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Private sector borrowing less from abroad

REJAUL KARIM BYRON

The private sector's external debt declined by about \$2 billion in the first three months of the year, in a sign of the shrinking appetite for foreign loans in the face of unfavourable terms.

At the end of March, the private sector's external debt obligations stood at \$22.18 billion, down from \$24.31 billion recorded three months earlier, according to data from the Bangladesh Bank.

Given the lower interest rates in much of the Western world, the private sector was resorting to borrowing more and more from abroad.

Their foreign borrowing began to shoot up in 2021 when central banks around the world kept the interest rates low to kickstart their economies from the pandemic-induced slowdown.

At the end of 2020, the private sector's external debt obligations stood at \$14.76 billion. Over the next year and a half, it hit a peak of \$25.95 billion.

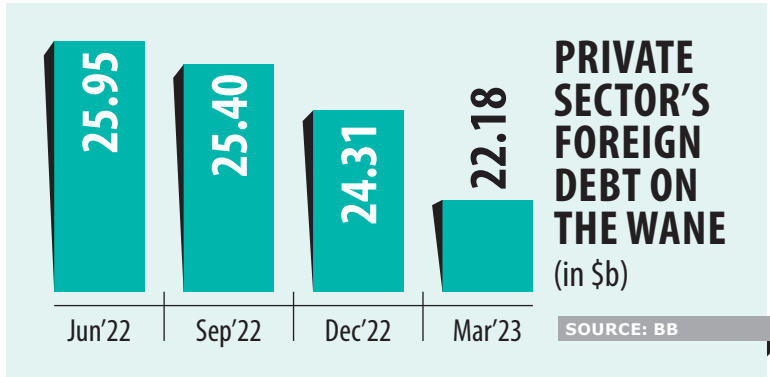
It began to decline in the third quarter of 2022 as central banks around the world started to increase interest rates to tame inflation.

But Bangladesh's private sector began to face another issue: with the view to preserving the strained dollar stockpile, the government tightly controlled the dollar outflows, which led to one too many deferred letters of credit settlement.

"Our reputation was badly damaged," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

This also prompted the global rating agency Moody's in December last year to downgrade the rating of Bangladesh's financial sector.

"This has made financing access very difficult for the private sector," he said.



Meanwhile, the interest rate has increased much abroad; and given the risks carried by the Bangladeshi borrowers due to Moody's downgrade and the reputational damage, the interest rate for them is even higher.

Coupled with the steep depreciation of the taka, foreign loans would not make much cost-effective option for the private sector.

The central bank has also put a cap on the interest rate for the private sector's foreign commercial borrowing and that cap is lower than the going rate in the international market, according to Hussain.

At the end of March, the private sector's short-term foreign loans stood at \$14.1 billion, down from \$16.42 billion at the end of December 2022.

The long-term loans though increased by \$204.97 million to \$8.1 billion at the end of the first quarter of 2023.

But the private sector's reduced foreign borrowing does not mean that the pressure on the foreign reserves and the exchange rate will subside.

"It is because both the financial and current accounts of the balance of payment are in deficit. If the current account is in deficit, it can be financed with the surplus in the financial account, and there would be no pressure on reserves or the foreign exchange market," Hussain said.

"When both are in deficit, commercial banks will have to draw on their foreign exchange accounts and the BB will have to use its reserves," he added.



Saiful Islam plays with his toddler on a bed of Mugda Medical College Hospital yesterday. He has been in the hospital with dengue for 11 days. The number of deaths this year from the mosquito-borne disease is now 52, according to government data.

PHOTO: PRABIR DAS

Militants using jails to recruit operatives

SHARIFUL ISLAM, MOHAMMAD JAMIL KHAN

Taking advantage of gaps in surveillance, incarcerated militant leaders have been forming new outfits and recruiting members inside and outside prisons.

Besides, pro-al Qaeda militant outfit Ansar Al Islam and several other islamist groups have been recruiting members online for the last few months, counterterrorism officials say.

The Neo JMB members inspired by the so-called Islamic State (IS) are planning to form a new outfit in collaboration with members of Ansar al Islam, and Jama'atul Mujahideen Bangladesh (JMB), two officials of the counterterrorism unit of police have said requesting anonymity.

By intercepting communications, the officers have learnt that Neo JMB leader Saiful Islam Khaled, now on death row at Kashimpur High Security Prison for the 2016 Holey Artisan café attack, used Telegram app on a smartphone to contact Bangladeshi IS militants in Afghanistan's Khorasan province and asked for financial support to reorganise the militant group in Bangladesh.

Ansar al Islam member Irfan, and JMB members Hasib, Ekran, and Khaled — all inmates at Kashimpur — held a meeting in mid-June and talked about their plans, said the officers of Counter Terrorism and Transnational Crime (CTTC) unit of police.

The Neo JMB was behind the Holey Artisan attack in which 20 hostages, including 17 foreigners, were killed on July 1, 2016. Two police officers also lost their lives during the standoff.

Besides, five attackers and an employee of the restaurant died during Operation Thunderbolt which brought an end to the nerve-racking 12-hour hostage crisis.

Formation of the Jamatul Ansar Fil Hindal Sharqiya, which has been in the news in recent months, was also initiated at a meeting of inmates led by Abu Sayed, a top Hujji leader also on death row at the prison for the August 21, 2004, grenade attack. Ansar Al Islam members Mainul Islam who used to go by the aliases Mahin and Roxy, and Jony were at the meeting.

The Sharqiya came to light after several

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NATURAL RESOURCES

Basic info on extraction deals scanty

Says US state dept in fiscal transparency report 2023

STAFF CORRESPONDENT

Bangladesh needs to make basic information about its natural resource extraction awards publicly available, said a recent report by the US State Department.

At present, it is not consistently made publicly available, according to the 2023 Fiscal Transparency Report.

The report, which was published on June 27, assessed the fiscal transparency of the governments that receive US assistance to help ensure "US taxpayer funds are used appropriately". In 2022, 140 countries and the Palestinian authority received US assistance.

As per the report, 44 countries including Bangladesh did not make significant progress in meeting the minimum requirements of fiscal transparency.

Among the South Asian countries, India, Nepal and Sri Lanka met the minimum requirements. Maldives made significant progress in meeting the minimum requirements, while Bangladesh, Pakistan and Afghanistan failed to. Bhutan was not assessed for the report.


The 2023 fiscal transparency review process evaluated

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The mighty Jamuna devours the Solimabad Paschim Govt Primary School in Nagarpur upazila of Tangail yesterday. Around 200 children used to go to this school. Story on page 5.

PHOTO: STAR



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