

Star BUSINESS

Bangladesh will become a major export market for soybean products, according to an expert on the industry.



Story on B4

Govt takes over Nagad

Licence of digital bank under review

STAR BUSINESS REPORT

The Bangladesh Post Office (BPO) owns Nagad and it has now been taken over as a government organisation, Bangladesh Bank Governor Ahsan H Mansur said yesterday.

"Since it was shown as a postal department organisation, and the post office has a large share in it, the government has taken control of it on behalf of the BPO," he said at a press briefing at the central bank headquarters.

He added that the process of the digital bank's licensing would be reviewed.

"Those who received the licence, if they are eligible upon review, will retain it," Mansur said.

The central bank governor's comments came a day after the BB appointed an administrator to Nagad amid allegations of irregularities in the mobile financial service (MFS) provider's operations and dealings.

Earlier in the day, during a separate press conference at Nagad's headquarters in Dhaka, its newly appointed administrator Badiuzzaman Dider said the current board and the post of CEO had been abolished through the appointment of an administrator.

Nagad, without any MFS licence, has been operating



under the postal department with approval from the BB, he said.

"There are some rumours about Nagad, but such propaganda shouldn't impact it. If Nagad is affected or damaged, it will negatively impact the financial system," he said.

Entering the market in March 2019 as the digital financial service provider of the BPO, Nagad, with the blessings of the former Awami League government, has been running on a temporary licence from the BB.

In June, the central bank extended the tenure of its temporary licence to operate as an MFS for the seventh time.

The licence will expire in June next year.

BB officials said they heard there was a revenue-sharing agreement with a company named Third Wave Technologies, which was later renamed as 'Nagad Ltd'.

Mansur said Third Wave Technologies was only appointed as an outsourcing firm by the BPO.

Nagad applied for a licence of a non-bank financial institution (NBF) after the central bank brought changes in regulations allowing NBFs to run MFS.

It received the licence in 2023, naming itself 'Nagad Finance'.

It surrendered the NBF licence later and applied for a digital bank licence in line with guidelines issued by the central bank.

The BB then issued the licence of the country's first digital bank - Nagad Digital Bank PLC.

At the press briefing yesterday, the BB governor said they would conduct an audit on Nagad.

"If Nagad is restructured and can stand on its own feet, it may receive a licence in the future," Mansur said.

According to him, the intervention in Nagad was made in the interest of the public because the company holds deposits of the people.

"There are questions about the ownership of Nagad. It does not have full legal certification and has been operating on the basis of an interim approval," he said.

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AT A GLANCE

Interim govt plans to utilise more foreign aid to bolster reserves : Govt to speed up foreign-funded project implementation

Bangladesh's historical foreign aid utilisation average is 14-15%, indicating inefficiency in fund use : ERD to release \$3b to \$4b from pipeline to focus on redirecting or resolving slow-moving projects

BY THE NUMBERS

\$45.88b foreign aid in pipeline as of July 1, 2024

21.95% of foreign aid utilised in FY24 from pipeline

\$4b unutilised from total \$12.21b for Rooppur Nuclear Power Plant

\$3.33b unutilised from China's \$12.2b loan commitment

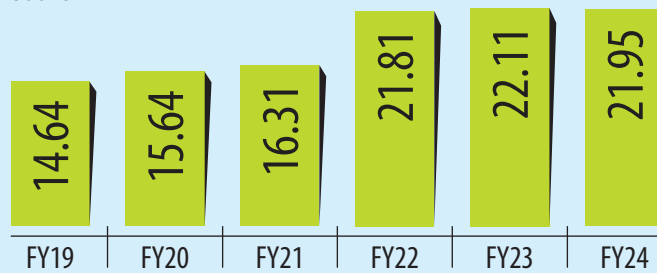
\$5.62b unused from total \$7.73b committed by India



DISBURSEMENT OF FOREIGN AID

In % of the amount in pipeline

SOURCE: ERD



Govt to speed up foreign aid utilisation

The amount in the pipeline reaches nearly \$46b

REJAUL KARIM BYRON

As foreign aid in the pipeline reached nearly \$46 billion at the start of this fiscal year, the interim government will take initiatives to utilise those funds to bolster the country's foreign currency reserves.

Foreign aid is considered to be in the pipeline as soon as a loan agreement is signed between authorities and a development partner.

On his first day at the planning ministry, Planning and Education Adviser Wahiduddin Mahmud directed the planning commission officials to speed up the implementation of the foreign-funded projects.

He also instructed the officials to sit with their counterparts from the Economic Relations Division (ERD) to identify problems in projects and take immediate steps to resolve them, ensuring that projects can be implemented in the shortest possible time.

After the meeting, Wahiduddin told reporters that one of his priorities as planning adviser is to make the most of foreign funds that development partners have already committed to providing.

"If we could release those funds, the existing problem over the foreign currency reserves may be resolved to some extent."

According to ERD statistics, foreign aid amounting to \$45.88 billion was in the pipeline on July 1 this year.

ERD officials said it takes about five years on average to complete a

foreign-funded project. Therefore, utilising 20 percent of the foreign funds in the pipeline each fiscal year is considered satisfactory.

In 2023-2024, Bangladesh utilised \$9.89 billion of foreign funds, which accounted for about 21.95 percent of the funds in the pipeline.

The utilisation rate was 22.11 percent in the previous fiscal year.

An ERD official said Bangladesh's utilisation of foreign funds increased in the last three fiscal years because large chunks of budgetary support had arrived.

In the past four to five years, Bangladesh has taken big loans from non-traditional sources like Russia, China and India, which combinedly have more than \$12.5 billion in the pipeline

Historically, however, Bangladesh's record in utilising foreign aid in the pipeline is unsatisfactory.

It has hovered around 14 to 15 percent, contributing to a pile up in the unutilised total.

In the past four to five years, Bangladesh took big loans from non-traditional sources like Russia, China and India, which combinedly have more than \$12.5 billion in the pipeline.

For the country's biggest ever project, the Rooppur Nuclear Power Plant, Bangladesh took

\$12.21 billion from Russia. Around \$8.07 billion was utilised till June 2024, leaving over \$4 billion in the pipeline.

However, Russia does not disburse money while offering loans for projects in a foreign country. Instead, necessary equipment is provided and the costs are calculated later as the loan amount.

As a result, although fund utilisation for the project increased, it did not contribute to boosting foreign currency reserves.

China committed \$12.20 billion to Bangladesh, of which \$8.87 billion was utilised till June this year, leaving \$3.33 billion in the pipeline.

Besides, after 2009, India committed \$7.73 billion under three special agreements. Bangladesh has utilised \$2.18 billion so far, leaving more than \$5 billion in the pipeline. The World Bank, Asian Development Bank, and Japan have committed to providing a majority of the funds in the pipeline, accounting for over \$32 billion.

An official of one of Bangladesh's development partners said they would take immediate steps to release at least \$3 billion to \$4 billion from the pipeline.

The official added that there are slow-moving foreign-funded projects, in which the total committed funds might not be utilised. Funds from such projects could be diverted to other projects.

Both the World Bank and ADB have a soft stance in this regard, the official further said.

BB to hike policy rate by 50 basis points to 9% next week

STAR BUSINESS REPORT

Bangladesh Bank (BB) is expected to hike the policy rate or repo rate by 50 basis point to 9 percent from the existing 8.50 percent next week to tame skyrocketing inflation.

Inflation hit 11.66 percent in July, the highest at least since fiscal year 2010-11, driven mainly by food prices, reflecting the worsening situation of the purchasing capacity of people, according to the Bangladesh Bureau of Statistics (BBS).

Bangladesh concluded fiscal year 2023-24 with consumer price index at 9.73 percent, much higher than the authorities' target of 7.5 percent. This was the fifth year that inflation overshoot the goal of government.

And the first month of the FY25 showed no sign of easing.

At a press briefing yesterday, BB Governor Ahsan H Mansur said the policy rate or repo rate, at which commercial banks borrow from the central bank, would have to be hiked until inflation cools down.

BB Governor Ahsan H Mansur said the policy rate or repo rate would have to be hiked until inflation cools down

An increase in the policy rate is expected to lead to bank borrowing turning costlier, for which people will cut down on expenditures, thereby curtailing demand and subsequently bringing down inflation.

"We are going to hold a meeting of the monetary policy committee early next week and hope to announce the new rate later," BB Governor Ahsan H Mansur told The Daily Star later.

He hoped for the inflationary pressure to come down within seven to eight months. It is expected to come down to 5-6 percent then, he said.

A senior official of the central bank, seeking anonymity, said in the first phase, the policy rate is going to be hiked by 50 basis points.

In an interview with the BBC recently, the newly appointed governor said the rates would be hiked to 10 percent or more in the coming months to tame inflation.

The BB last increased the policy rate on May 8 by 50 basis points to 8.5 percent in line with the prescription of International Monetary Fund (IMF) in its fight against the spiralling prices.

Since inflation has stayed above 9 percent, the BB has been following a contractionary policy

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STOCKS	
DSEX ▼	CASPI ▼
1.65% 5,699.91	1.08% 16,378.04

COMMODITIES	
Gold ▼	Oil ▲
\$2,506.53 (per ounce)	\$71.97 (per barrel)

ASIAN MARKETS			
MUMBAI ▲	TOKYO ▲	SINGAPORE ▼	SHANGHAI ▼
0.19% 81,061.76	0.68% 38,211.01	0.01% 3,373.58	0.27% 2,848.77

FBCCI urges army to beef up security

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has sought cooperation from the army to prevent extortion and strengthen security around industries and business establishments.

The apex trade body also demanded a business-friendly environment in the country, according to a press release of the chamber.

A delegation made the demands during a courtesy call on army chief General Waker-Uz-Zaman at the Army Headquarters in Dhaka.

FBCCI President Mahbul Alam thanked Bangladesh Army for conducting various activities and patrolling industrial areas to ensure safety.

The army chief said, "We will properly fulfill the responsibility to ensure the security of all citizens as well as the business community of the country."

He said Bangladesh Army is always active so that the local and foreign investors can carry out commercial activities without any

hindrance.

He urged the business community to cooperate with law enforcement agencies by providing information if any industrial establishment is subject to any kind of threat.

Former FBCCI presidents Mahbulur Rahman, Abdul Awal Mintoo, Mir Nasir Hossain, AK Azad and Md Jashim Uddin were also present at the event.

Tapan Chowdhury, managing director of Square Pharmaceuticals, Ashraf Ahmed, president of the Dhaka Chamber of Commerce and Industry, Khandoker Rafiqul Islam, acting president of the Bangladesh Garment Manufacturers and Exporters Association, and Naser Ezaz Bijoy, chief executive officer of Standard Chartered Bangladesh, were also present.

Business establishments were hit hard by the anti-discrimination protests, which began in July.

As violence flared, their production units were shuttered for a number of days in phases while transportation of goods was almost completely disrupted.

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Abdul Awal Mintoo

National Bank gets Mintoo as chairman

STAR BUSINESS REPORT

Trouble-ridden National Bank Ltd (NBL) yesterday elected Abdul Awal Mintoo, a businessman and vice-chairman of the Bangladesh Nationalist Party, as chairman of its board of directors, a development that came two days after the Bangladesh Bank (BB) dissolved the previous board to protect the interests of depositors.

The latest occasion marked the third time since December 2023 that the oldest private bank in the country had to form a new board.

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BB forms new board for Islami Bank

Obayed Ullah Al Masud named chairman

STAR BUSINESS REPORT

The Bangladesh Bank has formed a new board of directors for crisis-hit Islami Bank Bangladesh, appointing five independent directors at the Shariah-based lender.

Md Obayed Ullah Al Masud, former managing director of Rupali Bank, has been appointed as an independent director and chairman of the board, according to a letter issued by the central bank.

The central bank constituted the new board just a day after it had dissolved the previous board of the country's largest private sector bank, which became mired in irregularities after the S Alam Group seized control.

The others appointed as independent directors are Mohammad Khurshid Wahab, former executive officer of the Bangladesh Bank, Mohammad Abdul Jalil, former deputy general manager of Al-Arafah Islami Bank, M Masud Rahman, a former professor of finance at the University

MAJOR POINTS

Five independent directors have been appointed by BB

A new board was formed just a day after its previous board was dissolved on Aug 21

Individuals linked to S Alam Group had dominated the board for 7 years, misappropriating nearly Tk 95,000cr

BB to seize all S Alam's shares of Islami Bank to offset liabilities

The company may reclaim shares by repaying outstanding debts to Islami Bank

of the prior Islami Bank board was a part of that.

"We will not run the bank with the boards we nominated forever," he said while addressing a press conference at the central bank yesterday afternoon.

"We will try to help banks stand on their own feet and then hand them over to private ownership," Mansur added that they are going to form a banking commission, which will inspect all weak banks and identify their problems.

"We will also try to recover the money that has been laundered through both local and internal channels. We are trying to create an institute to look into the issue."

The decision to remove the previous board on August 21 freed Islami Bank from the S Alam Group's grip.

Individuals linked to the conglomerate had dominated the board for seven years, which they used to engage in rampant misappropriation of nearly Tk 100,000 crore.

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