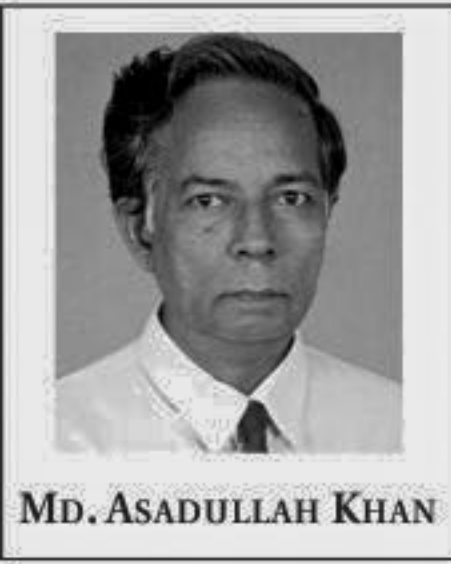


BITTER TRUTH

Governance at stake



Md. ASADULLAH KHAN

The construction of the Padma Bridge, with the World Bank bearing the biggest share of the "project cost" stalled because they cancelled the loan; alleging conspiracy of corruption. Reports now reveal that there were gross financial irregularities in this project before it made any headway.

A *Prothom Alo* report printed on January 7 quoting the chairman, ACC, said that the total contract amount of Tk.116 crore for the design of the bridge was paid to AECOM-MONSEL in July 2010 but the final design that was to be submitted 16 months after January, 2009, has not been submitted in the last 22 months.

These facts have come to light after the arrest of two officials in January this year. The ACC is now investigating the modalities of this payment. People hardly see any hope of the project reviving during the tenure of this government. The government failed to book all the suspects as per the WB allegation. Chances that other Mega Projects will make a kick-start by 2013 seem quite slim.

The collapse of the autocratic rule that had gripped the nation for nine years had initially brought a lot enthusiasm and expectation here. But reality has betrayed that expectation and there have been new intra-party chaos. The promise of a bright future, that had once seemed so near, has in the past few years been tampered by steep economic decline, social polarisation and political bickering.

The ruling party along with others that led a heroic fight in overthrowing the autocratic regime has not been able to translate the skills of revolt into running a country and restoring the economy. Severely hit by share-market scam, Rail Gate scandal, Hall Mark swindling and Destiny Fraud, people are apprehensive of a quick recovery of the business and investment climate.

The country is experiencing a breakdown of law and order. Whatever the nature of feud, business or politics, nobody can countenance the fact that people would be whisked away from their houses by unidentified individuals and will go missing forever.

Ilyas Ali, Chowdhury Alam and Waziullah remains missing till now and this time the "handcuffed" dead body of Rafiqul was found 20 km away from his father-in-law's house at Jhenidah. During the last few years crime has risen manifold with abduction, kidnapping of children for ransom, burglaries, rape and killing

of minors topping the list.

Government effort in curbing crime is rather inadequate and at the same time the law enforcement agency is reluctant to admit the deterioration of the law and order situation. It is ironic that fledgling democracy has released creativity of all kinds that include criminality -- and added new desires and frustrations.

People in the country were shocked to see the report published in *Prothom Alo* on January 8 that said that the tender box along with tenders put in the box for the construction of CID quarters of Magura police at a cost of Tk.72 lakh was snatched from the office of the Executive Engineer of Magura PWD in presence of the police and thrown into a nearby pond by some unscrupulous persons belonging to the ruling party.

The explanation given by the executive engineer was that he was away from the office on the scheduled day and by the police was that they were guarding the ground floor and remained unaware of the events related to the tender box taking place on the first place.

So as it appears, the administrative measures and actions over the past year are weak, indecisive and permissive toward corruption in all sectors of development activities.

The most serious of all problems is, however,

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the lingering political impasse on the issue of holding the next parliamentary election that is yet to be resolved and is rather showing definite signs of growing worse.

Newspaper reports carry news of blood-shed clashes in all parts of the country between rival groups resulting from the control of the area, or a market place or a share of the booty. There are opposing versions in "Rafiqul abduction and killing incident."

Reports quoting business groups suggest that the Rafiqul abduction and subsequent killing might be linked with the control of the Dhaka Mohanagar Market Complex (former Dhaka Super market). Family sources of Rafiqul indicated that abductors of Rafiqul were armed and they were wearing dresses marked "Rab" and their vehicle also bore the Rab sticker.

Sadly true, this is a queer country where fake currency notes, Rab and police dresses, and even handcuffs are available widely in various markets! In the "Magura tender snatching" case, eye witnesses said that one rival group was seen carrying shot-

guns, firearms and daggers to terrorise the rivals.

Unsurprisingly, the country's agony seems limitless. Death toll soars with each passing day. The code of right and wrong has disintegrated. People still believe that this nation's dreadful torment could possibly be alleviated by creating job opportunities for this disgruntled young population.

Happily there are many in the country who are quite willing to make enormous sacrifices to save the country and turn it into a peaceful zone; save a few who seem to respect "money above all else."

It is not a very unfamiliar virtue in a country where politics is greased by money. Governance failure becomes all too apparent when we analyse the impact of the increase in fuel price on people's lives. All told, the hardship experienced by the people is beyond pervasive.

The increase in the fuel price for the fifth time during the tenure of the AL government has a resultant effect on commodity price and cost of transportation of goods and merchandise from outside the cities and vice-versa. Shockingly yet, hardly any administrative action has monitored to see if the consequent hike in commodity prices and transport fares has been consistent with the fuel price hike.

Unhappily, the legislature remains paralysed by the prolonged boycott of the parliament session by the opposition over the last four years on issues that are so trivial to the electorate. They instead listen to the deafening chorus of calls from the people to join the parliament and raise their voice in the parliament during the remaining days of AL in power.

On the other hand, it would be most wise for the present AL-led government to gather views through its grass-root organisations about the modalities that people want in holding the next parliamentary election.

On a global scale, we at once see that the world has gone on the exultant binge of democracy in recent years. Repressive governments have fallen; authoritarian regimes have opened up to political opposition. After enforced silence, people feel free to speak their minds.

But now, after all the amply justified celebration, the moment for sober stock-taking and searching questions about the so-called triumph of democracy has come. We have to remember that even when the totalitarian or authoritarian systems crumble down, democratic ones do not automatically rise up in their place.

Only free and fair elections, which we have witnessed in 2008 in our country, do not necessarily produce open governments, human rights and economic prosperity.

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Worst traffic jams ever



This columnist visited Bangkok recently, and the drive from the airport to town took so long that I had to pretty much turn around soon after arrival to head back to the airport. "Hi! Bye! Your country was very nice!"

Thai people are lovely, but I couldn't get used to life in Bangkok. Husband: "Bye, honey, I'm just popping out to the shop to pick up some milk."

Wife: "Okay. See you in a month!"
(Sounds like a Lift Lurker and wife conversation.)

Last month, during a traffic jam in Russia, drivers took 24 hours to move 1 kilometer. This is extremely slow, comparable to the speed of a snail crossing a desert or a Greek businessman paying his tax bill.

In China, a single traffic gridlock on the Beijing-Tibet road lasted 9 days, and one on the Mongolia-Beijing road in Hebei lasted 11 days!

If I'm in a car which doesn't move for 10 minutes, I go out of my head, so heaven knows what people who have been stuck there for 11 days do! "Hi mom, I just did 14,000 levels of Angry Birds!"



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The future of euro and Mario Draghi

CHAKLADER MAHBOOB-UL ALAM

IN January 2012, it looked as though the nightmare scenario about the collapse of the euro would come true. It was widely predicted even by serious financial analysts that the mounting debts, the banking crisis and the draining recession would break the euro.

Actually, last June, everything turned so bad that many feared that the end was near.

Luckily, today, on January 1, 2013, things look quite different. Greece is still a member of the euro area. No one has forced it to abandon the common currency. The very high borrowing costs for Spain and Italy that were pushing them towards bankruptcy have come down in a significant manner. It is expected that after the fiscal agreement is reached between the Democrats and the Republicans in the US, they will come down even further. The stock market has also rallied.

Does this mean that the crisis is over? No, it is not yet over. In many countries sharing the euro, the banking system is still a mess, there is no credit, and economic activity, instead of growing, is still shrinking where unemployment is reaching a socially unacceptable limit.

If that is so, why in spite of all this, is there a renewed air of optimism in certain quarters now?

Much of the credit for this optimism should go to one person, Mario Draghi, the president of the European Central Bank. The euro was born with a number of fundamental design flaws. He is trying to correct them. Leaving aside the political problem of managing a common currency for 17 independent countries with widely different levels of productivity, which guard their sovereignty with great zeal, the euro was born with a number of important technical flaws as well.

It was created without a lender of last resort, without a common banking regulator and without a common fiscal policy and no one at that time even thought of a debt mutualisation scheme. Actually, it is surprising that it lasted this long.

Last July, when it seemed that the end was near, Draghi came out with a strong statement aimed at the bond-market speculators. In order to emphasise that the euro was irreversible, he declared: "The ECB is ready to do whatever it takes to preserve the euro." Then he added, "And believe me, it will be enough."

cautious optimism.

Although his legal mandate is somewhat limited -- the ECB is not allowed to finance the member countries directly --, in reality, as president of the ECB, Draghi can exercise enormous powers, if he chooses to do so.

ECB is an independent body, therefore, in a crisis situation it should be able to act quickly and decisively. As head of the ECB, he is the only one in the euro-area who can create money. So merely a firm statement emphasising that he was willing to use his powers to buy unlimited amounts of bonds, issued by the troubled euro-area countries like Spain and Italy, calmed the markets and as a consequence, their borrowing costs came down significantly.

By this statement he assured the market that if necessary, the ECB will act as the lender of last resort. In order to allay the fears of the private investors that they will be at a disadvantage vis-à-vis the ECB, if it insisted on being the first in the line to be repaid, Draghi stated that "the pecking order of creditors will be maintained."

Draghi's job is not an easy one. In exercising his powers to create money or even threatening to do so, he must strike a balance between adopting emergency measures to save the euro and making the governments too reliant on the ECB money to get them out of the crisis, which after all, was created by them.

Draghi feels that the long-term solution to the prob-



AFP

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lem lies in the hands of the governments who must undertake fiscal and structural reforms and at the same time work steadfastly towards achieving "greater pan-European banking, fiscal and political union." He can only push them towards that direction.

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The banking crisis has clearly demonstrated that the national regulators have been ineffective and most probably negligent in carrying out their duties. According to an ECB report, "almost all the banks in Europe are valued by the stock market at substantially less than the book value of their loans outstanding and other assets."

This is a terrible indictment on the performance of the national regulators. To correct this situation Draghi feels that there is a need for the creation of an effective regulator under the ECB with the power to intervene before it is too late.

Although it is not an entirely satisfactory measure, no doubt, it is a step in the right direction. It is hoped that eventually all euro-area banks will be supervised by this European regulator.

In order to encourage the banks to issue credit to the businesses, the ECB recently cut the interest rate to 0.75%. It has assured the banks that they can borrow unlimited sums of money.

Unfortunately, latest figures published by the ECB show that the banks are still reluctant to issue credits because many of them are still undercapitalised. It is expected that the ECB will cut the rate even further. If it happens, there is no doubt that Draghi will be accused of increasing the risk of inflation.

Germany wants collective (pan-European) control over national fiscal policies before agreeing to a debt mutualisation scheme. The details of a European bailout fund, the European Stability Mechanism to provide aid directly to the troubled banks, will unfortunately not be finalised until the German national elections are over.

So, what is the conclusion? Will the euro survive? Although things have improved considerably, the crisis is not over yet. The euro still remains a work in progress. As Floyd Norris, of *The New York Times* pointed out, "At the heart of the problem was Europe's unwillingness to choose either unification or separation. It wanted economic unification, with continued political independence of nation-states."

I think that the Europeans have now come to realise that it is an impossible proposition. They are working towards achieving greater political and economic unification. The fact that Greece has not been thrown out is a positive sign. There is a greater acceptance of the idea that the euro is irreversible and that the break-up of the euro will wreak havoc not only in the so-called peripheral countries but also in Germany, France and Holland.

For now, the Europeans may consider themselves lucky to have a very competent and pragmatic -- he is not insisting on the immediate implementation of the Basel III rules -- central banker like Mario Draghi who is slowly but steadily building up pan-European mechanisms to save the euro.

Let us hope that the politicians would allow him to finish the job.

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