

## Can we be more open?

### How govt approaches criticism can make a huge difference

We wholeheartedly support the prime minister's stance of not bowing to any "external pressure" in running the affairs of the country. As a sovereign nation, this is the only way to conduct our business. Under no circumstances can our sovereignty and national security be compromised.

That said, the foreign minister and his deputy (as well as the law minister), who conveyed the PM's message at a seminar attended by several western ambassadors, didn't elaborate on the kind of pressure Bangladesh likely faced, apart from hinting at "a handful of countries from the North" and warning that there are "red lines" that cannot be crossed. But there is a clear backstory to this seminar, coming as it does shortly after a joint statement issued by 15 foreign missions where they called for peaceful assembly and a free, fair and inclusive electoral process in Bangladesh. In November, the Japanese ambassador had caused a stir by citing alleged incidents of ballot stuffing in the 2018 election, adding that he'd never heard of this happening elsewhere. Clearly, the government didn't take kindly to such comments, and felt the need to reiterate its stance on the next election and the human rights situation, including allegations of enforced disappearances.

Recent remarks by other ruling party leaders also suggested growing discomfort at what they view as "interference" from foreign diplomats in our internal affairs. However, we want to raise the question as to what constitutes "interference". We're not oblivious to the diplomatic norms that govern state-to-state relations and the role of diplomatic missions in host countries. But as part of an interconnected global order, Bangladesh cannot dismiss offhand genuine concerns of our global partners, especially when it is endeavouring to strengthen ties with some of the very foreign missions involved. Among them are the EU and the US, from which Bangladesh is seeking preferential trade terms to expand its exports and prepare for a post-LDC reality. Bangladesh considers them as partners on trade, security and other issues, so why can it not do so on issues like human rights, labour rights, etc.?

Some of the issues they have flagged, we must acknowledge, are longstanding problems that we in the media have repeatedly highlighted. The concerns over democratic practices including shrinking space for the opposition and electoral irregularities are legitimate. Equally significant are concerns over Bangladesh's laws like the Digital Security Act, with barriers to freedom of speech and press freedom. As a signatory to the Universal Declaration of Human Rights and many other international treaties, it is only expected that Bangladesh will live up to scrutiny from the international community.

The question is how Bangladesh should conduct its own affairs in a globalised environment in which mutual cooperation and mutual dependence are two inseparable parts of the same reality. Just as international praise helps to enhance our global standing, our critical reactions can harm it, too. To accept one and reject the other is a choice not available to countries like ours, which can only thrive through international cooperation – and not in isolation. The quicker we realise this reality, the better for us.

## RHD must not delay crucial projects

### It must explain why estimated cost of a project shot up even before its take-off

We are disappointed about the developments surrounding the planned Bhanga-Jashore-Benapole road expansion project to be implemented by the Roads and Highways Department (RHD). The project promises to enhance connectivity in the region through the Padma bridge and Madhumati bridge. However, as reported by this daily, even before its estimated cost has been approved, it was revised to show a 25 percent increase – or roughly Tk 2,800 crore. For context, this amount alone exceeds the annual budget for RHD's road maintenance works in FY 2021-22. This is but an example of how poor planning and funding issues increase costs of public projects.

The current road from Bhanga to Benapole via Jashore is a two-lane highway – which the project is supposed to convert into four lanes – connecting a ferry terminal at the Kalna point of Madhumati River in Narail. Most of the vehicles bound for Benapole, Jashore, and Jhenaidah take this narrow road, which cannot properly accommodate the extra traffic load, creating huge bottlenecks. Despite its potential to ease traffic, the expansion project is still stuck at the planning level. Reportedly, the cost of the project has risen primarily because of lack of funding from India. It has been in talks since 2017. If funding uncertainties continue, the cost may rise even further, for which the public will have to pay, again. This is totally unacceptable.

Unfortunately, many government projects are suffering from similar problems and irregularities. At the RHD alone, only three of its projects are on track to be finished this year, while 41 are set to miss their 2022 deadline, as per a report. Most of these projects have seen cost escalations, indicating a pattern of wilful negligence and corruption. Taking up projects without a proper feasibility study and cost estimation, slow tender process, and dividing project works into "small packages" to benefit influential contractors are among the key reasons for project delays. These are issues that can be averted, and huge amounts of public money saved, if project officials maintain their honesty and professionalism. Instead, these projects have become synonymous with corruption, inefficiency and irregularities.

We, therefore, urge the higher authorities to take urgent steps to address this state of affairs, including often-inflated project costs, which is much needed at this time of great economic turmoil in the country. As regards the RHD projects, it is of paramount importance that the department grows capacity to plan and implement better, and it must do so with its existing projects as well. The RHD plays a key role in ensuring connectivity in the country. If it does its work properly, people can reach not only their destinations but also their potential as economic actors. For that reason, pending and planned projects, like the Bhanga-Jashore-Benapole road expansion work, must be executed without further delay.

# The never-ending crisis in our banking sector



**MACRO MIRROR**  
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A few weeks ago, we woke up to the news of yet another case of irregular lending activity. According to news reports, a powerful business group took out loans of Tk 30,000 crore from the Islami Bank Bangladesh Limited (IBBL), which the group owns. The amount of loans given to the group violates a single borrower's exposure limit. This happened amid the financial challenges the country has already been grappling with. Over the past decade, our banking sector has faced loan frauds by many business groups and individuals who misappropriated thousands of crores of taka from banks, such as BASIC Bank, Sonali Bank, Janata Bank, and Farmers Bank. That money is yet to be recovered, may never be recovered, and has probably been laundered out of the country.

Unfortunately, such lending irregularities are not unknown to the authorities. Such a huge volume of loans cannot be decided and disbursed by any credit officer of a bank without directives from the high authority. Loans are granted to the so-called business groups and individuals bypassing rules and regulations and under the instructions of powerful people. Since there is no accountability for loan defaulters and their fraudulent activities, honest borrowers are demoralised and frustrated. Undue privileges are for large borrowers only. Small borrowers such as farmers are put in jail for defaulting on only a Tk 25,000 loan.

Small borrowers also face many hurdles to receive bank loans. Poor disbursement of loans under stimulus packages during the pandemic to small and powerless enterprises is testament to banks' unwillingness to give loans to them. But they cannot take any measure against large unlawful lending as those borrowers are either owners of said banks or have strong backing. Thus, our banking sector has set examples of monopolisation that has resulted in deterioration in the sector's governance. It has also created crony capitalism where banks are used for extraction.

Bangladesh Bank, which is supposed to oversee the governance of the country's financial institutions, has rather supported these irregular activities through its policies and actions. For example, an observer was appointed in 2010 for IBBL to monitor any loan irregularities. In 2020, the observer was withdrawn by the central

bank, without any explanation.

There have also been serious policy amendments by the Bangladesh Bank to favour certain groups and individuals. Amendment to the provisions of the Bank Company Act, 1991 is a major regressive and harmful step. Through the Bank Company (Amendment) Act, 2018, the tenure of private bank directors was increased from six years to nine years, and the number of members of the same family in a private bank's board was increased from two to four.



VISUAL: SALMAN SAKIB SHAHRYAR

One may recall that, before the 2018 election, the present ruling party made several pledges towards improving the economic discipline in the country, including the banking and financial sector. One of the pledges was, "Bank frauds including loan defaulters will be subdued and all the involved bank officials, loan receivers and culprits will be brought to trial and punished."

How much the ruling party has been successful in fulfilling its pledge is evident from the existing fragile banking sector that is saddled with scams and irregularities. These incidents indicate an inertia of the authorities to fix the problem and bring discipline to the sector. The increasing trend of defaulted loans and continued embezzlement of bank funds don't indicate any urgency on

happened under the directions of the World Bank and the IMF, not spontaneously initiated by the government.

Additionally, the National Commission on Money, Banking and Credit was constituted in 1984. A banking commission was set up in 1996 and a banking reform committee was formed in 2002. Following this, the Central Bank Strengthening Project was implemented in 2003 to have a strong and effective banking regulatory and supervisory system. The Bangladesh Bank (Amendment) Act, 2003 was passed in parliament, through which the central bank received autonomy to operate on its own. Sadly, it has lost its independence and become weakened day by day, despite such a mandate.

information on the sector, detecting root causes of the problem and possible future challenges, identifying groups and institutions responsible for crises in the sector, and making meaningful and specific suggestions on administrative, regulatory, and structural reforms for the short and medium terms. The duration of the commission will be time-bound.

The current finance minister also mentioned reform in the banking sector during his budget speech for FY 2019-20, saying he would examine the possibility of forming a banking commission. This promise is yet to be fulfilled. Indeed, there is a serious lack of political commitment in reforming our financial sector. Until that is done, governance in Bangladesh's financial sector will remain a far cry.

## 2022 wasn't all bad for RMG makers. Here's why



**RMG NOTES**  
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MOSTAFIZ UDDIN

One may be forgiven for thinking that 2022 has been catastrophic, what with the non-stop talks about the global economic crisis, rising energy bills, instability in Europe, and post-pandemic blues. Even the most ardent of optimists may have struggled to find a glimmer of hope at times. However, there was plenty of good about 2022 as well. Here, I want to focus on five positives from 2022 and how we can build on these in the coming 12 months.

First of all, despite the financial challenges we have seen in the past year, businesses are still investing. While some smaller businesses are struggling at the moment, I have seen enough to believe that medium and large enterprises will be well-equipped to ride out the storm. There is anecdotal evidence that investment is taking place to upgrade operations to meet the demands of international customers.

There seems to be growing inward investment interest around Bangladesh. Ito Naoki, the outgoing Japanese ambassador to Bangladesh, recently said that Japan expected massive foreign investments flowing into Bangladesh as it looks to become a regional industrial hub in a few years.

Other countries such as China are also interested in Bangladesh. We need inward investment to take our ready-made garment (RMG) sector to the next level, in terms of logistics, vertical integration, and so on.

Recent figures show that public-private partnership (PPP) projects in Bangladesh have attracted investments of USD 6.74 billion in the past year, with a majority of the investment in the energy sector, according to the Asian Development Bank (ADB). Energy accounted for 76 percent of the investment, while the port sector attracted more than 12 percent of investment. Both are crucial areas of infrastructure for Bangladesh.

Second is the alignment of sustainability issues in fashion. If 2022 taught us anything, it's that social and environmental issues are too important to kick down the road any longer. Extreme weather patterns across the world had a big impact, placing the climate issue at the centre for much of the global media.

I am seeing more and more businesses in our sector now singing from the same hymn sheet on this issue – be it major fashion brands, RMG makers or other supply chain

intermediaries. If the last 12 months have taught us anything, it's that fashion cannot achieve its climate goals without suppliers. It has taken a long time for that penny to drop, but it has now finally started to hit home.

A key reason for that is the investment community. Many investors are asking the right questions: what is happening at the suppliers' end? How are they working to help reduce emissions in supply chains?

The third positive from 2022 was the Made in Bangladesh Week. This was the very first time that our country brought stakeholders and dignitaries from all over the world to celebrate our wonderful RMG industry. Even Prime Minister Sheikh Hasina was present at this seminal event, along with other key government figures and advisers, international brands and retailers, suppliers, global trade envoys and much more.

Is there any other garment production hub that's so united? Is there any other textile producer where all key protagonists are working towards the same goal? This is a key advantage that Bangladesh has as a garment supplier hub. While we might not always agree on all things, none of our rivals present such a solid, united front. This will hold us in good stead as we seek to reach a target of USD 100 billion in garment exports in the coming years.

The fourth point relates to China. I discussed China recently, most notably its huge carbon footprint. An area less discussed relating to China is that the country's leaders now seem determined to pursue a "zero Covid" policy, whatever the economic costs. I

am hearing of investors pulling out of China on a grand scale as they simply cannot afford to leave large amounts of business in a country which may or may not be open for business at any given moment. Businesses like stability and consistency, which China doesn't seem to be offering right now.

As harsh as this may sound, this presents a huge opportunity for Bangladesh. Every person I talk to says Bangladesh can be a natural successor to China where textile production is concerned. We have already taken some business from China in the past 12-18 months, but the coming year could be the point where this "change of guard" goes into overdrive.

The fifth point is about looking forwards rather than backwards. A global downturn is expected to materialise in 2023, as per global economic experts. The only question is: to what extent?

It is well-known, however, that recessions always bring with them huge opportunities. Many of the world's most successful businesses were formed at the height of previous recessions. Perhaps this is because recessions force businesses to be creative and use all their ingenuity to survive. They also force businesses to trim fat, meaning those that do survive come out the other side leaner, stronger and more financially competitive.

The last 12 months have been volatile. But I have seen enough rays of hope to suggest that Bangladeshi garment makers can navigate a safe path through the stormy waters ahead.