



BEYOND DOLLAR

Bangladesh to seek over 36b yuan in Chinese loans

PARTHA PRATIM BHATTACHARJEE and JAGARAN CHAKMA

Bangladesh is going to seek more than 36 billion yuan, equivalent to \$5 billion, as soft loans from China to reduce pressure on its dollar reserves.

According to highly placed sources in the government, the country will use the money to help businesses import raw materials and also for budget support.

Bangladesh exported goods worth \$677 million to China and imported goods worth \$22.90 billion in fiscal 2022-23, according to data from the commerce ministry. China is Bangladesh's single largest trading partner.

Sources in the finance and commerce ministries said the Prime Minister's

Office has already given the go-ahead and officials are now discussing the interest rate and repayment periods. They are also discussing how and where the money would be spent.

They said that officials of the Finance Division, commerce ministry, Economic Relations Division, and the National Board of Revenue at a recent meeting gave opinions that the loan should be long-term and the interest rate should not be above 1 percent.

According to the sources, the main purpose of the loan is to reduce pressure on the depleting reserves, which stood at \$19.95 billion as of April 30.

In September 2022, Bangladesh Bank allowed settlement of international

The main purpose of the loan is to reduce pressure on the depleting reserves, which stood at \$19.95 billion as of April 30, say sources.



Farmers harvesting Boro paddy from a waterlogged field at Gumai Beel in Chattogram's Rangunia upazila yesterday. A nor'wester and a hailstorm hit the area on Sunday and Monday and damaged crops. Some growers said up to 30 percent of their crops were damaged. PHOTO: RAJIB RAIHAN

It's mostly AL affairs

Ruling party leaders battle it out as 139 upazilas go to polls in 1st phase today

STAR REPORT

A total of 139 upazilas are going to polls today in the first phase of the upazila parishad election amid a lack of enthusiasm and festivity.

The battle of ballots will take place among the independents, mostly from the ruling Awami League as political parties have not fielded candidates.



BNP and many other parties are staying away from the polls like they did in the case of the January 7 national election. The BNP said that the incumbent Election Commission is not capable of holding the elections to local government bodies in a free and fair manner.

However, at least 64 BNP leaders are running in today's polls going against its decision, said party sources.

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AN UNUSUAL CONTEST IN SUBARNACHAR - PAGE 2

Donald Lu likely to visit Dhaka this month

DIPLOMATIC CORRESPONDENT

US Assistant Secretary of State for South and Central Asian Affairs Donald Lu is likely to visit Dhaka in the middle of this month to advance the US-Bangladesh relationship and set its future framework.

"A discussion on the US official's visit to Dhaka on May 14 is going on. However, the date may be changed. He will be coming in the middle of this month," a diplomatic source said.

Another diplomatic source said Lu, who toured Bangladesh in January last year, was supposed to visit Dhaka early this year, but it was postponed.

This will be the highest-level US official to visit Dhaka after the January 7 national election that Washington termed not free and fair.

During his visit, Lu is likely to hold a meeting with Foreign Secretary



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ADP to see record foreign funds next fiscal year

REJAUL KARIM BYRON and ASIFUR RAHMAN

Amid the crisis of dollars, the next Annual Development Programme will have a record Tk 1 lakh crore allocation from foreign funds.

According to a planning ministry proposal, the ADP allocation will be Tk 2,65,000 crore, an increase of only 0.76 percent.

Of the amount, the government fund will be Tk 1,65,000 crore, a decrease by 2.37 percent, while foreign fund allocation will rise by 6.38 percent.

The next ADP was finalised yesterday at a meeting presided over by Planning Minister Abdus Salam. It will be placed for approval at the national economic council meeting on May 16.

As part of an austerity measure, government funding for ADP will be lower in the 2024-25 budget, compared to the allocation set in the 2023-24 budget. In most years, government funding in ADP rises.

The government is focusing on utilisation of foreign funds in projects to increase the availability of foreign currency in the market. The foreign currency reserve, now around \$20 billion, has been dwindling since 2022.

In the ADP, the transportation and communication sectors will get the highest allocation -- Tk 75,944 crore (26.67 percent) -- followed

by the power and energy sector -- Tk 44,393 crore (15.38 percent).

Education will get 11.10 percent, housing and community facilities 9.38 percent, health 7.80 percent, local government and rural development 6.79 percent, agriculture 4.99 percent, and environment 4.18 percent.

Of education's Tk 29,889 crore, the Primary Education Development Project will get Tk 11,055.97 crore, the highest for a project.

The top 10 projects will get around 20 percent of the ADP allocation. Of them, the government has plans to commission a unit of Rooppur Nuclear Power Plant by March next year.

Under Dhaka Mass Rapid Transit Development Project (Metro-rail Line-1), a depot is being developed in the Pitalganj area of Narayanganj. It will have an underground portion from Airport to Kamlapur and an elevated portion from Natun Bazar to Purbachal. Padma Railway Link project will be done before June 2025.

In the next fiscal year, Dhaka airport extension project, canal development on both sides of Kuril-Purbachal link road, Ashrayan-2 project, Installation of Single Point Mooring (SPM) project, Purbachal New Town (Yousufganj) Project, and Dhaka-Chattogram main power grid strengthening project will be complete.



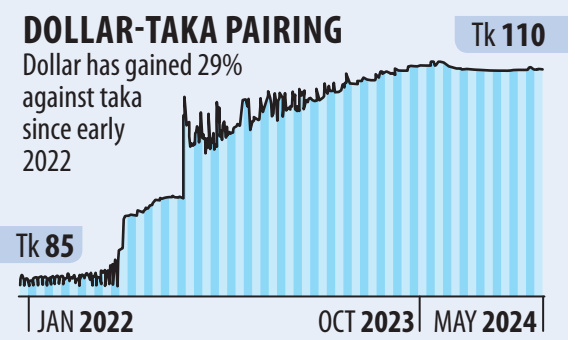
NEWS ANALYSIS

CRAWLING PEG SYSTEM

A welcome step but will it be enough to boost reserves?

ARUN DEVNATH

The crawling peg system for the taka is a delayed and, perhaps, inadequate response to the bleeding of forex reserves. Some economists suggest the central bank should go beyond this formula and open the exchange rate to market forces to stop the continuous erosion



of reserves. Either way, exporters and remitters will celebrate more flexibility in the exchange rate.

In January, Bangladesh's central bank disclosed a plan to introduce the crawling peg for its currency, backtracking on its earlier pledge to allow the exchange rate to float freely. The new system may now get off the ground by June, making a clear departure from the tight control over the exchange rate. Since becoming

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