

# Authoritarianism in Bangladesh?

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**M**OST commentators readily accept the fact that democracy in Bangladesh is weak, even fragile. And they often hasten to add that democracy is a practice and we will get better with practice. I contend that there is no guarantee that Bangladesh will be more democratic; nor is it a forgone conclusion that Bangladesh will be less democratic.

In order to ensure that the transition leads to more, rather than less, democracy, we need to assess the present health of democracy. We must ask why politics is so confrontational. In order to do that we must shun a reductionist analysis focusing on the psychology of the individual leaders.

The answers lie in the structure and culture of Bangladesh society. Bangladesh can be best described as competitive authoritarianism. The two party-systems that has evolved are often viewed as a sign of democratic maturity, but upon closer examination, one would find that underlying democratic facades, there is an authoritarian regime.

Rather than rehashing the check

list of standard criteria of democracy: freedom of expression, regular and credible elections, separation of power, etc. a la Schumpeter or other democracy theorists, one can resort to a much simpler set of criteria. Whether democracy is present or not can be proved by a simple test. In a democracy losers in the election accept the election results and not accuse of unfairness or irregularity in election; and second, leaders of the major political parties appear in talk shows to present their views and do not avoid the hot seat. These two criteria of democracy may appear simplistic but they are not.

On both counts, Bangladesh fails. Since 1990, the official year of transition to democracy from authoritarian rule, Bangladesh has gone through four elections and in each occasion the party that lost the election, slammed the charges of impropriety and fraud in the elections. In a true democracy, you cannot be a bad loser. Second, with the exception of Sheikh Hasina's participation in a nationally shown debate in 1990 and her appearance on the BBC's Hardtalk, the leaders of the two major parties did not appear in any televised talk shows.

So on second count, Bangladesh fails the democracy test as well.

Political systems are often naively divided as either democracy or authoritarianism. This is very simplistic. There are many shades in-between.

Careful analysts have introduced

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another in-between category, the hybrid-regime. The hybrid-regime is one notch above authoritarian regime such as China. Bangladesh, as Singapore and Nepal, has been categorised as a hybrid regime in the classification of the Economic Intelligence Unit which uses a rather stringent criteria that put France, Italy, India, etc., as flawed democracies and only 26 countries such as Norway, Denmark, Finland, UK, USA as full democracies. Freedom House ranks Bangladesh

as partly-free.

Admittedly, Bangladesh has a procedural democracy, an electoral democracy at best. The electoral democracy in Bangladesh is the reason why the bulk of the political discussion revolves around how elections should be held, who

should be in charge to supervise elections and so on and very little on party finance and transparency of the electoral finance.

Some writers, such as Douglass North, known as historical institutionalists, prefer to explain political and economic developments in terms of controlling rent but not in any which way you can. There has to be rules of institutions that would guide the game. In some countries -- advanced industrial democracies you have an open

access order, in the majority of the countries outside the small fortunate ones there exist a limited access order where rents are shared by a limited number of people who are close to power. This argument, though schematic, has certain merits. Much of it explains the fierce competition in Bangladesh politics and the durability of the patronage system.

But one of the important factors overlooked by the analysts of Bangladesh politics is the role of social status. Face or reputation is always of paramount importance for not only politicians but people of all high status. The exceptions are rare indeed. Most people try to present themselves as people of high status. The competition over status is often revealed in conspicuous consumption. This explains why losers in election are loath to concede defeat. Conceding defeat in an election, they fear, may be construed as accepting a lowered status. Remember, the whole controversy over seating arrangements after the 2008 elections. Not having a front seat may lower one's status. By denouncing the election as fraudulent the leaders try to remain in high-pedestals in the eyes of their supporters.

The idea of competitive authoritarianism was mooted by Steven Levitsky of Harvard University and Lucan A. Way of University of Toronto. From the mid- 1990s they observed the post-socialist transition, where the new regimes were retaining many of the authoritarian characteristics. They also examined some Latin American, African and Asian new transitional societies and developed the idea of competitive authoritarianism. We need not buy their arguments wholesale but we can ignore their ideas only at our own peril.

Late Sam Huntington and other protagonists of wave theorists also noted "reverse-waves." True, in many cases, authoritarian systems have opened up as democracies but sadly, sometimes, fledgling democracies have relapsed into authoritarian systems.

In competitive authoritarianism, you have elections without democracy. Democracy debate in Bangladesh must move beyond elections. The challenge for Bangladesh is how to transform a formal democracy into a substantive democracy.

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*A debate is now ongoing on the performance and legal standing of Grameen Bank, and the role played by its founder, Prof Muhammad Yunus. Yunus Centre has compiled a set of frequently asked questions and provided answers to them. The Daily Star reproduces, in installments, the full document for the sake of informed public opinion on this vital issue that has attracted tremendous national and international interest.*

## Questions by critics on Grameen Bank and the facts by Yunus Centre

[Third Installment]

**Q11: Haven't many women committed suicide due to failure of repayment of Grameen Bank loan installment? Haven't many left their homes? Aren't many women in hiding after leaving their villages and homes?**

**Answer:** A member of Grameen Bank may commit suicide, may be in hiding or on the run, or may be working as a house maid somewhere. But it would be incorrect to think that they have had to do so because of Grameen Bank.

Why would a member of Grameen Bank be on the run? Have they ever been tortured by Grameen Bank?

Have they ever been handed over to the police? Has Grameen Bank ever filed any cases against them? In the 35 year history of Grameen Bank, has anybody ever heard Grameen Bank file any case against anyone? Though the government has given the authority to Grameen Bank to file certificate cases against loan defaulters, Grameen Bank has never applied that authority against anyone.

There is an allegation against Grameen Bank by bankers that it reschedules the duration of loan so that the borrowers are not treated as 'loan defaulters.' This is true. Grameen Bank never refuses to reschedule loans. This is a part of the main philosophy of Grameen Bank. Grameen Bank believes in the honour of people, particularly that of the poor.

Based on experience, Grameen Bank has found that poor people default more frequently due to the circumstances they find themselves in rather than default willfully. Their loans are rescheduled and new loans are provided to recover the lost capital. Each time the duration of loan is extended, provisions are made for an amount equaling 50% of due loan, meaning this amount is treated as expenditure. Thus, no matter what the arrangement is with the member, the financial disclosure of the bank remains transparent and conforms to international standards.

So why would a borrower be in hiding if she is not a defaulter?

Another thing to be kept in mind is that in addition to being a borrower a member is also a regular depositor. She has enough money in her savings account to repay the installment.

Then why would she be on the run for not being able to pay installments? There are many problems in the lives

of poor women. Bangladesh is one of the countries that rank highest in violence against women. A woman may commit suicide due to various reasons. But there is no reason to commit suicide due to Grameen Bank. The explanation has been provided above. In the past 35 years not a single case has been filed or no one handed over to the police for failing to pay an installment. The reason behind the suicide will be clear if one checks the deposit balance of the deceased. Generally it is observed that there is a larger amount deposited than borrowed in the account of the deceased borrower. Can this be an indication of people committing suicide for not being able to repay loans to Grameen Bank?

**Q12: Didn't Professor Yunus keep Grameen Bank out of tax nets using different schemes and wasn't he severely criticised because of this?**

**Answer:** With the assistance from government and until 2012, and in the interest of the poor women, Professor Yunus was able to keep Grameen Bank out of the tax nets. In 2010-11, he was severely criticised for this move. In 2010, the government no longer agreed to keep the tax exemptions in place. Ignoring appeals, in May 2011, the government compelled Grameen Bank to pay advance taxes of 10 crore taka. Once Professor Yunus left Grameen Bank, the government again granted tax exemption status to Grameen Bank for the period 2011 to 2015. Yet this time there was no storm of criticism.

**Q13: Isn't Grameen Bank performing better since Professor Yunus's departure? Haven't the interest rate and the repression of borrowers lessened since then?**

**Answer:** Due to the innovative decentralised management practices introduced by Professor Yunus, there has not been any short-term crisis in management in Grameen Bank since he left. There is no reason for such a crisis. Grameen Bank is still diligently following the same interest rate, operational practices, loan disbursement, repayment collection, etc. as per the policy and practices innovated by Professor Yunus.

Those who are currently running Grameen Bank have all been trained by him. The interest rate is just as it was when he was there; there has never been a case of repression, nor is there now. Hence there is no question of reducing repression.

But the long-term prospects are different. Central leadership and decision-making are very important for long-term success. If the central leadership makes the wrong decision or sets the wrong policies it may lead to disaster.

**Q14: Who own the companies named "Grameen"?**

**Answer:** Most of the Grameen companies are registered under the Section 28 of the Company's Act. Companies formed under this act have no owners. No one is able to personally take out profit. The law terms these companies as "Non Stock Company limited by Guarantee." The directors of these companies provide personal guarantees but are not allowed to take profits.

Some companies are registered as "for-profit" companies. These are owned by a few of the non-profit companies mentioned above. As a result the profit from these companies goes to the non-profit companies, and can never go to an individual.

**Q15: Don't the 54 companies belong to Grameen Bank that have the name "Grameen," and have used Grameen Bank's money and reputation?**

**Answer:** The 54 companies that have the name Grameen have received no investments from Grameen Bank. The capital contribution for these companies has come from different sources. Capital for many of these companies has come from contributions from donor institutions. For some it has come from loans. Others have had investments from other companies. None of the organisations have accepted investments from Grameen Bank.

The source of funding, utilisation of the funds, and all other details are given in the audited annual financial reports of these companies. These annual reports are submitted to the government every year.

The name "Grameen" has its reputation from the success of innovative creation by Professor Yunus. He had been using the name "Grameen" long before the creation of the Grameen Bank. The branch of Krishi Bank that Professor Yunus was operating in the Jobra Village was named "Pilot Grameen Branch."

Later on the project that was administered under the Bangladesh Bank was named the "Grameen Bank Project." Grameen Bank was born from the Grameen Bank Project. Professor

Yunus has been putting the name "Grameen" to all his initiatives, at home and abroad. This Bengali word is very familiar in different parts of the world, and is a respected word everywhere.

**Q16: Who will inherit the 54 companies created by Professor Yunus? Who would be the owner of these companies in his absence?**

**Answer:** None of these companies are personally owned by Professor Yunus. He does not hold or own a single share anywhere; as a result there is no need for concerned about his heir or successor. The majority of the 54 companies created by Professor Yunus are "not-for-profit" companies, registered under Section 28 of the Company's Act. These kinds of companies are not owned by anyone, hence there is no question of inheritors.

If a position falls vacant in the Governing Board or General Board then it is filled according to the governance structure of the company. Thus, the company continues to function without hindrance.

There are a few "for-profit" companies named Grameen which are in turn owned by other non-profit companies. Since the holding entities of these for-profit companies have attained sustainable and continued existence, there is no scope for creation of a vacuum in the ownership of these companies.

Since all of these companies have been formed under the appropriate laws, there are relevant legal regulatory authorities to oversee them. Even if there is a need to close these entities, the procedures have to go through the High Court.

**Q17: Who is the owner of Grameen Phone?**

**Answer:** One of the owners of Grameen Phone is a Norwegian Telecom company named Telenor. In turn, one of the majority owners of Telenor is the Norwegian government. The second owner of Grameen Phone is Grameen Telecom. This is a non-profit company registered under the appropriate section of the Company's Act (the details have been provided in a previous answer). The other owners of Grameen Phone are the numerous investors/shareholders of Bangladesh who continually trade its shares in the stock market. Professor Yunus has never owned a single share of Grameen Phone, directly or indirectly.

**Q18: How did Grameen Telecom amass so much money for buying Grameen phone shares?**

**Answer:** Grameen Telecom received the money to invest in the equity of Grameen Phone from three sources. Upon a request from Professor Yunus the famous wealthy American George Soros provided a loan of USD 11 million from his foundation to Grameen Telecom. This amount was invested in Grameen Phone. The loan was repaid to the foundation in due time. Loans were taken from various commercial banks to invest in Grameen Phone's equity, which have been paid off in due time. Grameen Telecom also took loan from Grameen Kalyan. Grameen Kalyan is a company formed under the Company's Act, also without any owner.

**Q19: Where does the money that Grameen Telecom receives as a share of the profit from Grameen Phone go?**

**Answer:** The money from the profit share received from Grameen Phone by Grameen Telecom was used to repay all the loans taken from commercial banks and other sources to invest in the equity of Grameen Phone.

The money from the profit is given out as education loans to impoverished boys and girls. In addition, major initiatives have been taken in the health sector with these funds. In order to ensure that the profit from Grameen Telecom is properly utilised in the development of the country, a trust named "Grameen Telecom Trust" has been formed. Grameen Telecom donates its profits to the Trust.

The Trust has already initiated various projects geared towards public welfare. Land has been bought in Savar to set up a Health Complex.

Preparations are underway to set up a medical college of international standard, a nursing college, a medical support college, a general hospital, a cardiac hospital and a cancer hospital within the Health Complex.

A plan has been taken up to set up a Health City in large scale that will be within the reach of the general people of the country, to avail quality healthcare services. In this regard, land acquisition is in progress in Dhaka's Maona area; plans have been made to set up a hospital and healthcare facilities of international standard, on a large scale here.

Investments are being made by Grameen Telecom Trust in equity of various Social Businesses set up to contribute to the solutions of various social challenges. A Social Business Industrial Park has been set up to accommodate Social Business concerns that are already functioning, and more are to come.

From the money that Grameen Telecom receives, financial assistance is provided to Grameen Kalyan for the welfare of Grameen Bank employees, and funds are provided for developing the primary healthcare sector of the country. So far, Grameen Telecom has given Grameen Kalyan Tk.8.80 crore.

There is no way that an individual can receive money from Grameen Telecom and/or Grameen Telecom Trust. The profit from Grameen Phone comes to Grameen Telecom, which has no owner, and then that money is handed over to Grameen Telecom Trust to ensure proper utilisation. Grameen Telecom Trust uses this money for the country, particularly for investing in different areas to enhance the welfare of the poor. One may remember that a global stir was created when Grameen Phone took mobile services to the hands of poor women in the village, with the assistance of Grameen Telecom.

Women in villages have been buying airtime at subsidized rates and selling them at market rates, making significant income for themselves. At one time, 4 lac phones were dedicated for this purpose and financially transformed the lives of many members. 80% of the service charge that Grameen Telecom received from Grameen Phone on this account was provided to Grameen Bank. Thus a total of Tk.287 crore has been given to Grameen Bank on this account since the beginning until 2012.

**Q20: Why don't the borrowers of Grameen Bank get a share of the profits from Grameen Phone?**

**Answer:** Initially Grameen Bank did not own any shares in Grameen Phone. A few years ago, when Grameen Phone released its shares on the stock market, the shares were bought on behalf of a trust formed for the welfare of the Grameen Bank borrowers' named "Grameen Bank Borrowers Investment Trust." The dividends from those shares have been regularly received by Grameen Bank Borrowers Investment Trust.

(To be continued)