

## Wilful defaulters bleeding banks dry

### Is the government ever going to stop them?

We applaud the Comptroller and Auditor General (CAG) of Bangladesh for its recent audit of state-owned Janata Bank that revealed 31 counts of “serious irregularities” from 2015 to 2020 involving Tk 13,110.8 crore. It is not common to find state-owned institutions coming under scrutiny by another state-owned body, but the CAG has been consistent in carrying out audits of various public institutions revealing an alarming picture of financial irregularities.

Its latest findings about Janata Bank, presented in parliament last week, are indeed shocking. Almost half of the gigantic amount can be attributed to a company that has allegations of forgery and money laundering against it. The bank issued huge loans to various companies disregarding loan sanctioning and collection terms, Bangladesh Bank’s rules, the terms of the Bank Company Act 1991, and even its own lending policies. Companies were allowed to take out loans without providing adequate collateral, crossing the permissible limit and even getting interests waved in clear violation of the rules. The CAG report contains numerous examples of this irrational indulgence to controversial business groups and their subsidiaries, including granting loans amounting to a few thousand crore takas. Even back-to-back LC facilities were given against fake export bills with the amounts never being paid back by the enterprise.

Banks are being systematically drained by wilful loan defaulters connected to power, whether it is a director of the bank or a debtor with political connections. It is frightening to know that in the first three months of this year, banks have been burdened with Tk 10,964 crore of default loans. Non-performing loans (NPLs) stood at Tk 131,621 crore by the end of March. According to Bangladesh Bank, almost half of the defaulted loans were with nine state banks.

As economists have frequently underscored, such widespread irregularities have resulted in the financial sector getting progressively weaker. Violators of banking norms and regulations are hardly ever punished, and are allowed to continue to default on loans with impunity. Bangladesh’s second-highest ranking in terms of a bad loan ratio in South Asia is, therefore, unsurprising.

So, while the CAG is to be commended for unearthing the details of banking irregularities, we must acknowledge that the ongoing haemorrhaging of banks will not stop until there is a strong political will to install good governance in the banks and punish wilful defaulters instead of rewarding them.

## Market regulation at its worst

### Abnormal surge in green chilli prices lays bare poor planning and regulation

The abnormal surge in green chilli prices in recent days has once again exposed the failure of market regulators to keep prices of essentials stable and protect the interests of ordinary consumers. On Saturday, retail prices of green chilli jumped to an unprecedented Tk 700 per kg – a steep increase from just Tk 100 to Tk 120 per kg a month ago – while wholesalers at Karwan Bazar sold it for Tk 500 per kg. This marked the culmination of a rapid price escalation centred around the Eid holiday, when chilli is usually in high demand, in a trend that exploits temporary disruptions in food supply to inflate prices.

Although retail prices of chilli fell by Tk 200 to Tk 250 per kg on Sunday, thanks to reports of the impending arrival of imported chilli, the damage has already been done. The spike in chilli prices has caused significant distress to consumers already struggling with a massive cost-of-living crisis. We are told that a further decline in chilli prices is expected within a few days. We must ask, however, why the situation has been allowed to deteriorate to the point that it did. True, weather-induced crop damage is largely to blame for the dearth of supply and resultant price increases, but it was nothing unpredictable. It could be, and should have been, offset with timely imports and stern measures against price manipulators. That the authorities still failed to intervene points to their lack of sincerity.

This is totally unacceptable. We have seen such scenarios in the past as well. We have seen how the absence of effective oversight mechanisms and proactive measures to address supply shortages left consumers at the mercy of unscrupulous market players. The inability to predict and address such situations is a fundamental flaw in our market regulatory system, which should aim to protect consumers from being exploited. We urge the authorities to acknowledge this failure, and take immediate steps to rectify it. Without proactive measures, consumers will continue to be victims of such contingencies.

New Message

To

Subject

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# How Bangladesh can benefit by joining BRICS



### THE OVERTON WINDOW

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ERESH OMAR JAMAL

According to an official of the foreign ministry, Bangladesh will apply to join the BRICS alliance, and the process to formally seek its membership is already underway. Earlier, Foreign Minister AK Abdul Momen said Bangladesh would welcome if BRICS formally invited it to join the grouping of five member-states – Brazil, Russia, India, China, and South Africa – having previously hinted that Bangladesh is likely to become a member of the bloc in August this year.

BRIC was initially formed in 2006. The only member it formally admitted since then was South Africa in 2010. In April this year, South Africa’s BRICS ambassador Anil Sooklal told Bloomberg that a long list of nations were now looking to join the bloc. The list includes 13 countries, with an additional six countries that have informally requested to be part of BRICS. The group of known newcomers includes Saudi Arabia, Iran, Argentina, the UAE, Bangladesh, Algeria, Egypt, Bahrain, Indonesia, Syria, two nations from East Africa and one from West Africa.

According to Dr Salem Nasser, professor of international law at Brazil’s FGV Direito SP University, these requests show that there are “ongoing changes in the balance of world power.” Although Nasser does not believe that through joining BRICS these countries will be aligning themselves with China or closing the door on collaboration with the West, “BRICS represents a new pole of economic and political power which” can “compete with North American hegemony,” he says.

With the geopolitical fractures happening on the global stage, some analysts believe that the existing BRICS member countries are now more willing than ever to admit other countries into the bloc. As a preliminary step towards that, BRICS has allowed more countries to join its New Development Bank (NDB) – formerly referred to as the BRICS Development Bank – in recent years, including Bangladesh in 2021. In the last week of May this year, Saudi Arabia held talks to join the bank as its ninth member. Although new members like Egypt and Bangladesh represent major emerging markets and economies, Saudi Arabia, like the UAE, would



Bangladesh formally requested to join BRICS following a meeting between Prime Minister Sheikh Hasina and South African President Matamela Cyril Ramaphosa in Geneva, Switzerland on June 14, 2023.

FILE PHOTO: PTO

represent another rich shareholder in the NDB. And this is sure to increase the NDB’s financial capacity to assist the member countries.

The NDB has lent \$33 billion for more than 96 projects in the five founding member countries. The main reasons why the BRICS members are looking to expand membership into the NDB could be political. However, according to Cobus van Staden, a senior researcher at the South African Institute of International Affairs, “interest among developing countries to join the (NDB) is driven by dual dynamics.” First, because of the “lack of development financing options open to the Global South, particularly for concessional financing aimed at infrastructure development.” The lack of concessional options has forced these countries towards market-rated lending, which has “significantly contributed to the current debt crisis in the Global South.” Secondly, a small minority of “developing countries has complicated relationships with Western powers, especially in relation to sanctions.” For them, “the NDB represents a potential source of financing and influence outside of forums dominated by Western norms

Bangladesh with an additional source of financing. However, how we use any resources that we get will ultimately dictate the extent of that benefit, or even loss.

Consequently, Bangladesh’s decision to join BRICS could lead to greater foreign investments into the country given the increased stature Bangladesh will enjoy by being part of a hugely influential group of developing economies. It will also help our country to diversify foreign relations and currency.

Regarding local currency financing, the NDB stands out from the IMF and the World Bank, which primarily use the US dollar as the dominant currency for international transactions. The NDB offers loans in multiple currencies, including the US dollar, euro, Chinese yuan, and other local currencies. Its new chief, former Brazilian President Dilma Rousseff, recently announced that the bank is gradually shifting away from the US dollar. She pledged that in the future, at least 30 percent of loans would be provided in the local currencies of member countries with the aim of diversifying currencies, reducing the bloc’s reliance on the dollar, and

Aside from these, there are many other benefits Bangladesh could get by joining the BRICS bloc. But what is important to keep in mind is that, should Bangladesh’s membership get accepted, it is likely to increase the country’s importance and voice on the global stage. This will require Bangladesh to be more proactive on global issues and also when it comes to setting global agendas. Bangladesh needs to be ready for that.

We need to honestly assess whether our state institutions have matured enough to be able to negotiate and absorb any economic and financial benefits Bangladesh could get from being a part of BRICS. Given our poor track record of negotiating favourable deals in our national interests with foreign countries – instead, our political class usually makes deals that benefit it directly, alongside foreign businesses – how Bangladesh can benefit from BRICS is uncertain.

The bloc may soon become a big club, with plenty of big global players, and with that may come the need to make big decisions and work around big challenges. Bangladesh has a lot to do to position itself cleverly so it can handle them carefully.

## Stories and impacts of Padma Bridge



Dr Mohammad Zaman was a member of Jica and Mainsell-Aecom Team and led the Social and Environmental Management Planning for the Padma Bridge project. His recent edited book (with co editor Hafiza Khatun) is titled ‘Development-Induced Displacement and Resettlement in Bangladesh: Case Studies and Practices.’

MOHAMMAD ZAMAN

I read with interest a piece published recently in *The Daily Star* on the first anniversary of the Padma Multipurpose Bridge (PMB) opening. The country was euphoric this time last year due to the inauguration of this bridge by Prime Minister Sheikh Hasina. Although it is too early to judge its full impacts and benefits, there are already many positive stories on how the PMB has transformed the country – thanks to the bridge’s immediate impact on transport and faster connectivity to the Barishal and Khulna regions in the southwest.

The Padma Bridge entered the planning stage following the completion of the Jamuna Bridge in 1998. A pre-feasibility study was conducted in 2000 by Rendel, Palmer and Tritton, followed by a full-fledged feasibility study (FS) by Nippon Koei in 2003-2005, funded by Japan International Cooperation Agency (Jica). Four potential sites (Paturia-Goalundo, Mawa-Janjira, Dohar-Charbhadrasan, and Chandpur-Bhedargani) were considered during the FS, and the Mawa-Janjira site was recommended by the Jica team. The detailed final technical design of the Padma Bridge (2008-2010) was funded by the Asian Development Bank (ADB).

The double-deck multipurpose

bridge designed by New Zealand-based firm Mainsell-Aecom was a real accomplishment and an “engineering feat.” However, long before the project construction was to begin, the co-financiers (ADB, JICA, and the World Bank) withdrew their funding commitments due to a dispute with the government of Bangladesh over alleged corruption in the selection of contractors and management consultants. The situation led to serious political controversy, with allegations and counter-allegations between the government and the World Bank. Finally, in 2013, Prime Minister Sheikh Hasina strongly stated that the bridge would be built by Bangladesh without any external assistance. Accordingly, construction of the main bridge and other components commenced in November 2014. With pride and confidence, the bridge was opened to the public on June 25, 2022.

The 6.15km-long Padma Multipurpose Bridge – the longest in South Asia – established a fixed, reliable, and safe crossing over the Padma River from Mawa to Janjira and to the southwest region, reducing four hours of ferry commute to merely a 10-minute ride over the bridge. The bridge connects the southwestern

region (which has over 35 million people) with the capital of Dhaka, boosting business and the movement of export goods between the Mongla seaport and the rest of the country.

The improved transport network has now reduced the hauling time of vehicles and enhanced economic activity, boosting the national GDP, according to one estimate, to roughly one percent annually. Further, as a result of the new link and increased accessibility, the country’s southwest now experiences higher levels of economic activity, increased mobility, migration, and new employment opportunities, with impacts of poverty reduction in the region.

Those affected by the construction of the bridge and its other components (that is, approach viaducts, river-training work, 14km of approach roads, bridge-end facilities, toll plazas, service areas, offices, etc) were properly resettled and rehabilitated in four resettlement sites in Mawa and Janjira. The resettlement plan was designed following the “good practices” of the Jamuna Bridge experience. Monetary compensation was made as per the replacement cost for land and other assets prior to displacement. The displaced households had options of either moving to resettlement sites or taking “self-managed” resettlement packages with all the applicable compensation and benefits. Close to 2,000 households opted for self-managed resettlement and moved to existing villages in Mawa and Janjira areas.

Four resettlement sites were built with provisions for house plots for over 2,400 households, and including civic amenities such as internal roads, water

supply, electricity, schools, a market area, and waste management systems. The resettlers in the four sites are largely from the affected villages along the bank, where they had experienced multiple displacements in the past due to annual endemic erosion. In contrast, they now live in secure, semi-urban townships with access to employment and other social development support – particularly assistance for poor women and vulnerable groups, and training and livelihood programmes by a reputed non-government organisation (NGO) hired by Bangladesh Bridge Authority (BBA). In sum, Padma Bridge established a “development approach” to resettlement management, benefitting those affected by the project.

The benefits and potentials of the Padma Bridge megaproject are yet to be realised. Currently, only the four-lane divided motorway on the upper deck is operational. The dual-gauge rail line on the lower deck will be completed soon. The fibre optic cable and the gas pipeline on the bridge, separate but parallel power transmission line, the railway stations in Mawa and Janjira, and the eco-tourism centre on the Janjira side will ultimately fundamentally transform the region, making the Padma Bridge a real transportation “hub” and a key driver for economic growth and social change. Furthermore, the fixed link has opened up a real possibility for expanding Dhaka city to Mawa and to the southwest across the Padma Bridge to Shariatpur and Madaripur, which should be carefully studied by the government. To me, the future of Dhaka as a liveable city lies across the Padma Bridge.