



The central effluent treatment plant in the Savar tannery estate needs to be further modernised to take the leather sector forward and the private sector can play a big role in this regard, says an experts.

PHOTO: STAR/FILE

# Bank financing rising for green, sustainable projects

## STAR BUSINESS REPORT

Bangladesh's banks are increasingly extending finance for green and sustainable initiatives taken by businesses in an attempt to encourage environment friendly investments and mitigate the effects of climate change.

From July to September of fiscal year 2022-23, banks had provided Tk 2,670 crore to green initiatives such as bringing energy efficiency at factories and eco-friendly brick kilns and agricultural schemes.

The amount of disbursement was up 78 per cent year-on-year, according to Bangladesh Bank data.

Such financing by banks and non-bank financial institutions (NBFIs) stood at Tk 7,548 crore from January to September of 2022, accounting for 4.20 per cent or of all term loans.

The ratio of green finance to total term loan disbursement in the whole of 2021 was 3.06 per cent.

With the increase, sustainable finance to total loan disbursement increased to 11.08 per cent during the January-September period of 2022.

During the same period in 2021 it was

8.04 per cent, said the central bank in its Quarterly Review Report on Sustainable Finance of Banks & Financial Institutions released last week.

"We are giving importance to green financing to encourage environmental-friendly initiatives," said Md Abdus Salam Azad, managing director and CEO of state-run Janata Bank.

"Pollution has increased in the country. So, we are focusing on projects that will reduce pollution," he said.

Janata Bank is one of the 15 banks that surpassed the 5 per cent ratio targeted for green finance to total term loan disbursement.

The state-owned bank has so far financed several projects in various sectors such as in garments, solar power generation, environment-friendly brick kilns and ceramics manufacturing, according to the CEO.

For the last couple of years, Bangladesh Bank has been encouraging banks to lend to environment friendly projects in order to facilitate sustainable economic development by reducing carbon emission and global warming and protecting nature.

The central bank has also formed four refinancing funds to encourage banks and financial institutions to lend to entrepreneurs.

These are a Tk 400 crore green product and initiative fund, a green transformation fund, a Tk 1,000 crore technology upgradation fund and a Tk 125 crore Shariah-based refinancing scheme for green products.

Bangladesh Bank said all scheduled banks and financial institutions have formed their own "Sustainable Finance Unit".

And as per a "Sustainable Finance Policy" prepared by the central bank in December 2020, it is mandatory for all banks and financial institutions to prepare their own sustainable finance policy.

In the July-September period of 2022, some 34 banks and eight non-bank financial institutions (NBFIs) had exposure in green finance.

Including green and sustainability-linked finance, 53 banks and 15 NBFIs provided finance to environment-friendly projects.

Increased awareness of banks has contributed to higher financing to sustainable projects, said Chowdhury

Liakat Ali, additional director of Sustainable Finance Department of Bangladesh Bank.

Besides, a rating of the central bank for banks to recognise performance in sustainable finance is inspiring the lenders, he added.

Ali said a good portion of the green finance was going to energy efficiency initiatives in textile factories and establishment of green factories as exporters want to cut carbon emissions to attract international buyers and compete in the global market.

A senior official of Bank Asia, one of 15 that surpassed the 5 per cent ratio targeted for green finance to total term loan disbursement, said the private bank has a good amount of finances focusing renewable and alternative energy.

"We have lent to establishment of biogas plants, solar power and effluent treatment plants and energy saving brick kilns in order to reduce carbon emission," he said.

"We are committed to green financing. We will increase our financing in the coming days by following the guideline of the central bank," he said.

## Use green funds for leather sector compliance

Suggests a govt official

### STAR BUSINESS REPORT

The Bangladesh Small and Cottage Industries Corporation (BSCIC) should form a fund with support from Green Climate Fund to enable leather goods manufacturing processes that do not affect the environment, suggested Tofazzel Hossain Miah, principal secretary to the prime minister.

By availing loans from the BSCIC fund, tanners can set up their own effluent treatment plants (ETPs) and ensure compliance to other regulations, he said during a visit to Savar Tannery Industrial Estate yesterday.

Green Climate Fund was established within the framework of the United Nations Framework Convention on Climate Change to assist developing countries adapt and mitigate practices to counter climate change.

Approvals of Leather Working Group, a global body for compliance and environmental certification in the leather and leather goods sector, bear a lot of significance in terms of taking the country forward, said Miah.

But many companies do not have their own ETPs, the most important compliance criteria for a certification of the group, he said.

The principal secretary said the export of leather goods has decreased over the past three years but currently it was on a positive trend.

**By availing loans from the BSCIC fund, tanners can set up their own effluent treatment plants and ensure compliance to other regulations, an expert suggested**

Work is underway to find solutions for several challenges such as the pollution of land, water and air, he said.

A lack of compliance is preventing Bangladesh's leather sector from tapping into its potentials and expanding its footprint in the international market despite the availability of raw materials locally, said experts.

As a result, exporters are getting 30 per cent to 40 per cent lower prices for their products in the global market compared to their competitors while fair price cannot be ensured in the local markets as well, they said.

The central effluent treatment plant (CETP) in the Savar estate needs to be further modernised to take this sector forward and the private sector can play a big role in this regard, Miah added.

Industries Secretary Zakia Sultana said they were working to solve the problems of the tannery estate.

"We have already visited the estate and the CETP and provided some recommendations. If the estate authorities implement these recommendations, it will be possible to overcome these issues," said Farhina Ahmed, secretary to the environment, forest and climate change ministry.

Most of the 154 tanneries in the estate are in production, said Shaheen Ahamed, chairman of Bangladesh Tanners Association and managing director of Anjuman Trading Corporation.

However, before completion of the construction of the CETP, there is a need for its rectification and upgradation as the common chromium recovery unit is not functional, said Ahamed.

The BSCIC under the industries ministry began implementing the estate in 2003 and completed it in June 2021.

## 20 goods account for 51pc of import spending

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The spending had gone up 78 per cent year-on-year with about 7.7 million tonnes being imported in the five months.

"The price of cotton in the international market started to rise since the beginning of Covid-19," Syed Nazrul Islam, first vice president of the Bangladesh Garment Manufacturers and Exporters Association, told The Daily Star.

"The price has come down a bit in the last couple of months but it is still not at a bearable level. As a result, the import cost has increased," he said.

The second highest amount was spent behind fuels such as diesel, furnace oil and crude oil.

About 4.7 million tonnes worth Tk 20,347 crore were imported.

In the same period last fiscal year, some 4.1 million tonnes worth Tk

158,67 crore were imported.

Old ships and scrap products of about 2.4 million tonnes worth Tk 11,830 crore were imported in the last five months whereas 3.1 million tonnes worth Tk 12,496 crore were bought in the same period last year.

Some 1.73 million tonnes of palm and soybean oil and soybean seeds worth Tk 17,364 crore were imported in the five months this fiscal year.

Just 0.32 million tonnes worth Tk 10,278 crore were imported in the same period of the previous year.

Besides, Tk 9,653 crore was spent for importing 10.11 lakh tonnes of fertiliser, Tk 4,006 crore for 65.5 lakh tonnes of cement clinker, Tk 3,740 crore for 8.75 lakh tonnes of wheat, Tk 2,655 crore for 3.7 lakh tonnes of hot rolled steel, Tk 2,021 crore for 4.4 lakh tonnes of seeds and Tk 1,973 crore for 2.2 lakh tonnes of lentil.

## Balance of payments under stress

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Until recently, the current account deficit had widened owing mainly to higher import payments. But in the first five months of FY23, the deficit dropped 8.88 per cent to \$5.67 billion, driven by the central bank's restriction to rein in import costs.

A current account deficit occurs when the total value of goods and services a country imports exceeds the total value of goods and services it exports.

Between July and November, imports rose to \$32 billion whereas exports stood at \$20.74 billion and remittances flows were \$8.79 billion, BB data showed.

The overall deficit in the BoP tripled to \$6.38 billion due to an increase in trade credit and a decrease in foreign and portfolio investments as well as the deficit in the current account balance.

The deficit in trade credit, in which an importer can purchase goods without paying cash upfront and pay the supplier at a later scheduled date, quadrupled to \$2.26 billion.

As of September, the private sector foreign debt stood at \$25.40 billion. Of the sum, \$11.89 billion was short-term trade credit.

Two factors are driving up the trade credit.

First, export shipments have been carried out but the receipts might not have arrived yet. Second, the short-term buyer's credit is being repaid but fresh loans are not coming in, Hussain said.

"As a result, the outflow of funds may increase."

Due to the dollar crisis, the overall investment climate in developing countries is not conducive. And Bangladesh is no exception.

In Bangladesh, the BoP pressure has developed so investors are jittery

and pulling their funds out, said Mansur.

"This is a clear indication that investors have no confidence in Bangladesh's economy."

The disbursement of foreign loans to the government has also slumped.

As of November, the loan disbursement dropped 20 per cent year-on-year to \$2.36 billion from \$3.01 billion in the same period a year earlier, data from the Economic Relations Division showed.

MA Razzaque, research director of the PRI, called the situation "quite challenging" for the economy.

"Given the current reserve situation, it was hoped that external resources would help ease the pressure. But clearly, this has fallen short of expectation," he said.

A lack of commitment and disbursement also compelled the government to rely more heavily on the banking system, including the creation of new money through printing, Razzaque added.

"The aid pipeline should have been used promptly and effectively under the current circumstances."

Razzaque, also the chairman of the Research and Policy Integration for Development, a think-tank, expects the situation to improve after getting the first phase of a loan from the IMF.

The IMF is expected to lend \$4.5 billion to Bangladesh over a three-year period.

The slow implementation of the projects funded by external loans is not helping the overall situation as well, Razzaque said.

Khandaker Golam Moazzem, research director of the Centre for Policy Dialogue, urged the government to explore alternative sources of funds along with the IMF.

## Eurozone inflation falls for second month

### AFP, Brussels

The eurozone's annual inflation rate fell for a second month in a row, to 9.2 per cent in December, driven by easing energy prices, official data showed Friday, bringing some relief to Europe in the new year.

Boosted by the slowdown in the rate of energy cost rises, inflation fell last month from 10.1 per cent in November, according to EU statistics agency Eurostat.

It is the first time the rate is in single digits since September.

Consumer prices had reached a record 10.6 per cent in October, caused by sky-high energy prices buffeted by Russia's war in Ukraine. That is five times higher than the European Central Bank's target.

Analysts had expected the inflation rate in the single currency area to drop again but the fall was larger than predicted by Bloomberg and FactSet, which foresaw 9.5 per cent and 9.7 per cent respectively.

Energy costs rose 25.7 per cent in December compared to 34.9

percent a month earlier. Food and drink costs also rose.

"All told, the early 2023 data releases confirm that the more apocalyptic scenarios envisaged a few months ago will be averted," Andrew Kenningham, chief Europe economist at Capital Economics said in a note.

The figures were unlikely to convince the ECB to stop raising interest rates, analysts warned, since the rate of core inflation, which excludes energy and food prices, actually rose in December.

"The eurozone economy is at best stagnating, and persistent core inflation means the ECB will feel duty-bound to press on with its tightening cycle for a while yet," Kenningham said.

/- More rate raises -/ "It is likely that the peak in inflation is behind us now, but far more relevant for the economy and policymakers is whether inflation will structurally trend back to two percent from here on," said Bert Colijn, senior eurozone economist at the ING bank.

## Basmati kachchi, biryani

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"We have collaborated with our restaurant and payment partners to bring attractive offers for our users this winter," he said.

The volume was severalfold on New Year's Eve compared to that on a normal day, said an official of a platform.

In India, top food delivery platforms Zomato and Swiggy said they had recorded a massive surge in orders on December 31.

Indians placed more than 5 lakh food orders with Zomato and Swiggy, the companies revealed in their latest reports.

Biryani and pizza were the top food dishes ordered through these online food delivery platforms, according to India Today.

According to Pandamart, the grocery arm of Foodpanda, eggs, aerosol and Coca-Cola were items sought the most.

Cake is one of the food items sold the most on December 31 for the New Year's celebrations in Bangladesh.

Md Ibrahim Khalil, general manager at Tasty Treat, which has about 300 outlets across the county, said their cake and pastry sales were over fivefold on December 31 compared to that on a normal day.

## Amnesty to bring back

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"This is now proven that the move is economically unrealistic," said Prof Rahman.

The money has been smuggled through illegal means like hundi, so people would not bring the money back no matter how much immunity is given, he said.

According to Prof Rahman, the move is politically unhelpful because common people never take the opportunity.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said it was difficult to fathom why the government had offered such an opportunity.

"If it was only due to tax evasion, then there would be a logic to bring back the money using the tax concession. But the money that goes

out of the country is the money that is earned through corruption or illegal means."

Legally disclosed money may also be sent out due to a lack of investment environment in the country. But Hussain doesn't think that is an important reason for money laundering.

"The big reason for money laundering is either the money is illegally earned or generated through corruption," he said.

When people don't feel safe keeping that illegally earned money in Bangladesh, they smuggle it to a safe haven, he said. "Why would they bring that money back home?"

"It is naïve to assume that people would bring back the illegally earned money by paying the tax."