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

A war in which all sides lose

Small countries will feel economic impact acutely

The war initiated by the US and Israel against Iran continues to escalate in the Middle East, leaving us deeply concerned as casualties pile up and the global economy faces dire threats. An all-out, protracted war in the Middle East, the world's primary energy hub and one of the main routes for international air and sea transport, would undoubtedly disrupt global trade and push oil prices up. However, for an energy-dependent country like Bangladesh, the impact will go beyond a potential increase in crude and liquefied natural gas (LNG) prices.

Bangladesh imports approximately 110 LNG cargoes and over seven million tonnes of crude and refined petroleum annually, mainly from the Middle East. Besides, 65 percent of the country's total power supply depends on imports. Although experts and officials are not expecting immediate disruptions in the supplies of crude oil, LNG, and coal, there are reasonable concerns among consumers. Global oil prices jumped to $82 a barrel on Monday after three ships were attacked near the Strait of Hormuz. Although prices somewhat eased later on, some experts predict that a prolonged conflict could push them up to around $100 a barrel.

However, it is not just oil prices and supply that Bangladesh has to worry about. The Middle East is our major labour market, with 7.5 million migrants working in Saudi Arabia, the UAE, Qatar, Kuwait, and Oman. Already, at least two Bangladeshis have been killed and seven have been injured. The fate of thousands more who were expecting to migrate to the region has become uncertain as hundreds of incoming and outgoing Middle Eastern flights have been cancelled. Therefore, the war will directly affect Bangladesh's remittance inflow, which has so far kept our foreign exchange reserves healthy and cushioned the country against rising debt repayments and import bills. In the event of a prolonged war, we could face higher energy prices, increased import bills, declining reserves, and a depreciating currency, which could push an already high inflation even higher.

The concerns do not end there. Many ships carrying Bangladeshi RMG products to the US and European markets pass through the Suez Canal, the Strait of Hormuz, or the Bab al-Mandeb Strait. Conflict in or near these crucial gateways may force the use of alternative routes, increasing costs for exporters. This, too, will have a ripple effect on the economy. A Bangladeshi ship is already stranded at a Middle Eastern port with 31 crew members.

Thankfully, the government says it is monitoring the situation, taking precautions to ensure the safety of migrant workers, and preparing for possible economic fallout. But this war should serve as a lesson to reduce Bangladesh's dependence on imported fossil fuels, remittances, and a narrow range of export markets. Ultimately, we hope that major powers realise that a prolonged war, regardless of who prevails, will end up hurting every country.

Urgently address contraceptive crisis

Govt must restore supply chains before fertility gains are reversed

It is deeply concerning that more than one-third of upazilas in the country have run out of all types of government-supplied contraceptives. According to data from the Directorate General of Family Planning (DGFP), condoms are out of stock in 397 of 487 upazilas, while at least 220 upazilas have run out of oral pills. Meanwhile, implants in all upazilas, intrauterine devices (IUDs) in 353, and injectables in 169 are out of stock. At a time when the country is seeing a rise in the total fertility rate (TFR) for the first time in five decades, this crisis could have implications for fertility control.

Condom supplies reportedly fell to just 7.49 lakh in January this year, down from 53.31 lakh in January 2025—an 85 percent drop. Stocks of oral pills, injectables, IUDs, and implants have also plummeted compared to previous years. Family planning was reportedly deprioritised during and after the Covid pandemic, while contraceptive procurement stalled after 2023. The expiry of the 4th Health, Population and Nutrition Sector Programme (4th HPNSP) in mid-2024 further deepened the vacuum. The consequences are already visible in an increased TFR from 2.3 in 2019 to 2.4 in 2025, according to the Multiple Indicator Cluster Survey conducted by the Bangladesh Bureau of Statistics in collaboration with Unicef. The survey also found that access to modern contraception has declined significantly.

Although the DGFP has initiated emergency procurement of 1.2 crore condoms and 30 lakh oral pills, the quantities are not enough to meaningfully ease the crisis. Meanwhile, a Tk 1,664 crore procurement project, approved last November, is still at an early stage and will take months to complete. This means the crisis could deepen further, with the consequences borne disproportionately by poorer households who cannot afford to purchase contraceptives from private markets. A prolonged disruption will inevitably lead to more unplanned pregnancies, increased financial strain on families, and setbacks for women's health and decision-making power. Experts warn that, over time, a sustained rise in fertility could undermine the country's prospects of harnessing its demographic dividend.

Bangladesh once stood as a global example in family planning. The disruption in contraceptive supply chains and the absence of timely contingency planning indicate systemic weaknesses that must be addressed urgently. The new administration should treat this shortage as a public health emergency and fast-track procurement, ensure transparent and efficient tendering, and redistribute supplies from overstocked to critically understocked upazilas without delay. Above all, the government must reaffirm its commitment to family planning as a pillar of public health, gender equality, and sustainable development.

THIS DAY IN HISTORY

Sheikh Mujib meets with Bhutto, Yahya

On this day in 1971, East Pakistan leader Sheikh Mujibur Rahman attended a meeting with Zulfikar Ali Bhutto along with President Gen Yahya Khan in Dacca to decide the fate of Pakistan.

BB's independence and the politics of transition

MACRO MIRROR

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Views expressed in this article are the author's own.

FAHMIDA KHATUN

The recent change in the position of Bangladesh Bank governor has sparked much debate across the country. Many expected Dr Ahsan H Mansur to complete his full term, till August 2028. That was wishful thinking as political governments typically appoint their own people to lead ministries, departments and institutions, a common practice worldwide. Some argue that the central bank governor's role is highly specialised and technical, and given the organisation's importance, it should stay above politics. Moreover, no government should be able to remove a governor before their term ends. We have seen how Jerome Powell, despite attempts by the US president, could not be removed because the chair of the Federal Reserve is protected by law.

However, in Bangladesh, where institutions are fragile and governance often relies on expediency rather than norms and due process, this expectation is unrealistic. In such an environment, power frequently bypasses rules and proper procedures are replaced by political motives. Yet, adhering to established norms is crucial here as institutions need stability and respect that only proper procedure can provide.

While a change in the central bank leadership might be anticipated, how it is managed reveals the resilience and maturity of our institutions. The governor's role goes beyond mere employment. It embodies reliability and public trust in the financial system. If this transition was inevitable, it could have been handled with more finesse. Announcing the removal through the media and the suddenness of the exit diminish both the individual's and the institution's dignity. Despite any policy disagreements, the governor who led the central bank during challenging times deserved formal communication and a respectful farewell.

The appointment of the new governor, announced on the same day, has also generated curiosity as well as criticism, with his qualifications, profession and party affiliation being discussed publicly. This, again, is an exclusive issue for the government as such appointments are not made through a structured recruitment process.

The process of selecting a central bank governor varies across countries. But in most established democracies, it is designed to balance professional competence, institutional independence, and democratic accountability. Professional credibility and macroeconomic expertise are key criteria for the appointment. While the executive branch usually plays a central role in appointments, safeguards are often built in to prevent arbitrary removal and to protect the institution's autonomy.

In many advanced and emerging economies, three common features are observed in the appointment of a central bank governor. First, the appointment is formalised through legal procedures rather than informal political decisions. Second, fixed terms are provided to protect policy continuity. Third, removal before the end of term is either legally restricted or politically costly. In some countries, parliamentary hearings or legislative confirmations add an additional layer of transparency.

The underlying principle is clear. While central banks are accountable to the state, they must be insulated from day-to-day political interference. Monetary policy decisions, such as setting interest rates, managing liquidity, or supervising banks, require technical judgement and long-term vision. If governors can be appointed or dismissed abruptly without due process, markets may question the institution's credibility.

The eruption of mob violence at the Bangladesh Bank premises prior to the transition is deeply troubling. A central bank is not merely an administrative office. It is a symbol of monetary sovereignty and financial discipline. When groups can exert pressure through such physical presence, it sends a damaging signal to markets as well as the international community. Such actions undermine not only the authority of the governor but also the dignity and credibility of the institution itself. Protecting the sanctity of national institutions is essential if we are to preserve public trust and uphold the rule of law.

VISUAL: **SALMAN SAKIB SHAHRYAR**

The whole episode of the governor's removal and the appointment of his successor has once again brought the issue of the Bangladesh Bank's independence to the fore. Central bank independence is a fundamental institutional safeguard essential for economic stability, crisis management, and long-term prosperity. Dr Mansur sought to exercise independence in steering the banking sector, addressing the challenges he inherited when he took over the central bank in August 2024. Governance weaknesses, rising non-performing loans (NPLs), regulatory forbearance, and politically influenced lending had eroded discipline. Addressing such entrenched problems required decisive, and at times unpopular, measures. Dr Mansur initiated steps that were long overdue. For example, boards of several weak banks were dissolved and reconstituted. Asset quality reviews (AQRs) of several banks were undertaken to uncover their true health. More AQRs are ongoing. Five weak banks with mounting NPLs were merged to create a single strong bank. Initiatives to recover stolen assets were taken. Reform initiatives included amendments to the Banking Companies Act and the formulation of a bank resolution framework. The Bangladesh Bank Order, 1972 was also revised and strengthened, which is an essential legal instrument underpinning central bank autonomy. Unfortunately, the amended order did not see the light of day during the interim government, and that reform remains pending at the ministry level.

With the appointment of a new governor, there is an expectation that the reform processes started by Dr Mansur will persist to help the banking sector better serve the economy. Additionally, it is hoped that the new governor will uphold the institution's independence and integrity against any threats. The new governor must ensure that BB's capacity to make monetary and financial stability decisions is independent and not influenced by short-term political pressures, particularly those related to electoral cycles.

Countries such as New Zealand, Canada, the UK, Sweden, Germany, Chile, India and the US illustrate that independent central banks have managed crises effectively. New Zealand pioneered inflation targeting with operational autonomy and transparency. Canada and the UK navigated financial crises through credible, data-driven policy actions. The European Central Bank demonstrated decisive leadership during the euro area sovereign debt crisis. Chile's constitutional entrenchment of central bank independence helped overcome a history of high inflation. India strengthened its monetary framework in 2016 by formally adopting inflation targeting. These examples show that independence enables decisive, credible, and forward-looking action. Conversely, episodes such as Germany's hyperinflation in the 1920s, Argentina's recurring crises, Zimbabwe's economic collapse, and the US "Great Inflation" in the 1960s and 1970s highlight the risk of political influence over central banks.

In Sri Lanka, even within a fragile framework, in the absence of a modern Central Bank Act, decisive monetary tightening, exchange rate adjustment, and coordinated stabilisation measures succeeded in reducing inflation from nearly 70 percent to single digits and averting systemic banking collapse in recent times. This highlights both the high cost of delayed institutional reform and the enduring power of firm, professionally guided policy action.

While the independence of the central bank is of utmost importance, it must be matched by accountability. Like many countries, the Bangladesh Bank must explain its decisions transparently, report to parliament, communicate openly with the public, and justify policy actions. Independence and accountability must go hand in hand. Without transparency and democratic scrutiny, independence would lack legitimacy. Without independence, accountability would be meaningless because decisions would be politically driven. In the end, safeguarding BB's independence is essential to securing sustainable growth and shared prosperity in the country.

The real crisis at BB is not its governor's résumé

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HOSSAIN ZILLUR RAHMAN *and* **SABA EL KABIR**

The removal of Ahsan H Mansur as Bangladesh Bank (BB) governor has been an entirely avoidable drama that has poisoned optics about the new BNP government's policy sagacity. Compounding these optics is the appointment of Md Mostaqur Rahman as the new governor, which has sparked predictable debate over conflicts of interest. An active garment factory owner regulating the financial sector is an obvious anomaly, but the controversy over his résumé obscures the larger issue. More than the credentials, the deeper unease is about the potential shift in the mandate of the central bank—from protecting macroeconomic stability to prioritising industrial credit expansion and how specifically this shift will be crafted under the new order.

The official narrative, promoted by the finance ministry, argues that BB must abandon the "rigidity" of traditional monetary thinking in favour of business-like efficiency. To deliver on its 2026 commitments, the government is pursuing fast, investment-led growth. Arguably, there may be merit in this narrative. After all, growth at under four percent is indeed stagnant and prioritising economic recovery meets both popular and political expectations. The concern is how specifically the blurring of the boundaries between monetary restraint and political ambition will be navigated.

Bangladesh Bank is not the Ministry of Industries. Its role is to achieve and maintain stability: managing liquidity, anchoring prices, and safeguarding the taka. Placing an industrialist at its helm changes that balance. Early policy signals point towards easier liquidity conditions and regulatory flexibility for distressed corporate borrowers. The justification is factory revival. But expanding credit is not the same as expanding productivity. The experience of the last decade shows that liquidity without structural reform can inflate corporate balance sheets while wages stagnate. Bangladesh has already experimented with repeated loan rescheduling and refinancing windows over the past decade—measures that boosted credit on paper but did little to reverse wage stagnation or resolve structural non-performing loan risks.

The Hasina regime did not merely centralise power. It centralised credit and socialised the losses. The banking system became a pipeline for preferential capital allocation, with losses from connected defaults ultimately absorbed by the public. Nominal growth figures improved. Yet by 2024, real wages had declined and middle-skill job creation lagged. The expansion proved uneven and fragile.

Redirecting monetary policy towards sector-specific credit objectives does not necessarily dismantle that pattern. It risks entrenching it under new leadership. Once monetary policy becomes aligned with sectoral objectives, reversing course becomes politically costly, and institutional independence erodes incrementally rather than dramatically. While the faces may change, the structure of credit allocation remains largely intact.

Short-term indicators may look favourable. Exports may rise and growth rates may tick upward. But suppressing borrowing costs to refinance distressed corporate debt increases liquidity without necessarily increasing productivity. The resulting pressure is inflationary. Inflation is not abstract. It erodes purchasing power most severely for those without assets. A corporate executive can hedge against currency weakness; a farmer or wage earner cannot.

The consequences are long-term. By the mid-2030s, Bangladesh's demographic dividend will narrow as dependency ratios rise, making disciplined capital allocation not optional, but essential. That urgency demands investment in agriculture, middle-skill manufacturing, green infrastructure and the promotion of new growth drivers, not narrowly the refinancing of concentrated corporate exposure.

Bangladesh sits on a triple cusp of political, economic, and demographic transition. Crafting the economic roadmap ahead will be a critical test of the political sagacity, economic policymaking, and execution capability of the BNP leadership team. The starting point is a very unfavourable one in economic terms—severely squeezed finances due to the punishing debt-servicing burden on one hand and stagnant revenues on the other.

The Bangladesh Bank saga has to be read within these defining realities. A simplistic framing of speed over stability may give a short-term growth boost while deepening underlying fragilities. These fragilities relate to where institutional integrity stands and which voices get to dictate the small prints of monetary policymaking. The unease over the governor saga ultimately is about these political economy fault lines, not about résumé per se. The cautions have been sounded and the new team at helm of affairs will do well to pay heed.

The Daily Star
Reg. No. DA 781

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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
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