| STOCKS | | COMMODITIES | | ASIAN MARKETS | | | | CURRENCIES (STANDARD CHARTERED BANK) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DSEX | CSCX | Gold | Oil | MUMBAI | TOKYO | SINGAPORE | SHANGHAI | | USD | EUR | GBP | CNY |
| 0.57% | 0.39% | $1,787.26 (per ounce) | $67.29 (per barrel) | 0.51% | 1.67% | 1.67% | 0.59% | BUY TK | 83.95 | 101.13 | 117.90 | 12.78 |
| 5,416.39 | 9,441.15 | | | 51,039.31 | 30,168.27 | 2,973.54 | 3,585.05 | SELL TK | 84.95 | 104.93 | 121.70 | 13.44 |





Star BUSINESS

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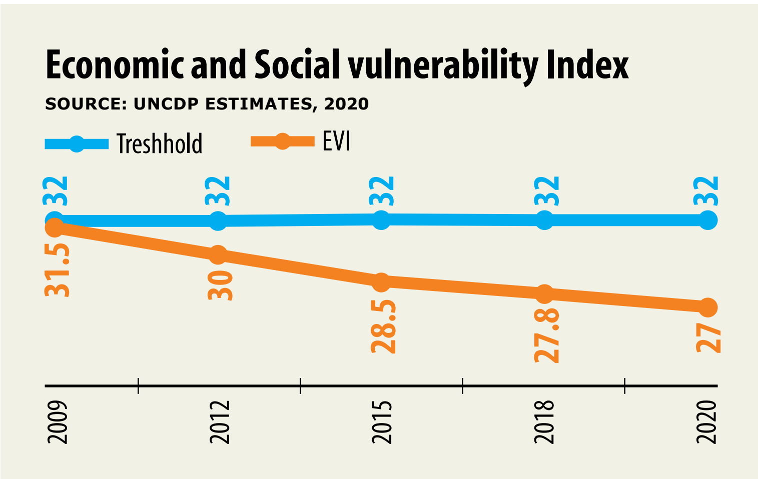
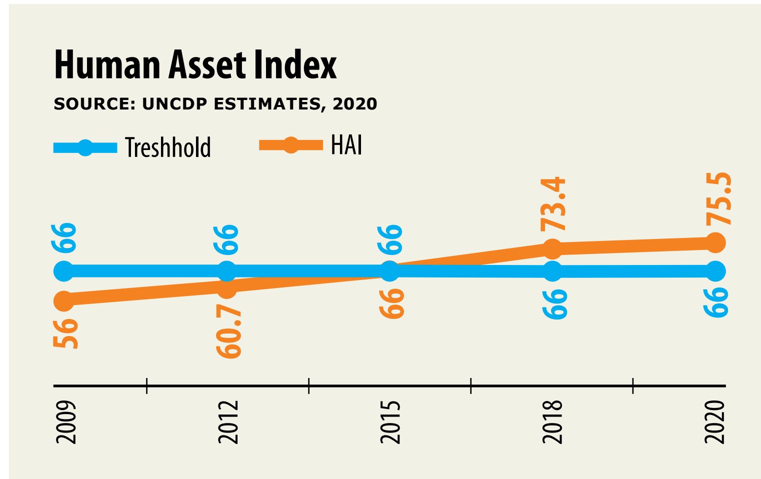
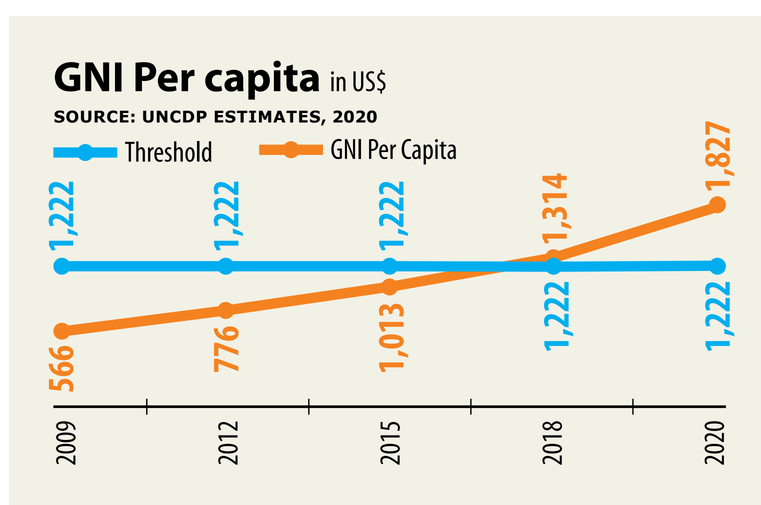
# New era beckons

## *Bangladesh to graduate from LDC group in 2026, not in 2024*




REJAUL KARIM BYRON *and* REFAYET ULLAH MIRDHA

Bangladesh is confident that it can fend off the challenges stemming from the graduation from the grouping of least-developed countries (LDCs) as the government has taken measures.

The United Nations Committee for Development Policy (UN CDP) in its second triennial review assessed the economy of Bangladesh and found that the country met all of the three criteria comfortably to graduate for the group.

Bangladesh was well ahead in the gross national income (GNI) criteria: its per capita income was nearly $1,827 in 2020 against the threshold of $1,230.

In the Human Assets Index (HAI) criteria, the country's score stands at 75.3 points, well above the requirement of 66.

In the Economic Vulnerability Index (EVI), a country's score has to be less than 32. Bangladesh's score is 27.3 points.

Once Bangladesh is recommended to leave the LDC group to become a developing nation, the proposal will be sent to the United Nations Economic and Social Council (ECOSOC) for endorsement in June. The UN General Assembly is scheduled to approve the proposal in December this year.

Fatima Yasmin, secretary of the Economic Relations Division, submitted the country position paper to the UNCDP last month. The UNCDP Expert Group completed the assessment on Bangladesh between February 22 and 25.

An announcement on graduation is expected tomorrow.

The data for the 2021 triennial review indicates that Bangladesh meets the graduation thresholds in all the criteria again, and it is very likely that the country would be recommended for graduation in the triennial review.

Bangladesh expects the UN CDP would recommend Bangladesh for graduation in 2026.

In the paper, Bangladesh sought continuation of international support measures (ISMs) after graduation and the extension of the transition period for two more years.

Three main challenges and vulnerabilities, including the fallouts of Covid-19, the impacts of climate change and the loss of trade-related ISMs were identified for Bangladesh in the post-LDC period.

In order to meet natural disasters such as floods and cyclones, the government has already formulated strategies.

The government has drawn up Bangladesh Climate Change Strategy and Action Plan 2009, the Climate Change Trust Fund 2009, the National Sustainable Development Strategy 2010-2021, the National Environment Policy 2018, and the Bangladesh Delta Plan 2100.

The paper also talked about the government policies and measures taken in the Eighth Five-Year Plan (8FYP), including allocating more resources for green development, planning taxing industrial units for air and water pollution, reducing subsidies for fuel, and adopting green tax on fossil fuel consumption.

Bangladesh made the best use of ISMs among the LDCs: It is the highest user of the duty-free and quota-free (DFQF) facility among the LDCs. The average tariffs will increase by 8.9 per cent after graduation.

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# Bangladesh qualifies for LDC graduation: The beginning of the end

Debapriya Bhattacharya

*Debapriya Bhattacharya, a member of the United Nations Committee for Development Policy (UN CDP) and a distinguished fellow of the Centre for Policy Dialogue (CPD), talks about what it means to be transitioning from the grouping of the least-developed countries (LDCs) and the opportunities and challenges that await Bangladesh, in an interview with The Daily Star's* ***Sohel Parvez.***

**DS**: Bangladesh is set to exit the LDC Group. What is the new timeline?

**Debapriya Bhattacharya (DB)**: The Committee for Development Policy of the United Nations (UN CDP) is set to recommend taking Bangladesh out from the list of the least-developed countries (LDCs). The country has met, for the second time, all the three eligibility criteria for LDC graduation involving income per capita, human assets, and economic and environmental vulnerability.

However, the exit now is to take place in 2026, i.e., five years hence. Bangladesh, before the advent of Covid-19, was set to exit the group in 2024. In response to a recent intervention by the government of Bangladesh, the UN-CDP has agreed to extend the transition period by two more years. Incidentally, the same has been done for three other graduating countries, namely Nepal, Bhutan and Laos.

**DS**: How will Bangladesh benefit from leaving the group? What is the historical experience in this regard?

**DB**: The exit of a country from the LDC group essentially means acquiring a seal of global approval regarding its development achievements. This is supposed to lead to, among others, enhanced confidence of the international financial actors regarding the markets of the concerned country. This implies reduced cost of international borrowing due to improved perception about country-level market risks. Thus, following the exit from the LDC group, the international credit rating of graduated LDCs has usually registered upgrade. This may result into augmented generation of investible resources.

It has been observed that, after leaving the LDC group, countries have experienced enhanced domestic tax collection and higher flow of foreign direct investment (FDI). On the other hand, access to external development finance did not diminish abruptly. Intake of foreign remittance has remained indifferent in these countries.

**DS**: But we know that Bangladesh will

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### Positive aspects of LDC graduation:

- Enhanced confidence of international financial actors
- Reduced cost of international borrowing
- Upgrade in country credit rating, augmenting generation of investible resources
- Graduated countries experienced enhanced domestic tax collection, higher flow of FDI
- Access to external development finance did not diminish abruptly

### CHALLENGES BANGLADESH MAY FACE:

- Relinquishing of preferences and privileges
- Severe shock for garment exports
- Graduation may affect subsidy to agriculture sector, support to infant industries
- Loss of special access to climate finance
- Pharmaceutical industry will stop enjoying patent waiver

# Revenue collection up 4.55pc last 7 months

STAR BUSINESS REPORT

Revenue collection rose 4.55 per cent year-on-year to Tk 132,165 crore in the July-January period of the current fiscal year, in line with the pace gained in economic and business activities, says the National Board of Revenue (NBR) data.

Collection of import and export tariffs, income tax and value added tax (VAT) edged up in January.

However, overall receipts reached 78 per cent of the NBR's total tax collection target of Tk 169,000 crore for the first seven months of fiscal 2020-21.

This means the tax authority was Tk 36,840 crore short of the goal for the period.

The NBR said its collection of VAT, the main source of revenue, had further increased in January, thanks to momentum gained in domestic economic activities.

The VAT receipts grew 2.26 per cent year-on-year to Tk 51,422 crore.

Collection from customs, mainly import duty, grew 7 per cent year-on-year to Tk 39,793 crore while income tax 5 per cent year-on-year to Tk 40,950 crore.

# Economy may make a turnaround in Q3: MCCI

STAR BUSINESS REPORT

The economy is expected to overcome the difficulties stemming from the fallouts of the Covid-19 pandemic in the third quarter of the current fiscal year on the back of rising exports, imports, and remittances, said the Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka yesterday.

The rate of inflation can be expected to go up in February because of the probable rise in some essential commodities, it said in its review of the economic situation during October–December 2020 released yesterday.

The trade body said Bangladesh's economy was now rebounding from the Covid-19 shocks due to the government's steps and the implementation of the stimulus packages, which allowed businesses to withstand the crisis.

A large segment of informal industries, services and other activities have resumed operations, but they seem to be running at a much lower level of capacity.

The export-oriented garment and leather, and the domestic market-oriented steel, food-processing and transport sectors are not running at full capacity yet, said the trade body.

The MCCI said major economic indicators such as remittances, foreign currency reserves, money supply, and inflation are at a satisfactory position.

The exchange rate has long been remained stable while the current account and balance of payments are also in positive territory.

The positive changes need to be interpreted carefully, the chamber said.

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**Projection on some selected indicators in Q3 of FY21**

| Indicators | FY21 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
| Export (million US$) | 3,019 | 2,948 | 3,079 | 3,310 | 3,440 | 3,660 | 3,950 |
| Import (million US$) | 4,653 | 4,376 | 4,818 | 5,389 | 5,530 | 5,690 | 5,950 |
| Remittances (million US$) | 2,151 | 2,102 | 2,079 | 2,051 | 2,065 | 2,100 | 2,230 |
| Inflation, Point to Point (per cent) | 5.97 | 6.44 | 5.52 | 5.29 | 5.02 | 5.50 | 5.30 |

SOURCES: BB, BBS AND THE CHAMBER'S OWN CALCULATION

# NBFI stocks fall for bar on dividend payout

STAR BUSINESS REPORT

Stocks of non-bank financial institutions (NBFI) dropped by about 1.5 per cent yesterday, a day after the central bank's banned them from providing dividends of more than 15 per cent.

However, the DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose 30 points, or 0.57 per cent, to 5,426.

On Wednesday, the Bangladesh Bank said the NBFIs, which have a capital adequacy ratio (CAR) of less than 10 per cent and more than 10 per cent default loans, will not be able to declare any dividend.

Even strong NBFIs are not allowed to provide dividends of more than 15 per cent for 2020.

The BB move aims at helping struggling NBFIs as they might face further difficulties in the coming months as non-performing loans are expected to escalate.

"The decision affected NBFI stocks as investors will get lower cash from them," said Prof Abu Ahmed, a former chairman of the economics department of the University of Dhaka.

The central bank can prevent weaker NBFIs from giving higher dividends for their future betterment, and this is acceptable, he said.

"But why is it preventing stronger firms from declaring higher dividends? Why should stronger NBFIs deprive their investors?" he asked.

If an NBFI keeps all the required provisions and maintains good financial health, it should be allowed to give higher dividends, the analyst said.

A merchant banker echoed Ahmed, saying NBFI stocks were impacted as investors realised that they would not get good dividends this year.

Turnover, an important indicator of the stock market, rose 40 per cent to Tk 746 crore.

On the DSE, 168 stocks rose, 63 declined and 115 remained unchanged.

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# India's Omega Seiki to make electric vehicles in Bangladesh

STAR BUSINESS REPORT

Indian automotive and rail parts maker Omega Seiki yesterday announced plans to invest 100 crore rupees to set up a plant near Dhaka to manufacture electric vehicles.

The initiative will be run by OSM-Bangladesh, a subsidiary of Anglian Omega Group, reports The Economic Times.

Omega Seiki currently has two manufacturing plants in India, located at IMT Faridabad and IMT Manesar, Haryana.

"We trust that our vehicles will cater to an impressive response in the neighbouring country. Bangladesh at present does not have an EV policy but it may change fast," said Omega Seiki Mobility Chairman Uday Narang.

The vehicles manufactured in Bangladesh will be sold under the OSM brand through local partners and franchises.

""With electrification happening fast in automotive markets globally, we see it is time for the Bangladesh market to change as well," said Omega Seiki Managing Director Deb Mukherji.

"The transition in two and three wheelers will be fast as they contribute to the pollution and traffic chaos," he said.

The vehicles will be powered by Li-ion batteries and with powertrains built in Bangladesh through technology transfers from India, he added.

"In due course, we are looking at full localisation in Bangladesh. We would also be looking to export from Bangladesh to global locations e.g. ASEAN, Africa," he said.

Bangladesh has a zero-tax policy for exports to 39 countries.

"This includes India as well and we are looking at selling in the northeast from there," Mukherji said.

# 3 confess to embezzling gold from Samabaya Bank lockers

STAR BUSINESS REPORT

Two incumbent bankers and a former official of Bangladesh Samabaya Bank embezzled Tk 11.4 crore by selling gold from the lockers of the lender.

The theft came to surface after they had given confessional statements to the chambers of the magistrates yesterday. The theft took place at the principal branch of the bank in Dhaka.

The three are Deputy General Manager Abdul Alim, Assistant General Manager (Accounts) Hedayet Kabir, and former principal officer Md Mahbubul Haque.

The accused claimed that they had committed the crime as per instruction of the high-officials, including the chairman of the lender, according to the statements.

Three Dhaka metropolitan magistrates -- Md Baki Billah, Debbrata Biswas and Satyabrata Sikder -- recorded the statements separately.

Anti-Corruption Commission's Deputy Director Mohammad Ibrahim, the investigation officer in the case, produced them at the magistrates' chambers after completion of a three-day remand.

The chairman and some other senior officials of the bank took a lion share of the money collected by selling the gold, the accused said.

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