

## Alleged war crimes by Myanmar

ICC investigation is in order

MYANMAR must be called to account for what it has been and is still doing to the Rohingyas. There are ample grounds for the International Criminal Court to start investigation into allegations of war crimes against the Rohingyas by the Myanmar military in connivance of the government of that country. Since last April, there have been series of investigations by the Special ICC prosecutor into atrocities against the Rohingyas. And the prosecutor in her latest move in this regard has requested the judges to authorise such an investigation. Such a request follows a preliminary examination by the office of the prosecutor which has definitively concluded that all the requirements under the Rome Statute that merit an investigation have been met. Myanmar's position, that the writ of the Statute does not apply to it, it not being a signatory to the agreement, is untenable since its acts of persecution against the Rohingyas have affected and involved a third party—Bangladesh—too.

Holding the military rulers in Naypyidaw is essential if Myanmar's action in the Rakhine, particularly the atrocities against the minorities, is to be stopped. Fresh round of violence by the Myanmar military in the western state, ostensibly to fight the insurgents, is a deceitful ploy to continue the persecution of the locals in the region. Regrettably, Myanmar has so far gotten away with ethnic cleansing and expelling nearly the entire population of the Rohingyas community. In fact there are more Rohingyas in Bangladesh than there are at the moment in Myanmar. It is behaving with a sense of blatant impunity, and unless the authorities in Myanmar are called to account, there is very little prospect for either the Rohingyas returning to their own country or them being accorded all the rights and privileges due to a citizen of Myanmar, which the Rohingyas are.

## Bangladesh Railway in the red constant

The govt should heed ACC recommendations

WHILE this is not a breaking news for us, we are quite appalled by the levels of irregularities in the Bangladesh Railway (BR) as revealed by an Anti-Corruption Commission probe. It is ironical that a public service as crucial as our railway which is always in high demand, does not generate as much revenue as it should. In fact, the government incurs huge losses because the BR is steeped in all kinds of corruption. And this has been going on for years, depleting railway funds and resources and rendering BR unprofitable and inefficient.

The ACC has identified 10 sources of corruption in the sector. These include irregularities in purchase of wagons, coaches, locomotives, diesel electric multiple units, in construction of tracks, even in the relocation and upgrading of signal systems at different sections. Waterbodies and ponds of the railways have been leased out illegally while hundreds of acres of BR land have been grabbed because of a section of corrupt officials. There is massive corruption during auction of metre gauges and broad gauges. The report has found some railway officials and employees to be engaged in all kinds of irregularities which of course is no surprise to the suffering public.

It is no wonder then that our national railway is in such a sorry state—with dilapidated, dirty coaches, ill maintained tracks and signal systems, tickets finding their way in the hands of black-marketeers during peak times and festivals and perennial losses in this vital sector.

The BR is one of our most valuable resources and caters to millions of people. But it can be exponentially improved in terms of efficiency and modernisation just by eliminating the irregular practices that have become ingrained in this sector. The government will gain by accepting the recommendations of the ACC, one of which is to adopt digital management systems for various operations including recruitment and land management. By making BR a transparent, corruption-free entity, the government will get the revenue that is due to it and be able to provide an affordable, safe, efficient transport service to the people.

# 'Name and shame' as an antidote for non-performing loans



ABDULLAH SHIBLI

**AN OPEN DIALOGUE**  
**R**IGHT after he took office as the new Finance Minister of Bangladesh (FM), AHM Mustafa Kamal declared at a meeting in Dhaka on January 10, 2019, "From today no more money will be added to the defaulted loans and it will gradually decrease from now on." It is too early to subject the FM's laudable promise to "fact check" but he deserves credit for providing a list of 300 top loan defaulters to the parliament during the last budget session. The FM also provided a list of 14,617 individuals and institutions which have outstanding loans of over Tk 50 million since 2009. It is my sincerest hope that the FM and banking division are using other tools to recover bad debts since the effectiveness of "name and shame" to cure loan default is still unproven. More on that later.

These efforts by the government to address the problem of non-performing loans (NPL) are not new. Publishing a list of defaulters has been tried before and is part and parcel of the name and shame therapy. It is expected that individuals and institutions who have been named in the list will repay the outstanding loan to their lenders stung to the shame that they suffer. It can be hoped that the government would also seriously consider publishing the results of each "name and shame" campaign from the past and its effectiveness.

NPLs are proving to be a perennial problem for both the state-owned and private commercial banks. However, it is known that NPLs are not evenly distributed among banks with five banks accounting for almost half of the total NPLs. According to a report by the World Bank, NPLs are on the rise in Bangladesh. In a graphic entitled "NPL as percent of Outstanding Loan" in this report, total NPL was 20 percent in December 2013, and oscillated within a narrow band until December 2015, and has been on the upswing since then, reaching a level of 32 percent in September 2018. The practice of loan rescheduling and write-offs also increased, creating further stress on banks. Bangladesh Bank (BB) approved loan rescheduling of Tk 191 billion in 2017 and Tk 200 billion in 2018. NPLs are increasing despite these wholesale approvals of loan rescheduling.

Will this latest round of "name and shame" campaign bring about the desired results? If the past experience is any guide, this tactic does not work in Bangladesh. Fahmida Khatun, Executive Director of



CPD, voiced her scepticism about this policy through her columns in *The Daily Star*. Many of the defaulters operate in society with impunity and even vaunt their ill-gotten money. "It has a lot to do with the value system and cultural practice that exist in our society." Large borrowers are politically well-connected and manage to reschedule their loans on easy terms. Our neighbour, India, which has a similar problem, has added another approach and gone to court to rein in the "wilful defaulters". These are the borrowers who have the capacity to repay but do not pay up on their loans.

So, if the "name and shame" campaign is of doubtful efficacy, what can the Bangladesh government do to ameliorate the situation and eventually eradicate the curse of NPLs? First of we must stop pointing the finger at the borrowers only. As they say in Bangla, "ek hathey tali bajay naa" or you cannot clap with only one hand. The current mess is the result of lapses and deficiencies in our banking and financial system, and I will outline some thoughts on reforming the three entities that are at the core of our NPL crisis: the borrower, the lender or banks, and the rules and regulations governing the system.

Experts have frequently raised the alarm about the poor risk management, weak corporate governance, and political interference that has led to the rise in NPLs.

Let us take the case of the borrowers. Obviously in some other societies or in some other context "name and shame" therapy might work. In the USA, tax

evaders are targeted by Internal Revenue Service (IRS) after repeated attempts by IRS to work out a deal. However, loan defaulters regularly have their assets seized and businesses that declare bankruptcy (also known as Chapter 11) are shunned by banks and private lenders. Similarly, individuals who have been convicted of sex offences might have their photographs and names listed on the Internet, and they work to a degree as a deterrent.

Banks can use other tools to recover bad loans and use their power to seize and sell assets, take borrowers to court, sell loans to investors, and strengthen their "debt recovery teams". In Bangladesh, legal reforms are also needed to move these cases through the courts.

One of the most powerful tools against loan defaults in the North American and European countries is the credit rating system which provides a risk assessment for each individual and business. Lenders use borrowers' FICO scores along with other details on borrowers' credit reports to assess credit risk and determine whether to extend credit. A borrower's FICO score, a three-digit number, is very sensitive to his/her past repayment history, bad debts, defaults, and even late monthly payments or delinquency. The lower your credit score, the less likely you will get a new loan for a car or mortgage, and higher the interest rate you pay. Unfortunately, it has been frequently reported that in Bangladesh, the defaulters of Bank A have managed to borrow from Bank B with no difficulty. According to a

report by Deloitte, management of a bank's credit portfolio requires a culture focused on credit risk, robust policies and procedures, well-trained staff, and constant management and oversight. On all four counts, there are severe deficiencies in our banking sector. If loans are rescheduled, it is important that banks and borrowers have a clear sense of the expected timeline and potential pay-offs in restructuring and potential liquidation. If restructuring leads to an injection of fresh capital it must be accompanied by improved management, which will help the defaulter to recover from the mismanagement which brought about the crisis.

In the US, federal regulated banks are required to use the five-tier non-performing loan classification system according to the Bank for International Settlements (BIS): Pass, Special Mention, Substandard, Doubtful, and Loss. However, Bangladesh Bank operates outside BIS guidelines.

In a notice sent out in April, BB loosened the regulations even more. Banks will now treat term loans as sub-standard if no instalments were made for nine straight months, up from three months at present. Non-payment of instalments for 12 months and 18 months will land the accounts in the doubtful and bad categories respectively, up from six and nine months currently.

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## GOVERNANCE AND SOCIAL ACCOUNTABILITY

# What lessons can Bangladesh learn from the Swiss Model?



IFTEKHARUZZAMAN

**I**T is well known even the least successful example of democracy is better than no democracy. This is because at the core of democratic principles, is accountability of the government

to the people. Although no one size fits all, and depending on historical experiences, cultural, social, political and developmental context, there can be many different ways of progression towards democracy, accountability or checks and balances are the key word in the process.

Democracy presupposes that the conduct and performance of public officials, politicians, and other duty bearers or service providers are accountable to the people because they use "public mandate" and public resources to deliver their authority, entrusted or otherwise.

The beauty of the Swiss model of direct democracy can be observed in many different ways. The most relevant dimension in the Bangladesh context is that it shows social accountability in practice, which is a process for constructive engagement between citizens and their government to ensure accountable governance at both national and local levels.

The Swiss system of direct democracy also shows how the people of Switzerland are connected to their government, how openly and effectively the government creates the space for public participation and how meaningfully the people participate in the governance process to ensure public ownership of laws, policies and actions. This ownership makes enforcement and compliance a way of life. Power-bearers' accountability to the citizens is the core value and there is in-built process to walk the talk. It often comes with inevitable costs including long delays, which is also acceptable in greater public interest.

There are two main driving forces in democratic governance through social accountability—the *people* who are the source of all power in the state and the

government who possesses the power and responsibility to govern mandated by people.

In terms of approach, social accountability presupposes that *firstly*, the government keeps the space wide enough for people's voice and demand to be raised, participation and engagement; and *secondly*, the people are aware of their rights and willing to engage with the duty bearers. Creation of an enabling environment for social accountability demands inter-connected social, economic, and political factors that define

in Bangladesh in some service delivery sectors. TIB has been conducting a robust social accountability campaign at the local level in 45 different places all over the country engaging the common people, particularly the youth in such vital sectors of public interest as education, health, local government, land and climate finance governance.

Visible and measurable success including replication in many cases by the government is taking place. But these are not only limited to the given resources and capacities, but also vulnerable to



the space for constructive engagement.

In addition to checks and balances at the national level, effective connecting of the government including duty bearers with people can promote accountability at the service delivery end, contributing to advancing people's welfare in a just and inclusive manner. The good news is that quite a few such social accountability interventions are taking place at the initiative of NGOs

mostly hesitant political and government responsiveness.

That Bangladesh has a long way to go before a truly enabling environment for social accountability led governance is created and sustained is a common wisdom. We are getting used to unqualified concentration of power and monopolisation of political space where no realistic scope of a peaceful transition of power appears realistic

in the foreseeable future. Deepening politicisation and related professional dysfunctionality of key institutions of democratic accountability and national integrity system are undermining the prospect of rule of law.

An ever-shrinking space for civil society and media and a growing intolerance of dissent are denying the prospect of people's participation in governance—through their voice and their demand—in a country that has a strong tradition of civic movements crowned by the glorious Liberation War. Some of the core values and principles of Bangladesh's articulation of independent nationhood are being compromised. Curtailing the scope of constitutionally guaranteed basic rights like freedom of speech, opinion and association by some repressive legal provisions under such controversial laws as ICT Act, Digital Security Act 2018 and the FD Act 2016, followed of late by another draconian draft Voluntary Social Welfare Association (registration and control) Act 2019, is but an example.

Politics as an increasingly dominant factor in corruption and crime and the key driving force behind systematic violation of people's rights and promotion of impunity is increasingly demonising itself in the public eye, especially the young generation. The result is an increasing detachment of politics from the people and public interest. Overall, there is a growing lack of public trust that power belongs to the people. Intimidation and sense of insecurity are so wide and deep that the people hardly believe that they have the right and means to ask for justice and accountability.

It is only natural in this context that as much as we can admire and learn from the Swiss direct democracy model, the prospect of social accountability and democratic governance in Bangladesh will remain tenuous at best in the foreseeable future.

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## LETTERS TO THE EDITOR

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## Rescuing street children from drugs

The number of street children has been perpetually rising in the capital. In recent years, the prevalence of substance abuse among them has also been on the rise. They sniff inhalant and dendrite on the streets. These homeless children become victims to the malicious intentions of drug lords. Street children are raised in deprived conditions. They do not get proper education and have no idea about the vicious cycle of drugs they get trapped into. They cannot distinguish right from wrong as adults possibly could. They are exploited to smuggle drugs and get involved in all sorts of criminal activities. Time and again, there have been outcries about how the government should step up to include them in our society so that they get a chance to lead a good and respectful life, but to no avail. If something is not done now, then these children will grow up to be threats to our very own society. The concerned authorities should no longer ignore this issue. Besides, it is not just about saving our communities from them, it is also about saving them.

Hasan Tasnim Shaon, By email.