

# Melancholic reflections on the Padma Bridge fiasco

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THE World Bank has finally cancelled the assistance agreement for construction of the Padma Bridge. Our worst apprehension has come true. What has happened is really very unfortunate. It is doubly embarrassing because of the alleged reason for cancellation of the agreement.

Padma Multipurpose Bridge is a key infrastructural installation which is required for an accelerated and balanced development of Bangladesh. The proposed bridge will connect the country's underdeveloped south-western region with its north-eastern part, which would directly benefit 30 million people by dynamising employment and income generating opportunities in one-third of the country's land mass.

Padma Bridge will not only facilitate transport movements, but will also carry gas, electricity and fiber optics. Consequently, gross domestic product (GDP) is expected to go up a couple of percentage points. Indeed, the bridge is one of the missing links in our grand design of regional connectivity. Construction of the bridge had been one of the attractive election pledges of the current government. Then how could such a dream project end up like this?

It is not difficult to observe that in face of the allegation of corruption by the World Bank, the major response from the government was dominated by an attitude of total denial. Although the government went for changes in ministerial and other high-level positions, involved the Anti-Corruption Commission (ACC), and engaged in public relation onslaught in Washington, D.C., such efforts could not possibly convince the development partners regarding the sincerity of the government's outlook. As a result the sense of distrust on the part of the major development partner for the project could not be alleviated.

When the Canadian government initiated investigating against the designated consultant of the project involving raids, arrests and black listing, we possibly thought that the consequences of these measures are not going to have any impact for us. Our main argument had been that since we are yet to receive any foreign money, so the question of money changing hands does not arise. We possibly failed to appreciate that under the changed global politico-economic circumstances, foreign assistance-related corruption issues are nowadays subjected to enhanced scrutiny, and judged against higher benchmarks of accountability and transparency. We possibly declined to recognise that both 'executed corruption' and 'intent to indulge in corruption' are equally unacceptable under current international dispensations.

The Bangladesh government may have been of the view that the World Bank will ultimately not go for the terminal decision. We were possibly not mindful of the fact that only last year (August, 2011), the World Bank froze all its loans to Cambodia. In this case, the Cambodian government violated its own land policy when thousands of people who were under threat of eviction in a huge development pro-

ject at Boeung Kak Lake. Indeed, USAID also suspended its programme in Cambodia in 2011 as the government enacted quite a regressive law stifling the activities of the NGOs in the country.

We may have also consoled ourself by thinking that the outgoing President of the World Bank may have a personal angle to our issue. Accordingly, we hoped that we will be able to open a new chapter with the new incumbent. However, anybody with a little bit of institutional exposure will remind us that, once a head of organisation announces a decision after fulfilling internal requirements, it becomes an institutional position. And it is hardly in the corporate culture of respectable institutions for a new incumbent to overturn important, but regular operational decisions of his/her predecessor.

Curiously, one have also heard opinions coming from responsible quarters that the outgoing head of the World Bank is being propped up by the captain of the US State Department (and by extension, the US Treasury) to take a hard stand towards Bangladesh by using the Padma Bridge issue. One wonders whether these people have any idea that outgoing World Bank chief and the Obama administration belong to two rival political camps and may not have overlapping

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opinion regarding the concerned issue.

Whatever, knowledgeable people at different stages of development of the controversy have pointed out that time is running out for taking a helpful attitude in addressing the allegations raised and the final date is in end-July when the third extension of the aid contract validity runs out. Regrettably, the terminal decision came earlier.

In its statement annulling the Padma Bridge Agreement, the World Bank maintained that it has "credible evidence corroborated by a variety of sources which points to a high-level corruption conspiracy." It is very unfortunate that while the World Bank and our government engaged in a shadow fight regarding the veracity of this 'credible evidence,' but the citizens of Bangladesh, apart partial and inconclusive unofficial media reports, hardly had any access to any hard information.

Notwithstanding its disclosure provisions, the World Bank never revealed to us its 'corroborated and credible evidence.' As a result, rumours replaced information, further aggravating confusion. In fact, many would ask for more information before they are convinced that the Bank had not resorted to any

discriminatory punitive measure against Bangladesh in this case. At the same time, most of the concerned citizens are not sure whether the Bangladesh government engaged in a constructive dialogue regarding the Bank's latest proposals for making mends.

Will the cancellation of Padma Bridge project adversely affect the future of flow of its aid to Bangladesh? One may recall, the World Bank is Bangladesh's largest development partner. At this point of time, there 34 projects, amounting US\$5.8 billion, are in operation that are supported by the Bank. Notwithstanding the Padma Bridge controversy, the Bank disbursed approximately US\$500 million in the outgoing fiscal year which is about one-fourth of our annual foreign aid inflow.

This amount was higher than the amount disbursed in the previous fiscal year. The World Bank has indicated that it expects to make a fresh annual commitment of US\$1 billion for this year. It is understood that without the acquisition of the Bank, it would not have been possible for the Bangladesh government to strike a deal with the IMF in the elapsed fiscal year. Currently the country programme of the Bank remains in place for Bangladesh. One would like to hope that it will remain so and expand further.

However, it is also no secret that the annual meeting of the Bangladesh government with its international development partner has remained suspended for the last two years due to the ongoing Padma Bridge controversy. The last meeting of the Bangladesh Development Forum (BDF) was held in February 2010. The pertinent question is when the next BDF meeting will take place given the latest developments with regard to Padma Bridge.

Another related question is what the other partners of the aid consortium for the Padma Bridge will do now. This relates to the Asian Development Bank (ADB), Japan International Cooperation Agency (JICA) and Islamic Development Bank (IDB) -- these three together accounted for about 39% of the total project amount. These development partners, if willing, will possibly have to go for a new framework of understanding to channel their committed fundings. It will be interesting to observe whether these agencies will proceed without lead financier, viz. the World Bank.

Bangladesh has been giving out positive vibes in the recent past, bringing about some changes in its unfortunate global image. The Padma Bridge episode

will obviously give a jolt to that process. It will send a negative signal to our potential foreign investors. It will disappoint our international well-wishers. We need to remember that Bangladesh has been put under increasing global scrutiny due to a number of negative developments in the country. These include making Professor Yunus leave Grameen Bank, unabated extra-judicial killing, people going missing, frequent industrial labour unrest, and political uncertainty centering the upcoming national elections. Cancellation of Padma Bridge assistance on account of alleged corruption will be another episode in this continuum. One wonders, whether those who are responsible for looking after our foreign economic and political relations are at all concerned about this recent worrying trend in out external relations.

Bangladesh has to now to engage in an introspection with a view to revisit and reevaluate the situation concerning the Padma Bridge. It has to take new initiatives to build the bridge in a shortest possible time. More delays will further escalate the project cost which has already doubled over the years. Under the circumstance, there are three broad options in front of us.

First, we may try to build the bridge with our own resources. Needless to say, given the government's current income-expenditure balance, it is impossible to underwrite such a huge project cost exclusively by the public exchequer. Given their present liquidity situation, mobilisation of such large amounts from the banking system and capital market, will not be so easy. More importantly, our foreign exchange reserve is not so deep that it will allow us to underwrite all import bills in connection with the project. Moreover, there are other technical issues.

The second alternative is to resort to private commercial loans to put together a public-private joint venture of some sort. Such a mechanism will be pretty expensive, entailing high users' costs for general people. As a result, it may not be economically justified and socially sustainable. In this case, the effective rate of interest of the loan will be at least between 3-5%, whereas concessional loans from the development partners charge less than 1% interest. Moreover, the repayment schedule including the grace period is quite tight for commercial loans, and other conditions are also disadvantageous to the recipient.

The third option in this regard relates to the possibility of reinstating the assistance agreement with the World Bank and other development partners. Such possibility is not totally unheard of. However, for that we will have to take some confidence building measures by putting in place additional safeguards as to ensure effective utilisation of the aid money. And we would have to do that by upholding our national dignity.

One would like to think that, we shall re-approach the issue of the Padma Bridge construction with an open mind and take necessary lessons from this very unfortunate and embarrassing episode.

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## PUBLIC REACTION

### WB scraps Padma loan

It is a matter of great shame for a country that had earned independence at the cost of 3 million martyrs. It is also very painful that the party, which was the pioneer of liberation war, has brought this for the country. A bleak future for the nation!  
S.U. Ahmed

### On Finance Minister's statement, "It's Zoellick's statement, not WB's"

Minister please don't make arbitrary statements, you are the Finance Minister. You can always summon the WB Resident Rep. and ask whose position is this.  
AKS

Minister, this is not a Bangladesh institution where you think that these are personal statements from a chief. The way your party chief and leaders release your statements without much thoughts, note that WB does not fall in that category.  
Nasirullah Mridha, USA

### Economists fear negative impact

The cancellation of Padma Project might have been influenced by the donor's policies.  
Saleh Md Shahriar  
This is shame for the whole nation. Corrupt people involved in this incident should be punished and the government should ensure it.  
Kamal Mozumder

### Probe to go on despite WB decision Says ACC chief

The ACC Chairman should know that the agency had its chance before to conduct a credible investigation and it failed. Nobody is interested in the ACC's investigation

now. That window of opportunity has been closed.  
Robin

### WB decision on Padma loan worries civil society

It is worth analysing why the WB announced its decision at a time when a Canadian investigation team was visiting the country, and when the government received a financing offer for the mega project from the Malaysian government.

In fact, we, the common people, had been kept in the dark regarding the internal dynamics of the issues between Dhaka and the WB throughout the entire episode. We have seen WB submitting its findings to the government which vehemently contradicted the contents of those reports, but neither the government nor the WB had offered any details of the issues based on which the general public could draw a picture of the problematic scenario.

If it were as simple as corruption then why did the US Secretary of State, Hillary Clinton, during her visit to Dhaka, offer US mediation on the issues that the Bangladesh government and WB were going through? The government and the WB should let the people know about the troubling aspects of their relationship concerning this vital infrastructure project for the country. Investigation into any allegation of fraudulence and implementation of the Padma Bridge project could have run in parallel. Both are in the interest of the country and its people.  
Abu Rayhan

### News Analysis by Inam Ahmed Pride lost, and to be gained

It has been firmly proved that the AL government has lost all its credibility to implement a high profile project transparently. We can't understand how and why such a big national interest has been mutilated just to save some corrupt persons. It will take a long time to reverse

the donors' confidence on us.  
S.U. Ahmed

WB is not known for perfection. But in this case, the real problem started from the White House which has sent out many high level officials urging the government not to retire Dr. Yunus from the Grameen Bank. When the Bangladesh government did not comply, it instructed its Executive Director at the WB to teach a lesson to the Bangladesh government.  
Kamal Ahmed

The outcome and the whole cascading episodes showed how inept, out of touch, and simply incompetent this AL government has been in dealing with international body such as WB in all respects starting from relationship maintenance, diplomacy, communication, crisis management, etc. The same incompetence and reckless behaviour has been shown in the Grameen Bank episode. The question is who are these people running the country that is bringing so much damage to our reputation, stature and credits in international arena?  
Roni Rahman

The government seems too confident about transparency of the project. The findings of the corruption case should be publicised and the government should fight legally to get the fund back.  
MH Uddin

Government officials should now make all efforts to recover the nation's image. If they fail in this, they should resign so that people can realise appropriate judgements to the corrupts and restore BD's deserving position in the world.  
Humayun Kabir, PhD, PE

Make all WB documents public and let the people judge.  
Ahmed Badruzzaman

Who are the powerful people involved in this conspiracy? Are they so powerful that the government is ready to sacrifice national interest to save them? We agree that all documents related to this should be made public!  
Sabrina

The analyst wants to believe that the GoB is innocent and that pride lost can be regained. Really? Had the accusations been baseless, GoB would not have dilly-dallied to initiate a credible inquiry. One must not forget that there were two parties in this muck up and the other party SNC Lavalin is already in the dock in Canada. Their CEO was forced out and two of its employees stand charged in a court of law. The way GoB has ignored the WB accusations and has failed to take action against the accused raises a very pertinent question: Do only the minister, secretary and the project director bear responsibility or does it go higher?  
Khalid Hasan

What World Bank has termed as corruption our government does not term it so. It is a question of degree not of quantity. In our society a lot of corruption takes place off and on but nobody bothers until it is proved with sufficient proof and evidence. It is evident to ask for a bribe is a corruption in the eye of World Bank but we do not recognise it a crime until it is pocketed and proved with evidence.  
M. K. Alam

We are aware of the role of the World Bank in developing countries. Bangladesh is a sovereign country and no one should dictate such terms which infringes the law of the land. World Bank must come out to explain as to what it meant by corruption conspiracy. It clearly indicates that corruption has not taken place but there was an alleged conspiracy. World Bank is not full of sages and how can we be sure that some of them have no ulterior motive in bringing such an allegation?  
Hafeejul Alam