understanding of value chain, trade and market linkages.

### Public Private Partnership:

The private sector is not responsive to the products of the poor people and their initiatives. But their interest in helping extreme poor as a part of their social responsibility needs to be further advocated and stronger liaison is needed with them. Communication and follow-up between the partners, other stakeholders and service providers are needed in this regard.

### So what needs to be addressed for slum people are the following:

- No eviction without rehabilitation;
- Inclusion of safety-net programmes, like VGD, VGF, 100 days works and allowances provided in the rural areas, for the urban poor and extreme poor people;
- Integration of formal service provider with the informal service provider working in the slum;
- Access to water, sanitation and health services; and
- Land ownership so that they are not under the threat of eviction.

It is crucial to apply the appropriate policy for the urban sector, but it should be designed in such a way that slum dwellers' participation, awareness, and ownership are ensured. These three aspects are very important to make any policy sustainable and successful. Policy should be linked with the sectors or factors contributing to poverty, like assets transfer, health, sanitation, cash stipend for pregnant and lactating mothers and for the disabled, and focus on increasing capacity of the target communities.

Active participation of women in developmental activities needs to be supported by the policy. More integration is necessary between the government and NGO programmes and initiatives through policy support for better supporting the urban slum community.

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## THIS DAY IN HISTORY

December 19

1776

Thomas Paine publishes one of a series of pamphlets in the Pennsylvania Journal titled The American Crisis.

1941

World War II: Adolf Hitler becomes Supreme Commander-in-Chief of the German Army.

1946

Start of the First Indochina War.

1961

India annexes Daman and Diu, part of Portuguese India.

1972

Amin ultimatum to Uganda Britons. Ugandan leader General Idi Amin gives British workers an ultimatum to accept reduced pay or be expelled.

1986

Mikhail Gorbachev, leader of the Soviet Union, releases Andrei Sakharov and his wife from internal exile in Gorky.

1998

Lewinsky scandal: The United States House of Representatives forwards articles I and III of impeachment against President Bill Clinton to the Senate.

2003

Libya gives up chemical weapons. Libya makes a surprise announcement that it will destroy its arsenal of weapons of mass destruction.