

Eni, Total, Occidental sign \$4b oil contract

AFP, Algiers

Italy's Eni, US major Occidental, France's Total and the Algerian group Sonatrach signed a \$4 billion oil and gas production-sharing contract Tuesday for the Berkine field in the country's southeast.

Algerian President Abdelmadjid Tebboune, hosting his Italian counterpart Mario Draghi on Monday with whom he sealed a clutch of deals, said the 25-year accord would provide Rome with "significant volumes of natural gas", as Europe seeks alternatives to Russian supplies.

The accord aims to produce one billion of oil equivalent barrels, Sonatrach said in a statement.

The partners will "develop additional liquid hydrocarbon resources, while reducing these fields carbon intensity through a dedicated carbon reduction program", Total said in a separate statement.



Development work is ongoing at the Padma Bridge Rail Link project in Keraniganj. The government's spending on projects under the annual development programme returned to almost pre-pandemic levels in the previous fiscal year as work resumed following two years of disruption due to Covid-19.

PHOTO: STAR/FILE

ADP implementation bounces back

STAR BUSINESS REPORT

Government spending on projects under the Annual Development Programme (ADP) rebounded in fiscal 2021-22 following a two-year disruption caused by Covid-19 but the implementation rate it is still slow compared to pre-pandemic levels.

Development expenditure bounced back to 92.79 per cent in the previous fiscal that ended on June 30 as the government spent Tk 203,765 crore of the Tk 219,602 crore set aside for the ADP, shows data from the Implementation Monitoring and Evaluation Division (IMED) of the planning ministry.

Planning Minister MA Mannan yesterday announced the current ADP implementation rate after a meeting of the Executive Committee of the National Economic Council.

The average implementation rate was around 94 per cent in the two years prior to the Covid-19 outbreak in 2020, according to the Bangladesh Economic Review.

Development spending stood at Tk 61,377 crore in June, up 4.2 per cent year-on-year from Tk 49,704 crore.

In FY22, the government spent Tk 126,671 crore from its coffers, which is 92.79 per cent of the allocation. However, the expenditure went past the pre-pandemic level of Tk 111,165 crore, or 95.83 per cent, registered in FY19.

Of the total amount spent on ADP projects in the last fiscal, the government used up Tk 67,033 crore from development assistance, which accounted for 92.23 per cent of the foreign aid received that year, more than 8.87 per cent from FY21.

In FY21, the government spent Tk 52,516 crore, or 83.36 per cent, of its

foreign aid on ADP projects. Some 1,836 projects received allocations in fiscal 2021-22, IMED data shows.

The industry ministry was the top performer that year, spending 112.23 per cent of its revised allocation, while the Energy and Mineral Resources Division placed second by spending 103.25 per cent and the power division came in third with 101.9 per cent.

The Health Service Division was able to spend just 79.15 per cent of its budget despite being a priority sector and similarly, the Secondary and Higher Education Division spent 70.59 per cent of its allocation.

Meanwhile, the worst performer was the foreign ministry, which spent just 40.65 per cent of its allotted funds.

The agriculture ministry's ADP implementation rate stood at 97.92 per cent, the disaster management and relief

ministry 95.50 per cent, the fisheries and livestock ministry 92.53 per cent, and the road transport and highways division 99.38 per cent.

The local government division, which received the highest allocation from the development budget, attained 92.23 per cent of the spending goal.

The ADP implementation rate of the railways ministry stood at 91.28 per cent as it moved fast to complete the Padma Rail Link project.

However, the government has set a record high goal to spend Tk 246,066 crore as ADP, of which Tk 153,066 crore will come from internal sources while foreign aid will contribute the rest.

Of the total 1,349 projects being developed across the country, the government allocated Tk 58,287 crore for these 10 projects alone considering their importance to the economy.

EDF facility for textile, apparel makers extended

STAR BUSINESS REPORT

The Bangladesh Bank yesterday extended the increased borrowing limit from the Export Development Fund (EDF) for textile millers and garment makers to December 31 this year.

In January, the central bank raised the loan limit to \$30 million from \$25 million in order to help exporters offset the business slowdown originating from the coronavirus pandemic. The disbursement deadline was set for June 30, 2022.

Now, the facility for the members of the Bangladesh Textile Mills Association and the Bangladesh Garment Manufacturers and Exporters Association has been extended to December 31, according to a notice of the central bank. This is the third extension.

The size of the EDF stands at \$7 billion.

In another notice, the central bank asked banks not to disburse loans from the EDF among the clients if they fail to repay from their export earnings.

In June, the BB asked banks to refrain from forwarding applications of EDF loans, irrespective of the nature of imports, for customers whose liabilities have been settled through funded facilities in the immediate past 180 days.

Yesterday, it said the EDF loans are required to be settled out of export proceeds/foreign currency funds.

So, it has been decided that the customers whose EDF liabilities have to be settled through funded facilities will not be accessible for further loans under the scheme from now onwards, the BB added.

Funded facilities are loans where banks and financial institutions provide real cash to their clients.

Pound weakens vs surging euro

REUTERS, London

The British pound rose against a broadly struggling dollar but fell against a stronger euro on Tuesday as latest economic data suggested the cost-of-living squeeze had not yet hit demand for staff in the UK.

Data showed Britain's unemployment rate holding at 3.8 per cent in the three months to May while the number of people in work rose by the most since the middle of 2021.

Sterling was up half a percent at \$1.2020 against the dollar, but down 0.44 per cent against the euro at 85.245 pence.

The drop against the euro is due to that currency's strength. It rose to its highest against the dollar in almost two weeks on Tuesday on news that European Central Bank (ECB) policymakers would discuss whether to raise interest rates by 25 or 50 points at their meeting on Thursday.

"We're seeing some continuation of dollar downside that we saw on Friday and Monday, and equally today we're seeing some idiosyncratic euro upside, largely on anticipation of the fact that the ECB might hike more than 25 bps," said Vasileios Gkionakis, EMEA Head of CitiFX G10 Strategy.

Stocks fall further CMSMEs get Tk 25,000cr

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Investors are in panic witnessing the continuous erosion of their portfolios, so many were trying to sell shares while there were a meagre number of buyers, said a mid-level official of a top brokerage firm.

Until people gain confidence on an economic rebound, stocks may suffer. Simultaneously, it may be an opportunity for some investors, he said. Recent data of the foreign exchange reserve, depreciation of the local currency and inflationary pressure had turned people tense, he added.

Inflation in Bangladesh hit a nine-year high of 7.56 per cent in June thanks to the spiralling of prices of food products in the country.

At the end of June, overall inflation rose 0.14 per cent from that a month ago, according to data released by the Bangladesh Bureau of Statistics (BBS) yesterday.

The foreign exchange reserve also dipped below \$40 billion while the taka devalued to Tk 100 against a US dollar in the banking channel.

Chittagong Stock Exchange (CSE) also faced erosions yesterday. The Caspi, the all-share price index of the port city bourse, plunged 214 points, or 1.17 per cent, to 18,066.

At the CSE, 19 stocks advanced, 246 fell and 21 remained unchanged.

Consumer rights

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"So, we have decided that the officers of the (DNCRP) will vigil the markets so that the retailers, milers and refiners cannot sell edible oil at the previous rates as the prices have already been reduced," Ghosh told The Daily Star over phone after the meeting.

The commerce secretary also said the government may reduce the edible oil prices in the local market substantially soon as the global prices of the cooking oil have reduced significantly.

In the taskforce meeting, the commerce ministry also has decided to write to the National Board of Revenue to reduce duty on import of canola and sunflower oil to increase the diversity of the edible oil in the market, he said.

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Of the total loans, at least 70 per cent must go to the manufacturing and services sectors and the rest to the trading sector.

Clients will be entitled to a maximum grace period of six months, and the repayment period, including the grace period, will not be more than five years, said the BB in the notice.

The loans can be disbursed through branches, sub-branches, agent banking outlets and mobile financial services.

The high-priority sectors eligible for the loans under the scheme include agriculture and food processing industries, farm machinery manufacturers, readymade garments, knitwear, design and decorating companies, ICT, leather and leather goods industries, light engineering, and jute and jute goods industries.

The priority sectors are plastics and other synthetic industries, tourism, home textiles makers, renewable energy, automobile manufacturers and repairing industries, handicrafts, energy-efficient device makers, jewelers, toy industries, cosmetics

and toiletries, furniture makers, and mobile, computer and television servicing industries.

Lenders with more than 10 per cent default loans will not be allowed to disburse funds under the scheme. Besides, lenders have to have at least three years of business experience.

CMSMEs, economists and bankers welcomed the refinance scheme.

Akter Hossain Khan, president of the Exportable Small Garments Owners Association in Syedpur of Nilphamari, says the scheme would help borrowers in the CMSME sector secure funds on easy terms.

"Although some banks had earlier disbursed loans among CMSMEs in Syedpur, the funds have not been enough to fulfil their needs. So, the new scheme may help widen the borrowing scope for businesses."

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, says inadequate access to funds has always been a barrier for the CMSME sector's growth and expansion.

Banks and NBFIs usually feel discouraged to lend at 9 per cent since the cost of funds and the operational

expenditure are high.

"From that sense, it would provide them loans on easy terms."

The economist urged the central bank to use the experiences of the Tk 20,000 crore stimulus package, which took a long time for disbursement to accelerate, and remove complexities standing in the way of CMSMEs when it comes to access to credit.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, describes the refinance scheme as a move in the right direction since the CMSME sector is highly important given its contribution to the economy.

"In addition, the banking sector is now facing liquidity pressure, so it will help lenders secure funds from the central bank at a lower cost," he said.

He points out that the cost of deposits in the banking sector is on the rise, creating roadblocks to disbursing funds smoothly owing to the 9 per cent lending interest ceiling.

"The new scheme will help borrowers secure funds at a lower cost."

Industries seek protection

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This was echoed by Mohammad Hatem, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association.

Mohammed Amirul Haque, managing director at Premier Cement Mills, said if industries suffered power cuts, the country's \$50 billion worth export earnings would face the same fate. "So, the industries should be kept immune to load shedding at any cost," he said.

He said manufacturing plants of some industries—of cement, glass, dyeing and ceramics—have to run for several days uninterrupted for their vast and complex process and any power cut could severely affect production.

"Had we known that the country's

electricity generation is so much dependent on diesel, we would have developed dedicated captive power plants for factories," he said.

Aameir Alihussain, managing director of Bangladesh Steel Rolling Mills, said the extent of power cuts has reduced over the last three to four days.

But the steelmakers cannot run at fully capacity during peak hours, he said, adding that this affects overall production by around 20 per cent.

"But we have to accept this for the country. This (load shedding) is the right decision from the government as continuous adjustment of fuel prices will increase cost of business and inflation," he said.

"This will slow down the economic activities but we will not be Sri

Lanka," he said.

"Load shedding will directly affect production in factories. Not only production, there will be an impact on the overall business" said Saiful Islam, president of the Metropolitan Chamber of Commerce and Industry.

"If load shedding is not taken up as a temporary measure, it will have an effect on businesses as well as livelihoods. Especially on those who are exporters," Islam said.

"Load shedding even for a minute in any of our industrial areas, it is a huge loss for us," said an official of a leading company in the tiles sector on condition of anonymity.

Khurshid Ahmad Farhad, general manager of Bombay Sweets, said electricity fluctuations cause damage to production.

Dry spell rings alarm for Aman

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disrupting the supply of grains. Rice is the staple food and Aman accounted for 39 per cent of the total annual production of the grains estimated at around 3.80 crore tonnes during the last fiscal year of 2021-22.

The mild heat wave has created worries among farmers and agronomists as any delay in transplantation will reduce the overall yield from the crop. The government targets to bag 1.63 crore tonnes of rice to offset the losses of Boro and Aush crops.

Until yesterday, farmers transplanted Aman on 1.57 lakh hectares of land, out of the government's target of 56.30 lakh hectares, according to the Department of Agricultural Extension (DAE).

Farmers have prepared seedlings on 2.57 lakh hectares so far.

"My seedlings matured a week ago and I have been watering them to keep them alive. I don't know when the rain will come and we will start transplantation. We are worried," said Md Khaja Mia, a farmer in Shibganj upazila of Bogura district.

Abdul Halim, a farmer in Rajosh of Gobindaganj upazila of Gaibandha, says all water-bodies, crops lands, canals and ponds are dry now.

"We are witnessing this type of drought in our district for the first time since 2001. There has been no rain since June 17 in this area."

Farmers normally start transplanting Aman on the first day of Sraban (July 16) as per the Bangla calendar year.

"We will have to spend for irrigation if there is no rainfall," Halim said, adding that per unit cost of electricity is Tk 4.5 while diesel costs Tk 80 a litre.

Habibur Rahman, a farmer of the

Bherber union of Khansama upazila of Dinajpur, usually completes Aman cultivation by July 20 every year.

"But, it seems that it would be late by a couple of weeks this year," he said.

"We are already 15-20 days behind the usual Aman cultivation period. We are worried because the yield might be poor due to the lack of rains on time," said Abdur Rouf, a grower in Rajosh.

Habibur Rahaman Chowdhury, director (routine charge) of the field services wing of the DAE, said the agency suggested using irrigation pumps to ensure the timely cultivation of Aman.

"The situation is almost the same throughout the country. But transplantation begins early in the Rangpur and Dinajpur regions."

Md Shahjahan Kabir, director general of the Bangladesh Rice Research Institute, said seedlings of shortly matured varieties have to be transplanted within 15-20 days to ensure maximum output.

"If that exceeds, the yield will decline."

Similarly, dry weather will also affect the cultivation of long duration rice varieties, he said, suggesting the operation of all public irrigation schemes to ensure timely cultivation to achieve the target.

"The government should initiate a massive agricultural rehabilitation programme under the current situation," said AMM Shawkat Ali, a former food adviser to the caretaker government.

He said farmers should get an adequate supply of diesel for irrigation. "It will offset the future need for import of food grains."

The rainfall may increase from today and the temperature will fall, according to Hafizur Rahman, a meteorologist at the BMD.