The Daily Star
FOUNDER EDITOR: **LATE S. M. ALI**

Don't let the growth slowdown persist

Govt must stabilise the economy, restore business confidence

As expected, Bangladesh recorded its lowest economic growth in five quarters during the final quarter of the 2023-24 fiscal year, as the government implemented contractionary monetary and fiscal policies to address dwindling foreign exchange reserves and high inflation. According to the latest quarterly data published by Bangladesh Bureau of Statistics (BBS), GDP grew by only 3.91 percent from April to June this year.

This slowdown should not come as a surprise, given that the interim government inherited an economy devastated by the Awami League regime's corruption and mismanagement. In a recent interview, the Bangladesh Bank governor accused tycoons linked to the former administration of siphoning off $17 billion from the banking sector—a massive outflow that may be a global record for any country. Recovering from such severe setbacks will require substantial time and effort. Another important factor to consider is the mass data manipulation—including of GDP figures—under the previous regime, making comparisons with past data potentially misleading.

Nevertheless, if we look at the previous quarter, the GDP grew by 5.42 percent, down from the 6.12 percent announced by the previous government. This suggests that economic growth did suffer a significant setback. And that was primarily due to tightening monetary and fiscal policies to control inflation and prevent a further decline in our foreign reserves. However, beyond these measures, the government must address other bottlenecks driving high prices, such as possible market manipulation by syndicates, high transportation costs, supply chain constraints, and supply shortages. Simultaneously, it must work swiftly but judiciously to recover stolen assets siphoned abroad by AL-linked individuals, confiscate their domestic assets for resale, and renegotiate costly, one-sided deals with foreign entities. Such measures could boost foreign reserves and increase fiscal flexibility.

Reportedly, imports of raw materials declined by 15.9 percent in the last fiscal year, while imports of capital machinery fell by 23.86 percent. While some of this reduction may be linked to a decrease in illicit financial outflows, much of it points to declining economic activity, further evidenced by downturns across the service, agriculture, and industrial sectors over the past year.

It should be noted that part of this decline has been influenced by political instability, reduced business confidence, and decreased consumer spending. Therefore, while implementing structural reforms across various sectors, including the economy, the interim government must prioritise restoring political stability and business confidence. To achieve this, it should increase private sector engagement in its decision-making processes—including by potentially appointing an adviser from the private sector—to explore ways to boost economic activity in the short to medium term.

Restore canals, check prolonged flooding

Plight of canal in Habiganj calls for proper interventions

Irrespective of where a canal or river is located in the country, hardly any waterbody has managed to escape the reach of land grabbers, especially those with political connections. The story of a canal within the haor region of Habiganj's Lakhai upazila is no exception. Over the last 20 to 25 years, nearly 15km of this 20km canal has been filled in and overrun with shops, houses, and other structures. This has compromised the natural drainage system of the haor, which connects to the Sutang River, causing waterlogging and inundating adjacent croplands for prolonged periods.

According to a report in this daily, most of those who encroached on this canal are local Awami League leaders and their cronies. The former chairman of the Lakhai upazila parishad, currently a fugitive following Sheikh Hasina's fall on August 5, had even built an approach road to his house occupying part of the canal. Unfortunately, when it comes to the encroachment of waterbodies and other natural resources, there seems to be hardly any difference between AL and BNP, with the names of two BNP men and their relatives coming up among the alleged grabbers.

However, with a non-political government now in place and Syeda Rizwana Hasan, an environmentalist of considerable repute, serving as the adviser for environment, forest, and climate change, there is renewed hope that the authorities will take drastic actions to restore the canal, and all such bodies, by evicting the occupiers and removing illegal structures. Influential individuals sometimes exploit the vulnerability of locals as a pretext for encroaching on waterbodies, but such excuses should not impede eviction drives. In a climate-vulnerable country like Bangladesh, restoration of water bodies such as canals is becoming increasingly crucial. The prolonged flooding witnessed this year in the eastern region, where clogged and encroached waterbodies prevented floodwaters from draining, should serve as a warning call for us.

So, we urge the government to take urgent steps to restore these local waterbodies. However, a proper eviction process with sufficient notice issued to the occupiers must be followed. At the same time, ensuring post-eviction monitoring to prevent grabbers from reoccupying the canal area—a practice observed frequently under the previous regime—is also crucial.

THIS DAY IN HISTORY

Ottoman Empire signs treaty with Allies

On this day in 1918, aboard the British battleship Agamemnon, anchored in the port of Mudros on the Aegean island of Lemnos, representatives of Great Britain and the Ottoman Empire signed an armistice treaty marking the end of Ottoman participation in World War I.

A radical economic shift is needed to save the planet

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SHAMIR SHEHAB

At The New York Times Climate Forward, an event held in New York in September this year that discussed the climate threats faced by Bangladesh, Chief Adviser Prof Muhammad Yunus was quite direct in saying that the current economic system is driving global environmental destruction and climate breakdown. This is a remarkable stance given that only a handful of world leaders dare to call out the big elephant in the room or even discuss this inconvenient truth.

VISUAL: **ANWAR SOHEL**

Yunus termed the current economic framework "wrong" because it rewards destruction. The fundamental problem, according to him, is that modern economies are built around one destructive principle: maximising profit, even at the expense of the environment. The endless cycle of "buy, buy, buy" inevitably leads to waste, which is the very engine of the economy, while it's also driving environmental and climate crises. Every purchase fuels the fire that's burning down our home. For example, deforestation may contribute to an increase in the GDP, but it destroys ecosystems too. Similarly, tiger prawn farming in Bangladesh's southwestern coastal districts, promoted for export earnings, has wreaked havoc on the environment and local livelihoods by increasing soil salinity. This illustrates how destructive practices are justified in the name of economic growth, even as they threaten the very foundations of sustainable life and livelihood.

In the relentless pursuit of profit in our current economic structure, we ignore the immense cost of the environmental damage being inflicted on the planet. Six out of the nine planetary boundaries—critical thresholds that keep Earth habitable—are already overshot beyond their safe operating limits. These boundaries are interconnected, meaning a breach in one area, such as change in land use, affects other areas such as climate change, biodiversity loss, freshwater contamination, etc. This interconnectedness underscores the urgent need to rethink how we design our economies, lifestyles, and consumption patterns that can have positive effects across these nine boundaries, not just reduce greenhouse gas emissions to limit climate change. If the breach of these boundaries stays long beyond their safe limits, the future of our planet is in jeopardy.

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The chief adviser also noted that the current economic model has created staggering wealth inequality: a tiny group of elites are hoarding unimaginable wealth while the majority struggle to survive. The richest one percent has more wealth than the bottom 95 percent of the world population. In Bangladesh, both income and wealth inequalities have been exacerbated over the years; the top 10 percent of the population controls 41 percent of the country's total income, while the bottom 10 percent earns a measly 1.31 percent. It's a disgraceful and dangerous imbalance, and Yunus didn't shy away from calling out this disparity a "shame." His critique extended to the Paris Agreement, which he believes will fail as long as we operate within the same flawed profit-driven economic framework, which will never save us from ecological collapse as it is hardwired for failure. The so-called solutions we're pursuing currently—green growth, incremental reforms, greenwashed policies, non-binding international agreements, etc—are nothing but Band-Aids slapped on a gushing wound.

Growth and consumption cannot continue infinitely on a planet with finite resources; hence, GDP is not the right reference for us—it's a broken measure of success that celebrates destruction. Experts like Jason Hickel, who is a proponent of degrowth, argue that beyond a certain point, GDP growth is no longer correlated with well-being, particularly in wealthy nations in the Global North. Giorgos Kallis and others argue that the current consumption level and growth projections in the Global North will make it impossible to meet the Paris Agreement's goal to limit global warming to 1.5 degrees Celsius. Several reports and scientific models support this grim forecast that our current global effort is far off the track in limiting temperature rises. Continuing along the current trajectory, even with green growth, will lead to warming far above two degrees Celsius, threatening ecological collapse and the sixth mass extinction.

What, then, is the way out of the current destructive economic model? It's simple: we need to discard GDP growth as the sole measure of progress and adopt a more holistic indicator that accounts for social, ecological and economic well-being. Beyond GDP or well-being, the approach to development that prioritises equality and holistic progress, rather than simply increasing wealth for a select few, is gaining traction among economists and experts in other fields, who are calling for a new measure—one that values human well-being and planetary health over the bloated bank accounts of billionaires.

In Bangladesh, a student-led mass uprising has brought the Yunus-led interim government to power. They enjoy a broad mandate to implement sweeping reforms to rebuild the nation. Unlike elected political governments, which are less likely to pursue such reforms for transformative change, the interim government has a unique opportunity to lay the groundwork for a new economic system that Yunus called for at The New York Times event.

By establishing a commission on "well-being economy," the interim administration could lead the charge in developing a new metric to replace GDP as the primary measure of social, economic, and political progress. The chief adviser has influential friends and allies around the world, who would be ideal candidates to serve on such a commission. A new economic system focused on social, ecological, and economic well-being—rather than GDP growth that exacerbates inequality, environmental degradation, and climate breakdown—could align with the hopes and aspirations of 17 crore people of the country, paving the way for a truly new Bangladesh.

We need to protect depositors from bank boardroom misuse

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FARHAN MASUQ *and* **KHUSHNUMA KHAN**

We need to protect depositors from bank boardroom misuse

In recent times, we have had a barrage of reports showing how, during the tenure of the Awami League regime, politically influential or affiliated directors in private banks abused their power to misappropriate general depositors' savings through illegal or unethical practices. These include sanctioning loans without due diligence, waiving or writing off loans and their interest, extending or rescheduling loans without reasonable grounds, making bank investments without proper feasibility studies, etc. Such poor governance resulted in an unprecedented misappropriation of depositors' money over the last decade or so.

While most malpractices in the banking sector stem from inadequate supervision and poor accountability practices by the central bank, the loopholes within the existing legal framework on banking governance also play a significant role. Corrupt individuals and their allies managed to legalise their wrongful actions by using some flawed provisions of the Bank Company Act, 1991 (amended up to 2023)—the primary legislation governing the banking sector. To identify the weaknesses in the legal provisions regarding accountability and transparency, it is crucial to understand the functions and powers of a bank's board of directors.

Legally, a board of directors is the highest decision-making body in a bank, responsible for formulating and implementing policies, risk management, internal controls, internal audits, and compliance. In short, the board oversees all business and administrative actions of a bank. So having a well-balanced and accountable board is paramount, especially as a bank holds and manages the funds of depositors. However, malpractice in the banking sector often begins when influential individuals take control of the board. The question is, does the current banking legislation prevent a bank from falling under the control of vested interests? The answer is somewhat affirmative.

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Section 14Ka of the Act states that the shares of a bank cannot be accumulated in the hands of an individual, particular family, or company—and it bars them from acquiring more than 10 percent of shares in a banking company. Moreover, Section 15 restricts the number of directors from one family to three at a time, while Section 23 allows two additional directors from the same family's affiliated or controlled company or institution.

But since a bank, being a public limited company, must have at least three members on its board, including at least two independent directors, it is legally possible for five out of seven members on a board to be from a single family or its affiliated companies, allowing it to control the board. Such a concentration of control within a family raises ethical and legal concerns. For instance, appointing family members and associates to key positions in a bank could lead to conflicts of interest, where personal interests might overshadow depositor interests. Moreover, favouritism and incompetence may lead to poor compliance and thereby increase the risk of financial mismanagement and misappropriation.

Furthermore, according to an amendment to the Act passed on June 21, 2023, an individual can serve as a director for 2 consecutive years and may be reappointed after a three-year break. Such a lengthy tenure can allow directors to entrench themselves and misuse their position for personal gain rather than safeguarding depositor interests. All these vague and legally tenuous provisions of the Bank Company Act can open avenues for vested interests to amass control over banks.

Beyond the formation of the board, the most critical issue is ensuring transparency and accountability among directors. The Act mandates that directors, managing directors or chief executives, and senior management officials disclose the "name, address, and other details of their commercial, financial, agricultural, industrial, and other businesses," along with details of family business interests, to the board annually. However, Section 18 does not require this disclosure to be submitted to Bangladesh Bank, creating a transparency loophole. A board plagued by vested interests will naturally like to shield its members. Additionally, the Act requires directors and members of senior management to notify the board if they have a relationship with anyone bound or about to be bound in a significant contract with the bank. While this provision initially appears well-suited to promote transparency, the vague term "significant contract" leaves room for misinterpretation and manipulation.

Beyond the formations and functions of bank management, the 2023 amendment to the Act also raised concerns by granting substantial concessions to loan-defaulting companies. It stipulates that if one company within a group defaults, other companies within the same group or linked to the same individuals won't be classified as defaulters. This will also not affect their ability to secure new loans. Economists believe these changes risk increasing intentional loan defaults, further worsening bank governance issues.

What becomes clear from the above discussion is that existing legal provisions can, and do, allow for malpractice within banks. To protect general depositors' interests and restore good governance in the sector, we must reform the legal framework for board formation and its transparency.

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