

Moody's downgrade is a big blow

It should serve as an urgent wake-up call for Bangladesh

Moody's recent downgrade of Bangladesh's banking system outlook from "stable" to "negative" is deeply concerning. This marks the third time since 2023 that Moody's has downgraded Bangladesh's rating. Initially, the agency downgraded Bangladesh's sovereign rating, followed by the ratings of specific banks—though the impact extended beyond them. Now, it has downgraded the entire banking sector. Unfortunately, this series of events paints a bleak picture of the country's economy.

Given the previous downgrades, this latest development was not entirely unexpected. However, it could have been avoided had earlier concerns been addressed and negative trends reversed. As Moody's highlighted, key issues—such as deteriorating asset quality, high inflation, and slowing economic growth—continue to undermine banks' profitability and financial stability. The agency also pointed to "structural risks to banks' asset quality, such as lax regulations and poor corporate governance," which remain unaddressed. Meanwhile, the government is expected to continue supporting banks through regulatory forbearance and liquidity measures to mitigate contagion risks.

With non-performing loans (NPLs) on the rise, Bangladesh's banking sector faces mounting asset risks. In this context, the negative outlook also reflects the government's declining capacity to support banks in times of crisis. However, one silver lining is that Moody's expects liquidity across the banking system to remain stable, albeit tight.

This downgrade is likely to further erode investor confidence. Foreign investors may become even more reluctant to invest in Bangladesh, while existing investors could consider withdrawing. Additionally, banking transaction costs may rise, and opening letters of credit (LCs) could become more expensive, placing further strain on businesses and the economy.

The negative outlook reflects broader economic challenges, including prolonged instability and deepening financial sector vulnerabilities. Political uncertainty, concerns over law and order, and various forms of unrest are likely to have an even greater economic impact. Moreover, disruptions in supply chains—particularly within the garment sector—and weakening demand both domestically and internationally pose significant risks that the government must urgently address.

To restore confidence and improve its credit rating, Bangladesh must implement urgent reforms in both the banking sector and the broader economy. Strengthening corporate governance, enforcing stricter banking regulations, and addressing NPLs should be top priorities. The government must also enhance regulatory oversight, ensure better risk management practices, and increase capital buffers in line with Basel III standards to bolster financial resilience. Additionally, fostering transparency, reducing political influence in lending decisions, and promoting financial inclusion are essential to help rebuild investor trust.

Rohingya crisis needs a lasting solution

We hope to see positive outcomes from the UN chief's visit

At a time when Bangladesh is struggling to deal with the Rohingya crisis amid fund cuts by the US and other international donors, the importance of UN Secretary General António Guterres's visit to Bangladesh cannot be overstated. This visit is also important for Bangladesh as the country undergoes a major political transition following the July uprising that ousted the fascist Awami League regime in August last year. As the primary focus of the UN chief's visit this time is to observe the Rohingya situation in Bangladesh, we hope it will reignite global attention to this crisis and mobilise international donors to financially support Bangladesh in providing the necessary assistance to the over one million Rohingya living here.

The UN chief is scheduled to visit the Rohingya camps in Cox's Bazar today and attend an iftar party with them, a gesture that reflects Guterres' empathy and support for the refugees. We were also encouraged by the concern he showed about the Rohingya crisis a month ago, when he sent a letter to the chief adviser, reaffirming the UN's solidarity with Bangladesh in its ongoing efforts to manage the humanitarian impact of the crisis. Therefore, we expect him to deliver a strong message to the world that, without global support, Bangladesh cannot continue shouldering this immense responsibility alone.

In the past few years, numerous other global crises have overshadowed the Rohingya issue, and funds for the refugees have declined alarmingly, making it challenging for Bangladesh to provide basic services to this forcibly displaced population. The recent fund cuts by the US have further worsened the crisis, and the impact is already evident in the refugee camps in Cox's Bazar's Ukhia and Teknaf upazilas. Moreover, the renewed violence in Myanmar has forced around 80,000 more Rohingyas to seek shelter in Bangladesh since August last year, adding to the staggering 1.2 million already living here. A recent Refugee and Migratory Movements Research Unit study painted a grim picture of the living conditions in the camps, highlighting gender-based violence and security concerns. The ongoing violence and instability within Myanmar are also hindering repatriation efforts.

Against this backdrop, we hope Guterres' visit will help push for a swift resolution to the Rohingya crisis—enabling them to return to Myanmar with safety and dignity. We would also request him to use his own and his office's influence to boost the dwindling humanitarian aid for the Rohingya.

THIS DAY IN HISTORY

Vladimir Putin reelected

On this day in 2004, Vladimir Putin, the intelligence officer and politician who became president of Russia in 1999 upon the resignation of Boris Yeltsin, was overwhelmingly reelected to a second term as president.



FILE PHOTO: PRABIR DAS

We need a new political party, and we need one that is rooted in a recent struggle against all forms of abuse of power.

Will the new party spark a new political culture?

The culture of leader above the party and the party above the nation must stop



THE THIRD VIEW

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It was quite an experience to be invited by the National Citizen Party (NCP) to attend their inaugural iftar party last Tuesday. I enjoyed being there. I remembered my own first attendance as a student at a somewhat similar event. It was the 10th National Conference of the East Pakistan Students Union (EPSU), held in the late sixties at the Engineers' Institute. The similarity lay in the composition of the participants—mostly young students. Their energy, their dreamy eyes, and the eagerness in everything they did took me back nearly six decades to my own young dreams of building an egalitarian society, as most of us then were fully converted to the Marxist views that permeated the progressive ideologies of that era.

Bangladesh needs a new political party with youthful energy, spirited patriotism, and genuine love for the poor and downtrodden. We need a party full of dreams for a future without any shackles of oppression and exploitation. We need a party that will take us to the future and not drag us into the past. For too long, we have been governed by a politics and politicians whose only interest was to promote personal and partisan interests. We need a political party truly devoted to serving the interests of democracy, the rights of all, and prosperity for the masses.

The NCP seems full of potential. Some fundamental issues remain unclear—its ideological orientation, acceptance of our diversity, approach to our cultural heritage, views on the role of religion in politics, short- and long-term goals, etc. It should publish its party charter as soon as possible.

A smell of change was mildly, almost imperceptibly, floating in the air. There was an atmosphere of expectation that most of us strongly felt, and a definite sense of determination that I silently admired. As I sat amidst a splendidly diverse group of students and guests, I realised the wide appeal of NCP and its potential to emerge—if not immediately—as a significant political party.

While I sat and watched the event unfold and heard the three speeches of their top leaders—the very fact that only three spoke and not a plethora of them impressed me—the question that was repeatedly crossing my mind was: are these students and their

leaders fully equipped to handle the challenges of setting up a new political party, especially in the face of the disappointing performance of past political parties? Are they aware that thousands of venomous snakes were hovering around them, waiting with boxes full of ill-gotten money to flood them with? Will they be able to judge which offers of help are genuine and which ones are traps? Will they be able to change the culture of sycophancy that so afflicted our traditional parties?

The history of Bangladesh from 1972-1991 is a mixture of euphoric beginnings with endless dreams of making a modern, secular, democratic, and prosperous country, which ended with the formation of a one-party state and the assassination of Bangabandhu. This was followed by two military coups that brought in two generals—General Ziaur Rahman and General HM Ershad—into power, both of whom formed their respective parties while in power—Bangladesh Nationalist Party (BNP) and Jatiya Party (JP)—that ruled Bangladesh in the subsequent years.

Three of our major political parties—AL, BNP, and JP—all became dynastic, with the founding family driving them. Their inner democracy was non-existent, with the various levels of party hierarchy being selected rather than elected, and that also at the whim of one person. Ironically, Jamaat was the only one that followed some structure of bottom-up representation.

Looking back over the last 54 years of independent Bangladesh, and especially over the last 34 years since the restoration of democracy and elected government, there are vital lessons to be learned about the role of political parties.

The saddest part was that they always put the leader's interest above that of the party, and the party's above that of the nation. Not public interest, but the party's benefit was the goal. None of the big parties had any internal democracy, and their inner workings were totally centralised to the extent of one person making all the decisions—his or her wish was the command. Nepotism and cronyism were the order of the day, which inevitably led to the emergence of loyal groups that usurped the party

hierarchy and destroyed discipline. They never held their annual organisational elections on time and in a free and independent manner. It was always top-down selection of leadership from the lowest tier to the very top, except for the top post and a few of their favourites.

Over the years, party positions could be "availed of" for money, and

Getting into power should not be the main motivator of NCP, but public service. The most important party culture to pursue, and one that will distinguish it from others, will be accountability—both to the public but equally importantly, to its own grassroots workers. A vital practice to be inculcated is financial transparency.

the term "nomination trade" became prominent every time we had national elections. MP nomination seekers had to spend enormous amounts to get the party ticket. All of that money was retrieved after becoming an MP, as a large portion of the development funds became means of "returns for investment," which, of course, was many times over the original. What was called a donation for the party fund was, in effect, extortion for personal gain, not necessarily always for the top person but for everyone along the way who could influence the process.

Corruption was ingrained in the political parties, which spread to the bureaucracy, and the corrupt elements within it took full advantage and quickly, enthusiastically, and irretrievably aligned themselves with that process. The police became an instrument of coercion, abuse, and extortion. The involvement of the political parties in widespread corruption ensured that the bureaucracy, the police, the judiciary, and, of course, the corporate world would never be held accountable. A section of the media, forced by its owners and some willing journalists, became a part of it.

It is in this background of myopic, shortsighted, and self-serving history of our political parties that a new political party, led by students of the July-August movement that liberated us from the clutches of corrupt dictatorship, is being formed. How they will fare is the big question of the moment.

The fact that NCP avoids terms like

party president, secretary-general, etc., and calls themselves "convenors" is a good sign. It narrows the differences in their hierarchy. At the iftar referred to above, I heard one over-enthusiastic announcer calling their leader "jana neta" and "ek dafar ghoshok." This should be avoided. Let's not fall into the trap of self-promotion and let history judge who is what.

Getting into power should not be the main motivator of NCP, but public service. The most important party culture to pursue, and one that will distinguish it from others, will be accountability—both to the public but equally importantly, to its own grassroots workers. A vital practice to be inculcated is financial transparency. The absence of this mostly destroyed all our traditional political parties. Today, AL looks like the most rotten party ever because it was in power with total impunity. BNP looks good because it has been oppressed and forcibly kept out of power through rigged elections. One can only guess what it would look like if things were different. As Jamaat has mostly been out of power, we have no data to judge them on the "money" issue. During the period it held two vital ministries in a coalition government with BNP, questions did circulate about its unethical behaviour. Today, it is mostly accused of pushing its candidate into vital posts, not on the basis of merit but party loyalty. This is corruption in another name.

NCP held two expensive but necessary events—the Manik Mia Avenue launch and the Intercontinental iftar. We think they both were sponsored, which can be accepted only if the sponsors' names are made public. As a new party, it will obviously need sponsors. A good idea would be to take multiple sponsors, never one or two, and on the condition that they do not insist on secrecy.

Make their names public. This will set NCP apart in a way that will give them tremendous credibility—which is vital in the present context and at this stage of party formation.

We need a new political party, and we need one that is rooted in a recent struggle against all forms of abuse of power. But we also need a new political culture, including a change in the functioning of political parties. It must be democratised and made accountable. We repeat, many of our failures can be directly attributed to the culture of putting the leader's interest above that of the party and the party's interest above that of the nation. NCP has the potential to change all of this.

Three practices—accountability, transparency, and inner democracy—will make all the difference. We wish them all the best on this new journey.