

# Empowering ACC to fight graft

## A step in the right direction

IT is much welcome news that the parliamentary standing committee on law ministry has made a number of useful recommendations that would help transform the anti-graft body into an effective organisation. Once recommendations have been incorporated and enacted into law in the next session of parliament, the Anti Corruption Commission (ACC) would be in a position to take any steps it deems fit against allegations of corruption of public officials without seeking prior approval from the government.

Concerns however remain as to precisely how effective the ACC will be in discharging its duties. Such premonition arises out of the fact that various institutions have been asked to furnish information to ACC, but we believe this is not realistic. Given the level of existing institutional corruption, we would much rather have the ACC develop a public grievance redress mechanism. Such a step would be akin to putting into effect a complaint response mechanism in the ACC branch offices. In this regard, the ACC will require proper staffing and logistics and resources to that effect need be provisioned by the government in its annual budgeting.

We have always advocated for the ACC to be free from the Executive. By the ACC Chairman's own admission earlier, the body had been rendered a toothless tiger and it is yet to be freed from Executive control. This is more so since the present practice involves the ACC to submit its annual report to the President, which then maybe forwarded to the parliament. Since the president works on the advice of the prime minister, an element of executive control is built into the present dispensation. The whole point of having an autonomous ACC is not to have a carbon copy of the pre-existing bureau of anti corruption which worked nothing more than an appendage to the PMO. Therefore, we are for unfettered, professionally sound working of the ACC as a fully autonomous anti-graft body as we see in the case of India and USA.

# Traffic shut off around DU

## Why push the people around?

COMMUTERS were forced to curb their movement significantly as police blocked off major roads around Dhaka University (DU) campus on Wednesday.

It defies commonsense how the police could cut off some major communication arteries of the city without prior notice just to prevent what they claim possible vandalism on the road. Being thus caught in the mess, the only option left to the public was to either make long detours in their vehicles or to walk to their destinations.

Ironically though, police said they wanted to reduce public suffering through avoidance of vandalism in the wake of a student's fatal accident at Shahbagh crossing. The effect of their action has been increased public hardship.

Such knee-jerk ad-hoc step without due diligence to prevent vandalism through persuasion and mob control measures is a classic case of misplaced emphasis. And it places people at the receiving end of their incompetence-induced hardships. Are the police doing it because members of the public are too meek and are not willing to turn violent and go on the rampage breaking vehicles and public properties like the students?

The Shahbagh crossing is known for its vulnerability to road mishaps. And these are invariably followed by violence and vandalism unleashed by agitated students.

Pedestrian traffic is very ill-managed in the area. And reckless driving is also rampant.

Considering all these, the authorities had promised to build underpasses at important points. But unfortunately, these are yet to materialise risking lives of pedestrians in particular. Here we would also like to point out the necessity for the pedestrians to cross roads carefully at the busy

# THIS DAY IN HISTORY

## August 31

- 1218
- Al-Kamil becomes Sultan of Egypt, Syria and northern Mesopotamia on the death of his father Al-Adil.
- 1876
- Ottoman Sultan Murat V is deposed and succeeded by his brother Abd-ul-Hamid II.
- 1957
- The Federation of Malaya (now Malaysia) gains its independence from the United Kingdom.
- 1963
- Sarawak, North Borneo and Singapore achieve technical independence pending accession to the Federation of Malaysia
- 1991
- Kyrgyzstan declares its independence from the Soviet Union.
- 1994
- The Provisional Irish Republican Army declares a ceasefire.
- 1996
- Saddam Hussein's troops seized Irbil after the Kurdish Masoud Barzani appealed for help to defeat his Kurdish rival PUK.
- 1997
- Diana, Princess of Wales, her companion Dodi Al-Fayed and driver Henri Paul die in a car crash in Paris.

# CROSS TALK

# Sacrifice for the Padma Bridge



MOHAMMAD BADRUL AHSAN

A Romanian folklore has it that a master builder once decided to sacrifice the first woman who would bring food to the building site. All but one of his men broke their promise and tipped their wives in advance. One man, who was true to his oath, said nothing to his wife. Next day she arrived before others and, bam, she was tied and slaughtered.

Shocking that the Padma Bridge is asking for human sacrifice, it's more shocking that the "honest" and the "innocent" are falling victims to its interminable horror. The project director and the secretary of the communication ministry were sent home first. Then a "patriotic" minister was asked to resign. Now the inauspicious shadow has grown even longer. Prime minister's economic adviser may be next in line.

Each victim of the scandal went down screaming his innocence. It's no surprise the economic adviser should do the same. A notch above, he also challenged the World Bank to prove the allegations against him and give him a chance to defend himself. One has the right to know before being sentenced that what one did was wrong.

But the adviser is barking up the wrong tree. He said he was going to

resign if the prime minister asked him to do so. Why? What happened to the old-fashioned conscience when the knowledge of guilt should travel to the guilty faster than the speed of light? He should be the best judge of his own actions. He should know if he has done it. He should know if he has not.

So, why does the prime minister need to be his conscience-keeper? The adviser is an educated man, who has got years of experience working for the government. If he is so confident, he should take the World Bank to the court

*A bunch of people apparently tried to sacrifice the interest of building a bridge to make some money. The bridge in its turn is seeking revenge, asking for the sacrifice of everyone involved. Meanwhile, who is to blame for the delay in bridge construction?*

instead of wallowing in self-pity and leaving his fate in the hands of his boss.

Former US vice-president Hubert Humphrey is credited for saying: "To err is human, but to blame it on someone else is politics." Ideally, politicians blame it on their opponents but the Padma Bridge is a difficult situation. It's like a revolution that is devouring its own children. The government has to sacrifice its best men to satisfy a recalcitrant international body, which refuses to negotiate on its list of corruption suspects.

The adviser is right in his claim that the charges against him must be backed by real evidence. But why is he throwing that challenge to the World Bank? He should be doing that to the government if it takes into consideration the unfounded charges and asks him to resign. He should be asking the prime minister why he should go instead of when.

For years to come, people of this country will argue in inventory accounting terms. Was it FIFO, that is First In First Out, or was it LIFO, that is

try will be disappointed if neither happens. The adviser should be disappointed if his sacrifice is of no importance to the financial gods sitting in Washington.

Modern-day miracle rides on logical conclusion. If the adviser is the last name on the list, his resignation should open doors. But the adviser should resign anyway, if not for corruption but for performance failure. He had the prime minister's ears and has to take part of the blame for creating this mess between the government and the World Bank. If he didn't give the right advice, why shouldn't he go? If the prime minister ignored his advice, why should he stay?

At this point, the fate of the Padma Bridge reminds us of the Bridge of Arta in Greece. The story of human sacrifice during its building gave rise to a customary expression. Whenever there is a needless delay, the Greeks say: "All day they were building it, and in the night it would collapse."

A bunch of people apparently tried to sacrifice the interest of building a bridge to make some money. The bridge in its turn is seeking revenge, asking for the sacrifice of everyone involved. Meanwhile, who is to blame for the delay in bridge construction?

People have ample time until the next election to give their momentous take on this monumental mistake.

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**M. SHAHIDUL ISLAM**

THIS is not the best of times for global finance. The world economy has been under severe stress following the bankruptcy of Lehman Brothers in September 2008. The fall of the mighty investment bank was a big blow to the global financial system leading to arguably the worst economic crisis since the great depression of 1930s. It is widely believed that the greed of the Wall Street bankers and over expansion of financial sector with inadequate regulation led to the global financial turned economic crisis.

The financial sector of Bangladesh has been largely insulated from the global contagion thanks to less exposure to derivatives and other complex financial products. Nevertheless, it has faced at least four major setbacks during the current regime, not due to any external factors but largely owing to greed, poor regulations and vested political interests.

It started with the crisis in the stock market in 2010-11 that left thousands of investors literally bankrupt. The so-called multi-level marketing (MLM) companies sucked up huge amount of savings from a large number of small savers. Microcredit, which is serving the interest of millions of poor people both at home and abroad, has been the victim of state-led propaganda. Finally, state-owned commercial banks (SCB) have been used not only for automatic monetisation of fiscal deficits (to finance some controversial projects), but were also left unchecked to allegedly misappropriate huge sums of public money.

The report of Ibrahim Khaled Committee is an account of how the stock market was manipulated by some business bigwigs capitalising on their political affiliations. There was literally no response from the authorities when the MLM companies seemingly looted millions from the small savers. Confusion prevails as to who, the co-operatives or the Bangladesh Bank, regulates their businesses.

Microcredit is perhaps the most globalised financial service, as far as financial needs at the bottom of the pyramid are concerned, that has a strong root in Bangladesh. There is a regulatory body, Microcredit Regulatory Authority (MRA), that oversees the

sector efficiently. However, the state machinery and a section of media, without understanding the sector, confuse microcredit's role in poverty alleviation and social development. In fact, the government's own entity, PKSE, disburses funds to over 257 microfinance institutions (MFI).

Recent developments in some state-owned commercial banks (SCB) are worrisome. These banks have been channelled to monetise fiscal deficits, particularly to finance politically motivated projects (rental power plants, for instance) that don't get alternative funds owing to governance concerns. This venture has already cost the exchequer dearly, risking the country's macroeconomic stability.

The unearthing of financial misappropriation in Sonali Bank, the largest

Finance in 2009 through a cabinet decision. The major functions of BFID include, among others, formulation and updating of laws, rules and policies relating to banks, insurance and financial institutions, and development of the capital market. Unfortunately, one does not see any activities of BFID. The entity has rather been an obstacle in monitoring of the financial system by the Bangladesh Bank and other regulators.

The central bank regulates and supervises the local and foreign private banks. The performance of these banks has improved, as reflected in lower non-performing loans (NPL) and higher risk-weighted assets (capital adequacy ratio), and in meeting the global norms and best practices such as BASEL II. The SCBs have higher NPLs and lower regu-

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SCB, was shocking. According to the Bangladesh Bank, a branch of the Sonali Bank was involved in embezzling of Tk.3,547 crore, from which Tk.2,686 crore went to a little-known business group!

Who is supposed to monitor the activities of the branches? Is it Bangladesh Bank, Ministry of Finance, or Sonali Bank itself? Being the central monetary authority, Bangladesh Bank should be the ultimate authority accountable for this embezzlement. The central bank, under Clause 46(6) of the Bank Company Act 1991, sent a report to the finance ministry when it unearthed massive irregularities and corruption in a Sonali Bank branch. However, it does not have the *de facto* power to supervise and regulate the SCBs and the finance minister made that clear when he spoke to the press on this matter.

The autonomy of the Bangladesh Bank has been curtailed by instituting the Banking and Financial Institution Division (BFID) in the Ministry of

latory capitals that risk their financial sustainability.

How to rescue the country's financial system from these challenges? The financial sector is one of the important avenues to create rent, an essential element of political settlements, so politicians do not like to loosen their grip over it. However, excessive greed could undo many of the successes this sector has attained in the past few decades of reforms.

Donors and development partners are also to be partly blamed for the current state of poor regulation in the country's financial system. Their prescribed wholesale liberalisation, without instituting an effective regulatory structure until the late 1990s, created room for misappropriation of funds in the past. While they have been largely effective in reversing the course in the post 2000s, particularly in private sector banks, by placing more focus on risk-based regulatory reform, they are apparently less than successful in disintegrating state from directly con-

trolling finance.

Despite limited autonomy, the central bank governor should be credited for his efforts to arrest further degradation of the financial system. It is high time for the finance minister to act. The government must allow the respective regulatory bodies to regulate and supervise the concerned sectors independently.

Given the increasing regulatory failures in the system, it is time to contemplate if Bangladesh needs a regulatory body akin to the Financial Stability and Development Council of India to maintain financial stability, enhance inter-regulatory coordination, beef-up macro prudential supervision and coordinate the country's international interface with financial sector.

Bangladesh's financial sector, prior to the initiation of structural reforms in the 1990s, was a typical example of what economists call "financial repression." The system that started performing better, particularly in the late 1990s and early 2000s thanks to a plethora of reforms, is apparently losing its direction. It does not need to be overregulated nor should it be left to the financial bandits to reverse the success of reforms. In their much celebrated book, *Saving Capitalism from the Capitalists*, noted economists Raghuram Rajan and Luigi Zingales observed that "a truly free and competitive market occupies a very delicate middle ground between the absence of the rules and the presence of suffocating rules."

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