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We need a strong banking commission

But its goals must be clearly defined and regularly scrutinised

We welcome the interim government's decision to form a banking commission to implement sustainable reforms in the sector. The formation of such a body has been a longstanding demand from economists, as the sector has suffered massive problems and regulatory failures for years, particularly under the Awami League regime. In 2009, when the party took office, non-performing loans (NPLs) in banks totalled Tk 22,480 crore. By March 2024, NPLs skyrocketed to around Tk 1,82,000 crore. The number would be even higher if not for the accounting frauds committed under the past regime to conceal the true picture.

Over the years, experts have underscored various institutional challenges plaguing the sector, including questionable appointment practices for bank directors, loans being granted and rescheduled ad infinitum, weak internal controls, writing off of loans for dubious reasons, etc. Regulatory weaknesses—such as the lack of independence of the central bank, political influence of habitual loan defaulters, arbitrary issuance of bank licenses, and the quasi-monopolistic power granted to a few banking oligarchs—have allowed these irregularities to occur unabated.

As a result of high NPLs, the fiscal flexibility of banks has also been seriously constrained. This has had numerous spillover effects both on the health of the banks and the overall economy. Given these realities, the country urgently needs a commission to unearth the true extent of the damage done to the sector. Without such an effort to bring transparency to the sector, it will be difficult to determine the necessary remedial solutions for it.

However, in establishing such a commission, its objectives should be clearly defined, as experts have suggested. These may include ensuring full transparency in the commission's operations, identifying the root causes that have led to the current banking problems and future challenges, determining which groups and institutions are responsible for these issues, and providing specific, actionable recommendations for reforms in the short to medium term. Moreover, the interim government should also establish a clear roadmap outlining when and how the commission's suggestions will be implemented.

To ensure that the commission is able to play its desired role, its members should not only be highly competent, experienced, and honest, but they should also engage with different stakeholders to gather their input. Regarding transparency, it is encouraging that the interim government plans to prepare and publish a report on the overall situation of the financial sector and a roadmap for reforms within the first 100 days of its tenure. However, once the commission is established, it should also provide regular updates on its progress to restore confidence in the banking sector. Additionally, to ensure its long-term health, it must be guaranteed that the commission can carry out its work without any external interference in the future.

Local govt appointees must show integrity

They should ensure smooth delivery of public services

We welcome the interim government's move to appoint administrators at city corporations and all other tiers of local government, filling a vacuum created by the large-scale abstention, desertion, and eventual termination of mostly Awami League-linked public representatives. The decision comes amid concerns over the lack of leadership in these vital institutions and resultant disruptions in public services. However, we must acknowledge that this is but a temporary measure that may not resolve all longstanding grievances surrounding these bodies.

According to a report by this daily, the government got rid of the mayors of all 12 city corporations and 330 municipalities; 61 zilla parishad chairmen; 493 out of 495 upazila parishad chairmen; and 988 vice-chairmen and women vice-chairmen at upazila parishads. Instead, additional secretaries and divisional commissioners have been put in charge of the city corporations, and additional deputy commissioners and assistant commissioners (land) in charge of the municipalities. Deputy commissioners (DCs) will run 53 zilla parishads, while divisional commissioners will run the Dhaka, Chattogram, Rajshahi, Khulna, Sylhet, Mymensingh, Rangpur, and Barishal zilla parishads. Meanwhile, UNOs will run the 395 upazila parishads. These appointees, as government officials, should already be familiar with the modus operandi of local government bodies, and thus must prioritise the areas requiring immediate attention.

For example, in cities and municipalities, dengue control is a priority at the moment. At the same time, activities that have been suspended because of the recent unrest should be resumed on an urgent basis. For instance, Chattogram city has been struggling with waterlogging because drains have not been cleaned for almost a month. The divisional commissioner of Chattogram should address this immediately and bring respite for the city dwellers. As the LGRD adviser mentioned during an interaction with reporters, the administrators at the local levels would ensure that daily activities such as birth and death registration or implementation of Food for Work projects are not disrupted. However, we must remember that UNO or DC offices are not as accessible to villagers as that of elected representatives. Government offices also have a reputation for slow service delivery. Care must be taken so that the appointment of administrators does not lead to lengthy project implementation or sluggish services.

The government must also be mindful that the delegation of authority to administrators does not create any conflict of power among various ranks of executives, as witnessed recently in civil and police administrations. We hope that government officials, entrusted with the power to work independently of public representatives, will be accountable to the public and ensure transparency in their dealings with public funds.

Our transitional political settlement and ways forward



Dr Mushtaq Khan is a professor of economics at SOAS University of London.

MUSHTAQ KHAN

The sham election of January 2024 was a turning point for Bangladesh. In my research and teaching roles, I began to observe young people openly saying that only violence can remove the *shoirachari* party. If that feeling becomes widespread, all it needs is a spark. When the one-point demand emerged out of the repression of students, the mass uprising that followed was not really a surprise. The students announced the government would fall in July. They also announced, as only students can, that July would be extended if necessary. July only needed to be extended to the 36th before the regime collapsed in a bloodbath. What can we do to consolidate this hugely costly achievement?

In my view, a useful way of thinking about a social order is as a political settlement—a description of the power, capabilities and interests of the organisations in a society. Organisations and their interactions deliver the social, political and economic outcomes of a society. This social structure is ultimately held together by a distribution of power. A

is reproduced, who benefits, and the path of development. But in every case, the rules that are followed or violated depend on the power and interests of competing organisations.

Over the last 10 years, power was reproduced in Bangladesh by a ruling coalition using a combination of repression, fear, and mega-corruption that allowed the enrichment of party supporters and consolidated their



VISUAL: ANWAR SOHEL

New laws or even constitutions will not change the political settlement if the rules are not followed. Why do we often see people standing in an orderly queue in one part of Dhaka and the same people breaking a queue not far away from the first one? If you think about it, this cannot be explained by culture, because it is the same people, or by external policing, because it is the same country.

political consensus can support this distribution of power, or challenge it, but it cannot sustain a social order on its own. In developing countries in particular, power is partially reproduced through many rules that are informal, involving corruption, clientelism and patronage. If these informal "rules" or institutions cannot be blocked by other organisations, they are part of the political settlement. Societies, therefore, differ greatly in terms of how power

power. Over time, economic and political power became more and more concentrated as illicit wealth concentrated at the top. The middle was increasingly hollowed out, and competing political organisations were almost entirely destroyed. This corroded the viability of the economy, and political opposition became almost suicidal, but the political settlement remained stable, till the 36th of July. The student-led mass uprising succeeded precisely because it was not an organised force. The students did not have an organisation that could be destroyed, and despite increasingly violent attempts to reproduce fear, this time violence increased the determination of the street. The political settlement that eventually emerges will depend critically on how the force on the streets translates into new organisations.

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is usually the distribution of power within the queue, and how people in the queue assess how others will react if they break the line. If everyone in the queue has similar power, the first point of enforcement comes from other people in the queue. In countries with a strong rule of law, the first point of enforcement for violators comes from their peers, because the distribution of power and capabilities creates this self-interest across organisations. Without these "horizontal checks," formal enforcement by police, courts or regulators is never very effective and the enforcers are rapidly corrupted.

The deeper problem in developing countries is that most of our organisations are not likely to fully behave like this immediately. They vary greatly in power and capabilities. Moreover, for most businesses, it is

the time to hollow out entire banks or fully destroy the police or courts. But from 2014, this political settlement radically changed. The Awami League destroyed all effective means of replacing it through elections. It began destroying opposition organisations, parties, banks, businesses and eventually even sympathisers. By allying with the ruling party, big businesses rapidly became bigger and business organisations became more concentrated. The SMEs that had driven Bangladesh's growth in the previous decade languished. No new sectors emerged. Overpriced power and infrastructure projects gave the impression that the GDP was rapidly growing. In a paper I wrote in 2017, titled "Anti-Corruption in Bangladesh: A Political Settlements Analysis," I argued that the new settlement was a "vulnerable authoritarianism," with many features similar to Pakistan in the 1960s. It was based on destroying the opposition and instilling fear in others. Ironically, it also shared the same false narrative of development first and democracy later. It was not a dominant party settlement, where a single party includes most political organisations within it. A true dominant party is less violent, more stable, and it does not collapse in a bloodbath. My analysis was correct.

Now that the authoritarian political settlement has collapsed, the vested interests within business and the administration are being temporarily held at bay by vigilance on the streets, and Prof Yunus's interim administration. The entire society is holding its breath, but we must help much more actively. This current temporary settlement is fragile. The damage done by the Awami League makes even a return to competitive clientelism difficult. Opposition parties and middle sections of business have been hollowed out. The Awami League itself is a pariah with its leadership on the run. If the economy falters, a counter-revolution based on a coup cannot be ruled out. We have to work quickly to construct viable networks and organisations that can collectively exercise power to support more progressive rules than the ones that existed. Attempting too much or too little can be dangerous.

The new political settlement will emerge out of the transitional one. The transitional distribution of power is one where the unorganised force of students and citizens is valiantly checking established vested interests. This cannot last unless some of the unorganised power is converted into organised networks: new coalitions of businesses, students, political actors. They should not promise what they cannot deliver, but they should promise what their effective power can deliver in terms of enforcing better rules and strategies. This debate must intensify and inform our leadership.

The sorry state of Dhaka's road dividers



Dr Nawshad Ahmed, a retired UN official, is an economist and urban planner.

NAWSHAD AHMED

Most of the road dividers in Dhaka city are in a sorry state, having been deteriorating for years. Many of them have not been reconstructed for a long time—for example, in areas like Mirpur Road, Nilkhet, Azimpur, Dhaka University, Shahbag, Paltan, Kamalapur, Asad Gate to Adabor, Pallabi, Mohakhali and Tejgaon areas. In many places, the dividers have fallen apart and the trees planted in the middle of dividers are dying. The few remaining trees are being damaged by the people who cross over the dividers where there is no iron fencing.

Being a densely populated city, Dhaka has lost its greenery very fast in recent decades. Since there are hardly any trees left in some city areas, road dividers are the rare strips of space to plant trees without much hindrance. The urban planning authorities have not reserved enough areas for parks and playgrounds in the city. New residential areas that have developed over the last five decades rarely have adequate areas

for parks and playgrounds, and even schools, colleges and universities have very little areas devoted to playing, gardening and tree plantation.

During reconstruction of the city's road dividers, in some areas, the city

as a greenery-starving Dhaka, as they provide shade and absorb and store more carbon dioxide compared to the smaller and younger plants. Old trees especially should not be felled at will since it takes about two decades on average for a tree to grow fully.

In recent years, durable concrete road dividers have been constructed by both the city corporations of Dhaka. But the time it takes to construct them is long and the vehicular traffic is seriously disrupted during the construction period. The city corporations should take note of this and look for new approaches, such as using prefabricated slabs for the dividers. Most of the steel fences in

last for decades and will not also need much maintenance.

Planting tall trees in the road dividers will prove to have remarkable environmental benefits, too. Trees will cool down the atmosphere, absorb pollution, and result in increased rainfall. Urban trees offer localised cooling of temperature by up to three degrees Celsius. The number of vehicles on the Dhaka roads are increasing fast and traffic congestion is severe; the passengers expect to have some shade from trees while waiting in long queues.

As we have seen in recent decades, due to environmental reasons, the winter season has become much shorter in Bangladesh and cool winter days in Dhaka city are becoming increasingly rare. Thus, the importance of tall trees in the city has become more essential, and the road dividers are appropriate for plantation of these trees. In fact, where it is still possible, the road dividers should be widened to allow planting of more trees.

The city corporations of Dhaka are responsible for the construction and reconstruction of road dividers as well as the planting of trees. These should be undertaken with some urgency and done in a sustainable manner. These trees should be planted and maintained well. Adequate funds need to be budgeted by the city corporations every year and trained manpower should be engaged for this.

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authorities cut down many fully grown trees. In their places, flower plants have been planted which require high maintenance, a difficult task for the city corporations, which is why many of these plants are also on the verge of death. Planting tall trees is a better alternative for the road dividers as well

the dividers have either fallen apart or been stolen away. I believe high concrete road dividers are more appropriate for the city, which the pedestrians cannot cross, and it is also possible to plant large trees in the middle of those dividers. These road dividers, if constructed properly, will