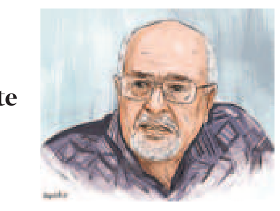
Star BUSINESS



The interim government should prepare a white paper on the economy and identify sectors that require immediate attention, according to Dr Debapriya Bhattacharya.

Interview on B4

Masrur Reaz made BSEC chairman

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Economist and public policy expert M Masrur Reaz was appointed chairman of the Bangladesh Securities and Exchange Commission (BSEC) for the next four years.

The Financial Institutions Division of the Ministry of Finance issued a circular to this end yesterday.

Reaz is the chairman and founder of Policy Exchange Bangladesh, a research organisation focusing on applied economic policy.

The post had been vacant since former BSEC chairman Prof Shibli Rubayat-ul Islam resigned five days after the fall of the Sheikh Hasina-led Awami League government on August 5. Two commissioners, Prof Rumana Islam and Shaikh Shamsuddin Ahmed, also quit.

Reaz is the chairman and founder of Policy Exchange Bangladesh, a research organisation focusing on applied economic policy

Reaz is a former senior economist and programme manager of the World Bank Group and has worked in several countries in South Asia, East Asia and the Pacific.

"I am humbled and consider it an opportunity to contribute to the country," he told The Daily Star yesterday, adding that an unprecedented student movement and sacrifice of many people had led to the opportunity.

"There has been massive corruption in the stock market and my priority is to clean it, bring back good governance and develop the market as a long-term source of financing," he added.

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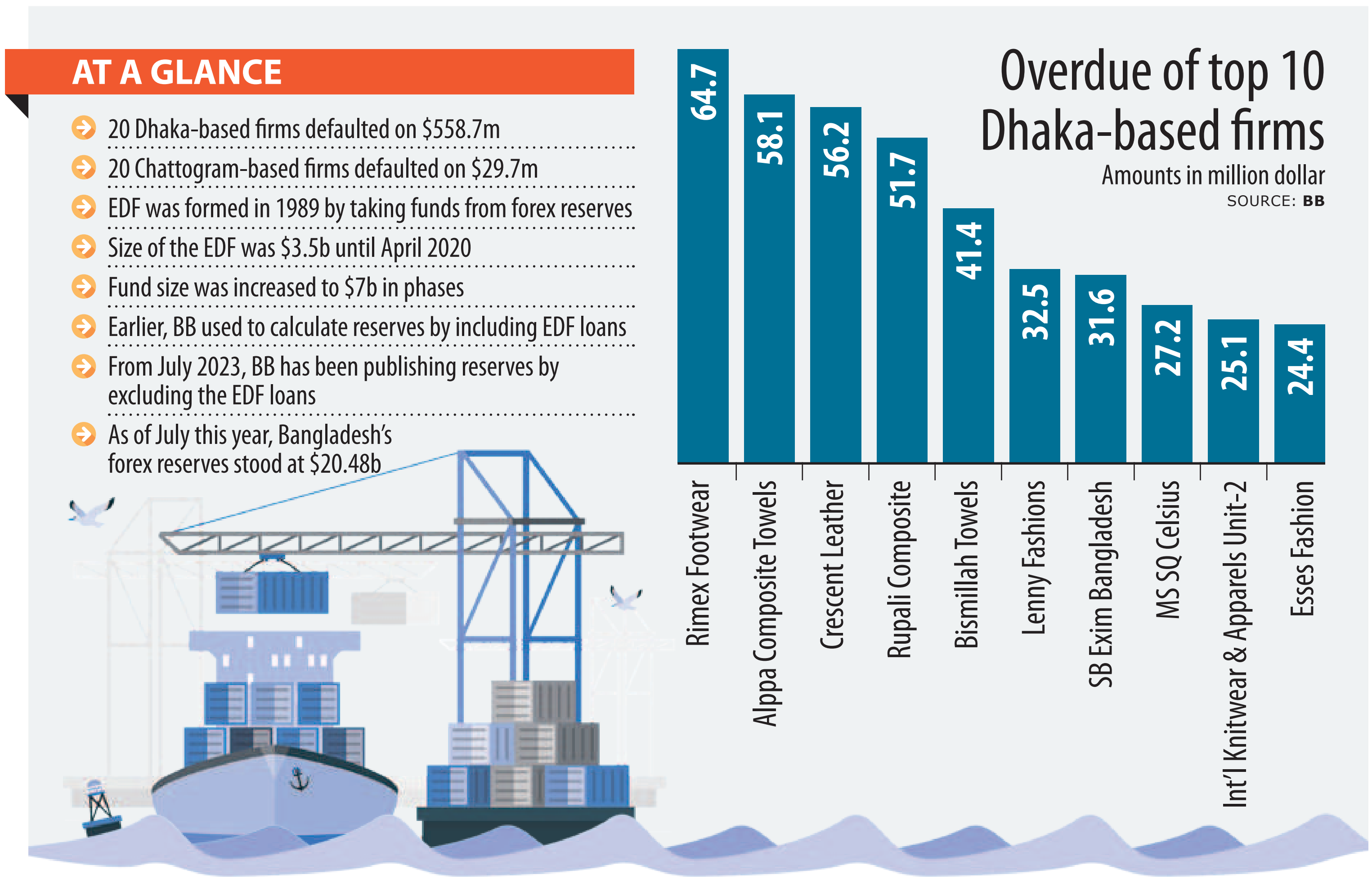

$600m loans from EDF turn sour

MD MEHEDI HASAN *and* AM JAHID

Loans amounting to nearly $600 million, or Tk 7,000 crore, disbursed from the Export Development Fund (EDF), which was formed based on the country's foreign exchange reserves, have been defaulted, according to a Bangladesh Bank (BB) document.

Firms based in Dhaka defaulted on most of the amount, accounting for $558.7 million.

Besides, Chattogram-based companies did not return $29.7 million, the BB data showed.

Among Dhaka's top 20 entities that defaulted on these loans are Crescent Group's Rimex Footwear with $64.7 million and its other concern Crescent Leather Products with $58.1 million, and Rupali Composite Leatherwear with $51.7 million.

Bismillah Group's Alppa Composite Towels Ltd defaulted on $58.1 million and Bismillah Towels Ltd $41.4 million, and Hindulwali Textile $14.5 million, according to the data of the central bank.

The top 20 Dhaka-based companies with overdue loans from the EDF owe between $8.8 million and $64.7 million, according to central bank data.

And due to weak control, the BB could not create any pressure to realise the loans even though the foreign exchange reserves have been falling, deepening pressure on the country's external account.

Bangladesh Bank Executive Director and Spokesperson Md Mezbaul Haque could not be reached for comment.

Among other firms that defaulted in repaying loans, Lenny Fashions did not repay $32.5 million and SB Exim Bangladesh defaulted on $31.7 million.

MS SQ Celsius Ltd defaulted on repayment of $27.3 million and International Knitwear and Apparel had overdue loans of $25.2 million.

Esses Fashions, a concern of Beximco, had overdue loans of $24.4 million taken from the EDF formed by the central bank in 1989 to provide low-interest loans to exporters and import raw materials.

After the coronavirus pandemic, the size of the EDF was $3.5 billion until April 2020.

Later, it was hiked to $7 billion in phases.

Earlier, the BB used to disclose the amount of reserves adding the amount of loans disbursed from the EDF.

However, from July 2023, it published information regarding the reserves as per a calculation method of the International Monetary Fund (IMF).

At the end of July this year, Bangladesh's forex reserves stood at $20.48 billion, down from $23.30 billion a year ago, showed the BB data.

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BB cuts special liquidity support for nine banks

Lenders asked to dishonour cheques worth over Tk 1cr from the ailing banks

MD MEHEDI HASAN

The Bangladesh Bank reduced the special liquidity support extended to nine lenders, including five Shariah-based banks, despite the absence of a governor.

The banks are National Bank, Padma Bank, ICB Islamic Bank, and six others in which the S Alam Group holds a majority stake: Islami Bank Bangladesh, First Security Islami Bank, Social Islami Bank, Union Bank, Global Islami Bank, and Bangladesh Commerce Bank.

All nine of the banks have long been battling a liquidity crisis.

As such, they have been running operations by utilising the central bank's special liquidity support, BB data showed.

On August 12, the central bank instructed all banks not to honour cheques worth more than Tk 1 crore of the nine banks.

As a result, depositors and borrowers of those banks will not be able to withdraw more than Tk 1 crore from other banks.

However, they can withdraw more than Tk 1 crore from the bank that issued the cheque, said a senior official of the central bank on condition of anonymity.

He said the central bank took the initiative to reduce the burden of special liquidity support.

The banking regulator provides special liquidity support to ailing banks against promissory notes, a legal instrument under which one party promises in writing to pay a sum of money to the other, he pointed out.

Due to the liquidity crunch, a majority of the nine banks have been facing current account shortfalls with the central bank.

Till May 12, seven of the banks, excluding ICB Islami Bank and Padma Bank, were staring at a combined Tk 30,202 crore deficit in their current accounts and CRR (cash reserve ratio) accounts with the central bank, BB data showed.

A central bank official said that since depositors and borrowers of these banks will not be able to withdraw large amounts of money, they will require less liquidity support.

It was learned that the banks were getting special liquidity support from the central bank with the help of Bangladesh Bank governor Abdur Rouf Talukder.

A few months ago, when asked why liquidity support was continually provided to these banks, Talukder told journalists that it was done at the governor's discretion.

Talukder resigned from his post on August 9, four days after the fall of the Sheikh Hasina-led Awami League government in the face of a mass uprising.

Seeking anonymity, managing directors and CEOs of three leading private commercial banks acknowledged the central bank's instructions.

Why are these banks facing a liquidity crunch?

In mid-2022, irregularities in disbursing loans by a group of Islamic banks became widely discussed after some media reports shed light on the issue.

The banks, including Islami Bank Bangladesh and First Security Islami Bank, disbursed large loans to nine companies in a clear violation of banking rules.

The loans were approved although most of the companies used fake addresses in their application forms.

Against this backdrop, in December 2022, the banking regulator re-appointed an observer at Islami Bank and dispatched an observer to First Security Islami Bank for the first time.

At that time, not only those banks but other weak and scam-hit banks in the country faced huge withdrawal pressure, which plunged them into a severe liquidity crisis.

Since 2022, a majority of the nine lenders have continued to face CRR and SLR (statutory liquidity ratio) shortfalls in their accounts with the central bank.

To dress up their balance sheets at the end of 2022 and 2023, a majority of those lenders took emergency funds from the central bank under the "lender of the last resort" facility, the use of which was a rare occurrence.

The facility allows banks to borrow from

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STOCKS

DSEX ▼	CASPI ▼
1.08%	0.86%
5,867.96	17,009.48

COMMODITIES

Gold ▼	Oil ▲
$2,460.31	$79.74
(per ounce)	(per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.88%	▲ 3.45%	▲ 0.72%	▲ 0.34%
78,947.73	36,232.51	3,258.57	2,867.95

Govt to prioritise projects that boost business, jobs

Salehuddin says

STAR BUSINESS REPORT

The interim government will prioritise the ongoing projects that will help to increase business activities involving the people's livelihood, according to Finance and Planning Adviser Salehuddin Ahmed.

Besides, steps will be taken to stop the wastage of money at any cost as money supply and its utilisation is very important, he said.

"Relatively important projects alongside those involved with the people's livelihood, employment and trade will get top priority under the annual development programme (ADP)," Ahmed said.

He made the remarks at a briefing with journalists following a meeting with officials of the planning ministry in the capital's Agargaon yesterday.

"The government will continue the mega projects, but it will rethink new and less important ones," Ahmed said.

"We must be careful about the utilisation of both domestic and foreign funds. Spending foreign loans any way you want will be unacceptable."

He called this year exceptional and stressed the implementation of ADP on time in the future.

"Having a single project director in charge of four projects should not be accepted."

He further outlined the interim government's intention to prioritise funds for health and education rather than for ports and roads.

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ADP spending in FY24 almost as low as pandemic period

STAR BUSINESS REPORT

The government could implement 81 percent of the annual development programme (ADP) in fiscal year (FY) 2023-24, which is nearly the same implementation rate seen during the Covid-19 pandemic.

The implementation rate is 4.25 percentage points lower than the previous fiscal year.

Different ministries and divisions utilised Tk 2.05 lakh crore of the total revised ADP worth Tk 2.54 lakh crore in FY24, as per data of the Implementation Monitoring and Evaluation Division released yesterday.

They spent Tk 1.24 lakh crore, or 77 percent, of the Tk 1.61 lakh crore the government set aside from its own fund to implement the ADP, which is a 19-year-low in terms of percentage.

At the same time, spending from foreign loans stood at 86 percent, indicating a fall of 4 percentage points compared to the previous fiscal year.

In FY23, the total ADP implementation was 85 percent, with Tk 2.01 lakh crore spent out of the Tk 2.36 lakh crore budget.

Regarding the low implementation of ADP, Fahmida Khatun, executive director of the Centre for Policy Dialogue, said the government revised the original ADP of each fiscal in the third quarter of the year as the implementing entities cannot execute their allocations as targeted.

She also said the implementation work of the projects start late as the procurement process, tendering, land acquisition, and appointment of a project director is usually delayed for various reasons.

Basically, there is a lack of skilled manpower to implement the projects. Also, there is a lack of accountability and proper evaluation in project implementation.

These are the root causes for low ADP implementation, Fahmida said, adding that it automatically creates employment opportunities when the ADP is implemented in a timely manner.

Among the top 15 allocation receiving ministries and divisions, the

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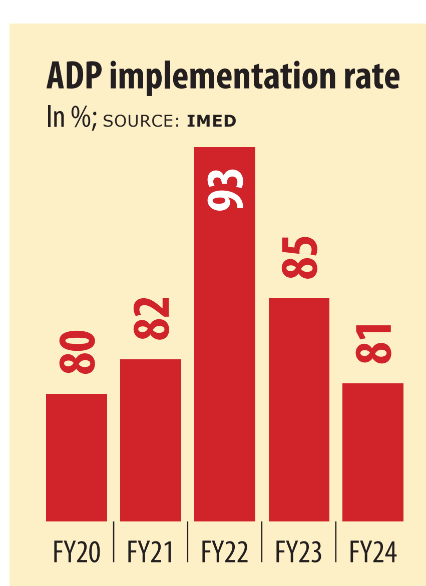

PHOTO ANISUR RAHMAN