

The inauguration of an urban dream

We need complementary infrastructures to turn Metro Rail into a game-changer

Prime Minister Sheikh Hasina is going to inaugurate the country's first-ever elevated metro rail in Dhaka today, in what is set to be one of the biggest achievements of her government and a proud moment for us as a nation. We would like to extend our heartiest congratulations to the government, to those who worked on this project, our foreign partners, and all other stakeholders who turned this dream into a reality. It has been a long and arduous journey since construction of the Mass Rapid Transit (MRT) Line-6 began back in June 2016. And even though only a small section of the metro rail is going to be ready for commercial operation from December 29, we hope that the momentum it creates will lead to the timely completion of other sections, as well as that of complementary infrastructure that could truly turn it into a game-changer for the capital's public transport system.

After the PM's official inauguration today, starting tomorrow, commuters will be able to use the MRT Line-6 from Uttara to Agargaon. The eight-kilometre section from Agargaon to Motijheel would be opened in December next year, and the Motijheel to Kamalapur section in June 2025. Initially, the trains would run for four hours a day, from 8am to 12pm.

Clearly, the benefits of the metro rail are many. First and foremost among them are its speed and efficiency. Secondly, more comfortable, modern amenities, such as air-conditioning and Wi-Fi are going to be offered. Additionally, the trains will ferry up to 60,000 passengers per hour, and will also be more environmentally-friendly since they run on electricity. However, the question remains: is the introduction of the metro rail going to be enough to ease the suffering of Dhaka dwellers, who have already paid a hefty price due to the traffic congestion the project's construction has already caused in key areas of the capital?

For people to truly benefit from the metro rail, we need to develop a multi-medium integrated communication system centring it. The government also needs to invest in public transport and work on the Dhaka Bus Rapid Transit (BRT) project to decrease people's dependence on private cars. According to experts, even when all six lines of the metro rail will be fully functional, it will only be able to serve 20 percent of the demand at the time. As such, it won't be enough to address Dhaka's ever-increasing traffic woes, unless we make other crucial cost- and time-effective interventions.

The effectiveness of the metro rail will depend on the efficacy of the planning to determine how people will reach the stations or go to various destinations around the stations. When it came to the construction of the metro rail, poor planning and unwanted delays on the part of authorities led to a lot of suffering for commuters and general citizens. While development projects such as the metro rail are vital to take our national infrastructure to the next level, these big ambitions must be supplemented with equally high levels of competence. And even though today's inauguration will be a proud start and a big achievement, there is much more that the authorities need to do to truly turn the Dhaka Metro Rail into something that could positively revolutionise the lives of our people.

CCTV on buses but a drop in the ocean

Scale up such initiatives for a safe city for women

We are glad to note that the installation of CCTV cameras on some Dhaka city public buses, under the auspices of the Ministry of Women and Children Affairs, has generated a welcome response from commuters as well as bus staffers. Female commuters have reported that various forms of sexual harassment such as inappropriate touching and groping by helpers and other commuters have gone down, which used to be a common occurrence a few months back. Male commuters, too, are welcoming the move, arguing there will be fewer chances of false accusations of harassment. Drivers and conductors say that they have not received even a single complaint of any kind of harassment since the installation of cameras, and the people in charge of monitoring at Genex Infosys Ltd mirror that sentiment. The number of other crimes on buses has also reportedly gone down, as there is now a camera to record any pickpocketing and other such crimes.

There is no doubt that this is positive news for people who rely on buses for their everyday commute, especially women, for whom journeying on public transport is a battle on its own. However, as of now, CCTV cameras have been installed in only 100 buses, which is only one percent of the 9,311 registered buses that ply the capital, according to the Bangladesh Road Transport Authorities. Given the success of the initiative, it is imperative that we increase its coverage so that more women can use buses without having to fear harassment; moreover, success of the initiative will depend on how effectively the cameras are monitored and what steps are taken against any perpetrators who are identified.

Another thing that we must keep in mind is that these cameras constitute a form of mass surveillance. In the age of increasing surveillance from various state and non-state actors, we remain cognizant of its potential for misuse, and urge the authorities to ensure that such surveillance is only conducted for the greater good. Furthermore, we would like to remind them that surveillance alone is not an effective deterrent in the long run, if it is not accompanied by awareness-raising initiatives to change people's perceptions and patriarchal systems at large.

We congratulate the authorities for taking this positive initiative to ensure the safety of passengers. But this is only a step in a long walk towards ensuring equitable public spaces and a safe city for women. In a country where a large majority of women face sexual harassment regularly and, in turn, conviction rates of cases of sexual violence are abysmally low, the authorities will have to do more than just install a few cameras to make the lives of women in the country easier.

Could covenants save our banks from defaulted loans?



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

SHARJIL HAQUE

Acentral question regarding Bangladesh's banking sector at present is: how can the number of defaulted loans be reduced? We know that high non-performing loans (NPL) contract credit supply, distort allocation of credit, slow down economic growth, and increase inequality.

As of September 2022, NPLs have soared over Tk 134,000 crores. These bad loans have been driven by lending based on political connections (where corrupt bank directors and select politicians join forces and disregard all rules related to loan disbursement), a general lack of enforceability of banking regulations, and absence of proper internal monitoring systems, which can help identify and reduce common sources of credit risk.

There are some specific sources of risk that a bank must preemptively address. The first set of risks would be inadequate screening of borrowers and selecting projects which are not credit-worthy. The second, and perhaps even bigger, risk is failing to monitor the borrower after the loan is granted. This is because lenders can never perfectly forecast how well the borrower will perform when they agree to the loan contract, and these risks may not always be priced in. For example, the borrower's initial revenue projections may have been overly optimistic or the economy could be hit with a severe recession.

An even bigger point of concern is that a borrower will always want to take more risks than what a lender would prefer. The reason behind this is standard economics.

A borrowing company's top management or owners are typically the equity-holders of the firm. Lenders, like a bank, are the debt-holders. A debt-holder's payoff has no real upside since the maximum income they can ever obtain is the amount of interest plus principal payments on a given loan. Unlike debt-holders, equity-holders always have significant advantages: once debt (and tax) payments are made, the equity-holder has full claim on its firm's remaining income. So naturally, the equity-holder will want to take more risks to achieve a higher return, since no firm owner will ever be satisfied with earning just enough money to meet debt and tax payments.

A simple analogy is to compare the risk attitudes of those who prefer



VISUAL: SALMAN SAKIB SHAHRYAR

to invest mostly in stocks (equity-holders), versus those who invest more in bonds (debt-holders). The point is that a bank needs a system that prevents the borrower from taking on too much of a risk after the debt is in place.

And this is where loan covenants come in.

A loan covenant is a restriction on the actions a borrower can take once a loan has been granted. It is typically written into the initial loan agreement and its goal is to reduce the aforementioned conflict of interest between borrowers and lenders. If a loan covenant is violated, the lender receives the contractual right, but not the obligation, to punish the borrower in some way. For instance, if a company violates a covenant due to bad management or over-optimistic revenue projections, the bank could reduce credit access for the future, force immediate repayment, reduce loan maturity, refuse to raise credit limit, or raise interest rates on the existing loan.

The intuition for loan covenants is that the expectation of future punishment upon violation could prevent borrowers from taking on a level of risk they cannot handle in the first place.

However, while this all sounds good in theory, what do covenants look like in practice?

establishing a maximum amount of dividends that the company's directors can pay themselves; or 4) not taking on new debt while existing debt is still left unpaid.

Covenants have been used extensively in many developed and emerging economies. My own research shows that covenants appear in the vast majority of corporate loans in the United States, and lenders frequently exercise their enforcement rights when a company violates a covenant. For example, many banks restrict borrowers from raising the leverage ratio above 3.5 or 4.0.

But are loan covenants common in Bangladesh?

My conversations with experienced bankers in Bangladesh suggest that loan covenants are quite standard among at least two of our leading foreign commercial banks (FCB). This is not surprising since FCBs typically follow a centrally approved risk management practice across multiple countries. So it is also a small wonder that the NPL ratios in FCBs are drastically less than what is found in the overall banking sector.

Interestingly, a few top-tier domestic private banks also take covenants quite seriously. However, the vast majority of domestic private banks do not properly enforce covenants. When a borrower violates a covenant, they simply waive the covenant without any

known: lending based on political connections.

A second, not necessarily mutually exclusive, explanation is that there are perhaps more banks than necessary. Lower-tier or relatively newer banks might have a desire to maintain client relationships and gain market share. So they display unjustified leniency and, in doing so, misallocate credit. This might be beneficial for a bank in the short-term but creates serious long-term costs for the economy.

Bangladesh Bank (BB) needs to revisit covenant-related practices in the banking sector. As a first step, regulators need to improve data transparency. In particular, an initiative could be undertaken to construct a bank-level database where covenant practice and covenant compliance is recorded on a periodic basis for each loan. BB needs to hold lenders accountable if they fail to act when a borrower violates a covenant, unless the lender provides reasonable arguments in granting leniency towards a company. However, this initiative will not be effective unless BB can exercise its power on corrupt bank directors who would prefer to minimise corporate governance for their own benefit.

If regulators fail to act, Bangladesh will stay stuck in this vicious cycle of rising bad debts and rampant inequality.

A youth climate activist's reflections on COP27



Farzana Faruk Jhumi is a climate activist and a Unicef Bangladesh Youth Advocate who works with Fridays For Future and 350.org.

FARZANA FARUK JHUMI

It has been over a month since COP27, arguably the most important conference about the future of our planet, concluded. In this time, we have seen a proliferation of discussions about what it achieved, where it failed, and what lies ahead. But what is missing here is the voices of a generation that stands to lose the most – their future in an inhabitable earth – if world leaders continue to delay urgent action to address the climate crisis.

Climate change is also a child rights crisis. It will, and already does, disproportionately impact children and young people. As such, it is crucial for them to have a say in the decisions that are shaping their future.

COP27 marked significant progress by officially recognising, for the first time, that children and young people can be effective agents of change. While official government delegations debated mitigation, adaptation and finance, observers – from academics and fossil fuel lobbyists to young climate activists – closely followed discussions and advocated for their demands.

I had the privilege of attending COP27 as part of the Unicef delegation and organising the first-ever Children and Youth Pavilion, a platform led by young people to amplify our voices,

network, and plan action.

Alongside peers from across the world, who have been at the forefront of calling for urgent climate action, I mobilised around the need for loss and damage to be on the agenda, calling for a target of USD 100 billion to help developing countries address the impacts of climate change. We stressed that this finance should come from taxing the profits of fossil-fuel-based industries. We organised strikes demanding fossil fuel phase-out and a fossil fuel non-proliferation treaty. We shared stories of resilience, and joined sessions to share ideas and raise awareness.

Although not all negotiation sessions were open to us, I was able to join bilateral meetings as a member of the official children and youth constituency of the United Nations Framework Convention on Climate Change (UNFCCC). There, I argued for the need for meaningful participation of children and young people in the decisions that are taken.

The future that was being decided at the conference concerns me all the more as a citizen of Bangladesh, which already ranks among the top countries where children are most vulnerable to climate change impacts.

So, were world leaders at COP27 able to make the progress that we had hoped for?

The most important outcome of COP27 was the agreement on loss and damage financing. For the most vulnerable countries in the Global South that are not responsible for the crisis, and where adaptation measures alone are not enough to cope with the impacts of climate change, this decision is extremely important. It is the result of decades of advocacy by the civil society, youth movements and climate-vulnerable countries, and seeing the inclusion of loss and damage finance facility in the final agreement was rewarding. Also commendable was the adoption of the Action for Climate Empowerment (ACE) action plan which calls on countries to empower all members of society including children and youth to engage in climate action.

But for those of us who have been calling for urgent action, the absence of progress when it comes to mitigation has been disappointing.

While we verge even closer to an uninhabitable world, hundreds of lobbyists participating in the conference were unfortunately successful in blocking any progress towards phasing out use of fossil fuels. Similarly, there was no change in the final agreement about limiting global temperature rise to 1.5 degrees Celsius. Even the launch of the Adaptation Agenda was marred by the fact that concrete decisions on funding were lacking, while Global Shield – the insurance initiative to help vulnerable countries – was launched without any mention of liability for payment and accountability of countries in the Global North for their historically large amounts of greenhouse gas (GHG) emission.

One of the goals of COP27 was to enhance the ambition of countries'

climate pledges, known as Nationally Determined Contributions (NDCs). However, many countries, including the world's major emitters, did not significantly increase their NDCs.

These reveal the gaps in our lofty goals and plans of action. The difference between the amount of funding available for adaptation efforts and the amount needed is immense, and the commitment from COP26 to increase adaptation funding by 2025 has been removed.

Ultimately, COP27 ended on a bittersweet note. There was progress, but not nearly enough.

If we are unable to phase out the use of fossil fuels and limit the temperature rise, the decision about loss and damage alone will not reduce the vulnerability of any country. Similarly, while more young people had the opportunity to join discussions, there is still a long way to go to make their participation more meaningful.

But instead of disappointment, I'd like to end this piece with hope. We can hope that COP28 will bring with it a focus on transitioning away from fossil fuels, that there will be a clear mechanism for loss and damage finance, and that the youth who have led the call for urgency for years will be allowed to participate in the conference at all levels.

We – the youth and other climate activists from under-represented communities – need to be nurtured as negotiators and given seats at the table, and not just as part of a separate pavilion. We need to be able to represent the voices and perspectives of our communities and of our generation. It is our future that is at stake, and we have every right to be part of the decisions that shape it.