Star BUSINESS

ADB to give $230m for flood victims' rehabilitation

STAR BUSINESS REPORT

The Asian Development Bank (ADB) will give Bangladesh $230 million in loans to help the rehabilitation and reconstruction efforts in the country's north-eastern part affected by devastating floods in May and June last year.

The assistance under the Flood Reconstruction Emergency Assistance Project will help in the reconstruction, improvement of resilience, and economic recovery of northeastern districts of Brahmanbaria, Habiganj, Kishoreganj, Moulvibazar, Mymensingh, Netrokona, Sherpur, Sunamganj and Sylhet.

Record rainfall in northeastern Bangladesh in May and June of 2022 caused massive flooding, especially in the low-lying Haor region, affecting 7.2 million people.

The project will address the climate change impacts by developing innovative climate-resilient infrastructure

Sharifa Khan, secretary of the Economic Relations Division, and Edimon Ginting, ADB country director for Bangladesh, signed agreements yesterday in this regard.

"The project will address the climate change impacts by developing innovative climate-resilient infrastructure under the build-back-better principles in line with the government's national adaptation plan," the ADB country director said.

"The project will also help improve living conditions, livelihoods, and climate resilience in the flood-affected northeast region of Bangladesh by reducing flood risks in 79,233 hectares of land; improving climate-resilient irrigation infrastructure and water delivery services in at least 10,000 hectares of land."

The project will also help in reconstructing and rehabilitating 757 kilometres of rural roads, 34 kms of rail track, 80 kms of river embankment

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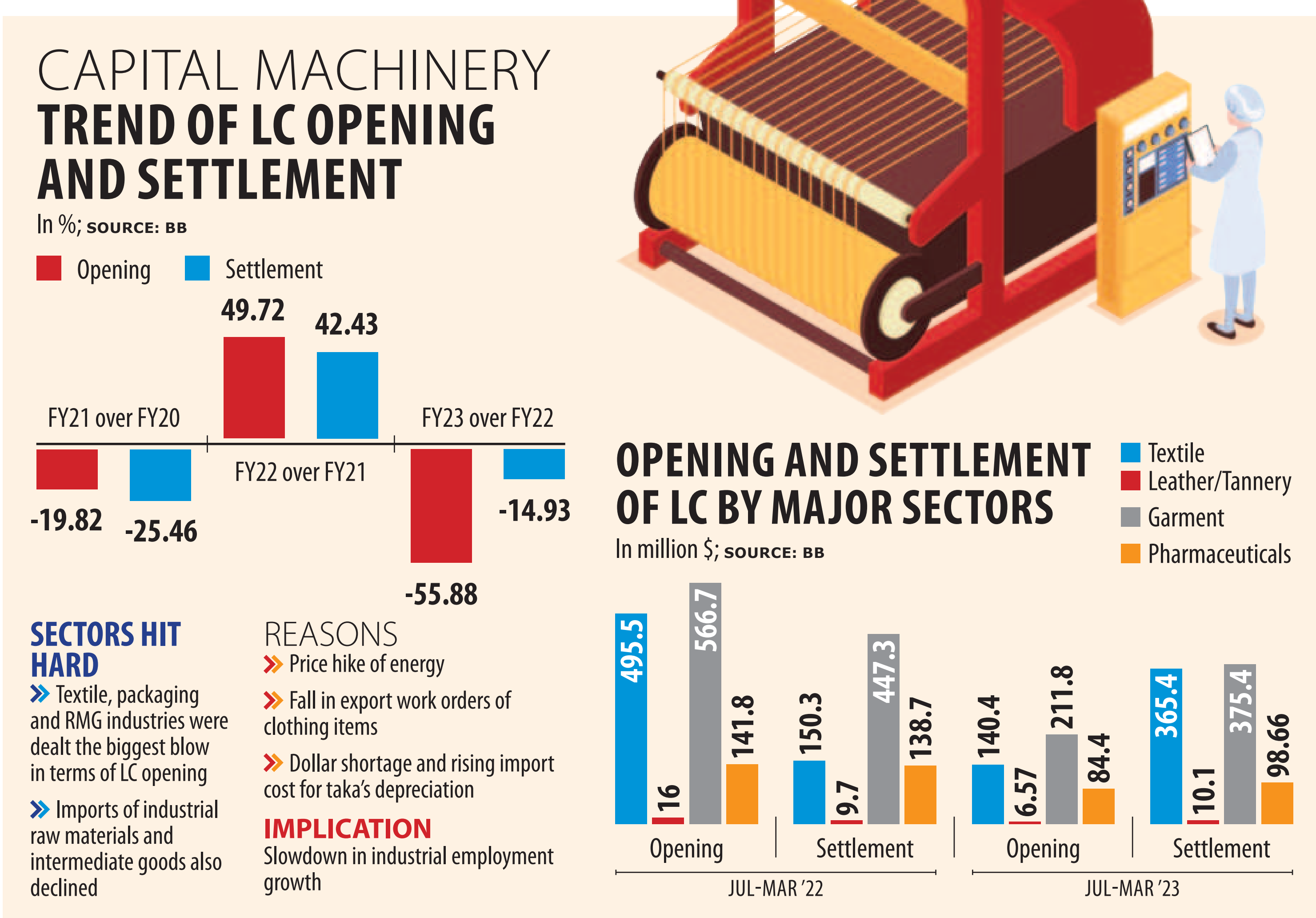

Capital machinery imports keep falling

SOHEL PARVEZ *and* REFAYET ULLAH MIRDHA

Bangladesh's import of capital machinery has continued its falling trend as banks have remained cautious in financing purchases amid the dollar crisis while entrepreneurs showed reluctance to expand owing to slowing domestic and export sales.

Data from the Bangladesh Bank showed that the opening of letters of credit (LCs) to import capital machinery slumped nearly 56 per cent year-on-year to $2.29 billion in the first three quarters of the ongoing financial year of 2022-23.

Settlement of LCs dropped 15 per cent to $3.13 billion in the July-March period.

Textile, packaging and garment industries took the biggest hit in terms of LCs opening, followed by jute and pharmaceutical industries, a trend, which, according to two analysts, points to the slowing investment in industries and does not bode well for the economy as more jobs need to be created and productive capacity has to be increased to accelerate growth.

Other than these major sectors that account for most of the export earnings for the country, LCs opening and settlement for other industries plunged 53 per cent and 23 per cent, respectively, in the first nine months of FY23.

The imports of industrial raw materials and intermediate goods also suffered a fall.

"The trend of LC opening and settlement declined mainly because of an abnormal price hike of energy, the fall in export orders of clothing items, the abnormal rise of the exchange rate of the US dollar due to the volatility in the economy," said Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association.

He said many entrepreneurs had planned to set up new textile and garment factories considering the rebound of exports in the global textile and apparel supply chain from the lows of the coronavirus pandemic, but the sudden outbreak of the Russia-Ukraine war has started affecting the global supply chain again.

As a result, many entrepreneurs had to cancel LCs, he said, adding that the future of the business is depending on the direction of the war.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said exporters showed courage and invested to expand and upgrade their factories during the Covid-19 pandemic in order to reduce dependence on China.

That courage paid off.

"Now, persisting higher inflation amid worries of recession in the western markets has affected the buying power of consumers in the West. There are still inventories in some western markets. As a result, order flow has shrunk and it is likely to decline for a couple of months," Hassan said.

"This is why investors are not showing enthusiasm to go for fresh investments."

At the same time, banks are not feeling encouraged to finance the imports of capital machinery and have become tight because of the scarcity of the US dollar, according to the chief of the BGMEA.

"This will have a negative effect on employment."

He, however, said exporters are not facing any problem in opening LCs to import the raw materials against export orders.

Aameir Alihussain, managing director of BSRM, one of the leading steel makers in Bangladesh, says a lot of investment has already been made in the steel sector.

"But entrepreneurs are facing troubles in opening LCs. There is also some sort of uncertainty."

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, blames the dollar shortage for the declining trend of capital machinery imports.

"There is also uncertainty in both exports and domestic markets. Generally, sales are down," he said.

"The implication of this is that the productive capacity of the economy will not increase and job creation will be low."

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Lessons learned from disruptions caused by Covid-19, war

AHSAN HABIB

The business sector in Bangladesh has been going through severe challenges for the past four years, which, for many, have been the toughest period in decades, with the coronavirus pandemic being the dominant factor in the early part before the Russia-Ukraine war broke out. Today, we are running the last report of a series and it focuses on the lessons for the businesses from the two unprecedented shocks.

The coronavirus pandemic, which hit the world in March 2020, was unprecedented and it has impacted almost every individual and each firm on Earth. Businesses in Bangladesh were not spared.

Embracing currency hedging, including essential items in the product mix, boosting brand value, and avoiding a profiteering mentality are among the lessons firms can learn in order to prepare for the next crisis

The Russia-Ukraine war that erupted in February last year compounded the suffering for both people and businesses, hurting the recovery from the pandemic as inflation surged to a record high amid a spike in commodity prices globally and the depletion of the foreign currency reserves and a significant fall of the taka's value against the US dollar at home.

But the twin shocks also offered some important lessons for entrepreneurs.

Embracing currency hedging, including essential items in the product mix, boosting brand value, and avoiding a profiteering mentality are among the lessons firms can learn in order to prepare for the next crisis, according to a number of experts and entrepreneurs.

"Most of the suffering for the business sector came from the dollar shortage induced by the war, so entrepreneurs need to go for currency hedging to safeguard themselves from the volatility in the currency market," said Mir Ariful Islam, chief executive officer of Prime Finance Asset Management Company.

Under the currency hedging, a company makes a forward agreement with an investment dealer to sell a specific amount of a particular currency on a future date but at today's exchange rate.

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STOCKS

DSEX ▲	CASPI
0.10%	Flat
6,223.05	18,340.80

COMMODITIES

Gold ▲	Oil ▼
$2,008.97 (per ounce)	$82.12 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.86%	▲ 0.07%	▲ 0.5%	▲ 1.42%
59,910.75	28,514.78	3,319.26	3,385.61

ADP spending in July-March lowest in a decade

MD ASADUZ ZAMAN

The first nine months of the current fiscal year of 2022-23 saw the lowest implementation rate of the annual development programme (ADP) in at least the last 10 years, with only 41.65 per cent of the total outlay being spent till March, showed official figures.

The government managed to spend Tk 98,521 crore from its ADP budget in the July-March period of fiscal year 2022-23, according to data from the Implementation Monitoring and Evaluation Division (IMED).

It was Tk 98,934 crore in the same period in fiscal year 2021-22.

As of March, the ministries and divisions managed to spend 41.65 per cent of the total revised ADP allocation of Tk 236,560 crore set aside to carry out development activities throughout the current fiscal year.

It was 45.05 per cent in the same period of FY22.

Between July and March, the implementing entities spent Tk 56,151 crore from the government's portion of the ADP, down 2.15 per cent year-on-year.

The use of government funds declined as Bangladesh took various austerity measures in project implementation owing to the economic crisis, higher inflation and the US dollar shortage caused by the fallout of the Covid-19 pandemic and Russia-Ukraine war.

For the past three years, the government has put the implementation of low-priority projects on hold to free up funds for more productive sectors.

Ahsan H Mansur, executive director of the Policy

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Craftsperson Lavlu transfers paint from a design carved in a "block" onto a sari in a process widely known as block printing. The block could be made of wood, acrylic plastic sheet, lino (linoleum) or metal. Block prints range from bold, simple shapes and designs with limited colours, to more complicated designs using several colours, with charges starting at a minimum Tk 500. A craftsperson can put prints on four to five saris a day. With Eid-ul-Fitr just around the corner, boutiques are passing busy times catering to orders. The photo was taken at Baitun Noor Shopping Centre in Khulna city a couple of days ago.

PHOTO: HABIBUR RAHMAN

Turtle Venture Studio raises $1m fund

STAR BUSINESS REPORT

Turtle Venture Studio, Bangladesh's first venture studio, has raised $1 million in its first round of funding, with Dekko ISHO Venture Capital (DIVC) as the lead investor.

DIVC is a notable investor that focuses on sustainable business models and practices.

This investment is an important milestone for both Turtle Venture Studio and DIVC and it highlights the growing interest in Bangladesh's entrepreneurial ecosystem, according to a statement.

Turtle Venture Studio was established in 2022 by Saraban Tahura Turin and Anwar Sayef Anik, two young entrepreneurs with a mission to foster startups in Bangladesh and beyond.

The venture studio was launched in Singapore and is set to introduce its first cohort in 2023.