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Faruk talks progress in \$1b Indian credit

PALLAB BHATTACHARYA, Kolkata

Bangladesh is making progress in completing the preliminary work in connection with the \$1 billion credit line from India to develop the country's infrastructure, said Commerce Minister Faruk Khan, now in India.

Speaking at a meeting with the Indian Chamber of Commerce on Friday, Khan said Bangladesh has asked India to allow greater access to its market by adding the list of duty-free items, 61 more products and relax certain procedural restrictions in export of jute bags.

The commerce minister, who is leading a 12-member official delegation to Kolkata, said he is looking forward to the opening of the border haats along the border with Meghalaya in February.

India and Bangladesh signed an agreement in New Delhi in October for setting up border haats besides streamlining the movement of trucks between the two countries and Nepal up to 200 metres inside the border.

Expressing the hope that initiatives taken so far will strengthen trade between the two neighbours, Khan said he would like to hold further meetings in Meghalaya and Assam during his visit to the North East in connection with the opening of the border haats.

Meanwhile, a 20-member business delegation led by President of the Federation of Chambers of Commerce and Industry (FCCI) of Bangladesh AK Azad arrived here on Friday to participate in the Industrial India Trade Fair.

President of India-Bangladesh Chamber of Commerce and Industry (IBCCI) Matlub Ahmad said an IBCCI delegation will participate in the sixth North East Business Summit being jointly organised by Indian Chamber of Commerce and Indian government in Mumbai from January 21.



Ghulam Hussain, commerce secretary, lights a lamp at the launch of an Indian footwear components exhibition at Hotel Purbani in Dhaka yesterday. Md Saiful Islam, second from right, president of Leather Goods and Footwear Manufacturers and Exporters Association of Bangladesh, and Vipin Seth, second from left, vice president of Indian Footwear Component Manufacturers Association, are also seen. (Story on B3)

Single welfare list to curb waste in hand-outs

SOHEL PARVEZ

The Bangladesh Bureau of Statistics (BBS) plans to create a database of the poorest citizens to help other government branches curb waste and duplication in safety-net programmes.

Analysts say the move will allow the government to target the extremely poor, and help improve their living standards.

Shaikh S Ahmed, a senior social protection economist of the World Bank in Bangladesh, said a single database will help the government coordinate the safety-net programmes of its ministries efficiently.

He expects the database "will evolve as a system of targeting welfare, and will have a long-lasting positive impact."

The World Bank is providing technical assistance to this database, which will also benefit its social-assistance programmes, such as the just-approved \$150-million employment generation scheme for the poor.

The state statistics agency hopes to see the same scroll of names used by 15 different agencies and ministries, including the Ministry of Food and Disaster Management and the Department of Social Services that now run 67 such programmes.

"We will prepare an objective database of the hardcore poor," said Md Shahjahan Ali Mollah, director general of BBS.

The absence of a single database creates overlapping benefits, duplication, leakage and errors in selections of the beneficiaries. It also creates greater scope for political interference at the grassroots level in beneficiary selection.

Ahmed said the system "could initiate the transformation of Bangladesh's diverse safety-net programmes into a modern social-protection system." He said it would also help monitor the impact of the schemes.

Experts said implementation of the schemes by uncoordinated agencies also limits financial efficacy.

The allocation for social safety net schemes stands at Tk 19,497 crore (nearly \$2.8 billion) this year. This represents about 2.5 percent of gross domestic product (GDP) and nearly 15 percent of the national budget.

Fahmida Khatun, head of research at the Centre for Policy Dialogue, said the move made sense, even though there have been criticisms of the quality of BBS data: "We have no other sources of information right now. In order to have more reliable data, the BBS capacity has to be improved."

Over time, the successive governments increased the allocation for safety net programmes, such as VGF (Vulnerable Group Feeding) and VGD (Vulnerable Group Development), Food for Work, guaranteed employment generation and allowances for poor widows and destitute women.

In India, 70 percent of social safety-net funds are now lost to waste and corruption.

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Loan recovery in slow lane

Govt looks to new bank reform scheme

REJAUL KARIM BYRON

The default loans recovery remains poor, despite drives from the central bank and state-owned banks.

Bangladesh Bank data shows only 12 percent achievement of the Tk 388 crore bad debt recovery target from top 20 defaulters in 2010. During January-September, state commercial banks could recover Tk 47 crore.

The target was to recover Tk 1,352 crore from other default borrowers, but Tk 597 crore or 44 percent was recovered in the first nine months of the current calendar year.

Till September 2010, such bad loans stood at around Tk 12,080 crore.

Among the state banks, Sonali Bank could retrieve 1.14 percent, Janata 19.79 percent, Agrani 26.35 percent and Rupali 3.19 percent from the top 20 defaulters.

Realising the bad loans is among the specific targets Bangladesh Bank has set for the state banks.

The central bank has been

LOAN RECOVERY FROM TOP 20 DEFAULTERS FROM EACH BANK

Bank	Target for 2010	Recovery in 9 months
Sonali Bank	Tk 118 crore	Tk 1.35 crore
Janata Bank	Tk 85 crore	Tk 16.82 crore
Agrani Bank	Tk 99 crore	Tk 26 crore
Rupali Bank	Tk 86 crore	Tk 2.74 crore

putting pressure for years on these banks to recover fast the bad loans.

"There is no significant improvement yet in bad loan recovery, especially from the top defaulters," said a central bank high official.

State bank officials attribute such slow recovery to a sloth in the disposal of cases filed against the defaulters. Big defaulters' writ petitions lying with higher court have also stuck up the whole process of realisation of the classified loans, they pointed out.

"The influential borrowers file writ petitions with the High Court and get the loan recovery

process stalled," Sonali's Chairman Qazi Baharul Islam told The Daily Star.

When the bank goes for acquiring a property mortgaged against the loans, the initiative turns futile just because of legal barriers, Islam said.

The biggest state bank chief also pointed to policy flaws. The relaxation in loan repayment the government allows for the sick industrial units in the apparel and jute sectors is also a hindrance to the bad loans recovery, he said.

The defaulters often apply for loan rescheduling without making any downpayment, he said.

Islam also pointed out that

banks were helped in re-capitalisation to face global recession fallout, but the government had not extended to the banks any concessions with regard to loan recovery or its sanction.

According to Bangladesh Bank statistics, till September 30, a total of 21,029 cases relating to recovery of loans remained pending with the courts. Borrowers owe Tk 11,810 crore to the state banks.

Meanwhile, an IMF mission that visited Bangladesh recently has urged the government to initiate a second time reform programme to improve the state banks' overall performances. Recovering bad loans and meeting the banks' capital deficit are under the purview of such a reform scheme.

However, the government has formed a bank reform commission headed by the Sonali Bank chairman.

A finance ministry official said following the commission's recommendations they will start the reform programme.

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