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

Govt must act on power sector corruption

Controversial electricity deals need further probe

A damning interim report by a national committee has laid bare entrenched corruption in the country's power sector during the Awami League regime. It uncovered a corrosive nexus of private entities, high-ranking bureaucrats, and top government officials, including now-ousted Prime Minister Sheikh Hasina. For instance, the so-called "zero-risk" power purchase agreements (PPAs) guaranteed immense profits for investors, even when the power was not used. They were meticulously engineered, allegedly under the direct influence of Sheikh Hasina, who also held the power ministry portfolio. This dual role centralised control and removed critical checks and balances. The report highlights the repeated interference of officials from the Prime Minister's Office, lending weight to the claim that the rot was structural, not incidental.

The committee also probed the abuse of the now-repealed Quick Enhancement of Electricity and Energy Supply (Special Provisions) Act, 2010, passed to address power shortages but instead used as a license for impunity. It allowed the government to bypass competitive bidding and oversight, enabling a culture of "rent-seeking" that enriched a handful of influential people while trapping the nation in long-term financial obligations. Capacity payments were fundamentally designed to protect private greed at public expense.

The case of the Adani Power deal to import electricity from India stands as a high-profile example of this procedural decay, according to the report. The revelation that Adani Power itself allegedly drafted the PPA and that Bangladesh Power Development Board officials were simply instructed to sign it exposes the staggering lack of regulatory independence. It suggests that the nation's energy policy was dictated by the interests of a foreign entity rather than the oversight of its own civil servants.

It is therefore essential that the interim government act with firm resolve to reverse this damaging trend. First, the interim report must be made public immediately. Secrecy is the oxygen of corruption, and the first step towards reform is full, unvarnished transparency. Second, the authorities must aggressively pursue the procedural flaws and evidence of fraud found in the Adani contract and others. The interim government, however, faces serious legal and economic challenges ahead. Power Adviser Fouzul Kabir Khan has rightly acknowledged the dilemma: cancelling these contracts without cause entails the risk of incurring massive liquidation damages. Therefore, these deals require urgent investigation, potentially by the Anti-Corruption Commission, to establish a definitive legal basis for action.

Bangladesh is currently caught in a multi-billion-dollar energy trap, but accountability is the key to escape it. Dismantling the legacy of impunity requires more than just re-negotiating excessive profits; it demands prosecution for the "massive corruption, collusion, frauds, irregularities and illegalities" that took place during the Awami League regime. Only by holding the architects of this system to account can the nation ensure that its future energy security serves public interests.

Mob violence cases need firmer police pursuit

Police's business-as-usual approach cannot rein in this trend

We are quite disturbed to learn of the business-as-usual approach that the police have seemingly adopted in dealing with the cases of mob violence. According to a report by Prothom Alo, there has been negligible progress on the 46 incidents of fatal mob violence that its correspondents have followed up on. Out of these 46, only 36 had formal cases filed, while 10 had none. In the 36 cases filed, more than 9,000 individuals were "named" as suspects, mostly unidentified. Among them, 27 cases saw 114 arrested—representing an arrest rate of just 1.27 percent—while nine saw zero arrests. Moreover, chargesheets have been submitted only in six cases.

This state of affairs is frustrating, as it shows that the sheer scale of the problem has not been met with commensurate action, despite repeated promises. While the government keeps saying that mob violence will not be tolerated, its resolve has not translated into better police performance. One could understand why certain officers on duty might be hesitant or afraid to act in the face of a seemingly spontaneous mob outburst, but what's preventing them from taking effective legal action afterwards? In the 13 months since August 2024, at least 220 people have been reportedly killed in mob violence across the country. Add to that the numerous non-fatal incidents reported every now and then. How many incidents had cases filed, or properly followed up on? Leave alone trial or conviction, the picture that emerges from the assessment of primary legal interventions like arrests and chargesheets is deeply troubling.

Ironically, it is this very lack of legal action, and the trust deficit it creates, that are also responsible for why the so-called "mob justice" happens in the first place. Add to the mix personal motives like vengeance, political rivalry, or trade/property disputes, and the whole thing becomes extremely dangerous and exploitative. Even women, children, and persons with disabilities have not been spared from this madness. The Prothom Alo analysis also reveals another disquieting pattern: mob incidents that drew media attention or public outrage saw greater police activity, while those that remained "unnoticed" saw slower progress or none at all. After many such incidents, families of victims were too scared to even file cases, while the police simply chose to look the other way.

We, therefore, urge the government and police leadership to immediately bring mob violence cases under central monitoring, so that the real status of every case is known and acted on. The state must also support and rehabilitate the families of victims. Overall, it must show greater sincerity in dealing with such cases so that mob violence doesn't occur.

Central bank autonomy is key to economic stability

MACRO MIRROR

Dr Fahmida Khatun
is the executive director at the Centre for Policy Dialogue. Views expressed in this article are the author's own.

FAHMIDA KHATUN

An independent central bank is the cornerstone of economic stability and public trust as it can make operational and technical decisions, such as setting interest rates, regulating banks, and managing foreign reserves, without political interference. Independence ensures that economic realities—not short-term political interests—guide monetary policy decisions. A central bank's independence signals professionalism, credibility, and commitment to long-term stability, essential for maintaining confidence among citizens, investors, and markets.

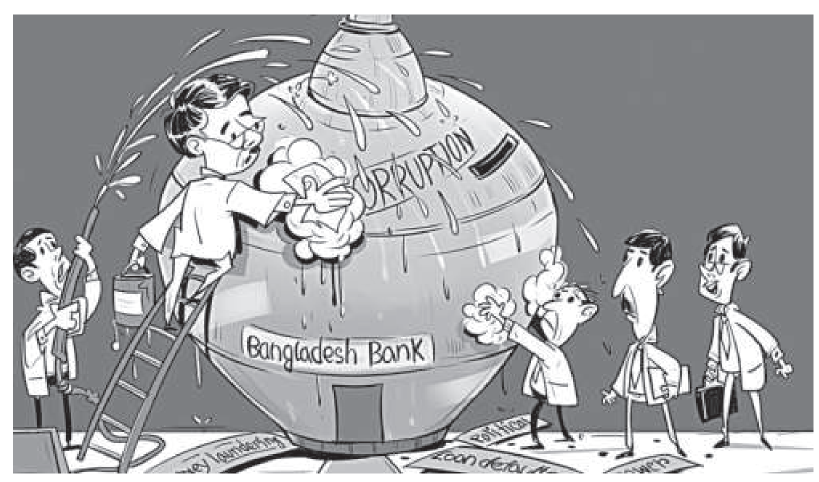
Unfortunately, in Bangladesh, successive governments have undermined the autonomy of the Bangladesh Bank (BB), established under the Bangladesh Bank Order, 1972, with the mandate to safeguard monetary stability. BB has increasingly been treated as an extension of the government rather than as an independent authority, eroding its freedom to take timely and effective decisions vital for maintaining the country's financial health and price stability. The prolonged interference is now evident in the fragility of the banking sector, which is suffering from weak governance, poor oversight, and delayed or misguided policy actions.

Non-performing loans (NPLs) have reached alarming levels. As of March 2025, total NPLs accounted for 24.13 percent of all loans, while those of state-owned banks stood at a staggering 45.79 percent. The Asset Quality Reviews (AQRs) conducted by international auditors have exposed the severity of the problem. Five Shariah-based Islamic banks were found to have NPLs almost equal to their total disbursed loans, revealing symptoms of deeper institutional weaknesses, often stemming from the central bank's inability to act independently of political and vested interests.

Sadly, without institutional autonomy, the central bank cannot respond to the challenges Bangladesh is currently facing—high inflation, currency volatility, and weak banking discipline—with the speed and consistency required. When key policy decisions, such as raising interest rates or allowing the exchange rate to adjust, depend on political clearance, credibility erodes, and policy effectiveness diminishes.

Under these circumstances, the BB's recent initiative to revise the 1972 order is timely and necessary. The proposed amendments include granting greater administrative and financial autonomy, reducing the number of bureaucrats on its board to curb government influence, strengthening tenure protection for the governor, and establishing a formal Monetary Policy Committee (MPC). These steps, if implemented sincerely, could restore the central bank's credibility.

However, the new law must clearly state BB's primary objective. The central goal should be price stability. Other goals should include promoting economic growth and employment generation. In recent years, BB refrained from tightening monetary policy and instead capped lending interest at nine percent and deposits



FILE ILLUSTRATION: **BIPLOB CHAKROBORTY**

at six percent, despite persistent double-digit inflation. This policy served politically connected borrowers but penalised ordinary savers, whose returns remained far below inflation. Therefore, price stability must take precedence, even if high interest rates temporarily burden businesses already facing higher costs from corruption, infrastructure gaps, and bureaucratic inefficiencies. Delay in adopting a contractionary monetary policy, coupled with incoherent fiscal policy, kept inflation elevated for nearly three years. Now that inflation is easing, interest rates should be adjusted gradually—guided by data, not politics—to reduce business costs.

Also, the appointment and removal of the governor and deputy governors must be transparent and merit-based. Their tenures should be fixed and protected from arbitrary dismissal. A search committee should oversee appointment processes to ensure that only qualified professionals are selected for the position. Current or former bureaucrats should not be appointed as governors or deputy governors, since that compromises neutrality and raises conflicts of interest. Although the 1972 order includes this safeguard, previous governments routinely ignored it, appointing loyal bureaucrats to serve political ends. Leadership integrity and expertise must be the foundation of institutional independence.

Regarding the MPC, it should not be a symbolic advisory group but a legally mandated body comprising both internal and external experts. It should meet regularly, publish minutes, and explain the rationale behind its policy decisions. Such transparency would enhance the bank's accountability and strengthen its independence by demonstrating that decisions are based on evidence and analysis rather than government directives. An empowered MPC would enable monetary policy to reflect economic reality rather than the prevailing political mood.

There must also be coherence in exchange-rate policy. The government can suggest the overall exchange-rate regime, but operational control over interventions should rest with BB. The central bank should have a clear and published foreign exchange intervention policy, supported by regular reporting. The previous government's decision to maintain an artificially high value of taka, while competitor countries allowed their currencies to depreciate, damaged Bangladesh's export competitiveness and distorted market signals. When taka was finally allowed to depreciate, it did so abruptly, contributing to inflationary pressures and import disruption. A gradual, market-based adjustment, monitored by the central bank within a coherent framework, would have mitigated these shocks.

Meanwhile, the government's borrowing practices must be disciplined. In recent years, weak domestic resource mobilisation and high public expenditures have driven the government to increasingly rely on borrowing from both commercial banks and the BB to meet fiscal shortfalls. Borrowing from commercial banks squeezes out private sector credit, while borrowing from the central bank effectively amounts to printing money. This fuels inflation and erodes macroeconomic stability. To prevent fiscal dominance and encourage prudent debt management, such borrowing must be strictly limited. The government should, instead, focus on improving revenue collection and reducing inefficiencies in public spending.

Independence, nevertheless, must be balanced with accountability to prevent opacity and mismanagement. BB should enjoy full control over its budget, staffing, and operations, while being subject to rigorous ex-post oversight. This means publishing audited financial statements, submitting performance reports to the parliament, and maintaining transparent communication with the public. The credibility of an independent central bank ultimately depends on both integrity and transparency.

Lastly, the central bank's internal capacity and culture must change. Even with legal independence, BB's effectiveness will remain limited if it lacks professional competence and analytical strength. The bank must invest in building expertise in monetary analysis, data-driven decision-making, and financial supervision and promote a culture of integrity, evidence-based policymaking, and ethical conduct.

True independence of the central bank will inevitably face resistance because it reduces the discretion of powerful interest groups. Finance ministry's Financial Institutions Division (FID) may view the central bank's increased autonomy as a loss of control, while vested interests within the banking sector may resist stronger supervision and tighter regulations. Overcoming these barriers requires strong political commitment and public awareness. The independence of the central bank is not a technocratic concern; it is central to ensuring economic stability and protecting citizens' savings from the consequences of poor policymaking.

Ultimately, passing a new law is only the beginning. The real challenge lies in implementation and its effectiveness will depend on future governors' handling of political pressure, BB's transparency in communicating its policy decisions, and consistently applying rules across all banks—whether public, private, large, small, politically connected or not.

Institutional independence is not achieved overnight. If the principles of integrity, professionalism, and accountability are upheld, then Bangladesh Bank can finally function as the independent guardian of monetary and financial stability that the country urgently needs.

Rethinking our ties with Malaysia

Md Shameem Ahsan
served as the high commissioner/ambassador to Malaysia, Italy and Nigeria and the elected president of the executive board of the World Food Programme in Rome.

MD SHAMEEM AHSAN

Bangladesh enjoys cordial bilateral relations with Malaysia, the first Southeast Asian country to recognise our independence. Since then, bilateral relations between the countries have grown in depth and dimensions. Our vibrant expatriate community in Malaysia has strengthened the economies of both countries while deepening the people-to-people bond.

There have been notable developments between Bangladesh and Malaysia in recent times. During my tenure as high commissioner to Malaysia, two high-level visits took place: the Malaysian Prime Minister Anwar Ibrahim visited Bangladesh on October 4, 2024, the first visit of any head of the government since the assumption of office by the interim government, and the Chief Adviser Muhammad Yunus' visit to Malaysia around mid-August this year.

The chief adviser's visit witnessed the signing of five MoUs and three Exchange of Notes in areas such as energy, higher education, defence, training of diplomats, halal ecosystem, collaboration between think tanks, and the business communities. This added substance to the visit widely considered as a watershed moment in the bilateral relations. Three more instruments were signed relating to research, pharmaceuticals and fertiliser during my tenure in Malaysia. All these serve as significant steps for shifting the current narrative of Bangladesh-Malaysia relations from a labour export-import prism to eventually a strategic partnership. I have been advocating for this shift as the large Bangladeshi community in Malaysia should not be the only defining factor of our Bangladesh-Malaysia relationship.

It is encouraging that during the visits, both the leaders identified trade and investment, digital economy, halal economy, renewable energy, STEM research, entrepreneurship, and people-to-people contacts, among others, as potential areas for cooperation. They reaffirmed their commitment to transform Bangladesh-Malaysia relations into a "deeper, future-oriented strategic partnership." Malaysian dignitaries earlier expressed their desire to reset the labour relations with Bangladesh and diversify the bilateral relations by exploring potential for collaboration as development partners in other areas, such as trade and investment.

Around 8,000 of the approximately 18,000 stranded workers who missed the May 31, 2024 deadline—the final day before Malaysia's recruitment freeze on Bangladeshi labourers—are expected to enter Malaysia once a roadmap for their recruitment is finalised. It is noteworthy that Bangladeshi expatriates currently comprise 37 percent of the foreign workforce, putting us as the top source country for Malaysia. During the two high-level visits, both sides agreed to work towards establishing a fair, transparent, and non-discriminatory recruitment process. Thanks to vigorous persuasion, in August 2025, the Malaysian government agreed to grant multiple-entry visa facilities to the Bangladeshi workers. Besides, the country has become one of the most preferred destinations for higher education for Bangladeshi students, with over 10,000 currently residing there.

Moreover, Bangladesh is Malaysia's second-largest trading partner in South Asia. Trade and investment were high on the agenda during the latest visit, which was marked by business forums with top business leaders in the audience. To further promote our bilateral relationship, the signing of a free trade agreement (FTA) will be critical. Both countries are currently working on it. Although Malaysia is Bangladesh's third-largest source of foreign remittances, contributing over $3 billion, it is also Bangladesh's ninth-largest foreign investor.

Obviously, the issue of the Rohingya figured prominently during the bilateral discussions. The chief adviser sought Malaysia's increased role as the current chair of the Association of Southeast Asian Nations (Asean) to initiate Rohingya repatriation. In response, Malaysia placed the Rohingya crisis on the regional agenda, including the plan to send a joint Asean delegation to Myanmar. It has also played an active role to mobilise humanitarian support. Bangladesh has substantial stakes as a non-member or non-partner of Asean and is keen to become Asean sectoral dialogue partner. As Dr Yunus asserted, Bangladesh could be a bridge between Asean and South Asian Association for Regional Cooperation (Saarc).

On August 13, 2025, during his Malaysia visit, Prof Yunus said, "Bangladesh and Malaysia have walked together in many ways. We have supported each other in our journeys toward growth and prosperity. I truly believe that with stronger collaboration in education, research, and trade and investment, Bangladesh and Malaysia can become a model for sustainable development and social progress." The future pattern of bilateral relations with Malaysia finds expression in the above remarks. If appropriate and necessary actions are taken properly as a follow-up to the recent visits, both Bangladesh and Malaysia will benefit in the coming days.

The Daily Star
Reg. No. DA 781

EDITOR & PUBLISHER: Mahfuz Anam
Printed by him on behalf of Mediaworld Ltd at Transcraft Ltd, 229, Tejgaon Industrial Area, editor@thedailystar.net

Registered & Head Offices: The Daily Star Centre
64-65 Kazi Nazrul Islam Avenue, Dhaka-1215
Phone: 09610222222

Newsroom: Fax- 58156306
reporting@thedailystar.net

Advertisement: 01711623910
advertisement@thedailystar.net
GPO Box: 3257

Subscription:
01711623906

thedailystar.net
bangla.thedailystar.net/