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The share of total allocation for spending directly on poverty reduction has come down for the upcoming fiscal year, deepening the uncertainities of the poor.

Story on B4

Team up with India to protect shared GI: CPD

STAR BUSINESS REPORT

Bangladesh should explore potential avenues for joint protection of shared GI (geographical identification) with India and put in place a legal framework to safeguard the country's traditional products, said the Centre for Policy Dialogue (CPD) yesterday.

The suggestion comes after Sundarbans' honey was displayed by the neighbouring country as a GI product.

West Bengal Forest Development Corporation Ltd applied for GI rights for Sundarbans' honey on July 12, 2021, and the tag was issued on January 2, 2024, the think-tank said.

The information came to light through a tweet by the West Bengal Forest Department on May 16.

"This sole representation of the said product by India sparked questions in our minds as the majority of Sundarbans' territory lies within Bangladesh," said Debapriya Bhattacharya, a distinguished fellow of the CPD, at an event at its office in Dhaka.

Bangladesh's Department of Patent, Designs and Trademark (DPDT) has listed 31 GI products as of April 30, 2024. The list does not include the Sundarbans' honey.

The district administration of Bagerhat, however, filed an application for the GI tag of the Sundarbans' honey on August 7, 2017, and there has been no development since then, the CPD said.

"This is a rather astonishing example of administrative dereliction of duty. Thus, the GI of Sundarbans' honey in Bangladesh has remained unsecured," Bhattacharya said in a presentation.

He added Sundarbans' honey has been recognised as a GI product of India whereas Bangladesh did not give any importance to it.

Bangladesh is the primary extractor of the honey from the largest mangrove forest in the world. While official records are not available, 200-300 tonnes of the popular sweet substance are extracted from the forest annually.

This is not the first time, Bangladesh and India have faced a row over GI.

On February 1, 2024, India's Ministry of Culture announced that the West Bengal State Handloom Weavers Co-Operative Society secured the GI status for Tangail Saree under the name of 'Tangail Saree of Bengal'.

This triggered outrage and criticism

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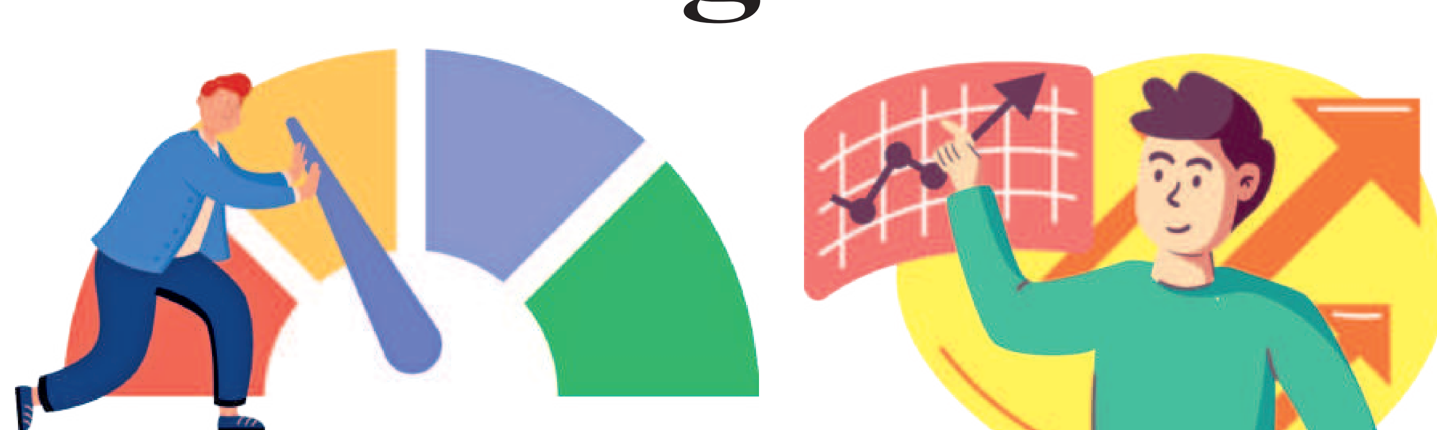
What is GI?

GI is a sign used on products that have a specific geographical origin and possess qualities. GI-tagged products fetch higher prices

AT A GLANCE

- 60% of the Sundarbans is in Bangladesh
- Bangladeshis extract 200-300 tonnes of honey from the Sundarbans annually
- India collects 111 tonnes per year
- India secured GI tag for honey in January 2024
- Bagerhat's district administration filed an application for GI tag of Sundarbans honey in 2017. It is yet to be registered as Bangladesh's GI product

IMF flags nine risks for Bangladesh



GLOBAL

SOURCE OF RISKS	EXPECTED IMPACT
Intensification of regional conflicts	Disruption of wheat exports and fuel supply
Commodity price volatility	Increase in current account deficit and fiscal burden
Abrupt global slowdown	Lower growth abroad could lower exports and remittances
Systemic financial instability	Tighter global financial conditions could intensify financial account
Deepening geo-economic fragmentation	Supply disruptions and weaker confidence adversely affect economic activity

RISKS AND THEIR IMPACT ON BANGLADESH ECONOMY

DOMESTIC

SOURCE OF RISKS	EXPECTED IMPACT
Failure to maintain higher degree of exchange rate flexibility consistent with new exchange rate regime	Exhausted foreign reserves may ignite disorderly external adjustment with depreciation-inflation spiral
Failure to effectively address the problems in the banking system	Elevated NPLs and low capital adequacy may intensify fiscal burden and hamper banks' ability to finance growth
Insufficient international support in resolving the Rohingya crisis	Fiscal pressure may intensify on weaker donor support
Higher frequency and severity of natural disasters related to climate change	Adverse impact will be on key infrastructure, agriculture, allied activities, and livelihoods

REJAUL KARIM BYRON

The International Monetary Fund (IMF) has suggested greater exchange rate flexibility to preserve reserve adequacy, warning failure to do so may create further imbalances in the currency market.

This is one of the nine risks the Washington-based lender has identified as the Bangladesh Bank struggles to lift the international currency reserves, contain inflation and restore macroeconomic stability.

They were cited in the programme document as the lender approved $1.15 billion in the third tranche of the $4.7 billion loan to Bangladesh on Monday to shore up its reserves.

The risks are both external and internal.

They are intensification of regional conflicts; commodity price volatility; abrupt global slowdown; systemic financial instability; deepening geo-economic fragmentation; failure to maintain exchange rate flexibility; failure to address the problems in the banking system; insufficient international support in resolving the Rohingya crisis; and higher frequency of natural disasters.

The central bank will have to take IMF's recommendations seriously as it is set to formulate the monetary policy for the next six months in July.

The failure to maintain a higher degree of exchange rate flexibility consistent with the new exchange rate regime, and to clear the foreign exchange market and support orderly external adjustment has been described as a short-term risk factor.

"Further exchange market imbalances and exhausted BB's foreign reserves may ignite disorderly external adjustment with depreciation-inflation spiral," it said.

So, the IMF recommended further steps to realign the exchange rate, and tightening monetary policy to sustain positive interest rate differential to gain credibility and counter speculations.

On May 8, the Bangladesh Bank relinquished its control over fixation of the exchange rate. It also made the bank interest rate market-oriented after nearly four years.

It came as the gross forex reserves plunged to $19.8 billion in March from its peak of $41.7 billion in August 2021 because of higher outflows against inflows. Official figures suggest continued forex intervention with net sales reaching $7.8 billion as of March 7 of the outgoing fiscal year.

The IMF said realigning exchange rates to a market-clearing level has been critical to rebuild forex reserves. "This should remain a near-term priority."

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Phasing out tax holiday in EZs a violation of deals

Japanese envoy writes to finance minister

JAGARAN CHAKMA

Implementation of the budgetary proposal to phase out a tax holiday for investors and developers of private economic zones (EZs) will be a violation of agreements signed over developing the zones, according to the Japanese ambassador to Bangladesh.

"If the tax benefits and investment incentives of BSEZ (Bangladesh Special Economic Zone) were reduced or abolished, it would be a violation of the contractual provisions set out in the development agreement," said the ambassador, Iwama Kiminori.

For both governments, who place importance on compliance with the law, such a contract violation cannot be overlooked, he noted.

The Japanese ambassador expressed these concerns on Monday in a letter to Finance Minister Abul Hassan Mahmood Ali, who had proposed the national budget for the upcoming fiscal year on June 6.

The budget had also proposed withdrawing a zero-duty benefit on the import of capital machinery, components and construction materials in FY25.

As a result, firms operating in the industrial enclaves will have to pay a 1 percent customs duty.

"We express strong concern that

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Islamic banks' liquidity plummets 77% in 3 months

AM JAHID

Liquidity at Islamic banks in Bangladesh has decreased drastically, deepening a lingering cash crunch at the crisis-hit Shariah-based banks.

Excess liquidity at Islamic banks fell by 77.14 percent to Tk 1,518 crore at the end of March this year, according to the Bangladesh Bank's latest quarterly report on Islamic banking.

It was Tk 6,643 crore at the end of December last year.

This means that the excess liquidity dropped by Tk 5,125 crore in the span of just three months.

Year-on-year, the March figure was down by 27.82 percent, meaning Tk 585 crore.

Excess liquidity is calculated after a bank has met the regulatory requirements of cash reserve ratio (CRR) and statutory liquidity ratio (SLR).

Shariah-based banks must keep a CRR equal to 4 percent of customers' deposits in cash with Bangladesh Bank overnight alongside an SLR equal to 5.5 percent of customers' deposits in the form of cash, gold or other securities.

The country's Shariah-based banks are facing a severe liquidity crisis apparently due to an increase in loan disbursements.

The total amount of outstanding loans in the banking system increased by Tk 12,020 crore or 2.70 percent to Tk 456,994 crore at the end of March 2024 compared to the end of December 2023.

It was also Tk 44,597 crore or 10.81 percent higher from that at the end of March 2023.

Islamic banks accounted for 28.24 percent of the total loans and advances of the whole banking sector at the end of March 2024.

Meanwhile, the total amount of deposits in the banking system stood at Tk 439,465 crore at the end of March 2024, down Tk 3,938 crore from that at the end of December last year.

It was Tk 27,834 crore or 6.76 percent higher at the end of March 2023.

The share of deposits of Islamic banks was 26.23 percent of the total deposits of the entire banking sector at the end of March 2024.

Islami Bank Bangladesh accounted for the highest 34.74 percent of deposits of Islamic banks.

Al-Arafah Islami Bank accounted for the second-highest, 10.42 percent, followed by First Security Islami Bank (10.20 percent) and EXIM Bank (9.62 percent).

Besides, Social Islami Bank held 7.38 percent of the deposits, ICB Islamic Bank 0.28 percent, Shahjalal Islami Bank 5.88 percent, Union Bank 5.05 percent, and Global Islami Bank 2.91 percent.

Industry insiders said a liquidity shortage at some Islamic banks has been adversely affecting the overall banking sector.

The liquidity crunch is worsening although some banks have been taking liquidity support from the central bank.

An official of the Bangladesh Bank told The Daily Star that Islamic banks in Bangladesh were sitting on huge amounts of excess liquidity two to three years ago.

But now the sector is facing challenges due to massive loan irregularities at five of the banks, he added.

KEY NUMBERS OF ISLAMIC BANKS

(Jan-Mar quarter compared to previous quarter)

DEPOSITS	Tk **4,39,465**cr	Fell by Tk **3,938**cr or **0.89**%
EXCESS LIQUIDITY	Tk **1,518**cr	Fell by Tk **5,125**cr or **77.14**%
INVESTMENT	Tk **4,56,994**cr	Rose by Tk **12,020**cr or **2.70**%
EXPORTS HANDLED	Tk **32,131**cr	Fell by Tk **4,903**cr or **13.3**%
REMITTANCES	Tk **25,897**cr	Increased by **6.72**%

Deals next month with India, Myanmar for commodity import

STAR BUSINESS REPORT

Bangladesh is going to sign agreements with India and Myanmar for importing essential commodities round the year to sell those among local consumers at affordable prices, State Minister for Commerce Ahasanul Islam Titu said yesterday.

The agreements might be signed by next month, Titu said at a discussion with the members of the Bangladesh Secretariat Reporters Forum held at the secretariat in Dhaka.

The commodities will be brought in from Myanmar and India, as they produce a lot of agricultural products, the state minister also said.

Titu also said his government has been working to increase the number of border haats along the border of Bangladesh and India so that the consumers of remote areas of the two nations can do trade easily.

The state minister said the government has been working to improve trade with Thailand so the trade of the country also increases with the countries of the Association of Southeast Asian Nations.