Star BUSINESS

DHAKA WEDNESDAY JULY 29, 2020, *SRABAN 14, 1427 BS* ● starbusiness@thedailystar.net

Finance ministry replaces Janata chairman in less than a year

Jamal Uddin Ahmed removed 11 months into his three-year tenure; SM Mahfuzur Rahman appointed

STAR BUSINESS REPORT

Janata Bank, it seems, is always in damage control mode. If it is not in the news for loan delinquencies, it is for something else.

And yesterday, the state-owned bank found itself in another delicate situation: the finance ministry yesterday removed its chairman, Jamal Uddin Ahmed, due to his alleged influence in sanctioning loans violating the banking norms.

The decision comes as the government looks to nurse the embattled lender to health after years of financial irregularities and scams.

Ahmed, a former director of the Bangladesh Bank, was appointed chairman in August last year.

Now, 11 months into his three-year tenure he finds himself withdrawn from the post after one-too-many allegations against him, at least four high officials of the bank told The Daily Star yesterday on condition of anonymity due to sensitivity of the matter.

Ahmed allegedly wielded his influence to sanction a good number of large loans.

For instance, officials of the foreign exchange division of the lender's corporate branch have reportedly refused to sanction a large loan as per the instruction given by Ahmed recently.

The branch was operated by the lender's administration section of Dhaka North, but Ahmed transferred it to Dhaka South to have more influence over its decision-making, the officials said.

He even reportedly instructed the human resource department of the bank to transfer the mid-level officials by ignoring the human resource management of the lender.

Also, he started to handle the clients of the state lender bypassing the management, which is a dreadful violation of the banking norms, the officials said.

Ahmed had indulged in similar behaviour as a director of the central bank, said a good number of the Bangladesh Bank officials. He allegedly visited the offices of mid-level officials of the central bank to do the bidding for some corporate groups.

Ahmed did not respond to The Daily Star's repeated request for comments.

Contacted, Md Abdus Salam Azad, managing director of Janata Bank, said the lender had already got the ministry's instruction to remove Ahmed. He declined to comment further on the matter.

The Daily Star has been unable to independently verify the allegations brought against Ahmed.

SM Mahfuzur Rahman, vice-chancellor of BGMEA University of Fashion & Technology, was appointed as chairman of the board and the central bank also gave a no-objection certificate to the ministry's decision yesterday, Azad said.

READ MORE ON B2

Two projects for the poor see their allocations slashed

REJAUL KARIM BYRON

Irregularities and apathy have become a permanent feature of project implementation in Bangladesh, thanks to which no infrastructure is ever ready on time.

The delays mean, the costs are invariably raised -- and this has become commonplace in the country.

But yesterday, the unusual happened: the government slashed the allocation for two projects that were meant to help the poor.

One of the projects is designed to serve 600,000 poorest mothers and benefit 2.7 million poor people in 43 upazilas in four districts -- Gaibandha, Kurigram, Lalmonirhat and Nilphamari.

The project initiated a cash benefits programme for the poorest mothers and pregnant women in 2015 in exchange for their participation in activities to improve their children's nutrition and cognitive development.

It is expected to benefit 10 per cent of the poorest households across 43 of poor upazilas with high child malnutrition rates.

Now, the allocation for the project has been slashed 19 per cent to Tk 1,980 crore, largely because the main financier, the World Bank, has withdrawn $50 million owing to the slow implementation and failure to put in place a database of the beneficiaries, according to a planning ministry presentation.

Income Support Programme for the Poorest Project
- Initiated in 2015
- New Deadline: 2022
- Allocation slashed **19**%
- New allocation: Tk **1,980**cr
- Beneficiaries: **10**% poorest households in **43** poor upazilas
- Project extended as beneficiaries could not be identified

Amar Bari Amar Khamar Project
- Initiated in 2009
- New deadline: 2021
- Allocation slashed **1.56**%
- New allocation: Tk **7,885**cr
- Beneficiaries: **54.6** lakh poor people
- Project extended for pandemic and targeted groups did not receive funds as promised

The baseline work of the project has been completed.

But the beneficiaries could not be identified as household data with certain poverty score was not available from the Bangladesh Bureau of Statistics' National Household Database Project.

As a result, the beneficiaries did not get the cash transfers, said the planning ministry briefing presented after the meeting of the Executive Committee of the National Economic Council (Ecnec).

The tenure of the project has been expanded by two years. The project was due to complete in June 2020.

The WB had committed $300 million for the project. But it redirected $50 million in December last year from the slow-moving project to its another project taken for the Rohingya people.

Under the project, a pregnant woman is supposed to get Tk 1,000 each of the four times they go through medical check-up.

They would get Tk 700 a month for 0-24 month-old babies and Tk 1,500 for every three months for 25-60 month-old babies.

Besides, pregnant women and lactating mothers would get Tk 700 each month if they attend workshops on child nutrition and improved education.

The project also aims to develop the capacity of local-level government to deliver safety net programmes.

Bangladesh has made remarkable progress in reducing poverty over the past two decades.

Yet, the country is among the 10 countries with the highest prevalence of malnutrition. About 31 per cent of children under the age of five are stunted.

The children from poor households bear a disproportionate burden of stunted growth.

Ensuring nutrition prenatally and in the early years helps to maximise a child's brain development and growth and is critical to boosting the earnings capacity in the later years of life and to prevent the transmission of poverty across generations.

Bangladesh spends more than 14 per cent of its budget on more than 100 safety net programmes. But only a small portion of this budget supports programmes that aim to improve maternal and child nutrition and cognitive development, according to the WB.

READ MORE ON B3

Bata Shoe sinks into losses for the first time in its 58-year stay in Bangladesh

AHSAN HABIB

Footwear giant Bata Shoe has incurred losses for the first time in Bangladesh as it missed the country's main shopping season after people's income was wiped out by the coronavirus pandemic.

The sales collapse of the shoes, a basic item, indicated the deep scar the pathogen has created for the economy and its people since the government revealed the country's first coronavirus cases on March 8.

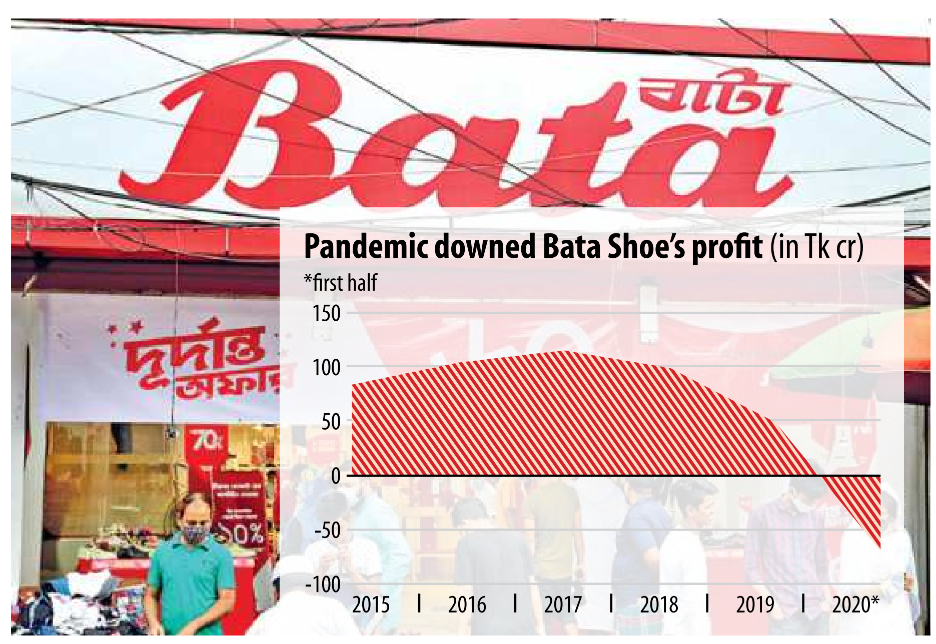
Earnings of 51 per cent households in the country plunged to zero while a massive 95 per cent people suffered losses in income due to the coronavirus outbreak, a recent study of Brac found. The ongoing flood has added another blow.

Bata's sales dropped 85.37 per cent to Tk 41.24 crore in the second quarter of 2020. Sales dropped 55.37 per cent to Tk 204.92 crore in the first half of the year.

Due to the collapse in sales, Bata Shoe sank into losses in the April-June period, giving up Tk 73.51 crore, whereas it had netted a profit of Tk 21.68 crore a year earlier.

Half-yearly loss stood at Tk 70.68 crore against a profit of Tk 26.14 crore year-on-year.

"As far as I know, this was the first time we fell into losses," said Hashim Reza, company secretary of Bata Shoe.



About 25 per cent of Bata Shoe's business comes during the Eid festivals, according to the financial report of the company.

So, it ramped up stock three months before Eid-ul-Fitr, the largest religious festival in Muslim-majority Bangladesh.

The hope soon dashed after the government imposed a countrywide lockdown on 26 March to contain the soaring cases of coronavirus infections.

By the time, the economy was partially opened on 31 May, the shopping season has gone. Eid-ul-Fitr was celebrated on 25 May.

Though the government had allowed the limited opening of shops ahead of Eid-ul-Fitr, the turnout of the panicked people was low, so were the sales, said a store manager of the company in Dhaka, requesting anonymity.

The store normally posts revenue of Tk 30 lakh in Eid-ul-Fitr during normal times but it was Tk 2 lakh this year.

The sales are rising centring Eid-ul-Azha, which is only three days away, but it can't match the revenue stream recorded during normal times before the pandemic hit, he added.

The situation is slowly getting better compared with the previous months, Reza said.

"So, what happens after Eid-ul-Azha would indicate whether the situation is getting back to normal or not," he added.

Md Belal Ahmed, a customer, normally buys shoes for himself and his family members from Bata, local brand Apex or other branded shops.

"But this year I decided not to buy any branded shoe as the financial condition is not very sound," he said.

Bata Shoe manufactures and sells leather, rubber, plastic, canvas footwear, hosiery and accessories items.

The reverse in fortune for the company, a subsidiary of the Switzerland-based The Bata Company, came although it has become more optimistic about the country of late.

READ MORE ON B2

'When will our cash registers start ringing again?'

Clothing brands have little to cheer about this Eid too

MAHMUDUL HASAN

Sales at retail clothing stores in the capital are growing ahead of Eid, albeit at a snail's pace.

Last Eid-ul-Fitr, people avoided shopping centres.

"But this time, people are coming out of their houses but the sales are not that much," said Soumik Das, chief executive officer of Rang Bangladesh.

The brand has 24 stores in the big cities.

"Sometimes, we witness a good day with skyrocketing sales. But the next day it plunges to rock bottom and that is frustrating. Maybe this is called the 'new normal'," he said.

He blames people's economic hardship for the depressing sales.

"Many people are sitting at home after losing their jobs due to the pandemic. How will they buy clothes?" said Das.

Since the sales usually pick up in the last week before Eid-ul-Azha, the real picture is yet to be ascertained. However, he will be happy if he can make even half of last year's Eid sales.

"Our business is very good if you consider we are in the middle of a pandemic," said Mohammad Ashraful Alam, chief executive officer of leading lifestyle brand Aarong.

He projected that their sales in Eid-ul-Azha would be 62 per cent to 65 per cent of what it was during last year's festival.

The brand's e-commerce segment is estimated to witness a sales rise of 250 per cent month-on-month in July.

The number of customers has increased in recent weeks as the stores have now been permitted to stay open for longer hours, he said.

To ensure social distancing, the brand is now allowing a limited number of customers to enter its stores based on capacity.

"There are about 65,000 artisans who make our products. They would be left with no income if Aarong cannot make sales. Even in the pandemic, we went ahead with our store opening plan to save their livelihoods," Alam said.

On 25 July, Aarong opened a new 7,800 square feet store in Jessore, taking the total number of outlets of the brand to 21, in a testament to its firm position despite the pandemic.

Khalid Mahmood Khan, the co-founder of Kay Kraft and YOUNGKAY, is hopeful of good days making a comeback.

"Restrictions have recently been relaxed more so people are now going out after dusk and coming to stores. Even though sales are not what was expected, this change in people is giving us a ray of light to this dark hour of the business."

However, there would be no quick recovery from the damage the virus caused to their business.

"Buyers need peace of mind at first and then they will think of splurging," Khan said.

To lure in customers to Kay Kraft and YOUNGKAY's 24 stores, the brands are providing a flat 20 per cent discount on all products.

Many others are offering discounts as much as 80 per cent, all to attract buyers and vacate warehouses.

But it all seems to be in vain.

According to industry insiders, most of the brands laid off many staff and halved salaries in a desperate attempt to survive.

It is the same scenario over at Banarasi Palli in Mirpur.

Spreading from Mirpur 10 to 11 and housing about 130 shops, the Mecca of saree lovers has a heritage tracing back to India's 1947 partition.

READ MORE ON B2

Economic pitfalls risk cooling Egypt's hot money inflows

Reuters, *Cairo*

The threat of conflict in Libya, water security worries and a flat-lining tourist sector risk upending a nascent rally in Egyptian bonds, bankers and economists say.

The North African country has attracted a wave of foreign investor interest in the past three months, emboldened by fresh financing from the International Monetary Fund (IMF), and short-term local debt offering yields of around 13 per cent, among the highest in emerging markets.

Bankers and economists warn, however, that the yield bonanza masks an economy with weak prospects and heightened political risk, with the Cairo bourse falling on several days this month on fears of a Libya intervention. Parliament gave President Abdel-Fattah al-Sisi last week the green light for possible military intervention in Libya.

A deployment of armed forces into Libya could lead to higher military spending at a time when COVID-19 is already hitting the budget deficit.

"Obviously the IMF support package has reassured foreign investors and that is why there has been an improvement in flows, but the fundamentals are still weak," said Zeina Rizk, executive fixed income director at Arqaam Capital.

"The virus is raging, tourism is down, and government spending needed to boost the economy will add further leverage," she added.

Adding further uncertainty, Egypt has failed so far to reach a deal with Ethiopia to regulate flows from its Grand Renaissance Dam (GERD) which threatens its main water source.

"The political risk has deteriorated," said Hasnain Malik, head of equity research at Tellimer Research.

REUTERS/FILE

A member of a medical team is seen beside a banner for the Egyptian President Abdel Fattah el-Sisi, as he sprays disinfectant as a precautionary move amid concerns over the coronavirus disease outbreak at the underground Al Shohadaa "Martyrs" metro station in Cairo.

The tourism industry, meanwhile, which makes up as much as 15 per cent of GDP, is unlikely to recover soon, analysts said. Egypt, unlike Tunisia and Morocco, has not been added to the European Union's list of safe COVID-19 countries.

Egypt's reported COVID-19 cases have been falling in the past weeks but the number of new infections remains too high for now to lift the travel warning, diplomats said.

Tourist flights to Red Sea resorts have been rising since airports reopened on July 1, but normal occupancy rates would be only back by March or April next year, said Alaa Akel, head of the Egyptian Hotels Association Red Sea.

More than half of the hotels are back in business after two months of lockdown and those still closed will probably re-open by November, he added. The central bank and state press centre did not respond to questions sent by Reuters.

The government expected growth of 3.5 per cent in the fiscal year 2020/21, which began in July, but growth could slow to 2 per cent if the coronavirus crisis continues until year-end, Planning Minister Hala al-Saeed said in May.

Sisi in March approved a 100 billion pound ($6 billion) plan to stem the economic fallout, including support for the tourism sector, payments of salaries for staff sent home by their employers and cash for informal workers.

With foreign reserves standing at $38 billion, Egypt's finances are in much better shape than in 2011 after the toppling of Hosni Mubarak.

This is down from $45 billion from before the pandemic, but the central bank has been able to support the currency, which strengthened in July after a dip the month before, a gain that helped buyers of short-term debt make a profit, bankers say.

"We have been seeing significant flows back into Egypt," said Farouk Soussa, senior Middle East and North Africa economist at Goldman Sachs.

"The inflows have indeed been at the short end of the curve, reflecting higher short term yields and the potential for near-term strengthening in the pound, which make the carry trade the most lucrative in Egypt at the moment," said Soussa.

He was referring to a strategy which involves investors borrowing in currencies where interest rates are low to invest in countries where yields are high.

Egypt's international bonds have performed better than some other similarly rated emerging market sovereigns, such as El Salvador and Sri Lanka, since the March sell-off.

Egypt's 2025, 2027 and 2040 issues are trading around 12 per cent or less from pre-pandemic highs, Refinitiv data shows.

But analysts say the inflow of "hot money" -- or investments made for short periods -- does not translate into new jobs in the real economy and might disappear if the currency slips.

Barring its energy sector, Egypt had been struggling to attract foreign direct investment (FDI), a predicament blamed by analysts on bureaucracy and an expansion of army-owned firms in sectors from food production to cement.

"Increasing long term foreign direct investment further will require improvement in Doing Business indicators, maintaining a sound, predictable macroeconomic framework and political stability," Raza Agha, head of emerging markets credit strategy, Legal & General Investment Management.

US core capital goods orders, shipments accelerate in June

Reuters, *Washington*

New orders for key US-made capital goods increased more than expected in June and shipments accelerated, but the gains were likely insufficient to avert the deepest plunge in business investment and economic activity since the Great Depression in the second quarter because of the COVID-19 pandemic.

Orders for non-defense capital goods excluding aircraft, a closely watched proxy for business spending plans, jumped 3.3 per cent last month, the Commerce Department said on Monday. These so-called core capital goods orders rose 1.6 per cent in May and remained below their pre-pandemic level. Orders last month were boosted by strong demand for machinery, fabricated metals, primary metals and electrical equipment, appliances, and components.

Economists polled by Reuters had forecast core capital goods orders advancing 2.3 per cent in June. Core capital goods orders fell 2.3 per cent on a year-on-year basis in June.

Shipments of core capital goods surged 3.4 per cent last month. Core capital goods shipments are used to calculate equipment spending in the government's gross domestic product measurement. Core capital goods shipments rose 1.6 per cent in May. Stocks on Wall Street opened slightly higher amid hopes of more stimulus to revive the economy. The dollar fell against a basket of currencies. US Treasury prices rose.

Economists expect business spending contracted at its sharpest pace on record in the second quarter, which would mark the fifth straight quarterly decline.

According to a Reuters survey of economists, GDP collapsed at a 34.1 per cent annualized rate last quarter, which would be the sharpest contraction in output since the government started keeping records in 1947. The economy contracted at a 5.0 per cent rate in the January-March quarter, the deepest since the 2007-09 recession.

The government will publish its snapshot of second-quarter GDP on Thursday. The closure of nonessential businesses in mid-March to slow the spread of the coronavirus almost ground the economy to a halt, with most of the effects felt in April.

Activity has rebounded as businesses reopened, but the nascent recovery is being threatened by a resurgence in cases of the respiratory illness across the country. Some authorities in the hard-hit South and West regions have either shut down businesses again or paused reopenings.

Orders for durable goods, items ranging from toasters to aircraft that are meant to last three years or more, increased 7.3 per cent in June after rebounding 15.1 per cent in May. Durable goods orders were driven by strong demand for motor vehicles, which led to a 20 per cent rise in orders for transportation equipment after a 78.9 per cent surge in May.

Orders for motor vehicles accelerated 85.7 per cent. That followed a 28.8 per cent increase in May. Orders for civilian aircraft tanked 462.3 per cent. Boeing reported only one aircraft order last month after receiving nine in May, according to information posted on its website.

The planemaker reported this month that customers cancelled orders for 355 of its 737 MAX jets in the first half of 2020, as the damage done by the jet's grounding and the coronavirus crisis to the airline industry mounted.

REUTERS

Household appliances are offered for sale at Home Depot in Chicago, Illinois.

HSBC warned over Huawei role in Chinese govt-backed website column

Reuters, *Beijing*

A Chinese government-backed website took aim at HSBC Holdings PLC on Tuesday, accusing the Asia-focussed lender of "maliciously" playing a role in the arrest of Huawei Technologies' chief financial officer.

Huawei CFO Meng Wanzhou's is fighting against extradition from Canada to the United States, where she is accused of bank fraud for misleading HSBC about Huawei's relationship with a company operating in Iran, putting HSBC at risk of fines and penalties for breaking U.S. sanctions on Tehran.

Anger in China over the treatment of Meng and Huawei, the world's biggest telecoms equipment maker, has led to criticism of London-headquartered HSBC intensifying in recent days, with the latest salvo fired by website China.com.cn.

"The role of HSBC in the Meng Wanzhou incident is already clear. HSBC's credibility has also been wiped out," said the commentary posted on the site backed by the State Council Information Office and the China International Publishing Group.

"In the U.S. government's political pursuit of Huawei, HSBC was the one who 'handed the knife'," it said in a column written under the byline Tang Hua, and signed by three editors.

HSBC had issued a statement on Saturday saying it had not participated in the decision by the U.S. Department of Justice to investigate Huawei and that it had no "malice" against the company.

The Chinese website article dismissed HSBC's denial as "meaningless".

Gold roars to record high, dollar dives again

Reuters, *London*

Gold soared to an all-time high on worsening ties between the United States and China, a sinking dollar and ultra-low interest rates on Monday, while stock markets faltered before a deluge of corporate earnings.

Europe's main stock markets were still hurting after their first weekly drop in four and as the euro's fastest gains since early 2016 took past $1.17, but it was weakening dollar and precious metals surge that dominated.

Gold made a 1.6 per cent jump to surpass its 2011 highs and put $2,000 per ounce in its sights. Silver climbed another 7.5 per cent, to take its July streak past 30 per cent, which would be its best month on record. A lot of factors were in play for markets, said Shafali Sachdev, the head of FX Asia at BNP Paribas Wealth Management in Singapore, from U.S.-China tensions to a second wave of coronavirus outbreaks.

"If you look at the fact that the dollar's been higher yielding than many other currencies for quite a while, and with some of the benefits of that being eroded ... and also the continued demand for a safe haven, it all plays into gold's strengthening," she said.

"And at this point there doesn't seem any obvious factor that could help the trend to draw to a close." European stocks cut some early losses after data from Germany showed an improvement in business morale, but they continued to struggle.

Travel and leisure stocks were down nearly 2.5 per cent, with airlines and tour operators such as TUI AG, , Easyjet, British Airways owner IAG falling between 7.5 per cent and 12 per cent after Britain imposed a 14-day quarantine on travellers returning from Spain, where coronavirus cases are rising again.

Asia was also choppy. A 10 per cent rally in Taiwanese chipmaker TSMC helped the tech sector, after U.S. rival Intel saw its shares plunge more than 16 per cent on Friday.

Elsewhere, mainland Chinese shares gave up most of their early gains, with the CSI300 index closing up just 0.2 per cent, after steep losses on Friday too.

Japan's Nikkei fell 0.2 per cent, though S&P 500 futures steadied and were last up 0.5 per cent in Europe.

Global shares had lost steam late last week after Washington ordered China's consulate in Houston to close, prompting Beijing to close the U.S. consulate in Chengdu. U.S. Secretary of State Mike Pompeo said Washington and its allies must use "more creative and assertive ways" to press the Chinese Communist Party to change its ways.

"U.S. President (Donald) Trump used to say China's President Xi Jinping is a great leader. But now Pompeo's wording is becoming so aggressive that markets are starting to worry about further escalation," said Norihiro Fujito, chief investment strategist at Mitsubishi UFJ Morgan Stanley Securities.

Key for markets this week will be the U.S. Federal Reserve's latest meeting, U.S. gross domestic product figures and earnings releases from the world's main tech companies, including Facebook on Wednesday and Amazon, Apple and Google on Thursday. Hopes for a quick U.S. economic recovery are fading as coronavirus infections showed few signs of slowing.

That means the economy could capitulate without fresh support from the government, with some of the earlier steps such as enhanced jobless benefits due to expire this month.

Investors hope U.S. Congress will agree on a deal before its summer recess. U.S. Treasury Secretary Steve Mnuchin said the package will contain extended unemployment benefits with 70 per cent "wage replacement" -- but there are some sticking points.

Democrats, who control the House of Representatives, want enhanced unemployment benefits of $600 per week to be extended and are looking for a much bigger stimulus compared with the Republicans' $1 trillion plan.

Barishal's guava traders in a pickle

FROM PAGE B4

Every year, around 800 tonnes of guava are bought and sold each day through at least 10 wholesale centres in the region. This statistic has since fallen below 500 tonnes per day this year, according to DAE data.

"We think prices will see a 50 per cent cut because of the reduced demand for the fruit," said Suvojit Halder, a wholesaler at the Bhimruli floating guava market under Jhalakati district.

"This time, both the number of traders and wholesalers have decreased significantly due to the coronavirus outbreak," said Nittananda Samadder, president of Peara-Amra Bagan Malik Samity in Kuriana, an association of guava and hog plum orchard owners.

"We believe sales will be 50 per cent less than what they were in the previous year," Samadder added.

Getting real value for the produce would be a tough task this year, local guava farmers said.

"If we don't get the actual price, we will have to count heavy losses this year as we depend on guava production year-round," said Tapos Samadder, a guava trader of Adabari village in Nesarabad.

Large-scale wholesaler from Dhaka, Narayanganj and Chattogram are not placing orders with the same volume as previous years, said Md Fayzuddin, a wholesale trader of Huriana union under Nesarabad.

The thousands of people involved in the business could suffer this year as wholesalers are struggling to send guavas to Dhaka and Chattogram, said Tapan Howlader.

"This season, guava production suffered from spot disease," said Chapal Krishna Debnath, upazila agriculture officer of Nesarabad.

"However, the disease could not leave any lasting impact on yield. But the coronavirus did some harm," he added.

The Covid-19 restricted local farmers from reaching the buyers in time, he said.

"They now fear that they may fail to get back the money they spent on the orchards for the last one year."

The farmers will not have to count any losses if there was a cold storage to preserve the guavas, he said.

If the situation continues for long, the farmers of the fruit would be in big trouble this season, said Tapos Samadder.

"Despite losing our savings due to coronavirus, we spent the last money we had on guava farming. For our survival, we now need low-cost loans from the government,"

The guava cultivators also urged the government to set up cold storages in the region so that they can preserve guava during peak harvesting season and ensure its supply throughout the year.

IPDC shines against all odds

FROM PAGE B4

By 2015, the IPDC had developed a five-year strategic plan by realigning its focus towards the youth, women and underserved areas.

This innovative lending approach continuously bears fruits for the IPDC, Islam added.

Over the last five years, the NBFI's half-yearly net profits have grown 3.8-fold while its total revenue has grown 4.9-fold.

Currently, the IPDC has 12 branches in operation across the country.

The NBFI recently introduced Southeast Asia's first digital supply chain finance platform, called Orjon.

It also established the country's sole retail financing platform, "IPDC Dana", that provides working capital for retailers in a bid to facilitate financing in an easy, low cost, collateral-free and structured manner.

As of yesterday, stocks of IPDC Finance were traded at Tk 24.40 per unit.

Bata Shoe sinks into losses for the first time in its 58-year stay in Bangladesh

FROM PAGE B1

Buoyed by the steadily growing economy, which was the fastest in Asia last fiscal year, and a youth population, Bata opened its first-ever sneaker outpost anywhere in the world in November last year. The store, dubbed B-sneakers on the capital's Gulshan Avenue.

The multinational shoe company has been serving the local customers since 1962. Currently, Bata Shoe Company (Bangladesh) operates two manufacturing facilities: one in Tongi and the other in Dhamrai.

With a production capacity of 160,000 pairs of shoes daily, its annual sales stood at about 30 million pairs before the pandemic.

Bata is the lone franchisee of internationally renowned brands such as Adidas, Nike, Hush Puppies and Skechers in Bangladesh. It has its own sneaker brands: Power and North Star. It has a network of 261 retail stores in Bangladesh. Its store at Bashundhara City shopping centre is the world's largest Bata store.

Shares of Bata, which was listed on the Dhaka Stock Exchange in 1985, closed unchanged from the previous day at Tk 693 yesterday.

'When will our cash registers start ringing again?'

FROM PAGE B1

"Sales is so low that most stores can't pay the salaries of their employees, and some can't even pay their electricity bills," said Md Ziaul Haque, one of the owners of Benarashi Big Bazaar.

Last year, they sold about 50 sarees per day centring Eid, which has now nosedived to around only 10.

"The situation was even worse last month when two or three sarees could be sold every day," he added.

The weavers of that area have not received any government support yet, according to shop owners.

Shop owner Kazi Kaiser said to have closed down a few months ago to open a grocery.

Md Sayeed, the owner of Munni Benarashi, says he was selling one or two sarees a day.

"Most of my handloom artisans left the profession during the pandemic. They are now getting involved in other businesses or activities to survive," he said.

Finance ministry replaces Janata chairman in less than a year

FROM PAGE B1

Rahman, it seems, would have to be strict disciplinarian to clean up the mess that the bank is mired in, thanks to years of lending ill-discipline.

As of March, default loans at Janata Bank stood at Tk 14,117 crore, which is 15.25 per cent of the banking sector's total bad loans, according to data from the BB. The amount though is down 51 per cent from a year earlier, and it is not because of a dramatic improvement in its lending practices or an outsize recovery drive but because of wholesale rescheduling by way of using the central bank's relaxed rescheduling facility offered last year.

Between 2010 and 2015, Janata disbursed more than Tk 5,500 crore to little-known AnonTex Group, involved in the textile business, in violation of the banking rules.

Now, almost the entire amount -- Tk 5,282 crore -- has turned sour.

Crescent Group, another entity involved mostly in leather and footwear industry, has defaulted loans of Tk 3,152 crore with Janata.

Under a large loan restructuring policy in 2015, some 11 corporate groups restructured loans of Tk 14,400 crore. Of the amount, Tk 5,000 crore was restructured by Janata. As much as 90 per cent of these loans had earlier become bad, putting the lender under severe strain.

BIA, a2i organise life insurance course for graduate students in Narsingdi

STAR BUSINESS REPORT

Bangladesh Insurance Academy (BIA) in collaboration with Access to Information (A2i) yesterday organised an online training course for graduate students of the National University.

The objective of the "life insurance course" was to help the students secure jobs in the sector once they graduate, the BIA said in a statement.

Md Zafar Iqbal, additional secretary of the Financial Institutions Division under finance ministry and director of the BIA, was the chief guest at the programme while Md Mustafizur Rahman, additional secretary and divisional commissioner of Dhaka, was also present.

Syeda Farhana Kawnine, deputy commissioner of Narsingdi, presided over the event, which was also attended by SM Ibrahim Hossain, chief faculty member of the BIA; Asad-uz-Zaman, head of Future of Work Lab at the a2i, and Nazrul Ahsan, manager of ActionAid Bangladesh.

Some 50 trainees from Narsingdi district took part in the course online.

FSIBL

Syed Waseque Md Ali, managing director of First Security Islami Bank, opens the bank's Jatrabari sub-branch in Dhaka yesterday from the bank's head office through a digital platform. Abdul Aziz and Md Mustafa Khair, additional managing directors, were also present.

Mercantile opens 7 agent banking outlets

STAR BUSINESS DESK

Mercantile Bank has recently opened seven more new agent banking outlets across the country to provide basic banking services to the unbanked population amid the ongoing coronavirus pandemic.

The bank's Managing Director and CEO Md Quamrul Islam Chowdhury inaugurated the outlets yesterday through a digital platform, the bank said in a statement. Mati Ul Hasan, assistant managing director, and Adil Raihan, deputy managing director, also attended the programme, according to the statement.

AIIB to invest in infrastructure of tomorrow

FROM PAGE B4

The AIIB has been involved in a number of development projects in Bangladesh.

For example, following the coronavirus outbreak in Bangladesh, the government sought $450 million in financial support from the lender to meet the country's emergency health expenditure and fund the massive stimulus packages aimed at helping the economy recover from the Covid-19 fallout.

Eventually, the AIIB approved a $250 million loan for Bangladesh that was co-financed by the Asian Development Bank.

Unlike other multilateral lenders, the AIIB typically lends to nations in the Indo-Pacific region to build infrastructure, regardless of the country's state of development. In recent years, Bangladesh has performed exceedingly well with an annual average growth of 7.4 per cent over the last five years, DJ Pandian, vice-president for investment operations at AIIB, had said when the $250 million was approved.

"It is incumbent on the international community to come together to ensure that the country does not fall behind but continues to make strides in its development efforts amid the ongoing pandemic," he added.

The loan was aimed at mitigating the adverse effects of the pandemic on the country's poor and most vulnerable, particularly those affected by job losses in small and medium enterprises and the informal sector.

The programme also has specific targets to support at least 1.5 million workers, of whom at least half are women, in export-oriented industries by way of providing extended salary support.

Meanwhile, the development bank had also previously approved a $404 million loan to improve Bangladesh's intercity travel and cross-border connectivity.

"As the first stand-alone transport project supported by AIIB in Bangladesh, the project will allow the bank to gain experience in cross-border connectivity in South Asia," Pandian had said.

The project entailed upgrading the country's national highway between Sylhet and the Tamabil border crossing to improve overall commuter safety and reduce travel time by road.

German 10-year bonds set for best day in over a month on US-China tensions

REUTERS, *London*

Germany's 10-year bond yields were set for their biggest fall in over a month, pushing back towards two-month lows on Monday as unease in world markets over rising U.S.-China tensions drove investors back into safe-haven assets.

China took over the premises of the U.S. consulate in the southwestern city of Chengdu on Monday after ordering the facility to be vacated in retaliation for China's ouster last week from its consulate in Houston, Texas.

The worsening relations between the world's two biggest economies boosted safe havens such as gold and government bonds, allowing German debt to recover from price losses on Friday that followed the stronger-than-expected purchasing managers' index (PMI).

News on Monday that Germany's Ifo business sentiment index rose further in July failed to dent a rally in top-rated bond markets, although analysts said German Bund yields would struggle to push past -0.50%.

Germany's 10-year bond yield was down 5 basis points to -0.49%, their biggest daily fall since June 11, nearing two-month lows hit last week at almost -0.50%. French and Dutch 10-year bond yields were down similarly.

"Risk assets are struggling ... while for Bunds the textbook reaction to the PMIs combined with another failed test of the -0.50% level leaves 10-year yields in the middle of the range," said Commerzbank rates strategist Michael Leister.

Italian bond yields held near recent 4-1/2 month lows, a sign of support for peripheral debt even in the face of world stock market weakness that tends to ripple across risk assets.

10-year yields were down 2 bps to 1.05% in late trade . The gap over benchmark 10-year German Bund yields rose from five-month lows hit earlier in the session, to 153 bps .

European Union leaders last week reached a deal on a 750 billion euro ($878 billion) COVID-19 recovery fund, agreeing to raise billions of euros on capital markets on behalf of the 27 member states, in an act of unprecedented solidarity. That has boosted sentiment towards the euro and peripheral bonds.

"We think (the Italian/German bond yield spread) could tighten another 15-20 bps from here. The number matters less than the direction," said Jorge Garayo, senior rates strategist at Societe Generale. "The recovery fund is significant because it marks a very important step towards something that was previously taboo - fiscal transfers." The European Central Bank upped its bond purchases last week, after it bought the lowest amount since purchases were ramped up in March the week before, data showed.

Two projects for the poor see their allocations slashed

FROM PAGE B1

Similarly, the allocation for the Amar Bari Amar Khamar Project was slashed by Tk 125 crore and set at Tk 7,885 crore while approving its third revision.

The project, which is being implemented by the rural development and cooperatives division, aims at turning every household in villages into an agriculture-based income-generating unit and setting up village development association involving 60 poor, ultra-poor and beggars.

It will provide matching funds to the deposits of the beneficiaries and allocate evolving funds in grant to help them engage in income-generating activities.

The tenure of the project has been pushed back by a year to June 2021 as its implementation has been affected by the coronavirus pandemic, the planning ministry's brief said.

The project is receiving the fourth revision because the associations that have not received matching grants from the government against the deposits of the members and Tk 3 lakh evolving funds, will now get the grants and funds.

The allocation for the micro-entrepreneur development fund has been increased.

Under the project, 54.6 lakh poor people would benefit through 120,000 associations. The project covers all of the country's eight divisions, 64 districts and 492 upazilas.

When the project was initiated in 2009, Tk 1,197 crore was allocated.

In total, the Ecnec yesterday approved seven projects with an outlay of Tk 3,075 crore, including Tk 2,334 crore to modernise the sewerage system in Khulna city.

The Mujibnagar Irrigation Development Project was approved with a budget of Tk 231 crore and the deadline of June 2025. Prime Minister Sheikh Hasina chaired the meeting.

The prime minister and the planning minister joined the meeting from Ganobhaban through a videoconference, while other Ecnec members were connected from the NEC Bhaban, reported UNB.

PREMIER CEMENT

Officials of Premier Cement hand over 10 high flow nasal canola machines to the officials of Bangabandhu Sheikh Mujib Medical University at a programme on Tuesday. The cement maker also donated such machines to Chattogram Port Hospital.

Pandemic has created the groundwork to usher in much-needed reforms

FROM PAGE B4

This, in turn, requires major improvements in public financial management, particularly in ensuring quality in public expenditure.

Bangladesh's development partners also have a role by providing funding and technical assistance for the government's adjustment efforts and through concessionary assistance to provide additional fiscal space to the government as it makes the necessary adjustments.

Finally, the dual health and economic crises have also underscored some key areas for reform; notably, the need to strengthen the state's capacity to collect tax revenue to ensure a sustainable debt position and to scale funding to essential public services such as health and social protection.

This may seem like an inauspicious time to contemplate significant reform, but large shocks tend to weaken political resistance to significant change, thus opening new reform opportunities.

In addition to responding to the crises to mitigate its impact on the people of Bangladesh, this may be an opportunity to lay the groundwork to build back better.

Josh Chipman is the country manager of Oxford Policy Management and M Masrur Reaz is the chairman of Policy Exchange

What others can learn from Bangladesh on making cancer drugs available

FROM PAGE B4

"Pharmaceutical products are essential for all countries. That is why the industry's exports did not decline amid the Covid-19 outbreak. Rather it rose," said Saha.

Locally produced cancer drugs are of internal standard and cheaper than imported ones, which is helping cancer treatment in Bangladesh, said Md Azizul Islam, consultant physician general and specialist of medicine and oncology at Bangladesh Armed Forces.

He believes it would not be long that local pharmaceutical companies will manufacture all types of cancer drugs.

SOUTHEAST BANK

Southeast Bank Managing Director M Kamal Hossain opens the bank's Green Road sub-branch in Dhaka yesterday.

Pandemic has created the groundwork to usher in much-needed reforms

M Masrur Reaz *and* Josh Chipman

The global community is currently undergoing twin crises: the public health crisis brought on by coronavirus and the economic shock stemming from the unprecedented public health measures governments have been forced to adopt to douse the rogue pathogen.

All economies are impacted, culminating in lower growth, higher unemployment, rising poverty, and a deteriorating fiscal position as governments are forced to fund significant public interventions, at a time when government revenue will fall.

A significant economic slowdown is expected with the International Monetary Fund projecting global growth to fall to -4.9 per cent in 2020, while Asia's growth is likely to be zero for the first time in 60 years.

Although different countries' experiences of coronavirus have varied significantly, public responses have been largely similar. Most countries have adopted social distancing measures, and in many instances, implemented stringent lockdowns.

While potentially an effective tool for stopping coronavirus, lockdowns have a disastrous impact on economic output and livelihoods, thus requiring governments to also implement massive stimulus packages.

Protecting jobs, enterprises and livelihoods in the short-run and funding economic re-construction programmes in the medium-term have created significant policy challenges for governments around the globe.

Foremost of these challenges is a sharp rise in fiscal pressure, arising from a combination of the need to use public resources to offset the consequences of the economic recessions while governments face dwindling tax revenue.

Such challenges will have implications on the overall macroeconomic management of economies, including on the complementary aspects of monetary policy, exchange rate management and public or sovereign debt management.

In Bangladesh, coronavirus arrived at a time when its economy was poised to graduate from the least-developed country (LDC) bracket in the coming four years, building on an impressive development track record in recent decades.

It transitioned to a lower middle-income country in 2015, just four decades after having the second-lowest per capita income in the world.

Over the past decades, economic growth has largely been driven by industry, which created millions of jobs, and private consumption driven by remittances.

The robust economic progress was also underpinned by strong macroeconomic management, major economic reforms and deregulation in the 80s and 90s, increasing participation in global markets and significant remittance flows.

Fiscal management has been prudent, inflation has generally been in single digits, and public debt is considered low (34 per cent of GDP in 2019).

COLLECTED

The government has put up graffitis on the walls to spread social awareness against the killer coronavirus disease. The rogue pathogen has prompted governments around the world to start adopting much-needed reforms to economic and public health policies.

But challenges persist, including the tax-GDP ratio has been one of the lowest in the world, while the management of state-owned enterprises (SOEs) including financial institutions has created fiscal and financial risks.

There are significant weaknesses in public financial management systems.

As with other nations, Bangladesh's economy has been hit by the direct consequences of COVID-19 mitigation measures with lockdown slowing domestic economic activity, as it faces an external shock of reducing exports and remittances.

The Bangladesh government was quick and bold in announcing a massive $11 billion economic stimulus programme, which is equivalent to more than 3 per cent of the country's GDP.

While more than three-quarters of the total stimulus comes from bank credits, the fiscal cost is significant: about 1 per cent of GDP.

Besides, with imports, exports and domestic demand in decline, the government revenues will be strained.

This is likely to further exacerbate the prevailing institutional and governance challenges that further raise risks of a decline in the quality of macroeconomic management and significantly decelerate the recovery process.

So, it is imperative for policymakers to also examine the medium-term macroeconomic adjustments and reforms required to ensure a stable, inclusive and quick economic recovery.

Further public and private investment from domestic and international sources to offset the direct impact of this crisis will be necessary.

How to secure these resources in a fiscally sustainable way, and how to manage them wisely are key policy questions for the government to address.

The central bank's next monetary policy statement and strategy will have to be bold and clear -- the Bangladesh Bank has no alternative but to expand its balance sheet to roll out an expansionary monetary policy.

The crisis and the resultant slowdown will require a significant liquidity injection to fund investments critical for supporting a rebound in output, employment and consumption.

Efficient and continuous monitoring of credit needs to enterprises, particularly small and medium enterprises, will be important.

A similar approach is also required to ensure scarce resources are not diverted away from potential credit to the private sector, towards funding ailing state-owned enterprises.

READ MORE ON B3

AIIB to invest in infrastructure of tomorrow

Says Jin Liqun as he is re-elected president of the lender

Star Business Report

Jin Liqun

Jin Liqun will retain his position as the president of the Asian Infrastructure Investment Bank (AIIB) for a second term, the multilateral development lender said yesterday.

"It has been a tremendous privilege to lead the AIIB during its foundational years," said Liqun, who will begin his second stint as AIIB president on January 16 next year.

The organisation invests in projects that improve the peoples' lives and is slowly establishing itself in global capital markets, he added.

The decision to re-elect Liqun was taken by the bank's board of governors during their fifth annual meeting held yesterday. Under his leadership, AIIB has grown from its 57 founding members to over 100 approved members from around the world.

The bank has also maintained the highest credit ratings with a stable outlook from the largest credit rating agencies, the organisation said in a statement.

The permanent observer status was also granted to the organisation by the United Nations (UN) in recognition of AIIB's relevance and contribution to the UN's development mandate, it added. Now AIIB plans to expand its investments from core infrastructure to the 'infrastructure of tomorrow', according to Liqun.

This means developing infrastructure that will tackle climate change, enhance connectivity within Asia and the rest of the world, mobilise private capital and bridge digital divides in the region, the AIIB president said.

"I look forward to continuing to serve our members and further contributing to the multilateral efforts to help build a more sustainable, more prosperous Asia," he added.

READ MORE ON B3

What others can learn from Bangladesh on making cancer drugs available

Jagaran Chakma

When it comes to making cancer drugs available, Bangladesh is the perfect role model for a fairytale turnaround.

Just six years ago many of the lifesaving medications had to be imported, posing risks of unavailability, high costs and price fluctuations.

Now local pharmaceuticals not only meet 80 per cent of the country's demand but also export to at least 140 countries, starting off with limited scale shipments in 2015.

So much so that cancer drugs account for nearly half of all pharmaceutical products being exported.

To put things into perspective, Bangladesh exported cancer drugs worth over Tk 500 crore last year, while shipment of other medications hit around Tk 656 crore.

Meanwhile local cancer drug sales amounted to about Tk 600 crore. Demand is growing by 15 per cent on an average every year, according to the manufacturers.

Along with conventional chemotherapy drugs, local pharmaceutical companies manufacture latest oncology products such as monoclonal antibodies, oral targeted therapies and liposomal technology products.

They also manufacture many of the supportive drugs required for cancer treatment such as zoledronic acid, filgrastim and pegfilgrastim injection.

And all it took was meticulous attention to quality and policy support.

In the past 10 years, pharmaceutical companies such as Eskayef, Renata, Incepta, Healthcare, Beacon, Techno Pharma and Julphar have come to manufacture more than 80 types of ontological drugs.

Yet to make exports, Eskayef Bangladesh plans entering the global arena for the first time with cancer drugs.

BY THE NUMBERS

- Export of cancer drugs fetches over Tk **500**cr a year
- Exports started in 2015
- Bangladesh exports **80** types of cancer medicines
- Local demand Tk **600**cr
- Export destinations **140** countries
- Annual export growth **30**%

"We have a plan to go in the global market in coming days. So we are taking preparation," said its director for marketing and sales, Mohammad Mujahidul Islam.

"Eskayef will set up a world class new facility for oncology, which will be the biggest one in the South Asian region, for grabbing the global market," he said.

And it is on the right track too, with its present state-of-the-art manufacturing facility having attained approvals of numerous regulatory bodies.

They include the European Union Good Manufacturing Practice, the Medicines and Healthcare Products Regulatory Agency of the UK, the Therapeutic Goods Administration of Australia, the United Arab Emirates Good Manufacturing Practice, and the Veterinary Medicines Directorate of the UK.

Beacon Pharmaceuticals on the other hand lays claim to making 80 per cent of the country's export of cancer drugs of around 80 types used in chemotherapy and oral targeted therapy.

Bangladesh's export of cancer drugs is increasing by around 30 to 35 per cent year-on-year, said its director for global business development, Monjurul Alam.

Oncology products were beyond the purchasing power of patients in the past but prices went down by 40 per cent when Beacon started production through compliance with high standards, he said.

Bangladesh's drugs are winning the global market for their quality and low prices; the medicines are cheaper than those provided by the developed world, he added.

Renata, which produces cancer drugs used for oral therapies, is focusing on the markets in Nepal, Sri Lanka, Bhutan and the Philippines, said Ananta Saha, its international business manager.

He attributed the growth in exports to the drugs being cheaper as Bangladesh, being a least developed country, does not need to purchase patents.

There is scope for even greater growth, since customs processes are flexible for lifesaving medicines. Moreover, just the physician's prescription is required for any individual to take the drugs from one country to another, he said.

READ MORE ON B3

IPDC shines against all odds

Books higher profits in the first half

Star Business Report

IPDC Finance, Bangladesh's first private sector non-bank financial institution (NBFI), witnessed higher profits in the first half of 2020 despite headwinds brought about by the ongoing coronavirus pandemic.

Over the past six months, the IPDC's revenue surged 24.9 per cent compared to the same period in 2019.

The NBFI has registered net profits of Tk 31.6 crore during the period, which is 1 per cent higher than what it was for the same period a year before.

The IPDC has remained in profits despite the Covid-19 outbreak thanks to its innovative lending system, said Managing Director and CEO Mominul Islam.

The company emphasises on technology-based and socially responsible business models geared towards cottage, micro, small and medium enterprises.

Besides, the models also focus on women and young entrepreneurs and the lower middle-income households outside Dhaka and Chattogram.

"This was the cornerstone for sustained growth and profitability even during this very difficult period," Islam added.

The IPDC has held its default loan rates steady at 1.59 per cent, which is one of the industry's lowest, while maintaining a capital adequacy ratio of 17.28 per cent.

The company also reached the half-year mark with a liquidity cushion of Tk 665 crore.

Islam presented this data at the IPDC's half-yearly investors' meeting, where the company's financial highlights, benchmarks and key strategies for the future are discussed.

Fahmida Khan, chief financial officer, also spoke during the session, held virtually on Sunday.

Established in 1981, the IPDC had previously launched a "Manobota" deposit scheme alongside a host of other CSR activities amid the Covid-19 crisis.

READ MORE ON B2

SANAD SAHA

The coronavirus pandemic has left goldsmiths nearly redundant amidst a rise in the price of the precious metal and people limiting their expenditures and deferring marriages, which account for a substantial portion of jewellery sales. The photo was taken at Minabazar of Narayanganj recently.

Barishal's guava traders in a pickle

Sushanta Ghosh, *Barishal*

Guava traders in Barishal district are on the verge of heavy losses this year due to the low turnout of buyers and drastic fall in demand for the fruit in Dhaka and Chattogram caused by the ongoing Covid-19 pandemic.

The fruit is cultivated in 43 villages of Pirojpur, Jhalakati and Barishal on around 2,077 hectares of land. Over 20,000 tonnes of guava, valued at Tk 30 crore, are produced each year and is sold at about Tk 15,000 per tonne.

Around 800 tonnes of guava are sold daily during the peak season from July to mid-August, however, this year's scenario is totally opposite, according to officials from the local Department of Agricultural Extension (DAE).

There was no problem with production this year, the officials said, adding that the coronavirus just broke the whole supply chain and cut demand by a half.

STAR

Traders are seen selling guava at the Bhimruli floating hut in Jhalakathi sadar. The photo was taken recently.

"So, this year they [the traders] may count a loss of Tk 15 crore," they said. "I used to send 300 maunds of guava each day to Dhaka and the port city. But this year, I could manage orders for only 100 maunds a day," said Tarun Howladar, a guava wholesaler based in Shatadashkathi in Nesharabad upazila of Pirojpur district. One maund is approximately 37 kg.

"Many gardens have remained unsold due to a lack of buyers," said Tapan Howlader of Adabari village in Nesarabad.

Guava farmers in the Barishal belt are getting more frustrated by the day as very few wholesalers are coming to the orchards to buy local variety of the fruit.

Moreover, the Covid-19 crisis has eaten up the savings of many wholesalers, who are subsequently unable to purchase and send the produce to the capital or port city.

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