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WHAT'S WHAT

WB providing \$500m budget support

It attached some conditions for reforms

Rest will come next fiscal year

WB wants reforms in banking, revenue collection, and govt procurement system

CONDITIONS ALREADY MET

BB circular for banks to prepare loan recovery plans

NBR SRO for non-resident digital platforms' VAT registration

Savings tools' interest rates were reduced close to market-based rate

BB circular for reporting non-resident VAT withholdings

10 coal-based power plants were cancelled from govt plan

National tariff policy has been formulated

REFORMS NEEDED FOR 2nd TRANCHE

Banks have to send loan recovery plan by June

Rolling out automated challan system in tax zones

Cabinet approval for national tariff policy

WB provides \$250m in budget support

REJAUL KARIM BYRON and DWAIPAYAN BARUA

The World Bank has extended a \$250 million financing to Bangladesh in budgetary support after the country has moved to bring in fiscal and financial reforms to strengthen policies to sustain growth and enhance resilience to future shocks.

On Friday, the Washington-based lender approved the loan, the first of a series of two credits under the second phase of the Development Credit Policy. It will provide another \$250 million in the next fiscal year upon implementation of several more conditions.

In a press release, Bernard Haven, a senior economist of the WB, said the financing would help Bangladesh harness digital technologies to ensure green and resilient growth.

"Fiscal and financial sector policies will help sustain growth, while enhancing the coverage and efficiency of social protection programmes will protect the poor and vulnerable during economic shocks and natural disasters."

The government has moved to bring reforms to various

areas, including preparing a bank recovery plan, allowing non-resident foreign digital services companies to submit VAT returns, cancelling 10 coal-based power plants, and formulating the National Tariff Policy.

Last month, the Bangladesh Bank directed all banks to draw up a loan recovery plan so that they can take time-befitting moves to resolve any downside risks emanating from bad debts, liquidity crisis and other factors.

As per instructions, each bank will have to submit the plan to the central bank in January every year. The first strategy, however, will have to be handed in by June 30 this year.

The WB financing came at a time when the country is facing major challenges, caused by the dragging coronavirus pandemic, the outbreak of the Russian-Ukraine war, and commodities price shocks.

"Bangladesh's macro-financial risks are elevated due to the existing vulnerabilities in the financial sector, including deviations from international regulatory and supervisory standards, weak corporate governance, and the absence

of a modern problem bank resolution framework," said the lender in a document.

The interest rate cap, introduced in April 2020, is an ongoing challenge, distorting private sector credit and affecting bank profitability.

The National Board of Revenue has published a statutory regulatory order (SRO) to allow non-resident

of the SRO, the world's largest digital services providers have registered with the NBR.

"This prior action and trigger will together contribute to strengthening VAT and income tax revenues to reduce dependence on trade-based taxes," the WB added.

Despite rapid economic growth and success in poverty reduction in recent years, improvement of its revenue mobilisation," said the WB.

The Development Credit Policy programme will also support the development of the National Tariff Policy, which will help modernise trade taxes.

The commerce ministry has already approved the policy, said an official of the ministry. The policy will have to receive green light from the cabinet to get the second tranche of the loan.

Similarly, the finance ministry will need to roll out an enhanced at-source tax withholding system and the automated challan system nationwide and strengthen income tax collections.

The government has already cancelled its planned investment in 10 coal-fired power generation projects having a combined capacity producing 8,451 megawatts of electricity.

"This credit will further accelerate the government's endeavours to strengthen its policies and regulatory framework to pave the way for a green, resilient, inclusive recovery and low carbon growth," said WB Country Director for Bangladesh Mercy Tembon.



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VAT registration, while the BB has ordered domestic banks to report non-resident VAT withholdings.

The move will allow foreign companies such as search engines, social media and cloud-based services to remit VAT payments on the digital services they provide in Bangladesh.

Following the publication

Bangladesh has struggled to strengthen its domestic resource mobilisation. The challenges have been highlighted in several policy documents, but revenue generation has continued to disappoint.

"Bangladesh's aspiration of becoming an upper-middle-income country by 2031 crucially hinges on the

Food prices to remain stable in Ramadan

Businesses assure

STAR BUSINESS REPORT

Turning a blind eye to price rises of some essential commodities already overwhelming consumers, traders on the eve of Ramadan yesterday assured that the basic foodstuffs would not get costlier during this month of fasting.

Chicken, pulses, dates and a number of spices are the latest items to undergo price spirals as consumers prepared to embark on this period of spiritual discipline.

Broilers now cost Tk 165 per kilogramme, up over 11 per cent in one week while lentils Tk 110, up over 4 per cent.

Yesterday, dates, one of the most popular fruits consumed at iftar, retailed for Tk 150-Tk 450 in Dhaka's markets, up 20 per cent from that a week ago, according to prices data compiled by the state-run Trading Corporation of Bangladesh (TCB).

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People are seen buying vegetables and other groceries at Town Hall Bazar in Dhaka's Mohammadpur. Commodity businesses yesterday pledged that the cost of essential goods would remain stable during the month of Ramadan. However, prices were already up just a day before the fasting month for Muslims began.

PHOTO: RASHED SHUMON

INTERIM LICENCE

Nagad gets extension for fifth time

AKM ZAMIR UDDIN

The Bangladesh Bank has once again renewed the interim licence of Nagad for another six months as the Bangladesh Post Office (BPO) is yet to form a subsidiary to run the mobile financial service.

This is the fifth extension after the state-run agency secured provisional approval from the central bank in March 2020.

Nagad has been operating without a full-fledged licence since its inception in March 2019. It has more than six crore customers and facilitates transactions of around Tk 750 crore daily.

The latest extension came on March 31 after the Directorate of Posts had applied to have the tenure extended for another term, said a BB official.

Mid Siraz Uddin, director-general of the Directorate of Posts, is hopeful that all procedures might be completed within the new deadline in order to set up the subsidiary.

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Keep note of war, Lanka's woes in budget plan: experts

STAR BUSINESS REPORT

The government should keep in consideration the Russia-Ukraine war, global economic recovery from the pandemic's severe fallout and the latest collapse of the Sri Lankan economy when preparing the budget for fiscal year 2022-23, said experts and businesspeople yesterday.

Otherwise, Bangladesh's economy may face internal and external shocks for these three burning global issues, they told a discussion on "Macro Economy: Expectation from National Budget 2022-23" at the Institute of Chartered Accountants of Bangladesh (ICAB).

The discussants pointed out that the balance of payments (BoP) over the past 10 months has gone on to exceed \$10 billion as imports are surging to meet growing demand, which was already up by more than 54 per cent year-on-year.

At the end of the fiscal year, the BoP will reach \$20 billion whereas historically it has hovered between \$7 billion and \$8 billion, they told the event jointly organised by Economic Reporters' Forum (ERF) and the ICAB.

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HIGH PRICES OF SOYBEAN OIL

Consumers opting for palm oil

SOHEL PARVEZ

Bangladesh's consumers have increased consumption of palm and mustard oil as many of them have switched from soybean oil due to its rising prices, according to a recent report by the US Department of Agriculture (USDA).

As a result of the shift, soybean oil imports and consumption are expected to decline in the current marketing year (MY) ending in June.

As such, the import and consumption of palm oil will likely rise in MY 2021-22 compared to the previous year, the Foreign Agricultural Service of the USDA said in its report on oilseeds and products on Bangladesh, released by the end of last week.

The USDA forecasts that Bangladesh's palm oil imports will grow 4.3 per cent to 14.5 lakh tonnes

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STOCKS			WEEK-ON WEEK
	DSEX ▲	CSCX ▼	
	0.07%	0.38%	
	6,757.84	11,847.60	

COMMODITIES			AS OF FRIDAY
	Gold ▼	Oil ▼	
	\$1,928.8	\$99.57	
	(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
	▲ 1.21%	▼ 0.56%	▲ 0.31%	▲ 0.94%
	59,276.69	27,665.98	3,419.11	3,282.72