

PM's call to police

Becoming a pro-people force will need a lot of doing

THE Prime Minister's call to the police while addressing the inauguration of the Police Week-2019 is timely. There is no denying that our police force lacks accountability and transparency. There are numerous cases where innocent people have been implicated in false cases. The injustices faced by Tara Mia (who was accused of attacking the police just before the December 30 polls) and a rape victim (who was framed in a false case of Yaba possession) recently are just two of the many cases of public sufferings at the hands of police.

Thus, while we commend the PM for her straightforward directions to the police force and for raising her concerns about public sufferings at the hands of the force, we also think that only words are not enough to stop this. The government has to take some concrete actions to curb corruption in the police.

Admittedly, most of the members of the police force have been carrying out their responsibilities to maintain law diligently. But to make the force more efficient and pro-people would require a monitoring and accountability body. The present arrangement, being an integral part of the force, may not always be able to function independently. Thus, the need for an independent oversight body.

It is high time that the archaic and colonial Police Act 1861 was replaced with new legislation. The Bangladesh Police Ordinance drafted in 2007 which sought to create an independent National Police Commission to free the force from political influence should be finalised without further delay. The said draft also called for forming an independent Police Complaints Commission to deal with serious complaints against the law enforcers to make them more accountable to the people.

The PM's directive can only be meaningful if the above reforms, especially an independent complaints commission, are implemented at the soonest.

Don't reward the defaulters

Interest waiver on NPLs is wrong

OVER the first nine months of 2018, banks waived interests worth Tk 422.14 crore on nonperforming loans (NPLs). This practice has been the norm over the past few years which has had no positive impact on getting habitual defaulters to pay back their loans. Indeed, we have in place a practice that is rewarding defaulters without getting them to pay back either their principal loan amount or the interest! The magnitude of bad loans was brought to the limelight in the final quarter of the last fiscal when we learnt that NPLs had reached nearly Tk 1 lakh crore—a stupendous amount by all standards and, worse still, this amount had increased by 24 percent from a year earlier.

The current practice has created a moral hazard in the financial sector and is demoralising for good borrowers who make regular repayments on loans to banks. We cannot have double standards for loan repayment. What possessed bank managements to break established norms and cancel on interest payments without ensuring repayment on the principal loan amounts is beyond our understanding. Interest payments on loans given out are what constitute the profitability of a bank and their cancellation, while great news for loan defaulters, is a death trap for the banks. It will help create more defaulters by encouraging the culture of loan default.

Instead of taking bank directors and managements who have created the NPL mess to begin with (by sanctioning loans to unreliable parties), we are now witnessing the introduction of one more totally unethical practice that will put yet another nail in the coffin of banking institutions. The central bank, as regulator, must be given powers to check the excesses being committed in the name of loan recovery before we face a meltdown in the banking sector. Act while there is still time.

LETTERS TO THE EDITOR

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Who will compensate Jaha Alam?

The incident of the three-year imprisonment of Jaha Alam over a false case of embezzlement of money from Sonali Bank is tragic. Three years ago, the innocent man, a jute mill worker by profession, was wrongly identified as the suspect of an allegation of stealing money, in place of the real offender. Consequently, he had to spend jailtime for a period of three years. Such injustice is not acceptable at all.

Only for the mistakes of the authorities concerned, he lost out on a long period of his life. Had the media not brought the matter to light, he would have had to spend more time in prison. Such types of injustices must not go without trial. The people involved in the case must be given exemplary punishment. Jaha Alam must also get due compensation for his irreparable loss.

Nazrul Islam, by email

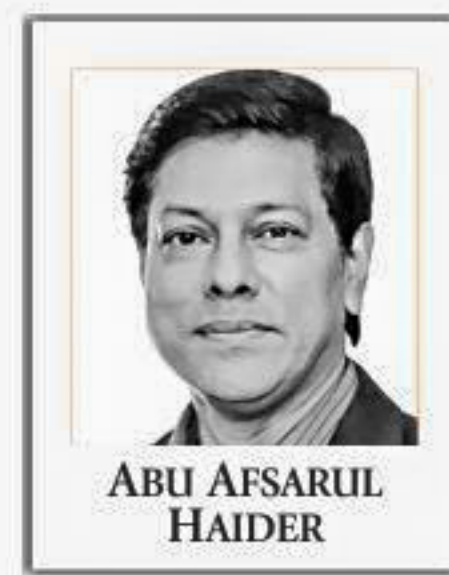


Jaha Alam and his mother.

PHOTO: COLLECTED

Checking capital flight before it is too late

The economic consequences can lead to severe crisis



ABU AFSARUL HAIDER

IN a recently published report by the Washington-based research institute Global Financial Integrity (GFI), Bangladesh has been ranked second in South Asia in terms of illicit outflows of money. Around USD 5.9 billion was siphoned out of Bangladesh in 2015 through trade misinvoicing (*The Daily Star*, Jan 29, 2019). Another report, by the Swiss National Bank, shows that money parked by Bangladeshis in Swiss banks

origin. The money is usually generated from criminal activities, corruption, tax evasion, graft and smuggling. Furthermore, it is improperly documented, which means that it disappears from the records in the country of its origin. In economic literature capital flight is generally portrayed as the illegal transfer of funds from less developed nations to more advanced nations and it is also related with tax evasion, money laundering and black money.

There could be several reasons behind capital flight. It can occur when firms or individuals speculate on the prospect of earning a higher return abroad or when they fear currency devaluation, political

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ILLUSTRATION: SADAT

totalled around Tk 4,091 crore or 481 million as of 2017. Sadly, all this information was revealed at a time when Bangladesh has been desperately trying to attract local and foreign investment.

Capital flight takes two forms—legal and illegal. Legal capital flight is recorded on the books of the entity or individual making the transfer, and earnings from interest, dividends and realised capital gains normally return to the country of origin. On the other hand, illegal capital flight, also known as illicit financial flows (IFFs) is quite different—it consists of money earned illegally, accumulated in secretly and then transferred for use elsewhere. This money rarely returns to the country of

turmoil, high rates of inflation, a poor domestic investment climate, etc. But the main reasons behind capital flight from Bangladesh are economic crimes. This year, the GFI detected the illicit financial flows (IFFs) by analysing trade misinvoicing. Trade misinvoicing is a method for moving money illicitly across borders that involves the deliberate falsification of the value of imports or exports, in order to evade customs duties and VAT, and hide those in offshore locations.

Then there is another form of capital flight usually done by some multinational companies that evade taxes through misuse of a mechanism, known as "transfer pricing". Transfer

price is the price at which divisions of a company transact with each other for goods or services. It takes place when two related companies—such as a parent company and a subsidiary, or two subsidiaries controlled by a common parent—engage in international trade with each other for goods and services. Sometimes, related entities of a multinational firm show artificially high prices for an imported product or service in an attempt to deflate profits to evade taxes. This practice is known as "transfer mis-pricing". In its previous report, the GFI said Bangladesh lost USD 75 billion due to trade misinvoicing and other unrecorded outflows between 2005 and 2014. It means the country lost around USD 7 billion a year in capital during this period, causing the tax authority to lose a huge amount of revenue. The costs of this financial haemorrhage have been significant for Bangladesh as it has heightened income inequality and jeopardised employment prospects. In 2013 alone, the country witnessed illegal flight of capital to the tune of USD 9.66 billion. To put matters into perspective, the figure is three times the amount of foreign direct investment (FDI) Bangladesh has received in the last so many years.

Flight of capital is not a new phenomenon in our country. Since independence, corrupt politicians and politically-blessed businessmen, who amassed wealth through various forms of corruption and illicit deals like drug trafficking, weapons trading, extortion, bribe, commissions and kickbacks from foreign aid and loans intended to build the country's infrastructure and also wealthy people who have felt uncomfortable with our politics and political situation or those who are scared of keeping their money in Bangladesh, believing that their money will be safer abroad, have moved their

wealth and invested somewhere else. In the early 1970s, investments were made in the United Kingdom, the United States and now the "second homes" in Malaysia or "Begum Para" in Toronto, Canada are emerging from such wealth.

A New York-based research firm Wealth-X recently released a report titled World Ultra Wealth Report 2018 which says that the number of rich individuals in Bangladesh is rising faster than anywhere in the world. Bangladesh has topped the list of countries that saw the quickest growth in the number of ultra-wealthy people between 2012 and 2017 and the number of ultra-high net worth (UHNW) individuals in Bangladesh rose by 17.3 percent during the period. The Wealth-X defines those with wealth above USD 30 million in net worth as the UHNW population. Interestingly, in the past few years we have noticed a growing number of loan scams and mismanagement that have plagued the banking sector. According to a report of the Centre for Policy Dialogue (CPD), a total of Tk 22,502 crore has been plundered from the country's banking sector through major scams, irregularities and heists in the last one decade. As of September 2018, non-performing loans (NPLs) totalled Tk 99,370 crore, which accounted for 11.45 percent of the total outstanding loans, according to Bangladesh Bank data. Experts say most of the default loans will not be returned as the money is actually being trafficked abroad.

What is worrying is that, if not checked, capital flight can create a bandwagon effect. In a country like ours, where the wealth of the nation is actually distributed among a small group of rich people, if a good portion of them shift their wealth and business to some other country, can we imagine the impact it would have in our economy? Businesses and factories can shut down creating huge unemployment; law and order will deteriorate; the real-estate sector will surely take a hit; demand for foreign currency will go up, which can cause the domestic currency to fall in value, which in turn can lead to tremendous instability and harm to the entire economy. The writing is on the wall. Therefore, before things become uncontrollable and the country goes into a deep crisis, the sticky issue of graft has to be tackled head on. The government should adopt and fully implement all anti-money laundering recommendations of the Financial Action Task Force and the laws already in place should be strongly enforced.

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Climate change, a global security threat

Early action is needed to avoid worst case scenario

POLITICS OF CLIMATE CHANGE



SALEEMUL HUQ

IN the last week of January, the United Nations Security Council in New York held a special session on climate change as a global security threat. It was not the first time such a session had been held but it was by far a much more alarmist session as we now acknowledge that human-induced climate change is already responsible for adverse

impacts around the world, many of which lead to significant security issues both within countries as well as across international borders.

The first aspect of climate change as a security threat is as a "threat multiplier". This is true for disputes and even wars based on clashes over land or water resources around the world. Some have suggested that the wars in Syria and Yemen can be traced to climate change linked disasters which preceded and may have contributed to the armed conflicts that followed.

One of the problems with attributing migration to climate change is that there are many other reasons for people moving, including economic and environmental, so separating climate change as the cause is problematic.

The second aspect that raises its head in terms of security threat is of displacement of people who can no longer continue with their livelihoods where they live due to adverse climate change impacts and are forced to move, either within the country or across borders. Some scientists have estimated that a large part of the migration across the Mediterranean sea from Africa to Europe may be attributable to adverse impacts of climate change in the Sahel region of West Africa. However, one of the problems with attributing



The United Nations Security Council Chamber in New York.

PHOTO: PATRICK GRUBAN/WIKIMEDIA

migration to climate change is that there are many other reasons for people moving, including economic and environmental, so separating climate change as the cause is problematic.

But, while this is difficult at present, it is not difficult to predict for the future. Hence we are certain that many millions of people will be forced to move from their present locations mainly in low-lying coastal regions that will be affected by sea level rise and in the drought-prone regions that will become deserts. Anticipating this problem is essential if we wish to avert it becoming a crisis.

The third aspect of climate change linked to security threats, which received relatively little attention, is the fact that refugees will be among the groups most vulnerable to the adverse impacts of climate change in the future. This is very well illustrated by the case of the Rohingya refugees from Myanmar now living in Cox's Bazar region of Bangladesh. Although they are not climate migrants, the massive refugee camp in Kutupalong is now one of the climate change "Hot Spots" of Bangladesh. This is also true for other refugee camps around the world.

Hence there is a need to take this issue into account in planning about how to help refugees living under climate change risks going forward. This is also true for Bangladesh with regards to the Rohingya refugees

as we move from the emergency aspects of looking after their humanitarian needs to their long-term vulnerabilities.

The Security Council had invited experts to address the climate change threat and provide advice on how to anticipate and deal with it before it becomes a crisis. Among the expert speakers were the heads of UNDP, WMO and other UN agencies as well as the Permanent Representative of Bangladesh to the UN who gave an excellent description of the issue and how Bangladesh is going about preparing to tackle it. For example, Bangladesh is developing climate-resilient and migrant-friendly secondary towns to accommodate and provide economic opportunities to millions of future climate change migrants from the low-lying coastal zones so as to relieve pressure from Dhaka which is already the fastest growing mega-city in the world and may not be able to absorb another ten million migrants.

In conclusion, the Security Council recognised that climate change is real and already happening and affecting people negatively. There are significant threats to global security, but with early actions many of the worst scenarios can be avoided.

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