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# Three major barriers to economy’s progress

Speakers say strong political will needed to address inefficiency, corruption and a lack of accountability

STAR BUSINESS REPORT

Strategic inefficiency, institutionalisation of corruption, and a lack of accountability are the three major barriers blocking the smooth progress of the economy, said economists, entrepreneurs and politicians yesterday.

“To solve the existing problems of the economy, the country needs strong political will,” said Hossain Zillur Rahman, executive chairman of the Power and Participation Research Centre, a think-tank.

The political will faces barriers such as an environment of no accountability, inefficiency in taking overall strategic steps, and institutionalisation of corruption, he said.

“These barriers need to be broken down for the development of the economy.”

His comments came at a dialogue on budget at the Lakeshore Hotel in Dhaka. The Centre for Policy Dialogue (CPD) organised it.

Rahman, a former caretaker government adviser, said the country has a huge deficit in ensuring governance and development strategy.

For instance, job creation has not received the expected focus in the development strategy in the last one decade. “This is an important deficit as it is creating unemployment, and the younger generation is becoming disappointed,” he

Challenges	Recommendations
<ul style="list-style-type: none"><li>Low revenue collection</li><li>Skyrocketing price levels</li><li>Low growth of exports</li><li>Depletion of foreign exchange reserves</li><li>Slowdown in economic growth</li><li>Stagnant private investment</li><li>Sliding exchange rate</li><li>Govt’s high borrowing from banks</li><li>Escalating default loans</li><li>Shortage of energy and power</li></ul>	<ul style="list-style-type: none"><li>Acknowledge ongoing economic challenges</li><li>Reduce leakages and corruption</li><li>Ensure good governance</li><li>Expand tax net</li><li>Increase spending in health and education</li><li>Ensure quality of government services</li><li>Increase spending in social safety net</li><li>Bring discipline in financial sector</li></ul>

said.

In a survey, the government itself has found that most of the youths are pessimistic about their future, he said.

“The country needs to raise the budgetary allocation for the education and health sectors and strengthen focus on the implementation of the budgetary plans.”

Rahman, also the chairman of BRAC, said Bangladesh is trapped

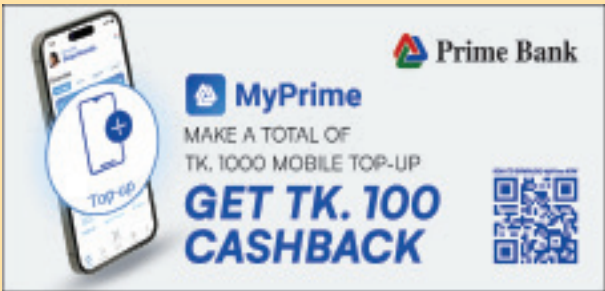
by inefficiency. “Ministries are showing their inefficiencies in implementing their budget.”

Speaking about the quality of services, the noted economist said education and health-related investments don’t just refer to infrastructural development alone. “The quality of education and health services should be upgraded.”

He cited hard-working entrepreneurs and economic agents as the two golden geese of Bangladesh’s economy. “Do we nurture them?”

“Entrepreneurs need a favourable business climate and reduced bureaucratic red tape.

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## Stocks rebound after falling for three days

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Stocks returned from losses yesterday, reflecting buying sentiment among investors after a three-day decline as the tax measures for the next fiscal year had left them disappointed while concerns over unfavourable macroeconomic conditions persist.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), added 13.17 points, or 0.25 percent, to close at 5,083. The other two indices of the premier bourse of Bangladesh also gained.

The liquidity flow to the market, however, fell, with turnover shedding 18.7 percent to Tk 350 crore.

Unilever Consumer Care, one of the 171 shares that gained, was the most active issue, advancing 5 percent to Tk 2,184. The multinational company accounted for 5 percent of the turnover.

Ice cream maker Taufika Foods and Lovello Ice-cream was the second most-traded stock and rose marginally to Tk 91.8.

The third most active stock was Sea Pearl Beach Resort & Spa although it was one of the 168 companies that gave up on the DSE.

“Large-cap sectors posted mixed performance,” said BRAC EPL Stock Brokerage in its daily market update.

Pharmaceuticals booked the highest gain followed by non-bank financial institutions, food, and engineering. Fuel and power, banks and telecommunication sectors were the losers.

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# High bank borrowing by govt to crowd out private sector

Economists and businesspeople say



STAR BUSINESS REPORT

The government plans to borrow Tk 137,500 crore from the banking sector in the fiscal 2024-25 to finance the budget deficit. If the Bangladesh Bank does not provide any fund, the entire amount will need to come from the commercial banks.

This will crowd out the private sector borrowers, said economists and businessmen yesterday.

“Crowding out will remain a major problem in FY25,” said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh (PRI).

He said the government’s dependence on the domestic banking system has increased, contributing to slower growth in private sector credit and higher interest rates.

The government’s plans to finance its deficit budget for fiscal year 2024-25 by borrowing Tk 90,700 crore from foreign sources and Tk 160,900 crore from domestic sources.

The government plans to borrow Tk 137,500 crore from banks to finance the

deficit.

Mansur was addressing a post-budget discussion titled “Budget Insights: Challenges and Opportunities” organised by the Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka and the PRI at Police Plaza Concord Shopping Mall in the capital.

Presenting a keynote titled “Budget Insights: Challenges and Opportunities”, the economist said the government’s borrowing from the central bank however has declined, which would help curb inflation.

Inflation has reached almost 10 percent and for the last 13 months it has remained above 9 percent, he said.

To counter this, Bangladesh Bank adopted major policy shifts in May this year, he said.

If the central bank strictly sticks to those and refrains from printing money to finance the budget deficit, the inflation rate should start coming down within 6 months to 9 months, he said.

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# Return filing a must for hotels, restaurants and clinics

MD ASADUZ ZAMAN and SUKANTA HALDER

Nearly five lakh additional establishments are expected to come under the tax net as the government is going to make proof of submission of return (PSR) mandatory for hotels, restaurants, clinics, and diagnostic centres.

From the next fiscal year, owners of such establishments will have to

show proof that they have paid taxes when applying for a new licence or renewing the existing ones.

If business establishments are unable to produce PSR, they will have to pay a fine of up to Tk 50,000.

Finance Minister Abul Hassan Mahmood Ali proposed the provision in the Finance Bill 2024 while unveiling the budget for fiscal year 2024-25 last Thursday.

The government has opted for

the move to increase tax-GDP ratio, which is among the main economic headaches for the country.

In fact, Bangladesh has one of the lowest tax-to-GDP ratios in the world. Raising this ratio was one of the key conditions for the IMF’s loan of \$4.7 billion, but so far, collecting higher taxes has been a challenge.

However, the National Board of Revenue (NBR) hopes such an

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## citi Citi Foundation grants USD 1 million to improve food security in Bangladesh

The New York-based Citi Foundation recently awarded SAJIDA Foundation and Global Alliance for Improved Nutrition (GAIN) with USD 500,000 each in grant support to help improve food security in Bangladesh.

In 2023, the Citi Foundation issued a global request for proposals (RFP) for its inaugural Global Innovation Challenge to support community organizations working to pilot or expand catalytic solutions to improve food security globally. Over 1,000 applications from organizations working in more than 20 countries were submitted under the RFP, and two organizations from Bangladesh, SAJIDA Foundation and Global Alliance for Improved Nutrition (GAIN), were awarded USD 500,000 each to implement their innovative projects in Bangladesh.

The Global Innovation Challenge is providing a total of USD 25 million to 50 community organizations working to improve food security and strengthen the financial health of low-income families and communities around the world. The Global Innovation Challenge grants span two years, and, over the course of the initiative, grantees also have access to a learning community facilitated by IDEO.org, a nonprofit design studio. Through a digital platform and a set of curated experiences, grantees have the opportunity to collaborate, share lessons learned and exchange best practices.

The Global Innovation Challenge recipients were first announced in September 2023.

“Philanthropic capital plays a critical role in the marketplace of social solutions, and the Citi Foundation’s Global Innovation Challenge is designed to help new ideas grow and scale,” said Brandee McHale, President of the Citi Foundation and Head of Citi Community Investing & Development. “From providing immediate relief to those in crisis to longer-term interventions, the organizations that make up our first-ever Global Innovation Challenge cohort are delivering life-changing solutions that strengthen the health of low-income communities,” she added.

### Citi Foundation

The Citi Foundation works to promote economic progress and improve the lives of people in low-income communities around the world. Aiming to build economically vibrant communities across the globe, the Foundation invests in efforts that increase financial inclusion, catalyze job opportunities for the youth and reimagine approaches to building economically vibrant communities. The Citi Foundation’s “more than philanthropy” approach leverages the enormous expertise of Citi and its people to fulfil Citi’s mission and drive through leadership and innovation.

### Building Climate-resilient Food Systems (BCFS)- SAJIDA Foundation

“Building Climate-resilient Food Systems (BCFS)” project by SAJIDA Foundation was awarded USD 500,000 to support its Building Climate-resilient Food Systems (BCFS) in Bangladesh and enhance food security and community resilience in vulnerable regions.

The BCFS project aims to develop a climate-resilient food supply chain in northern riverine islands and southern coastal regions of Bangladesh. These areas face significant challenges due to climate change, affecting agricultural production and food security. SAJIDA’s interventions to improve the situation in these areas include climate-smart agriculture methods, establishment of food diversity and storerooms, market linkages, and critical weather information dissemination. The project addresses the decline in agricultural productivity caused by climate change, aiming to ensure food availability and improve community resilience.

The key interventions will include:

- Climate-Smart Crop Cultivation:** Focused on rice, maize, and pumpkin, with training for 280 participants, employing flood-resistant seeds in the flood-prone areas.
- Integrated Farming with Aquaculture:** Supporting 160 participants in coastal areas with simultaneous cultivation of paddy, vegetables, fruits, and fish to address salinity intrusion and disasters.
- Food Storerooms:** Establishing community-based storerooms to protect harvested grains, reducing post-harvest losses, and ensuring food security during disasters.
- Market Linkage Support:** Connecting farmers directly with markets to achieve fair prices for their produce, empowering producers, and increasing income.
- Critical Weather Information Dissemination:** Collaborating with entities like the Bangladesh Meteorological Department to provide weather and climate information to project participants through various channels.

### Youth-Led Agri-Service Providers (YASP)- Global Alliance for Improved Nutrition (GAIN)

The Youth-Led Agri-Service Providers (YASP) project which is being implemented by the Global Alliance for Improved Nutrition (GAIN) seeks to improve the availability of nutritious and safe food to low-income communities in Bangladesh. GAIN will utilize the Citi Foundation grant to support two youth-led agricultural startups via sub-grants, with an aim to develop their capacities, expand their scope of work and meet specific targets that will have a positive impact on the country’s food system.

The agri-service providers chosen to receive sub-grants from GAIN are Krishi Shwapno and Agriventure Limited. These two startups will work under GAIN’s supervision and guidance for the next two years (2024 and 2025) to meet the following targets:

- 15,000 low-income young farmers trained in innovative safe and sustainable business solutions, ensuring availability of healthier and safe food with high nutritious value. This will result in improved availability of nutritious foods for their own households, as well as their communities, indirectly benefiting at least 75,000 people.
- 6,000 of these 15,000 farmers equipped with enhanced business planning skills, including financial literacy to become entrepreneurs and skilled in monitoring production and market price of food with high nutritional value. Half of these 6,000 farmers served will be women.

### Citi Foundation Initiatives - Bangladesh

Since 1999, the Citi Foundation has provided more than USD 1 million to NGOs for programs impacting Bangladesh. Flagship programs supported by the Foundation include:

- Youth Collab**, an initiative co-created in 2017 by Citi Foundation and the United Nations Development Programme, aims to empower young entrepreneurs and community leaders who are working on innovative solutions to solve Sustainable Development Goals (SDG) challenges. Since its inception, the programme has reached over 380,000 young people and has improved or helped launch more than 2,600 youth-led social enterprises; among them, over 9,100 young people and 70 startups are from Bangladesh. Youth Collab startups have made significant strides in addressing climate change, increasing access to quality healthcare and promoting gender equality and inclusive growth. Some of the programme’s most impactful portfolio companies in Bangladesh such as Farmer, Shuttle, WeGrow, and Moner Bondhu have been benefiting 103,850+ farmers in Bangladesh. In recognition of the programme’s commitment to fostering inclusivity within the startup ecosystem in Bangladesh, Youth Collab was awarded the “Collaboration Partnership Award” at the Startup Awards 2023 from the Honorable Prime Minister Sheikh Hasina.
- With support from the Citi Foundation, Underprivileged Children’s Education Programs (UCEP) has offered employability and entrepreneurship training to youth, women, and People with Disability (PWD). Each year, the programme is re-designed and further strengthened to develop the underprivileged young women and people with disabilities as entrepreneurs and promote pathways to employment opportunities. The programme aims to create a sustainable economic change to the livelihood of the young women, PWDs and their families.
- In collaboration with the Citi Foundation, BRAC runs the Hub for Accelerating Youth Careers programme. Through its Career Hub center in Chattogram, BRAC provides local youth with information, training and counselling services about market opportunities and career progression to prepare them for the job market. The programme engages 2,000 local youth who are either in their final year of studies or have graduated recently from university.

Complementing the above noted Citi Foundation supported projects, Citibank, N.A., Bangladesh, supports several projects in Education, Health, Environment and Climate Change Mitigation & Adaptation, Disaster Management and Income-Generating Activities.