The Daily Star
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Tough time ahead with continuing Covid surge

Govt's curbs must be well-thought-out and enforceable

AS has been predicted by health experts, the number of Covid-19 cases in the country has been rising at an alarming rate. The DGHS reported 3,359 new cases and 12 deaths in 24 hours till 8am Thursday, while the positivity rate jumped from 2.43 percent on January 1 to 12.03 percent on January 13. According to a DGHS spokesperson, if all the people with symptoms get tested, the real number of infections would be much higher. That being the case, we must do everything to prevent the impending crisis before it further cripples the economy and overwhelms our hospitals.

While we appreciate the health minister's concerns regarding the issue, as he warned of a massive spike in cases in the coming days, what we expect from his ministry is that they would give the necessary guidelines to all our public hospitals and prepare them with the equipment and medicines needed. According to DGHS data, around 1,300 Covid patients were admitted to hospitals as of January 12. Since more patients may need hospitalisations and oxygen support, the ministry must ensure that no hospital suffers from lack of resources. Increasing hospital beds for Covid patients must also be considered since the existing 20,000 beds may not be sufficient in case of a massive surge. In addition, the government's vaccination drives must also be expedited.

About the imposition of new Covid curbs—which took effect on January 13—we would like to point out that some of the curbs were not well-thought-out or practical: the directive given to the transport sector is one of them. Reportedly, the government ordered all public transports to run at half capacity in a bid to maintain social distancing. However, it does not seem like an enforceable idea given that all the offices, factories and shopping malls will remain open and people will have to go to their workplaces regularly. From our previous experiences, we know how difficult it would be for people to commute to their workplaces and that only the transport owners will be benefited from an increase in fares in the end. Thus, we think, the government should reconsider the decision.

Moreover, considering the effects of the pandemic on our education sector in the past two years, we think the government should not take the decision of closing down educational institutions, particularly schools, right away. The education ministry must come up with a proper plan, taking suggestions from the experts.

Since the government has already developed a zoning system to curb infections across the country, decisions about imposing restrictions should also be taken zone-wise, considering the infection rates in particular zones. Last but not the least, people should be encouraged to regularly maintain health safety guidelines including wearing masks, maintaining social distancing as well as getting vaccinated as soon as possible.

No room for road safety?

Plan to expand road safety division should be reconsidered

WE wonder how far removed from reality the public administration ministry must be for it to not approve the Roads and Highways Department's much-needed plan to expand its road safety division. The RHD had sent a proposal to revise its organogram to the ministry in early 2020. Among other changes, the department proposed expanding the Road Safety Division into a circle of three divisions under a new wing, which reflected an urgent need for decisive interventions to address road safety concerns. But while the ministry partially approved some of the proposed changes in October 2021, it did not acknowledge the expansion plan for the road safety division, meaning that once the new organogram comes into force, the division will cease to exist.

This is, one can argue, the opposite of what we should be doing to tackle the ever-rising number of road accidents and fatalities. Given the gravity of the situation, shouldn't the expansion plan have been looked over and approved on a priority basis? Instead, the RHD is now forced to revise its plan to somehow include road safety initiatives within its new organogram. The current road safety division consists of about 10 people, not nearly enough to handle the massive workload. Although it will be a while before the organogram comes into effect, it is unlikely that the RHD's demands for more manpower will be met.

Already, the Road Transport Act 2018 is sitting largely idle and still being redone as per demands of transport associations. If the attitude of the public administration ministry is so dismissive towards a plan that could help reduce deaths on the roads, it is certainly a cause for concern.

The RHD chief engineer has said that their next course of action would be to resend the proposal, including the road safety division provision, to the public administration ministry. We hope it will be considered so that the department is better armed to decrease the likelihood of accidents occurring on our roads. Given the country's appalling road safety scenario, if there is one sector that deserves all the resources it can get, it is the one dedicated to making our roads safer through auditing, investigation and coming up with corrective measures.

Is BB's new decision good for the banking sector?

THE OVERTON WINDOW

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ERESH OMAR JAMAL

OVER the years, experts have identified two major problems in Bangladesh's banking sector. The first is that we have too many banks, owned by a group of influential people. Many of these banks have repeatedly approved loans to subsidiary companies of other bank owners or people associated with them, who are among the major loan defaulters in our country. This is connected to the second problem, which is the massive growth of non-performing loans (NPLs) in the banking sector. Both are the results of the policies taken by our regulators, or have happened due to their inaction.

In a recent move, the Bangladesh Bank decided to permit banks not to treat borrowers as defaulters if they repaid only 15 percent (or more) of their total loan instalments payable—down from 25 percent in 2020. Additionally, banks were permitted to transfer the unrealised interest on the 85 percent (or less) of the loans to their income books—up from 75 percent the year before—even if the sums were not paid. Because of this relaxed policy, borrowers remained unclassified by paying only 15 percent of their loan amounts for the year. And banks were able to lower their provision requirement, which raised most banks' operating profits in 2021.

According to experts, the high operating profit logged by banks did not reflect the real figure, which is giving an unrealistic picture—a dangerous thing for banks. The most glaring problem here is that there is no way that banks will actually realise the whole amount they are still owed—some of which they have already included in their operating profits for 2021. That is simply not how the banking system works anywhere in the world. And banks in Bangladesh have an even poorer track record when it comes to recovering such funds—which got worse after the pandemic. Therefore, the banks' balance sheets have become increasingly more detached from reality.

Second, by inflating their incomes this way, banks are overstating their profits and are creating the scope for paying higher dividends to their owners and shareholders, without really making any extra earnings to pay their shareholders from. Even though the central bank has said it has directed banks to refrain from distributing dividends as an extra precaution, one wonders whether the central bank or the commercial banks will actually follow through with this, given their poor track record of abiding by their own set of rules.

Third, by recording higher profits and creating the scope for giving out more dividends, banks are pushing their stock prices up—again, not by operating more efficiently or being more productive, but simply by changing the numbers. Meanwhile, the regulators cheer them on,

whereas it is their duty to prevent such accounting manipulation.

Almost all central banks around the world are trying to get commercial banks in their countries to increase provisions in order to offset the risks brought about by the pandemic. We seem to be doing the very opposite.

Finally, all these are going to distort market operations. In a free market, the market is supposed to fix the prices—i.e. determine what something is really worth. By permitting such accounting changes, the regulators are not allowing the market to operate, thereby destroying its ability to determine prices. Such market distortion is dangerous, especially in the financial sector.

Interestingly, the Bangladesh Bank issued the aforementioned directive a few hours after its meeting with some of the country's top business leaders at its headquarters, even though we are not aware of the central bank conducting any studies to estimate what effects its decision would have on the overall economy.

This, of course, is not the first time that intervention occurred in the banking sector at the behest of special interest groups: for example, when habitual defaulters were left untouched along with their banker cronies, and the state decided not to punish the wilful and habitual defaulters but to "bail out" the banks using taxpayers' money. This happened despite the fact that banks were clearly okay with, if not complicit in, the "corruption" that had destroyed their balance sheets. The state decided to shift the losses, caused by the wilful defaulters, "onto the public" by using taxpayers' money to bail the banks out. Such practices cannot lead to financial discipline and a robust banking sector.

These interventions are clearly not in the interest of the public, or the banks themselves in the long run. Even though the Bangladesh Bank is allowing banks to pretend like they are performing well, the reality is that they are becoming more vulnerable.

Now, according to the central bank, this move was necessary to ensure that businesses are able to recover from the pandemic-induced setbacks. And it is true that the government should pursue policies that are business-friendly in order to get the economy back on track. We are in favour of such policies. But the one that the Bangladesh Bank is following could allow wilful defaulters and cronies to flourish, and do little to help the genuine businessmen to operate within the law. In the long run, this can endanger our already weakened banking sector—weakened by the past policies of the regulators and their failure to stop one scam after another.

At the end of the day, what is important is that genuine businesses that make profit by providing something of value to the people get support from the government, not those who make profit by getting subsidies by lobbying to the authorities. In regards to the central bank's latest policy, how does it intend to ensure that is not the case—especially given what has happened in the banking sector over the past many years?

Around the world, governments are supporting businesses in their countries to recover from losses incurred during the pandemic. But at the same time, almost all central banks around the world are trying to get commercial banks in their countries to increase provisions in order to offset the risks brought about by the pandemic. We seem to be doing the very opposite.

Even though the Bangladesh Bank has asked banks to maintain an additional three percent (on top of the existing one percent) provisions, relaxing banking discipline and allowing habitual defaulters to potentially get more access to bank credits is dangerous, and may lead to further expansion of NPLs, which is already very high.

Again, one must ask, on what basis did the Bangladesh Bank make this decision? Was it based on any case study? The central bank owes the public an answer to this question.

PROJECT SYNDICATE

Saving Afghanistan

Gordon Brown, a former prime minister of the United Kingdom, is United Nations Special Envoy for Global Education. Martin Griffiths is Emergency Relief Coordinator and Under-Secretary-General of the United Nations Office for the Coordination of Humanitarian Affairs.

GORDON BROWN *and* MARTIN GRIFFITHS

IT is now more than four months since the dramatic exit of US and other Western forces from Afghanistan. By chartering special flights, loosening asylum rules, and releasing funds, Western countries airlifted a few thousand lucky Afghans to safety as the Taliban retook control of the country. But those left behind have been shut off from the rest of the world.

Foreign governments have frozen international banking transactions and trade with Afghanistan, mostly at the behest of the US. As a result, Afghan public-sector salaries have dried up, and the economy has tanked. Many development-aid projects, no matter how essential, have been paralysed or cancelled.

As a result, the onset of the harsh Afghan winter has brought rising prices, and food has become increasingly scarce. Schools, clinics, and hospitals across the country have stopped functioning. So, just when the Afghan people need more help, they are being denied even the basics.

International humanitarian aid workers and Afghan communities themselves are doing their best to keep food aid moving, clinics functioning, and schools open for boys and girls. But the challenges are huge. Afghans now face destitution, and even famine, on a dramatic scale.

The international community needs to become smarter about how it engages with Afghanistan. Currently, the world is waiting for the Taliban to make progress on various international norms without clearly defining what it expects of the regime.

If the status quo continues, almost the entire country faces acute poverty this coming year. By the end of this winter, almost the entire country—97 percent of the population—could be too poor to survive without aid.

The rest of the world, and developed countries in particular, should not think that they can just shut the door and forget about this mounting tragedy. Basic morality aside, the instability resulting from Afghanistan's collapse will be felt far beyond the country's borders.

To be sure, it is right to stand up for Afghan girls' education. But, as the Afghan analyst Orzala Nemat of the University of London's School of Oriental and African Studies recently put it, it is not right to withhold aid for the basic services—food, water, and health care—that keep those girls alive.

The current meltdown is a nightmare. Instead of sticking its head in the sand, the international community needs to act. There are three measures in particular that can be taken without rewarding the Taliban.

First, money must be made available. The UN will seek to raise USD 4.5 billion in 2022 to help the most vulnerable in Afghanistan. This plan is a stopgap measure for more than 21 million people who need food, shelter, medicine, and protection. The international community can surely find such a sum.

In addition, the UN Security Council recently adopted a resolution exempting humanitarian activities from the sanctions regime imposed on some Taliban members. Governments and financial institutions must make the most of this fresh opportunity.

Second, there needs to be more flexibility in how donor funding can be used. For example, the World Bank holds USD 1.5 billion in trust for Afghanistan, and recently announced an agreement to transfer USD 280 million—some to the UN Children's Fund (UNICEF) to provide health care, and some to the World Food Programme. The whole fund should now be reprogrammed to help the Afghan people.

It should also be possible to use donor funding to pay public-sector workers' salaries and to help Afghan institutions deliver basic services such as healthcare and education, and still not be seen as rewarding the Taliban. Such support for essential state functions will give Afghans hope for the future and reason to stay in their country. Hollowing out the state, on the other hand, is a recipe for suffering and instability.

Third, the international community needs to become smarter about how it engages with Afghanistan. Currently, the world is waiting for the Taliban to make progress on various international norms without clearly defining what it expects of the regime. The Taliban, meanwhile, are either not inclined to meet these expectations or opaque about their intentions.

This approach virtually ensures failure. The international community needs to be much more decisive and specific in its demands, as well as far more engaged. This could include relaxing or lifting some economic sanctions, or gradually reintroducing longer-term development assistance, in response to progress on issues of international concern—including women's and girls' rights.

The world needs to provide the people of Afghanistan the support they need, because the catastrophic consequences of failure will not be theirs to suffer alone.