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NBR allows duty-free import of onion

STAR BUSINESS REPORT

The National Board of Revenue (NBR) yesterday lifted all tariffs on onions to cut import costs and stabilise domestic market prices of the bulb, which is now costing as much as Tk 150 per kilogramme in Dhaka.

In an order, the NBR said the tariff withdrawal would come into immediate effect and would be applicable till January 15 next year.

The latest development comes two months after the NBR withdrew a 5 percent regulatory duty on onion imports keeping only a 5 percent import tariff.

Now, there is no duty on onion import, according to the NBR.

Last week, the Bangladesh Trade and Tariff Commission (BTTC) recommended that the NBR provide zero-duty entry to the kitchen staple to cut import costs, encourage importers to bring more bulbs and curb price hikes.

The NBR said the tariff withdrawal would come into immediate effect and would be applicable till January 15 next year

Supplies of locally grown onion, which is used mainly as a spice here, drop during this time of the year as the new cultivation season is about to begin.

The BTTC said the period between October 15 and January 15 is typically a lean season for locally grown onions.

Stocks of the bulb grown in the previous season are almost depleted during this time and early varieties usually help meet a portion of the demand before the main crop is harvested in March.

The BTTC said heavy rainfall this year adversely affected the cultivation of the early varieties of onion.

In its report submitted to the NBR nearly a week ago, the BTTC said India was a major source of the bulb for Bangladesh.

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Govt to devise plan to retrieve Tk 873cr climate fund from Padma Bank

AT A GLANCE


Bangladesh Climate Trust made an FDR of Tk **536cr** in Padma Bank in 2015

With interest and principal, the amount stood at Tk **597.62cr** till FY19

The fund was supposed to be repaid in 2016

By Feb 2024, the fund grew to Tk **873.82cr** with interest

Later it was renewed until 2018 due to nonpayment of interest



PADMA BANK

The bank was established in 2013

Within 3 years of establishment, it faced liquidity crisis due to irregularities

Amid crisis, Farmers Bank was renamed as Padma Bank in Jan 2019

CURRENT STATE

- » The money is still stuck in the bank
- » The bank has repaid only Tk **74cr** so far
- » A high-level meeting today will make a plan for recovering the money

AM JAHID and REJAU KARIM BYRON

The interim government is going to formulate a specific roadmap to recover funds of the Bangladesh Climate Change Trust (BCCT), amounting to Tk 873.82 crore, that have been held up in Padma Bank since 2016.

To formulate the roadmap, high-level representatives of different ministries and departments, including the Finance Division, Financial Institutions Division, and Ministry of Environment, Forest and Climate Change, are scheduled to hold a meeting with Padma Bank officials at the Bangladesh Bank today.

According to finance ministry sources, apart from the BCCT's funds, the meeting will also determine plans to recover other government funds stuck at ailing Padma Bank, which had its board of directors reconstituted after the political changeover on August 5.

In 2015, the BCCT, which operates under the environment ministry, created a Fixed Deposit Receipt (FDR) account of Tk 536 crore, then known as Farmers Bank, for a period of one year.

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The money was deposited at the bank's Motijheel, Gulshan and Gulshan Avenue branches.

Upon maturity, the FDR was renewed until 2018 as Padma Bank had managed to return only Tk 74 crore in several phases.

In September 2023, an official of the BCCT said that the bank had not made any further payments.

The principal and interest climbed to Tk 597.62 crore at the end of the 2018-19 fiscal year.

By February this year, the amount owed to the trust had ballooned Tk 873.82 crore.

The wait to retrieve the investment got longer as Padma Bank was given eight more years by the Ministry of Environment to repay the money in December 2022.

Despite this, on December 31, 2023, BCCT officials sent a letter to the Bangladesh Bank governor and secretary of the Financial Institutions Division seeking their advice on potential legal action.

But no visible measures were taken to this end at that time, BCCT officials added.

On January 21 this year, Padma Bank converted Tk 760.09 crore of the funds into preference shares of the bank with an 8-year tenure at an interest rate of 6 percent without seeking the consent of the BCCT, according to officials of the trust.

Only three years after its establishment in 2013, Padma Bank became mired in a liquidity crisis due to significant irregularities.

Yet, due to political interference and the lure of high interest rates, government agencies such as the BCCT continued to invest significantly in the bank.

During a special investigation in 2015, the central bank uncovered significant violations of banking rules by the bank's management in its loan disbursement process.

The central bank found the involvement of the bank's former directors in sanctioning loans.

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What does Trump 2.0 mean for businesses in Bangladesh?

REFAYET ULLAH MIRDHA



For local business communities, Donald Trump's victory in the presidential race has been shorthand for the expectation that Western apparel orders and some foreign investments would shift to Bangladesh, with global fashion powerhouse China possibly facing higher import tariffs from the US.

However, this calculation requires several favourable conditions to be truly fruitful for Bangladesh.

For instance, inflationary pressure in the US should not depress apparel demand, the global economy must remain vibrant and conflicts in Ukraine and the Middle East should subside, according to local think-tanks and trade experts.

Otherwise, they do not find too many reasons to celebrate Trump's leadership of the US -- which is the single largest export destination for Bangladeshi apparel, with average annual shipments worth more than \$10 billion.

"Other than the possible diversion of garment work orders from China to Bangladesh, I do not see any major positive advantage for Bangladesh from the re-election of Trump," said Mustafizur Rahman, a distinguished fellow at local think-tank Centre for Policy Dialogue (CPD).

During his first term, Trump increased tariffs on imports from China from 3 percent to 25 percent in January 2018.

During his campaign, Trump this time announced he would impose higher tariffs of up to 60 percent on Chinese goods if re-elected to the Oval Office.

Meanwhile, Rahman expressed concern about global trade policy during the second term of Trump in the White House. "His global trade policy might not be liberal, which could disadvantage Bangladesh."

Echoing similar views, Mohammad Abdur Razzaque, chairman of private research organisation Research and Policy Integration for Development (RAPID), said increased tariffs on Chinese products may boost apparel orders to Bangladesh.

But seizing this opportunity would depend on the state of the global economy, according to Razzaque, as a global economic slowdown coincided with

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16230

BB eases LC rules for Ramadan essentials

STAR BUSINESS REPORT

Bangladesh Bank (BB) yesterday relaxed rules regarding the import of essential food commodities to ensure adequate supplies in the domestic market during the holy month of Ramadan scheduled to begin at the end of February next year.

The central bank asked banks to open letters of credit (LCs) for import of items such as rice, wheat, onion, pulse, edible oil, sugar, egg, chickpea, spices and dates based on their relationship with clients.

BB suggested banks keep minimum margins or advance on the import value from importers of Ramadan items

It suggested banks keep minimum margins or advance on the import value from importers of Ramadan items, according to a circular.

The BB also directed banks to prioritise the settlement of LCs of food commodities.

However, the central bank retained the provision requiring importers to make full payment of the LC value for several items such as cars, electrical and home appliances, and fruits.

The central bank began to tighten LC opening rules in 2022 to curb imports and prevent the foreign exchange reserves see a drastic fall.

Bangladesh's gross foreign exchange reserves, which shot up to \$48 billion, the highest on record, in August 2021, stood at \$25.44 billion at the end of last month, according to the BB.

Don't withdraw cash unless 'absolutely necessary'

BB spokesperson requests depositors

STAR BUSINESS REPORT

The central bank has requested depositors to avoid withdrawing money from banks unless it is "absolutely necessary" and assured them that their funds are "safe" with the commercial lenders.

"No bank in the world would be able to provide funds if all depositors tried to withdraw their money at once," Bangladesh Bank (BB) Executive Director and Spokesperson Husne Ara Shikha said at a press conference at the BB headquarters in Dhaka yesterday.

Some banks are failing to repay depositors due to the withdrawal rush, Shikha said at the media briefing on the current scenario of the local banking sector.

"Don't panic about the deposited money. Everyone will get their money back."

The central bank spokesperson said the banking regulator is extending liquidity support to some restructured banks.

The board of directors of 11 banks -- majority controlled by the controversial S Alam Group -- were reconstituted since the installation of the interim government in August this year.

Half of them are now struggling to repay depositors as the central bank has suspended providing liquidity support by printing money.

Three taskforces were formed a month ago for banking reforms.

The Bangladesh Bank spokesperson said one of the taskforces is working on banking reforms, another on increasing the efficiency of the

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Govt seeks solution to stubborn inflation

Three advisers to meet today

REJAU KARIM BYRON

Three advisers to the interim government of Bangladesh will meet today to discuss solutions for taming inflation, which remains high even though several initiatives have been implemented to this end.

The three advisers are Finance and Commerce Adviser Salehuddin Ahmed, Planning and Education Adviser Wahiduddin Mahmud, and Power, Energy and Mineral Resources Adviser Muhammad Fouzul Kabir Khan.

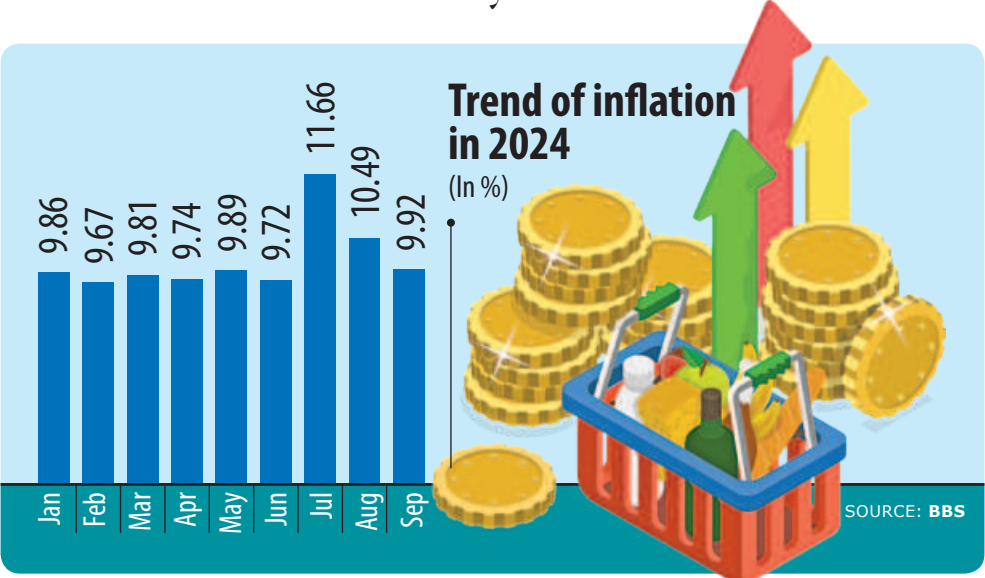
Finance Secretary Khairuzzaman Mozumder, Bangladesh Bank Governor Ahsan H Mansur, National Board of Revenue (NBR) Chairman Abdur Rahman Khan, and some other high officials will also be present at the meeting at the finance ministry.

The inflation rate has been hovering at above 9 percent for more than two years, affecting low income and fixed-income people in the country.

Last July, the inflation rate stood at 11.66 percent before reducing slightly to 10.49 percent in August and to 9.92 percent in September, according to the Bangladesh Bureau of Statistics.

The data for October has not been published yet.

Although the inflation rate is declining, it remains above 9 percent despite several steps



by the government to reduce it.

Economists blamed incorrect policy measures for enabling inflation to remain high even at a time when it is dropping worldwide.

After the Awami League government was ousted on August 5, Bangladesh Bank raised the policy rate for a third time to 10 percent in order to reduce the money supply.

Besides, the central bank extended the band on the exchange rate to Tk 120, after which the exchange rate became slightly stable.

Meanwhile, the NBR reduced the duty on importing essential items several times.

"It will take time to see the impact of the government's recent policy steps," said Zahid Hussain, the former lead economist of the World Bank's Dhaka office.

"The high inflation in the country also stems from supply problems as market

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