

The Daily Star

FOUNDER EDITOR
LATE S. M. ALI

DHAKA SUNDAY AUGUST 12, 2018, SRABAN 28, 1425 BS

Dhaka's traffic mess

Take a comprehensive approach

DHAKA'S insufferable traffic system, a major problem for the city, remains in a shambles—as detailed in a report published by this paper yesterday—in spite of several steps taken by the government. One of the reasons why the problem persists is that we have approached it in a fragmented manner. While the recently launched "Traffic Week" campaign has managed to bring some changes in terms of enforcing traffic laws, roads cannot be administered on a temporary basis; it must be a permanent affair.

In order to bring a long-lasting solution to what has been an intractable problem so far, the government should take a comprehensive and holistic approach. We feel that there are two aspects to this issue: infrastructural and systematic. The first one covers the road system and roadworthy vehicles, while the latter includes the traffic management system, issuance of licenses and other documents, enforcement of laws, etc.

To start with, the government should set up an inter-ministerial committee which should itemise the problems under short, medium and long-term categories. And appropriate remedial measures should be devised thereafter, conforming to the categories, and work should be initiated accordingly with a well-defined timeframe for actions. Of course, the public should be kept in the loop all the while, and the actions and efforts must be tangible.

Admittedly, bringing order on the roads and highways is a long-drawn affair. Therefore, as an immediate measure, the government should instruct the bus owners and drivers to exercise maximum caution while plying their transports to reduce the risk of accidents.

Combatting spread of narcotics

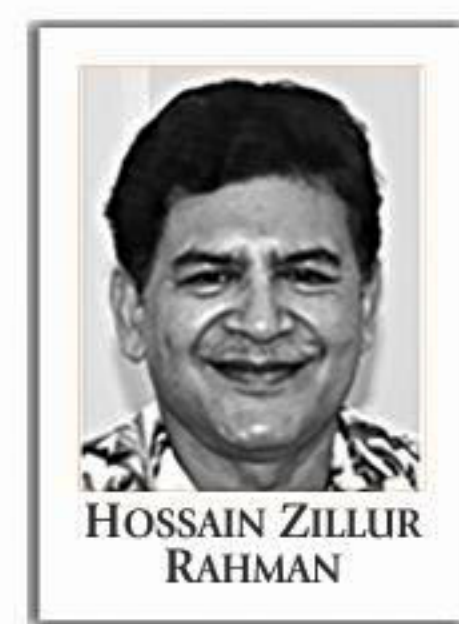
Employ multipronged actions

THE government's plan of action apparent in the recently launched anti-narcotics drive is not likely to deliver the expected results, it being not an integrated approach which a problem like drugs and narcotics merits. Further, the anti-trafficking operation which is an inherent adjunct to the anti-narcotics drive—and that is what this particular effort seems to be all about—is being conducted in a selective manner. Reportedly, those lawmakers and members of law enforcing agencies listed by the PMO's office have remained outside the dragnet. It is surprising to hear responsible officers of the home ministry say that they would go after these people only after the national election.

As long as the big fishes and godfathers remain untouched, the sale and use of narcotics will continue. Merely going after the vectors and dealers in these materials will neither stifle proliferation nor use of the drugs, but instead make them more difficult to be tracked and anticipated. And as the report in this paper shows, the methods employed by the purveyors of drugs and narcotics have changed.

We suggest, therefore, that instead of a piecemeal manner, a holistic approach be employed. And that would require, in addition to the anti-trafficking drive, a look at both the demand and supply side of the problem. Unless the demand for drugs is reduced, there will be no dearth of suppliers to fulfil the demand. Furthermore, the problem being an international one, we must involve our neighbours, in particular, in our efforts to address it effectively. A good deal of the demand in Bangladesh is being met by sources from across our eastern and western borders.

The Crisis is Impunity



HOSSAIN ZILLUR RAHMAN

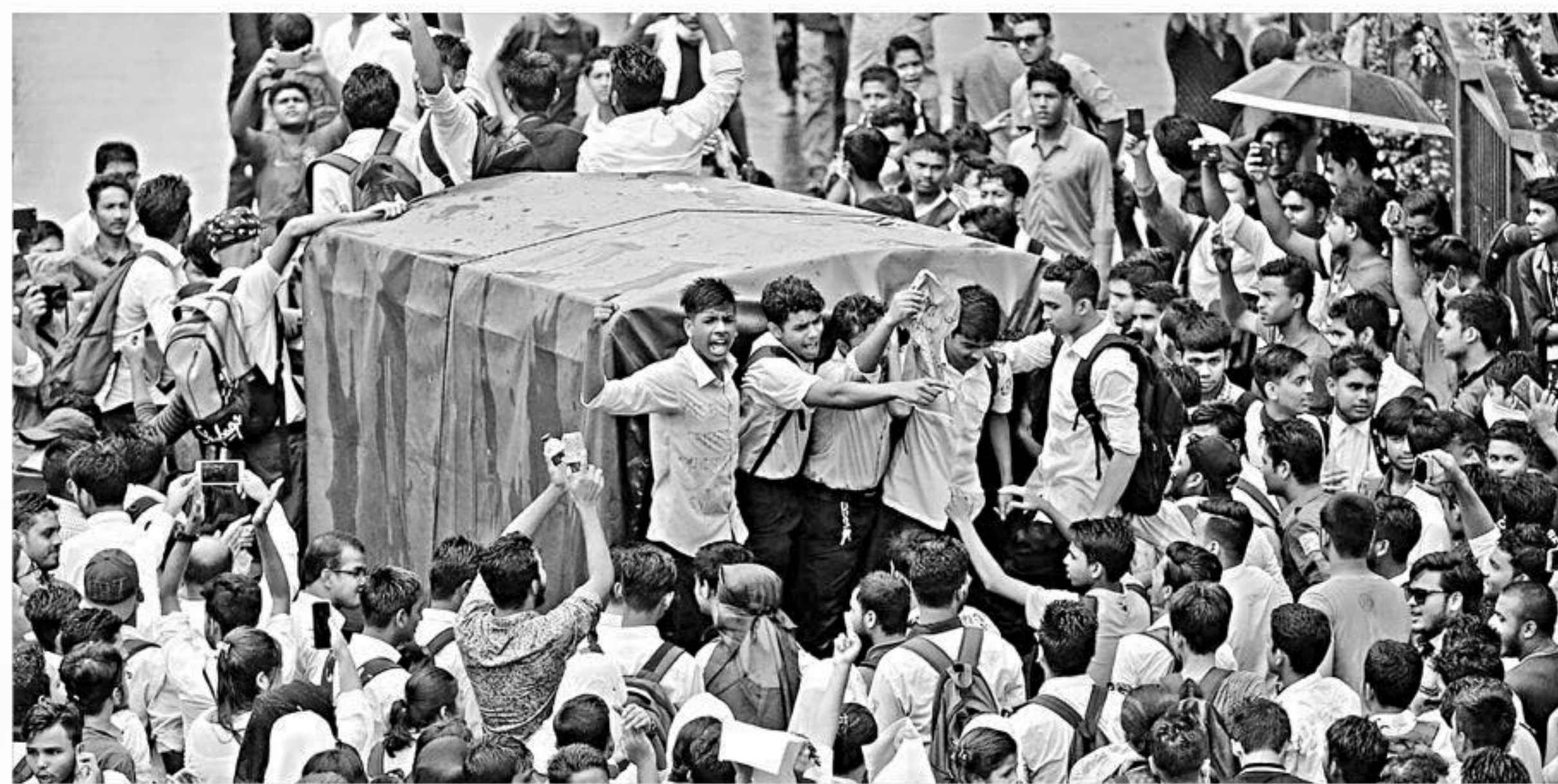
HOWSOEVER one tries to explain it, the death of Dia and Rajib, the two students of Shaheed Ramiz Uddin Cantonment College, on the Airport Road ten or so fateful days ago, can never be called an "accident". Accidents are accidental. This, in Gabriel Garcia Marquez's metaphor, was more of a "death foretold"—a tragic finale to a grisly chain of

impunity and mis-governance that is blighting our roads and road transportation and indeed our collective future. For a country aspiring to Middle Income status, it is shocking how backward the state of road governance is and the types of impunity and mis-governance tolerated, no indeed, spawned by the system.

The road transport sector has seen phenomenal growth over the forty-five plus years of our existence but has done so without the benefit of any sound and credible legal and governance system. Roads and transports have multiplied. So have potholes, injuries, inconveniences and corruption. We have endured the road anarchy sometimes in anger but mostly in silence, but our concerns and agonies have mattered little to those who matter. As economists, we have celebrated our resilience, but on the roads, resilience has increasingly felt like an empty word covering up the true state of affairs which is helplessness.

For five extraordinary days, driven by the wanton deaths of their peers, young girls and boys from all types of educational institutions through their spontaneous "classes" of civic governance on the roads broke through the corrosive mood of helplessness and resignation. They created an exhilarating spectacle of holding authority and people alike to account. Demanding traffic discipline from vehicles and pedestrians, checking licenses, handing defaulters both mighty and commoner to standby police, creating emergency lanes, assisting the elderly—it was as if a veil had been lifted on what was possible. The series of placards the students spontaneously made up to sustain their "classes" of civic governance exhibited astonishing creativity and vision. The immediate focus was on road governance but the larger focus was on correcting the impunity and mis-governance that has made the road anarchy an inevitability.

Alas, it was not to last. The "authorities" were initially responsive to the upfront demand for road safety but became increasingly uneasy with the deeper demand of systemic reforms that would strike at the impunity and mis-governance underpinning road anarchy. The political leaders within and outside the government controlling the associations of owners and workers struck back first by imposing an unjust and unwarranted transport "strike" on the people and the economy. The excuse they cited—lack of security—was transparently unfounded. Their aim instead was more transparent—to thwart the demand for an end to impunity by inconveniencing the people and businesses without an end in sight. The government sadly found no cause to act against such economic anarchy. Nor did it find it necessary to undertake any



Students demand justice for the deaths of two college students and safety on the roads for all at the Science Lab area in Dhaka on August 2, 2018.

PHOTO: SHEIKH MEHEDI MORSHED

initiatives or measures that would reassure and convince a sceptical student community and a sceptical public that their deeper anguish had been understood, heard and respected.

All civic movements pass through "moments" when the phase of moral innocence is either heard and steered towards a win-win outcome or begins to be seen as a power-play, and zero-sum political calculations trump all other considerations. At this crucial turning point, the wisdom required for a win-win outcome was found severely wanting. Instead, the arrogance and intolerance of power and the murky machinations of zero-sum politics established its brutal and shocking sway on the streets. After five fateful days of a liberating moral mission, the shocked students found themselves on the receiving end of street thugs and police action. Senior peers of the students, those from universities public and private, stung by the completely unjust turn of events, responded with solidarity but they too faced the wrath of police and, allegedly, affiliated bodies of the ruling party. The belligerent police action and threatening attitude of the authorities continue.

For its part, the government contended that its political opponents had infiltrated the student movement with mala fide intentions. That is for the government to prove and prove convincingly. But some facts and timelines are overwhelmingly established by virtue of first-person accounts both from the media and from the public. Journalists covering the crackdown on the students on August 5 and 6 were brutally assaulted by helmet-wearing gangs, allegedly from ruling party affiliated bodies, acting visibly alongside the police. On those nights and days, Dhaka in 2018 faced the unthinkable reality where to be a student was to be in fear with many reportedly sustaining injuries. Dr Shahidul Alam, acclaimed photographer and civic activist, was arrested for providing photographic accounts of the assaults on students and journalists and for voicing his independent views on the prevailing

situation. A number of university students, around 22 by most accounts, are in police custody and allegedly face bodily harm. The education minister has bluntly refused the request of the vice-chancellors to announce a general amnesty for students caught up in the protests, a massive missed opportunity to restore a measure of calm and confidence to an extremely unsettled situation. All of the above are indisputable facts and point towards an assault on the moral mission of ending impunity that a new generation of youth had dared to initiate.

For now, the situation has seemingly returned to normal. Individuals caught up in carrying forward the daily business of life cannot afford to dwell too long on the missed chances of a win-win outcome. The government and the ruling group has demonstrated its political prowess. But at what cost? The society is hurting internally, the depths of which only future will tell. As a father of three young daughters, I am deeply anguished to see a traumatised youth. The trauma is not from bodily harm per se but from a sense of bewilderment, a sense of loss of moral compass, of what values Bangladesh stands for. They had wanted to breathe new life into the dream of a just society free from the burdens of impunity. Instead, their moral mission fell victim to the cruel twists of zero-sum politics.

My heart yearns to comfort my young friends in their trauma as it yearns to comfort Shahidul in his unjust internment and the injured journalists and the interned students. Will the political leadership look beyond their zero-sum political calculations and realise the moral abyss the society has been pushed into? Will they end the unjust predicaments of Shahidul, injured journalists and interned students and re-engage on conciliation and address society's internal hurt? I had wanted to be angry but for the moment, I am overtaken only by deep sadness. Bangladesh's destiny cannot be one where impunity reigns supreme.

Hossain Zillur Rahman is an economist and political scientist.

RISING NON-PERFORMING LOANS Is special-purpose AMC an option?

MUSTAFA K MUJERI

THE ability of the monetary policy to influence credit and the real economy is a central concern for Bangladesh. Relevant channels are, however, weak; and changes in policy rates have only a limited effect on other interest rates and on the economy. Since Bangladesh is a bank-dependent country, more liquid banks can enhance the impact of monetary policy on credit supply and the real economy. Similarly, financial development can strengthen the macroeconomic impact of monetary policy.

Banks in Bangladesh suffer from high levels of non-performing loans (NPLs) which reached 10.8 percent in March 2018. Further, NPLs weigh on the supply of credit and thus on investment and growth via a number of channels, such as locking-in bank capital into unviable projects and unproductive activities, reducing bank profitability, and distorting capital allocation. High NPL levels also impair the mechanism of monetary transmission to the real economy.

Moreover, high NPLs do not remain as problems for the banks alone. The government usually gets involved in a big way especially in the resolution process, through measures such as injection of capital especially into the failing public-sector banks, setting up of asset management companies (AMCs), etc. NPLs also have a significant impact on the fiscal sector through contingent fiscal liabilities; and the government, at times, ends up bailing out the financial institutions through recapitalisation.

Why do banks accumulate NPLs? Several factors contribute to the deterioration of the loan quality of banks. Some analysts point to macroeconomic factors such as financial mismanagement; others point to policy lending by the banks usually at the behest of the government—still others find links to weaknesses in bank regulations, poor bank management, corruption, and unscrupulous practices. The state-owned banks often act as if they are fiscal agencies, providing poor follow-ups once a loan is disbursed. Heavy bank losses usually result from poor quality of assets.

Some studies point to financial liberalisation, lax monetary policy and capital inflows as factors that contribute

to increased liquidity in the economy. Increased liquidity, in turn, affects the lending behaviour of banks and encourages them to engage in reckless lending, often leading to asset bubbles, particularly in equity and real estate prices. As a consequence, the banks' crucial role of financial intermediation is hampered.

Effective prudential regulation and supervision of banks are essential for financial stability and efficient operation of the economy because the banking system plays a central role in the payments system and in mobilisation and distribution of savings. In Bangladesh, although prudential regulations may appear adequate, the implementation is often inconsistent,

banks unload nonperforming assets to an AMC, clean up their books, and continue with its primary role of financial intermediation. The AMCs—either government- or privately-owned—then dispose the acquired assets through a variety of means such as public auctions, resale of assets to original borrowers, joint ventures, securitisation, or even running the acquired business themselves.

In terms of the institutional design, six criteria are considered important for an AMC's successful operation: 1) objectives (clear and non-conflicting); 2) management style (e.g. AMC is willing to consider new operational strategies such as joint ventures); 3) human resources (e.g. sufficient expertise and skills in

towards establishing private—instead of public or government-funded—AMC that is strong in management and human resources. The private sector route may be followed through special-purpose vehicles (SPVs), which may have less concern about political interference and funding. SPVs are private sector-owned AMCs that normally buy bad assets and dispose of them for profit.

The varied performance of AMCs in different countries shows that the establishment of AMC is not, by itself, a panacea. There are preconditions and supportive institutional setups that facilitate its operation and render it more effective. AMC needs to have independence from political interference, sufficient financial resources, adequate pool of experts, and well-focused objectives. Successful AMCs may even be endowed with special legal powers to overcome the complex judicial procedures for asset recovery.

Since high GDP growth can reduce the cost, one policy to resolve NPLs is proper macroeconomic management that facilitates stability and growth. The government also needs to ensure an institutional and legal framework conducive to a speedy restructuring and resolution of the assets transferred to the AMCs from banks. The judicial and legal framework for insolvency should be efficient and least time-consuming.

Thus, successful AMCs can help banks improve their balance-sheet picture, thereby allowing them to free up capital for lending. On the other hand, for successful restructuring of NPLs into high-value uses, a supportive institutional and legal framework is crucial. The government may decide to set up special bankruptcy courts to attend to AMC-transferred assets cases only, along with strict time-bound proceedings including the appeal process. These measures will help increase the price offered by AMCs to the banks as the residual value of restructured NPL assets will increase, thereby encouraging banks to release the better-priced bad loans.

The global experience points to one lesson: NPLs do not disappear with time. NPL problems only grow worse with time unless there is a political will to resolve them.

Mustafa K Mujeri is Executive Director, Institute for Inclusive Finance and Development (InM). Email: mujeri48@gmail.com



leading to a moral hazard behaviour by the banking and corporate sectors.

In addition, lack of efficient and functioning insolvency laws or bankruptcy and foreclosure laws to support asset recovery and to deal with timely credit repayment not only accelerates the NPL accumulation process but also sets a barrier in the efficient and swift disposition of NPLs. Besides the effects on bank intermediation, factors affecting NPL resolution vary considerably. There are important institutional factors or political will or inherent business cultures that are important determinants.

Several countries have used asset management companies (AMCs) to rapidly clean up the books of banks of bad assets. The usual procedure is that

associated areas); 4) funding availability (e.g. availability of government guarantees or adequate funds relative to the level of bad assets to be disposed of); 5) relative portfolio size; and 6) political will (e.g. whether or not the AMC has extrajudicial power to accommodate rapid debt resolution). These are necessary for ensuring efficiency, flexibility and transparency of the AMC.

In general, empirical evidence from several countries suggest that AMCs help expedite the restructuring or resolution of a huge stock of NPLs. They can also be instrumental in stopping the deterioration of banking sector profitability. However, the design of an AMC has a significant effect on its performance. There appears to be a trend

LETTERS TO THE EDITOR

letters@thedailystar.net

Redesigning higher-secondary English textbook

English for Today, the English textbook of the higher secondary level, redesigned in 2015, contains materials that are mostly written by foreign authors. Only a few of them are written by Bangladeshi writers. In my opinion, most of the reading materials are not suitable for our students because these are not written in the context of Bangladesh. The book, instead of helping the students to understand and master the language, increases fear among many of them. I think the texts in the book should be replaced with materials that are easy for them to understand and are composed preferably by Bangladeshi writers.

Mizanur Rahman
Madaripur

The language of the student protest

Earlier this month, the nation experienced an unprecedented event of student protests for safer roads. The slogans the students chanted and the feasts they carried caught everyone's attention. While some people objected to the language they used in their slogans, I think many of their slogans were very creative. For example, one festoon read, "The 47-year-old state is under reconstruction, sorry for the inconvenience caused." Their protests have shaken the core of the nation and taught us, the adults, an invaluable lesson. It's time we listened to them, heeded their calls for reforms and made our roads safer for all.

Monirul Islam
Jahangirnagar University