

What does another tremor signify?

We must enforce pre-emptive safety measures given the current threat level

After another tremor on Monday, the discussion has naturally centred around how likely we are to see such minor earthquakes followed by a major, potentially catastrophic one. The quake, measured at 5.2 on the Richter scale, hit India's Assam and was felt in Bangladesh, too. Although no significant damage has been reported, experts have noted how earthquakes with magnitudes of 7 or higher have historically occurred in the region roughly every 150 years, and that Bangladesh might be due for one. How worried should we be then, and more importantly, how prepared are we should a major earthquake indeed follow?

Recent seismic activities make for depressing reading. According to a report by this daily, a staggering 34 mild quakes have been recorded over the past two months in and around Bangladesh. Although only a handful of them were felt by the people, and experts are divided over the causal connection between minor and major quakes, there is no denying that the frequency of such events has increased. Monday's quake did not originate in Bangladesh but in Assam – with its epicentre close to that of the 1897 earthquake of 8.7 magnitude. But that should be no comfort given the close proximity of the two areas.

Moreover, Bangladesh has two active fault lines of its own. And if an earthquake of 6.9 magnitude occurs along the Madhupur fault in Tangail, which is close to Dhaka, about 8,65,000 buildings may collapse in the capital city, according to a survey by the Rajdhani Unnayan Karttripakkha (Rajuk). If it occurs during the day, some 2,10,000 people may die. The financial loss to be incurred will also be massive. Therefore, we can no longer remain hung up on the theoretical probability of a major earthquake, and must redirect our attention to our state of preparedness which, as things stand, is woefully inadequate. Unfortunately, the government's focus still seems to be on post-disaster rescue operations, rather than on pre-emptive safety measures. This must change.

Dhaka, an overcrowded city where most of the buildings were constructed in violation of building codes, as well as other at-risk cities have their job cut out for themselves. They must urgently raise public awareness, ensure rigorous enforcement of building codes, and retrofit vulnerable buildings to withstand seismic shocks. The authorities must remember that violations of building codes not only jeopardise the safety of the people but may also hinder the effectiveness of any post-earthquake recovery effort.

An entire upazila haunted by erosion

Govt must see the urgency of helping affected villagers

It is shocking that around 70 percent of the land in Sirajganj's Chowhalli upazila has been lost to river erosion in the last 20 years, leaving around 50,000 people from 50 villages homeless, according to a report in this daily. While many of the villagers have been forced to move to other locations, those who remain are often being deprived of basic facilities. This is because the Jamuna has not only washed away their homesteads, but also damaged road communications, affected agricultural production and trade, and even deprived many children of access to education.

Reportedly, at least 100 of the 128 government primary schools in the upazila were affected in recent times, with 80 of them relocated multiple times. This has led to a significant rise in the dropout rate – while there were some 32,000 primary students in the 2017-2018 academic session, the number has fallen to 24,000 this session, according to the upazila education officer. Besides, the buildings of most government offices, including health and UNO offices, have been lost to river erosion, with the offices now operating in makeshift structures. For instance, the UNO office is being run from a college building. Under the circumstances, villagers are not getting proper access to essential services, including healthcare facilities. We wonder what future awaits them if the government does not come up with a sustainable plan to tackle river erosion and help the victims recover.

So far, government measures to prevent erosion have been restricted to sandbag dumping only. We must ask, is this all that the government can do when an entire community is at risk of destitution? While the plan to construct a permanent embankment in the area may be a solution for the time being, whether that will be sustainable in the long run remains to be seen. According to one river expert, building embankments and hard structures to stop river erosion is the wrong way to go in countries like Bangladesh. Such Western approaches have proven to be ineffective in many cases. Therefore, the government must consult with local river experts and find a sustainable way of river management which will also reduce river erosion significantly.

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The Bangladeshi model of dealing with bank crises



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MD MAIN UDDIN

By now, everyone knows that Bangladesh's banking sector has some fundamental problems, non-performing loans (NPLs) being the top one. The growth of bad loans is mainly due to the business-politics nexus, lack of corporate governance, and weak judicial system. This growth has led to some banks often facing acute capital deficiency, which could lead to bank failure.

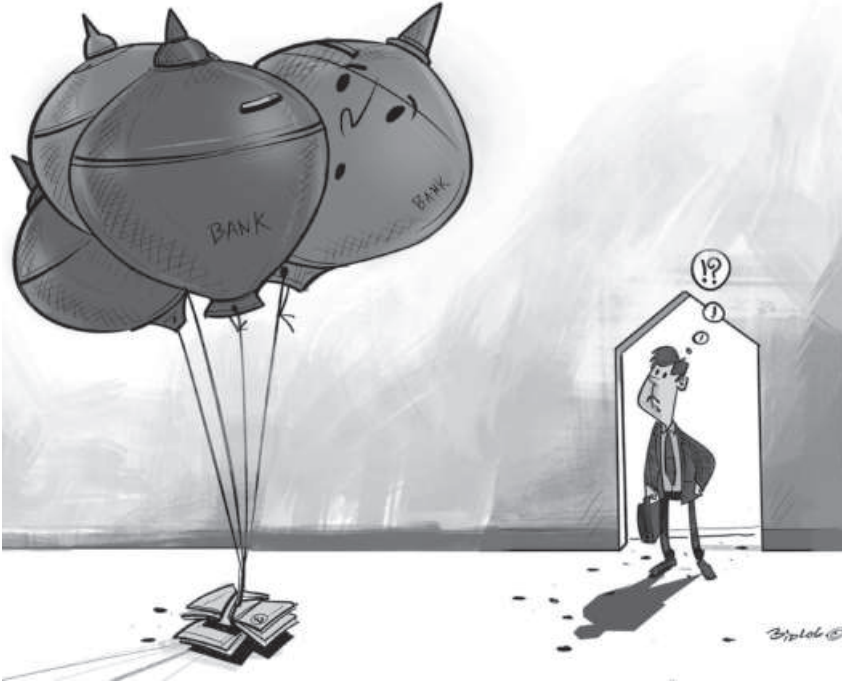
A bank fails when the market value of its assets declines below the that of its liabilities, and so, the market value of its capital, also known as net worth, becomes negative. Banks may incur losses for many reasons, and these losses are initially adjusted against capital. When the losses exceed capital, a bank becomes insolvent, faces a serious liquidity crisis, and fails to meet the immediate demand of its customers. The news rapidly spreads in the market, and panicked customers rush to withdraw their funds from the bank, which further aggravates its liquidity. The ultimate

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result is bank failure.

The failure of one bank may introduce systemic risk through which solvent banks may also fail when their customers panic and quickly withdraw their deposits. When there is a crisis of trust in banks, it is really difficult for some of them to remain operative. Bank failure is different from that of other institutions, because it has serious economic and political consequences. Hence, the governments in Bangladesh have tried to avoid this during their regime by injecting public funds, and the country never witnessed such a failure.

The Oriental Bank Limited was



VISUAL: BIPLOB CHAKROBORTY

founded in 1987. From the very beginning, it fell into trouble because of insider lending, corruption, and mismanagement. Its accumulated loss stood at Tk 86.34 crore in 2001, which jumped to Tk 450 crore in March 2006 (State, Market and Society in an Emerging Economy, Chapter 10, Routledge). Overall capital deficit was Tk 877 crore. The bank was heading toward failure. However, in 2006, Bangladesh Bank (BB) dissolved the bank's board and floated a tender to sell its majority shares in 2007. The bank's paid-up capital was over Tk 700 crore, and the Swiss ICB Group won the bid and took control of the bank, purchasing 50.10 percent of shares for Tk 351 crore. The ICB Islamic Bank Limited has been operating in Bangladesh since then. It has turned into one of the worst performing banks in the country with massive non-performing assets.

Another story revolves around the Bank of Credit and Commerce International (BCCI), founded in 1972. With its headquarters in London and incorporation in Luxembourg, this bank was working in Bangladesh too. The bank witnessed massive irregularities and mismanagement,

and consequently collapsed in 1991. The institution's Bangladesh wing was also affected, but the BB came to the rescue. The local BCCI was restructured and Eastern Bank Limited was established in 1992. This new bank started its journey with 100 percent Bangladeshi owners and has been operating successfully. It is now one of the well performing banks, with an NPL rate of only three percent.

through budgetary allocation between 2011 and 2020. The year-wise allocation ranged between Tk 1,500 crore and Tk 5,400 crore during the period. It was Tk 1,700 crore in 2011, and Tk 5,400 crore in 2014, quadrupling in three years. The amount of capital injection varied depending on banking scandals. Some major scams occurred between 2012 and 2015, during which capital injection reached Tk 20,400 crore. However, the figure declined to Tk 2,000 crore separately in 2016 and 2017. It further reduced to Tk 1,500 crore in the following three years.

This type of solution has disastrous consequences since it creates a moral hazard – a situation which encourages stakeholders of banks to behave irrationally. For example, banks may take excessive risks, bankers may have less incentive to attain operational efficiency, and borrowers may be encouraged not to repay loans. If a bank knows its systemic importance and believes that it will be bailed out ultimately, it will not try to be efficient. Bailing out a bank using budgetary allocation is nothing but putting the burden of inefficient banks on the people.

Bank recapitalisation is not uncommon. A bank may be bailed out by capital injection if it is affected by systematic risk – a risk which affects the entire industry or market, like the pandemic or Russia-Ukraine war. The action must be defensible. There should be some simple performance indicators that have to be achieved within a certain period after recapitalisation. For instance, the default rate must be reduced to a certain level, say 10 percent, within a set timeframe.

The economy of Bangladesh is already burdened with a huge number of banks, some which came face to face with serious problems in managing liquidity, assets and capital. A number of banks have unusually high NPL rates. According to the BB data, National Bank of Pakistan has an NPL rate of 98 percent, Union Bank 95, ICB Islamic Bank 86, Padma Bank 59, BASIC Bank 58, and Bangladesh Development Bank's rate is 50 percent. It is unthinkable that these banks are still operative. While a bank can absorb only 12.5 percent of its losses, the potential losses of these banks are many times their absorption capacity.

The problems of some banks are chronic and capital injection will not solve them. They may be addressed by mergers and acquisitions, which will reduce the number of banks to an expected level. If that is done, the country's economy will present a healthy environment for the banking sector.

The Climate Action Summit in New York has failed to deliver

POLITICS OF CLIMATE CHANGE



SALEEMUL HUQ

The Secretary-General of the United Nations, Antonio Guterres, has been holding an annual Climate Action Summit on the margins of the UN General Assembly in September each year. He invites world leaders to come and share what they are doing to tackle climate change, the biggest human-induced global crisis. Over the years, his language to describe the situation has become increasingly apocalyptic. Earlier, he described the world as having entered the era of "climate boiling"; now his words has become even more dramatic, saying that we were "entering the gates of hell!"

However, despite his strong language and exhortations, the world leaders who are responsible for emitting most of the greenhouse gases are not willing to take the requisite actions at the scale and pace that is required to keep global temperature below 1.5 Degrees Celsius, as agreed under the Paris Agreement in 2015. It is not that they are not doing anything, but that they are doing

too little too late. As a result, we are seeing the impacts of human-induced climate change happening every day somewhere in the world.

It is ironic that just a few days after tens of thousands of activists from around the world demonstrated for action on the streets of New York during the Climate Action Summit, the streets and subways of New York City were submerged by torrential rains, forcing a declaration of an emergency.

However, this is not to say that nothing happened in New York during the climate action week. The joint event by the Governments of Denmark and Bangladesh to focus on the promise by developed countries to double their funding for adaptation in developing countries went well, and a number of developed countries have indeed enhanced their funding for adaptation. But again, they seem to be good at making promises and bad at delivering those promises. Nevertheless, it is still possible to double adaptation funding in 2023.

Another initiative to note was the ministerial meeting to discuss funding for Loss and Damage, where the COP28 President exhorted developed countries to promise funding for the new Loss and Damage Fund to be established at COP28 in Dubai in December. While there were good discussions on the topic,

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there were no concrete pledges of funds except from the government of Scotland, which is not even a party to the UNFCCC. There is still time for some political will to fund the Loss and Damage Fund in COP28 in December, but time is running out very fast.

Coalitions of the willing, which often include governments, private

sectors, and civil society organisations and groups, are making major efforts to address climate change. These initiatives range from stopping oil and fossil fuel campaigns to enhancing investment in renewable energy like solar and wind, and energy efficiency. The good news is that investment in clean energy is now becoming profitable enough to draw major investors. On the other hand, fossil fuels such as coal are becoming completely uncompetitive without subsidies. Unfortunately, subsidies for fossil fuels are still the norm, although they should be withdrawn immediately.

By far, the most impressive change we have seen in New York, and elsewhere, is the growing movement of young people from both developed and developing countries. They are pushing companies and their own governments to invest in tackling climate change rather than causing it. Although it is still not powerful enough to ensure that the necessary changes are made fast enough to avoid absolute disaster, this movement of young people from all over the world is by far the most promising movement to tackle climate change.

In my opinion, Antonio Guterres should get the support of every global citizen to save humanity from itself. There is no more time to lose. Substantial changes must be made at COP28 in Dubai.