

# **Mega Concerns of Megaprojects & Illicit Financial Outflows**

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Symposium on  
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***Economic Management, Reforms and National Budget***

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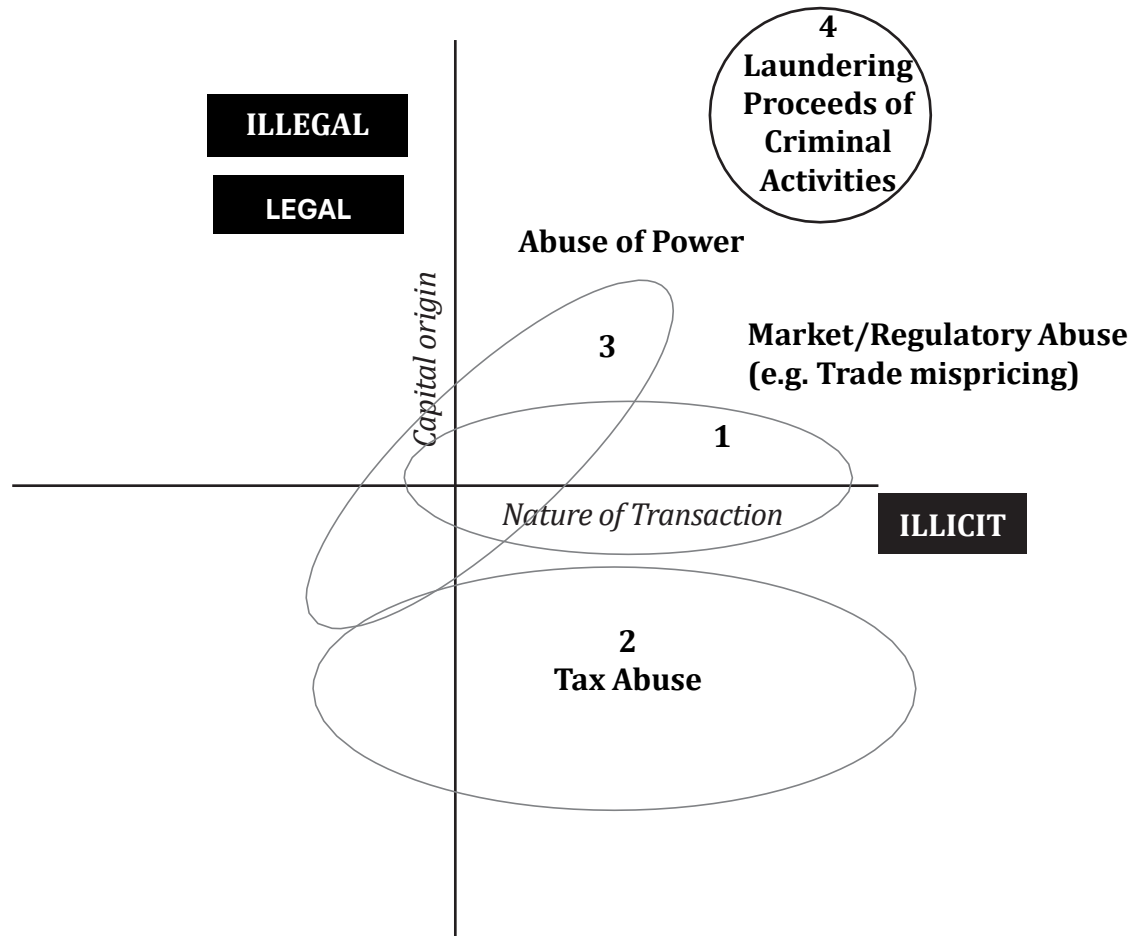
# Core Findings from the White Paper

## ❑ *Megaproject*

- **A review of DPPs, RDPPs and relevant project documents, FGDs and KIIs indicate that there were major anomalies involving implementation of the megaprojects in Bangladesh.**
  - Important project documents were closely guarded to avoid putting those under public scrutiny.
  - Seven projects, put under scrutiny by the committee, reveal a cost-overrun to the tune of more than 70%, often through various types of underhand, non-transparent dealings and corrupt practices (e.g. feasibility studies that were not rigorous enough; bidding process that were not competitive; contracting of works that were manipulated; subsequent project components that were added subsequently to serve vested interests; overpriced land acquisition carried out at higher prices; corruption at various stages).
  - Construction costs per kilometre of road, rail and metro rail were found to be significantly high compared to other (neighbouring) countries.
  - When there was significant cost overrun, the estimates of returns- IRR, ERR, FRR, NPV, BCR- were not re-estimated properly to assess the viability of the projects, thus calling into question the rationale of undertaking a number of such projects.
  - Megaprojects, implemented in large part with borrowed foreign money, often at high interest rate, is likely to create significant debt burden for Bangladesh, particularly because expected returns were unlikely to be delivered.
  - The megaproject were often seen by vested quarters as an opportunity to launder money abroad

## ❑ *Illicit Outflows*

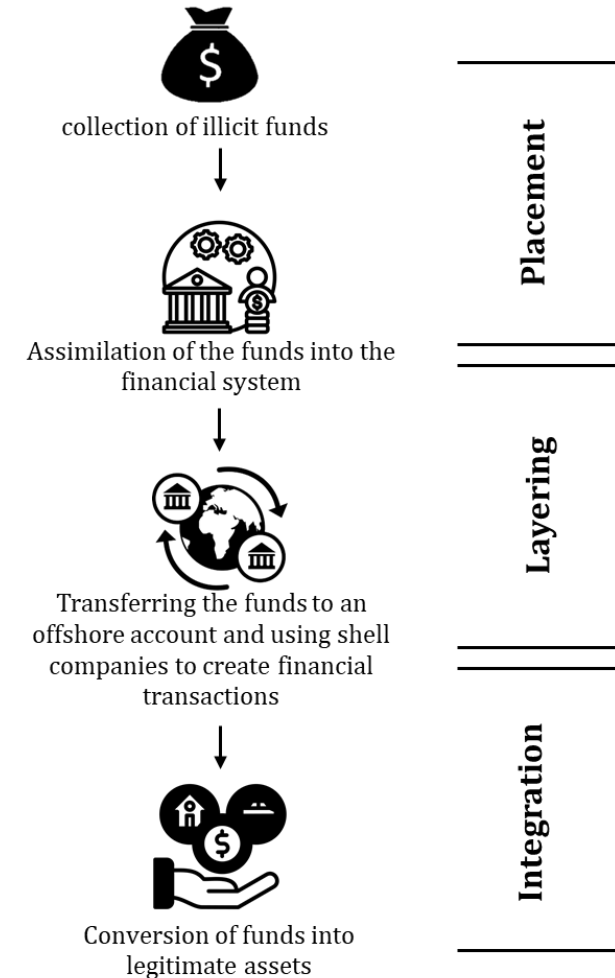
**Figure 1: Main IFF Types by Nature of Capital and Mode of Transactions**



**Source:** Adapted from Cobham (2014).

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**Figure 2: Cycle of Money Laundering**

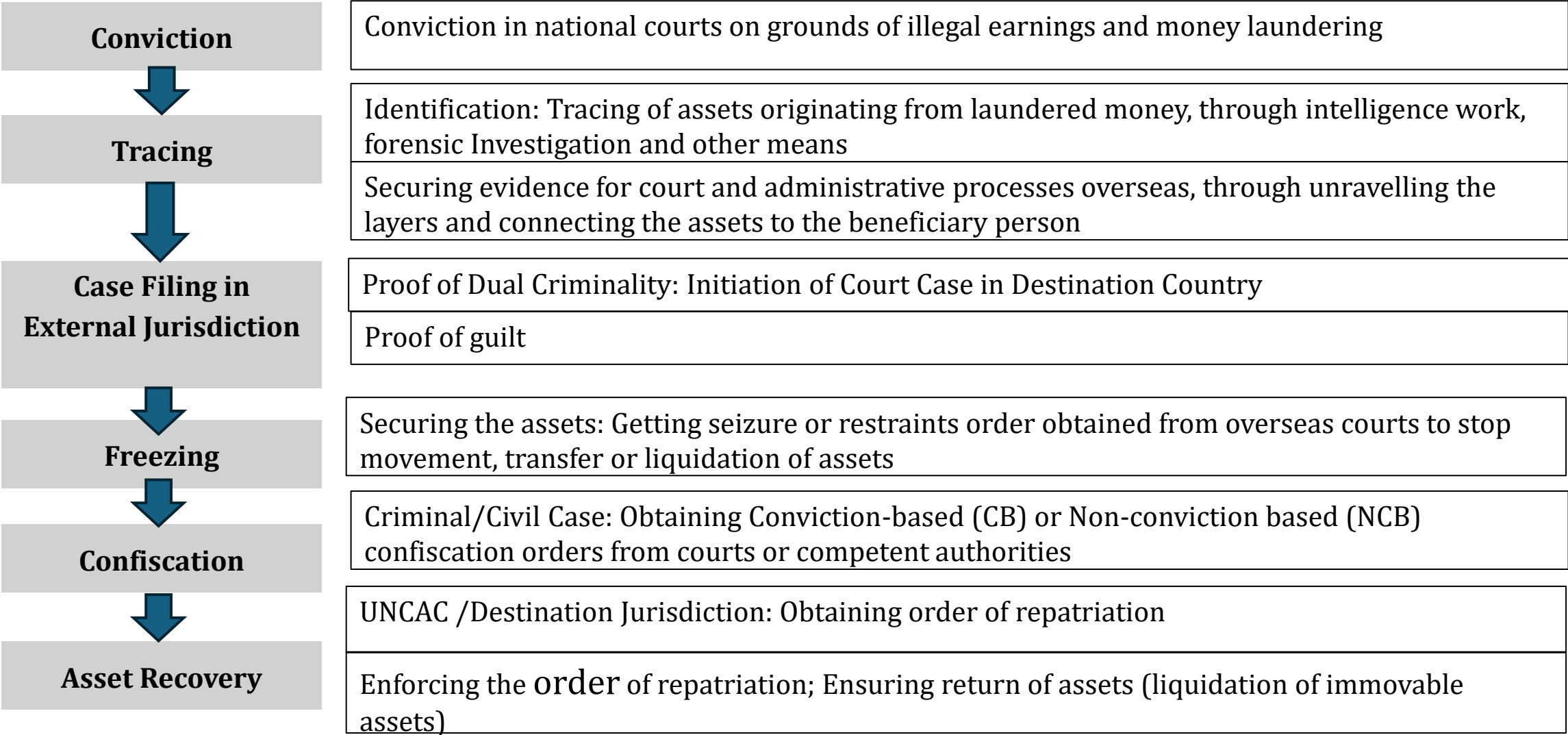


**Source:** United Nations Office on Drugs and Crime (UNODC).

# Core Findings from the White Paper

- **Illicit financial outflows from Bangladesh originated from various sources:**
  - Over-costed megaprojects was a crucial source of illicit outflows. So was the money siphoned off from banks, and ill-gotten money originating from corruption of various types.
  - Money was laundered through trade mispricing, cash, hundi/hawla channels, gold smuggling, online gambling and in various other ways.
  - Money laundered was estimated to be to the tune of about 16.0 billion USD per annum over the period between 2009-2023.
- **The Illicit Outflows were transferred and concealed in multi-layered forms- invested in shell companies in tax havens, purchasing real estates overseas, deposits in bank accounts abroad.**
  - While several institutions and steps were put in place to deal with illicit outflows, these remained mostly non-functional due to political pressure, deliberate interventions by powerful vested interests, and also lack of initiative on the part of concerned institutions.

**Figure 3: Asset Recovery Process in Brief**



**Source:** Adapted from NBR (2015).

# An Update on the Policy Context and Actions

## □ *Review of Mega Projects*

- The Interim Government has undertaken a review of the ADP, including selected mega projects, with a view to ensure good governance in PIP implementation. The review is putting under scrutiny taking into consideration several factors: rationale (many projects were taken up on political consideration), public utility function, justification about benefits and returns, plugging opportunities of further corruption, environmental concerns, preventing further wastage of resources.
- A number of projects have already been discarded and, in cases of some others, implementation was halted. For example, The Planning Commission has decided not to construct several safari parks, a number of bridges, MRT-5 line, and is reconsidering the construction of an expressway on the haor in Sylhet.
- The possibility of mid-course correction is being assessed with respect to a number of projects including megaprojects. All big projects that are not nearing completion are to be reviewed.

## □ *Bringing Back Stolen Assets*

- The BFIU, ACC and other concerned organisations are being reenergised, and are taking a number of steps to identify people who were involved in money laundering, and to recover the stolen assets. A Task Force has been constituted with the mandate to recover the laundered money. The ACC Reform Commission has submitted its report with a number of concrete recommendations.
- The ACC has initiated several investigations against key people of the deposed government and their close associates in crime. Criminal cases are being filed in this backdrop.
- Several development partners are collaborating with relevant agencies in Bangladesh to identify stolen assets overseas as also the involved people, and to bring back the stolen assets to where it belongs.

# Recommendations for the Budget and Beyond

## ❑ *Addressing Mega Projects Related Concerns*

### ❖ **Budget Proposals**

- Make adequate allocations in the budget towards human, technical and logistics capacity to strengthen the IMED
- Present a transparent estimate of debt servicing obligations in Budget FY 2025-26, over the medium term, arising on account of individual mega-projects

### ❖ **Beyond Budget: Reforms and Institutional Measures**

- Make it mandatory to have all relevant project documents made public, to be put on website
- Consider institutional reforms to ensure independence and autonomy of IMED and its decentralisation
- Introduce and enforce results-based monitoring (RBM) in project management
- Consider putting in place a customised Framework of Good Governance in PIP Implementation (Similar to the OECD one)

# Recommendations for the budget and beyond

- Take measures to further strengthen e-procurement system. Formulate Act and rules for *Sustainable Public Procurement Policy* (guidelines have been developed)
- Undertake a thorough review of mega-projects to explore opportunities of cost reduction
- Initiate discussion with bilateral/multilateral development partners as regards restructuring of debt incurred on account of mega projects
- Design a policy for technology transfer and human resource development in view of implementation of mega-projects
- Comparison of costs with other countries (for similar projects) needs to be made part of all Feasibility Studies and Project Appraisals (with well-justified arguments and justification in case major deviations in cost estimates are proposed)



# Recommendations for the Budget and Beyond

## ❑ *Dealing with Illicit Outflows*

### ❖ **Budget Proposals**

- Do away with the budgetary practice of legalising ill-gotten money acquired in Bangladesh and laundered abroad
- Make budgetary provisions to finance undertaking activities to bring back stolen assets (e.g., filing court cases, undertaking forensic investigation, and hiring legal experts and globally reputed firms specialising in asset recovery)
- Allocate adequate resources to strengthen institutional capacities of organisations that deal with illicit financial outflows- BFIU, NBR, Task Force on Stolen Asset Recovery, Transfer Pricing Cell- to equip these with adequate human resources and build technical capacity (training, forensic expertise, access to real time relevant global data)

### ❖ **Beyond Budget: Reforms and Institutional Measures**

- Ensure functional autonomy of BFIU's investigation wing (as in India)
- Ensure that the seven steps in the Guidelines prepared by the National Coordination Committee in view of money laundering in strictly followed

# Recommendations for the Budget and Beyond

- Ensure that the feedback mechanism for investigations, charges, and judicial outcomes is enforced
- Bangladesh should apply to join the OECD Convention on Mutual Administrative Assistance in tax matters (MAAC), and adopt Common Reporting Standard. Bangladesh should also apply for full membership of Financial Actions Task Force (FATF) and become a full member of *Global Forum on Transparency and Exchange of Information for Tax Purposes*.
- Take initiative to sign of bilateral agreements with countries where significant part of the stolen money has been laundered, to facilitate return of the stolen money
- Send formal request letter to destinations countries to seize, freeze and sequester wealth of Bangladeshi nationals under respective national laws concerning politically exposed foreign persons.
- Revise Income Tax Act 2023 to enable NBR to pursue tax evasion cases abroad
- Consider measures to deal with the emergent issue of transfer of money abroad from sale of inherited property
- Implement the recommendations put forward by the ACC Reform Commission

# Thank You



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