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PHOTO: STAR/FILE

PLAN FOR FY23

Foreign aid use target to remain unchanged

REJAUL KARIM BYRON and MAHMUDUL HASAN

The government plans to keep its foreign aid use target unchanged in the next fiscal year compared to the current fiscal year owing to lower utilisation of development allocations and projected reduced spending related to the pandemic, especially for vaccination.

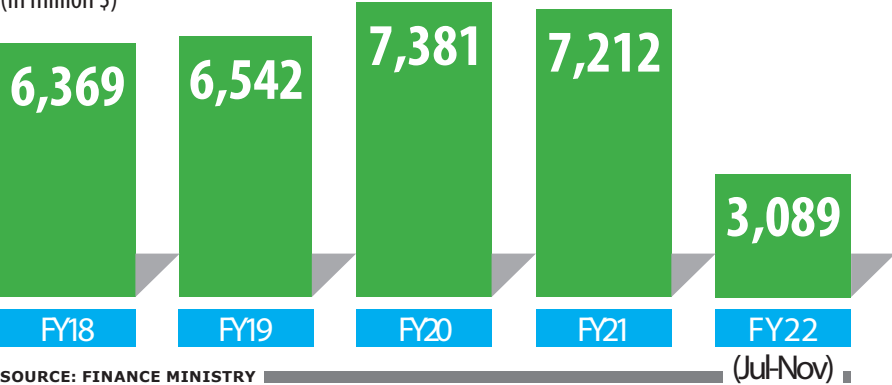
According to the finance ministry's initial plan, foreign aid spending target is \$12.86 billion. Of the sum, Tk 96,000 crore, or \$11.16 billion, will come from project aid and the rest from budget support.

The borrowing plans of the Economic Relations Division (ERD) for the current fiscal is \$12.89 billion. Of the amount,

Foreign funding in the pipeline stood at around \$50 billion as of November. In the last few years, Bangladesh was able to spend 12 per cent to 14 per cent of the total foreign fund in the pipeline, much less than the standard utilisation rate of 20 per cent

FOREIGN AID DISBURSEMENT

(In million \$)



SOURCE: FINANCE MINISTRY

\$10.38 billion is project aid.

In the current fiscal year of 2021-22, the government initially hoped to use a record amount of foreign funds to help Bangladesh weather the pandemic.

A finance ministry official said one of the biggest chunks of budget support was for vaccination plans. The Asian Development Bank alone provided almost \$1 billion for vaccine purchase.

But the chances of receiving robust budget support from development partners are very slim in the next fiscal year, since there has already been much progress regarding vaccine procurement.

However, the International Monetary Fund pledged \$3 billion in the next

three fiscal years as budget support. Bangladesh could receive \$1 billion in FY23, according to the official.

In FY22, the government's target was to increase foreign aid use in development spending by 25 per cent compared to that in the previous fiscal year.

The target for foreign aid utilisation is only up by 9 per cent in FY23 compared to the current fiscal year.

"The target of foreign aid use in the next fiscal year is not great," Towfiqul Islam Khan, a senior research fellow of the Centre for Policy Dialogue, told The Daily Star.

"And much will depend on how much

support we are getting to recover from the pandemic."

The project aid use under the Annual Development Programme (ADP) is low this fiscal year in spite of a bigger allocation.

According to the Implementation Monitoring and Evaluation Division, foreign aid spending amounted to only 16.23 per cent of the allocation in the first five months of FY22, which was 16.57 per cent during the same period last fiscal year.

For example, the health service division used 4.47 per cent of the foreign aid allocated between July and November.

The utilisation rate is also low for many other ministries and is similar to the level of the health service division.

According to the ERD's latest report, the government was able to disburse only \$3.08 billion in foreign assistance during the five-month period, less than a fourth of the target set for the entire fiscal year.

This prompted the government to cut the foreign aid portion in the ADP by Tk 10,000 crore in the revised budget.

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Bangladesh: your next outsourcing destination

RASHAD KABIR

When Prime Minister Sheikh Hasina declared the vision of Digital Bangladesh on December 12, 2008, the ICT industry experienced its rebirth. Later, the government declared December 12 as Digital Bangladesh Day.

The industry has seen an exponential growth in the last decade, especially in the last four to five years.

While the export revenue from this sector was only \$26 million back in 2008, it crossed \$1.4 billion in 2021. Only 300 software companies and 50,000 people worked in this industry in 2008. Now, one million people are working.

Under the umbrella of the Bangladesh Association of Software and Information Services (BASIS), there are 1,700 plus companies and the number has been almost doubled in the last five years.

Besides, there are so many startups, call centre companies, e-commerce platforms, and emerging digital device manufacturing and assembling companies. All these are making Bangladesh a proper hub for ICT ecosystem.

The government has also ensured numerous support for the sector. It has declared 100 per cent tax exemption for the IT and IT-enabled service (ITES) companies until 2024. A proposal has already been given by the BASIS to extend it up to 2030.

The government has also kept the provision of 100 per cent profit repatriation and on top of that, the companies are enjoying a 10 per cent cash incentive for IT/ITES export.

Besides, we have seen an introduction of a lot of training programmes countrywide by the government to develop beginner, mid-level and high skilled IT professionals. Every year, 20,000 computer science and engineering graduates are produced from the public and private universities.

For the first time, we have also seen a bold step in order to develop resources as part of preparation for the Fourth Industrial Revolution (4IR). The government has planned to launch Sheikh Hasina Institute of Frontier Technology to develop resources in the field of artificial intelligence, blockchain, internet of things (IIOT), cybersecurity and other 4IR technologies.

Development of market ecosystem, policy support and the capability of the ICT companies have made Bangladesh an attractive destination for ICT outsourcing. Now the question is: how much of the attractive market can Bangladesh grab?

The global ICT market was valued approximately at \$556 billion in 2020 and is expected to reach \$937 billion by 2027. Still, the software development, web development, application support and management, mobile application development, technical support, help desk, graphics design, and image processing are the dominant areas for ICT outsourcing.

The ICT industry is taking steps to grab this attractive market. One of the potential markets is Japan.

According to the Japan International Cooperation Agency, there will be a shortage of 500,000 qualified engineers in Japan by 2025.

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Indonesia eases coal export ban

AFP, Jakarta

Indonesia, the world's top exporter of thermal coal, on Monday said it would ease a ban on exports of the fuel that it imposed to head off looming blackouts.

Fourteen ships loaded with coal and destined for overseas markets would be allowed to leave Indonesia, Coordinating Minister Luhut said in a statement.

But all other barges with coal for export must divert their cargo to power stations in need of supply, the statement said, adding that the government will re-evaluate exports on Wednesday.

The January 1 ban on shipments of coal used in power generation threw the market into disarray.

Prices of the fuel lurched higher as ships laden with hundreds of thousands of tonnes of the mineral destined for major markets in Japan, China and India sat in ports and all new production was diverted to domestic power stations.

The Philippines has urged Indonesia to lift its ban, with Manila warning on Monday the policy would have a "detrimental" impact on the coal-reliant country.

Japan issued a similar appeal last week.

Indonesia's export ban was imposed after coal miners failed to meet their obligation to set aside 25 per cent of output for the domestic market.

Analysts and coal producers blamed mismanagement at Perusahaan Listrik Negara (PLN), the country's state-owned utility, which allowed reserves to fall to as low as three days' supply at some power plants.

Of the 5.1 million tonnes called for by the government this month, only 35,000 – or less than 1 per cent – had been supplied, the ministry said on January 1.

Even if current acute shortages are eased, analysts have said Indonesia faces long-term structural supply constraints because exporters have little financial incentive to supply the domestic market.

They are forced to sell to the state at a price far below current market rates, analysts said. "Coal producers do not consistently play by the rules, while at the same time the government does not have a mechanism to control whether the need for coal at PLN has been fulfilled," said Marwan Batubara, director of the Indonesian Resources Studies think tank.

"There is no supervision. There is no mechanism to ensure that each power plant has enough supplies," Batubara said.

To remedy this, Luhut said coal supply contracts would now include freight and delivery. "Logistics and delivery arrangements become the responsibility of the coal suppliers and PLN can focus on its core business to provide reliable electricity," the statement said.



Coal is being unloaded from a barge at the Suralaya coal power plant in Cilegon of Indonesia.

PHOTO: AFP