Indian funds sit idle for slow project implementation

Govt spent 6pc of more than $7bn in past decade

JAGARAN CHAKMA

Bangladesh has utilised just 6 per cent of three Indian lines of credit (LoCs), collectively worth more than $7 billion, in the past decade because of slow project implementation.

The government has spent $410.76 million to complete 14 projects since 2010. Of the projects, 12 were funded by the first LoC signed in August 2020, while two others were under the second LoC inked in March 2016.

Priyanshu Tiwari, resident representative of the Exim Bank of India, the lender, shared the information during a recent view-exchange programme with reporters at the High Commission of India in Dhaka.

An LoC is a flexible loan from a financial institution that consists of a defined amount of money that one can access as needed and repay either immediately or over time.

In his presentation, Tiwari suggested following the Indian government's project preparatory facility to reduce the time it takes to formulate project details and improve the overall quality of planning.

He further suggested that Bangladesh should facilitate entry or re-entry of Indian project personnel and experts, who are currently awaiting clearance, without any objection.

He also expects quicker services and support to be extended by the Bangladesh High Commission in India.

A senior official of the Economic Relations Division (ERD) said they had already adopted the recommendations to expedite the implementation of the projects funded by India.

Project implementation has been stunted due to the prolonged cross-border travel restrictions aimed at curbing the spread of Covid-19.

Under the LoC portfolio, $1.72 billion has been assigned for various projects, which is 25 per cent of the total fund.

Project contracts worth $780 million have been signed since 2019 despite the pandemic, according to the ERD official.

A total of $852 million, or 11 per cent of the funds, has been disbursed so far. Of the sum, $661 million came from the $862-million first LoC, $115 million from the $2-billion second LoC, and $76 million from the third LoC, involving $4.5 billion.

To resolve any issues related to project spending, the ERD holds regular meetings with line ministries, Indian contractors and other officials, the official said.

The agency even holds individual meetings with project personnel to identify problems and find solutions. Still, though, the pace of implementation has been slow, he added.

So far, around 43 projects have been included under the three LoCs. The 14 projects that had been completed were related to the procurement of buses, trucks, and other vehicles. The remaining 29 projects are suffering from slow implementation.

Project implementation in Bangladesh typically faces delays at the execution level.

Besides, in each stage of a project, the Bangladesh side needs to take approval from Indian authorities.

According to the Indian procurement conditions, at least 75 per cent of the goods and services required for a project should be bought from the neighbouring nation. At most, this may be relaxed down to 65 per cent.

Officials of the implementing agencies say such a condition is one of the major obstacles delaying project implementation.

None of the 16 projects under the third credit line has been completed.

ERD officials earlier said India would disburse $40 million per year, but the process slowed in 2020 due to the coronavirus outbreak.

However, they hope to raise the amount to $150 million this fiscal year.

Work has accelerated on a project over widening a 51-kilometre road from the Ashuganj river port to the Akhaura land port to four lanes for smooth transhipment of Indian goods. Scheduled to be completed by 2024, the project will cost Tk 3,567.85 crore, 64 per cent of which is scheduled to come from a second Indian line of credit. The project is expected to establish better communication between Bangladesh and the northeastern part of India, which will ultimately facilitate sub-regional connectivity among South and Southeast Asian countries. The photo was taken yesterday.

MASUK HRIDOY

Soybean oil now Tk 153 a litre

STAR BUSINESS REPORT

The price of every litre of edible oil was increased by Tk 4, or 2.6 per cent, yesterday, meaning a one-litre bottle of soybean oil will now cost Tk 153.

The price was decided upon at a meeting between the Bangladesh Vegetable Oil Refiners and Vanaspati Manufacturers Association and the commerce ministry officials. Meanwhile, retail prices of loose soybean oil and loose palm oil have been set at Tk 129 and Tk 116 per litre respectively while of five-litre bottles at Tk 728.

Biswajit Saha, director for corporate and regulatory affairs at City Group, said the new prices came into effect yesterday.

He also said refiners would later sit with representatives of the ministry and the Bangladesh Trade and Tariff Commission to readjust the prices, considering the fact that the international market was volatile.

Earlier on May 27, refiners had increased the price of edible oil by Tk 9 per litre, taking the price of bottled soybean oil to Tk 144.

But in July, they reduced the price by Tk 4 per litre to Tk 149 taking into consideration the squeeze on purchasing capacity of consumers ahead of Eid-ul-Azha amidst the ongoing Covid-19 pandemic.

In a press release issued yesterday, the refiners' association said prices of the key cooking ingredient recently increased in international markets, prompting the same locally.

In the last one year, edible oil prices have increased by around 160 per cent in the international market, it said, adding that oil prices have increased by 35 per cent to 40 per cent in the local market as a result.

Bangladesh Bank widens refinance scheme

Allows more people to borrow from the Tk 500cr fund

STAR BUSINESS REPORT

Bangladesh Bank yesterday increased the volume of a refinance scheme dedicated to marginal and landless farmers, low-income professionals and small businesses.

The central bank rolled out the fund worth Tk 200 crore in 2014, but it has since widened the amount to Tk 500 crore given the ongoing economic hardships brought on by the coronavirus pandemic. Earlier, underprivileged people who are allowed to open accounts with an initial deposit of Tk 10 got loans from the fund but now, Tk 50 and Tk 100 account holders can also avail the scheme.

Under the programme, clients can borrow with a 7 per cent interest rate instead of the previous 9 per cent.

In addition, banks are allowed to manage the fund from the central bank scheme by paying 1 per cent interest in contrast to the previous 4 per cent. Clients can secure loans from the scheme without any collateral.

An individual will be permitted to take a maximum of Tk 5 lakh from the scheme, which has a repayment tenure of three-and-half years, including a six-month grace period.

GLOBAL BUSINESS

'Silent crisis' looms as US to end Covid aid for millions of jobless

AFP, *Washington*

Spending less on food. Drawing down on retirement savings. Dropping out of the workforce altogether.Last year, the United States massively expanded unemployment aid as Covid-19 broke out.

But in the coming days those benefits will end, forcing millions of jobless Americans -- some of whom haven't worked for the entire pandemic -- to make hard choices about how they will get by in an economy newly menaced by the Delta variant.

"I have no idea how we would survive, just on my daughter's income," said Deborah Lee, an unemployed phlebotomist in Arizona who is recovering from a Covid outbreak that affected her daughter and two of her three granddaughters.

The government-funded programs that increased weekly payments and gave aid to the long-term unemployed and freelancers were credited with keeping the United States from an even worse economic collapse last year.

In recent months they have become controversial, with some states ending them early and arguing they encouraged people not to return to jobs that Covid-19 vaccines made safe, though studies have disputed that contention.

The expanded American unemployment safety net is ending, but some jobless people fear they won't be able to return to work.

AFP/FILE

Dollar, stocks hit as US jobs data disappoints

AFP, *London*

The dollar took a dive and stocks slumped after disappointing US jobs data, while Tokyo rose on stimulus hopes after Japan's prime minister signalled his exit.

The United States gained only 235,000 jobs last month, according to government data released on Friday, far below expectations and a possible harbinger that the Delta variant is harming the US economic recovery.

The payroll increase reported by the Labor Department in August was sharply lower than the upwardly revised 1.1 million positions added in July, as well as the analyst consensus of 750,000.

The figure is likely to encourage the US Federal Reserve to hold off from beginning to wind down its stimulus to support the economy at its September meeting.

"Time will tell if this is just a speed bump for America's rapidly accelerating economy, or if job creation has genuinely veered off course," said Jay Mawji, managing director of global liquidity provider IX Prime.

"But the markets are focused on the Fed's next move. Barring any surprises over the next couple of weeks, the Fed is likely to keep rates at their current low level, sending the dollar into the weekend deep in the red," he added.

Rats, drought and labour shortages eat into global edible oil recovery

REUTERS, *Perak, Malaysia/Singapore*

In a sprawling oil palm plantation in the Malaysian state of Perak, watermelon seedlings are sprouting from freshly ploughed earth between palm saplings while rented cows graze in overgrown areas of the estate.

A coronavirus pandemic-induced labour crunch has forced managers of the 2,000-hectare estate in Slim River to find creative ways to upkeep their fields, even as prices of the world's most consumed edible oil are near record highs.

"It is easier to pull out your own teeth than to get new workers now," said estate manager Ravi, who gave his first name only. "I can't find the workers to maintain the fields."

Malaysia, the world's second-largest producer of palm oil, is facing a perfect storm of production headwinds that will likely drag global stocks to their lowest level in five years, reports Reuters.

The Southeast Asian country is a microcosm of the difficulties facing producers of various edible oils across several continents, from Canadian canola farmers to Ukranian sunflower growers, as they struggle to meet strong demand.

Global food prices have scaled 10-year highs this year - the Food and Agriculture Organization's (FAO) price index is up more than a third since last summer - due in large part to a surge in the price of vegoils that are vital for both food preparation and as fat in numerous daily staples.

The FAO's global edible oils index is up 91 per cent since last June, and is expected to climb further as economies reopen following Covid-19 lockdowns, boosting food and fuel consumption of edible oils.

But producers have been battling a range of impediments, including labour shortages, heatwaves and vermin infestation, that is driving collective stocks of the world's most consumed edible oils - palm, soybean, canola (rapeseed) and sunflowerseed - to their lowest levels in a decade.

In Malaysia, which accounts for around 33 per cent of global palm oil exports, the average yield of palm fruit bunches in Jan-June fell to 7.15 tonnes per hectare from 7.85 a year ago.

Malaysian Palm Oil Board data shows a drop in average crude palm oil yields to 1.41 tonnes per hectare, from 1.56 tonnes over the same period last year.

Many plantations were harvesting with two-thirds or less of the required workforce, after government coronavirus restrictions cut off the usual supply of migrant workers from Indonesia and South Asia.

More than half a dozen plantation owners interviewed by Reuters said the lack of workers had forced them to extend their harvesting window from 14 days to as many as 40 days, a change that compromises the quality of the fruit and risks the loss of some parts of the fruit bunches.

"It is especially bad in Sarawak. Some companies are seeing production falling by 50 per cent because of the shortage of harvesters," said a plantation manager, who spoke on condition of anonymity because he was not authorised to speak to the media.

The Slim River estate has delayed replanting and shut its nursery for the first time in 20 years to redeploy workers for harvesting.

Another plantation manager, named Chew, said he was forced to increase wages by 10 per cent to retain workers. Less manpower to maintain the plantations also means more pests, including rats, moths and bagworms.

"It has resulted in an environment that is good for rats to nest, feed and breed and natural predators cannot catch up," said Andrew Cheng Mui Fah, a plantation official in Sarawak.

At Slim River, Ravi said around a quarter of the estate was facing a bagworm infestation that "will skeletonise the leaves and cause small (fruit) bunch formation."

He was referring to the larvae of the bagworm moth that grow and feed on trees.

Neighbouring Indonesia, the world's largest producer of palm oil, does not have the same labour shortage issues and output is expected to rise this year as more area has been planted to palm.

However, operations at palm oil mills, where the palm fruit is converted into crude palm oil, have been impacted by Covid-19 restrictions, said Dorab Mistry, director of Indian consumer goods company and major consumer Godrej International.

"Shutting down of palm oil mills right across the length and breadth of Malaysia (and) Indonesia has been a huge dampener on the production side," he said at the annual US Soy Export Council conference on August 25.

Total 2021 output from Indonesia and Malaysia, which together account for roughly 90 per cent of world palm oil, was estimated at 66.2 million tonnes, according to Refinitiv Commodities Research published on August 4.

REUTERS/FILE

Workers handle palm oil fruits at an oil palm plantation in Slim River, Malaysia on August 12.