

# WB changes ways after Padma bridge saga

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After the much-publicised Padma bridge episode, the World Bank has now realigned its approach to tackling corruption in projects.

Previously, the multilateral lender would wash its hands off projects as soon as allegations of corruption surfaced. But now, in essence, it will carry on with the projects but will work with local authorities to identify and snuff out the issues.

"When evidence of corruption comes to light, its response should not be to disengage, but to engage differently," it said in its Country Assistance Strategy Progress Report.

The anti-poverty organisation's new approach to handling graft would involve: enhancing oversight, changing procurement arrangements, prioritising institutional reforms or shifting to analytical or technical work that will change the political economy and build stronger domestic coalitions for reform to enable future assistance.

## LESSONS FOR WB

When evidence of corruption comes to light, its response should not be to disengage, but to engage differently

Disengagement affected WB-client relationships

WB is now applying stronger integrity safeguards

The WB cancelled its financing for the Padma bridge project in June 2012 after corruption allegations were brought up against some public servants.

Although talks had revived, Bangladesh ultimately withdrew its request for funds in January 2013, just before the expert panel reported that the government did not carry out the full and fair corruption investigation it had promised to.

Project implementation suffered, with allegations of corruption in the bridge project prompting the WB to reconsider its approach to governance in the country, to find ways to remain engaged while also taking a more pro-active approach to addressing governance challenges, the WB said.

"In the course of this reconsideration, the Bank found that its efforts to improve governance in Bangladesh have had limited success due to unrealistic expectations, short timelines, and misreadings of political will," it said.

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AMRAN HOSSAIN

A Tuba Group worker observes hunger strike demanding arrears while her child looks on, in Dhaka yesterday. Related story on page 1

## Foreign investment in stocks plunges 78pc in July

### NET FOREIGN INVESTMENT

In crores of taka



SOURCE: DSE

SARWAR A CHOWDHURY

Net foreign investment in Dhaka stocks dropped 78 percent month-on-month in July amid reduced trading hours and weak volumes owing to the occasion of Ramadan.

Overseas investors bought shares worth Tk 166.45 crore and sold shares worth Tk 86.81 crore to yield a net investment of Tk 79.64 crore in the first month of the current fiscal year, according to data from the Dhaka Stock Exchange.

Trading hours on the premier bourse had been reduced by an hour for Ramadan, which began on June 30. Furthermore, trading took place on 18 days in the last month as opposed to 22 days a month before.

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## Monetary policy stance strikes right notes: StanChart

STAR BUSINESS REPORT

The central bank's latest monetary policy stance has fittingly put emphasis on inflation control, hewed to financial sector reforms and adopted unconventional policies that support growth, Standard Chartered Bank has said.

The monetary policy for July-December marks a continuation of the central bank's commitment to maintain macroeconomic stability, the international bank said in an analysis.

Policy rates were kept on hold (the repo rate at 7.25 percent and the reverse repo rate at 5.25 percent), and revised economic targets indicate a clear focus on inflation management, according to the analysis.

In the monetary policy unveiled on July 26, the central bank has targeted average inflation at 6.5 percent for fiscal 2015, slightly higher than the government's target of 6 percent. It was 7.4 percent in the previous fiscal year.

"This indicates the central bank's commitment to rein in inflation," the analysis said.

Although the central bank has openly stated that reaching this target could prove difficult, a 6.5

*The prescription for low domestic private credit growth was a continuation of financial sector reforms and strengthened supervision of the banking system*

percent target sends the right message on inflation, directionally, the UK-based bank said.

Bangladesh Bank also aims to keep the ceiling for private sector credit growth at 14 percent by December this year, against 15 percent in the same month last year.

In the previous monetary policy statement, banks have been advised to lend only to creditworthy clients and for productive purposes.

"This suggests that inflation control takes precedence over boosting credit growth at the moment," the analysis said.

The prescription for low domestic

private credit growth was a continuation of financial sector reforms and strengthened supervision of the banking system.

"This is the right remedy, in our view, given the deterioration in banks' balance-sheet health."

In the past two fiscal years, private credit growth has fallen short of targets.

"We take this to indicate a shift towards a more conservative monetary policy stance."

The foreign bank also praised several unconventional measures that the central bank has taken to support economic growth.

These include increasing the size of the Export Development Fund, easing restrictions on foreign corporate borrowing within Bangladesh, and measures to promote financial inclusion and bring credit to the grassroots level.

The analysis said inadequate credit risk management and supervision have led to a significant rise in the gross non-performing loans (NPL) ratio, at 10.5 percent in the third quarter of the last fiscal year.

The average NPL ratio stands at 10.7 percent so far this fiscal year, the highest level since fiscal 2009, the analysis said.

## Excessive trawling puts key marine fish species at stake

SOHEL PARVEZ

Excessive fishing in the Bay of Bengal has threatened availability of a number of commercially important fish species in the area, analysts said.

Already, catches of various fish species like threadfin, barramundi, pomfret, black zone, eel fish, croaker and red snapper have fallen to very low levels due to bottom trawling, fisheries officials said.

"Once large quantities of these fishes were caught," said Nasiruddin Md Humayun, director (marine) of the Department of Fisheries (DoF).

The stock of 15-20 commercially important fish species has been falling gradually for the last three-four years, he said. "The stock will be exhausted unless bottom trawling stops," he said, adding that these fishes have demand in both domestic and export markets.

Currently, around 225 trawlers and 44,000 motorised and non-motorised boats are engaged in fishing in the Bay which has 65 commercially important fish species and 36 shrimp varieties, according to DoF data.

Of the trawlers, 118 trawl along the sea floor to catch whitefish. The number of such vessels is rising every year as a section of people get engaged in fishing by obtaining temporary permits from the High Court for 'trial fishing'.

DoF officials said, along with various commercially important fishes, economically less important varieties are also being caught by the rising number of trawlers.

Once these economically important fishes were easily available in the 50-metre depth of water, Humayun said.

As catches near the coast are falling, some trawlers have started fishing beyond the 50-metre depth area, he said.

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## Boro boosts food grain production

STAR BUSINESS REPORT

Food grain production may increase more than 1 percent to 3.55 crore tonnes at final count for fiscal 2013-14 from 3.51 tonnes a year earlier, the food ministry said in a report.

The food ministry, citing the Department of Agricultural Extension (DAE), linked the growth in overall cereal output mainly to increased boro rice production.

Boro cultivation area slightly exceeded the target, reaching 4.8 million hectares, the food ministry said in its June issue of the food situation report.

"The boro season also experienced favorable weather conditions. DAE is expecting the crop production target to be comfortably achieved," it said.

The DAE set a target for production of 1.89 crore tonnes of boro rice for fiscal 2013-14, up from 1.87 crore tonnes of actual production the previous year.

Bangladesh Bureau of Statistics is expected to release the most recent boro production estimate soon.

However, DAE is likely to fall short of its overall food grain production target of 3.59 crore tonnes for fiscal 2013-14 owing to less than expected production of aus and aman.

The food ministry report, using a price monitoring model, also said wholesale prices of coarse rice are likely to stay at Tk 29.5 and Tk 33.3 a kilogram between July and September.

"The current year's prices were lower than the prices of earlier years and the difference decreased in the later period," it said.

The price of wheat is also expected to remain between Tk 22.5 and Tk 25.4 a kilogram.



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Food grain production is expected to increase, thanks to growth in boro rice output.

## Probe opens into FAR Chemicals, Shahjibazar Power

STAR BUSINESS REPORT

Bangladesh Securities and Exchange Commission (BSEC) yesterday formed two panels to investigate the recent share price hikes of FAR Chemicals Industries and Shahjibazar Power Company.

The stockmarket regulator also asked the committees to submit probe reports in 10 workdays, said Saifur Rahman, a spokesman for the BSEC.

"The regulator primarily detected an abnormal rise in the share prices of the two newly listed companies between July 15 and July 24."

Prices of FAR Chemicals rose to Tk 56.1 from Tk 43 a share, while Shahjibazar Power Company's prices increased to Tk 58.7 from Tk 36.5 during the period, said Rahman, also an executive director of the BSEC.

FAR Chemicals, a textile chemical manufacturer, got listed on the stockmarket on July 8, while Shahjibazar Power, a rental power generation company, got listed on July 15.

Members of the probe body for FAR Chemicals are BSEC Director Md Abul Kalam and Assistant Director Md Iqbal Hossain.

BSEC Deputy Director Md Yusuf Bhuiyan and Assistant Director Mohammad Rakibur Rahman will work for the Shahjibazar Power panel.