



Salehuddin blames extortion for persistent inflation

STAR BUSINESS REPORT

Finance Adviser Salehuddin Ahmed said yesterday that inflation is not slowing despite tariffs being reduced on many goods due to the prevalence of extortion across the supply chain.

“The big difference between production prices of goods and consumer prices is a major concern. This is because of extortion in many spheres,” the adviser said at an annual conference organised by the International Business Forum of Bangladesh (IBFB) at Gulshan Club.

“Middlemen are a part of the business cycle. However, transferring ownership of goods three to four times while the product remains in the same truck is not the work of middlemen. This is extortion,” Ahmed said.

It is difficult to reach a political compromise, but it is easy for extortionists to form a nexus, he said.

The central bank increased the policy

consolidated, effective and confidence-boosting medium-term plan.

Speaking as the chief guest, Finance Adviser Ahmed also said that the interim government is committed to separating the tax policy division from tax administration.

“We have decided in principle to separate the tax policy part from tax collection. This means people who make tax policies will not be responsible for collecting taxes. But it may take some time,” he added.

Ahmed further said that the interim government has inherited an economy that was corrupt to an unthinkable extent.

In the last 15 years, regulatory failures, including at the most well-known public institutions such as the Bangladesh Bank and National Board of Revenue, posed a major concern.

However, Ahmed said rules and norms were violated not only by regulatory bodies, but also by business communities

“

We have decided in principle to separate the tax policy from the tax collection. It means people who make tax policy will not be responsible for collecting taxes. But it may take some time.

Salehuddin Ahmed
Finance Adviser

“

Even people who would love to see reforms may lose patience if the interim government cannot ensure economic relief and maintain a stable law-and-order situation.

Debapriya Bhattacharya
Head of white paper committee

rate in order to reduce inflation and that has been working on the demand side, but the main problem is on the supply side, which is difficult to resolve, he added.

At the same event, Debapriya Bhattacharya, a distinguished fellow at the Centre for Policy Dialogue, cautioned: “Even people who would love to see reforms may lose patience if the interim government cannot ensure economic relief and maintain a stable law-and-order situation.”

He stressed the importance of a

and financial institutions. So, the blame should not be squarely on policymakers.

He added that Bangladesh may be a unique country, where some businesspeople own everything.

“They own the media, they own industries, and they also occupy seats in parliament,” he said, adding: “How can they take good steps against people who are the same as them?”

The finance adviser also reminded that the interim government inherited a

READ MORE ON B3

Age limit for entry-level bank jobs now 32

STAR BUSINESS REPORT

The Bangladesh Bank has raised the maximum age limit for people seeking entry-level positions in the banking sector to 32 years from 30 in line with an identical shift for public service positions.

The central bank issued a notice yesterday in this regard, directing all banks in the country to raise the maximum age limit of all entry-level officers and other employees by two years.

The move follows a recent government order that mandated the same for public service jobs.

The order issued by President Mohammed Shahabuddin set the age limit for entry-level appointments in government, autonomous, semi-autonomous, statutory authorities, public non-financial corporations and self-governing bodies at 32 years.

And while the previous age limit was 30, children and grandchildren of the country's freedom fighters

READ MORE ON B3

Health spending falls substantially in Jul-Nov

REJAUUL KARIM BYRON and MD ASADUZ ZAMAN

The health ministry's development spending has dropped substantially year-on-year in the first five months of the current fiscal year, despite the interim government's move to raise its allocation in the revised budget.

During the July-November period of fiscal year (FY) 2024-25, the ministry managed to spend Tk 544 crore, according to data from the Implementation Monitoring and Evaluation Division (IMED).

This is one-third of what it spent in the same period last fiscal year.

In FY24, the health ministry, which is comprised of the health services division and family planning division, spent Tk 1,480 crore.

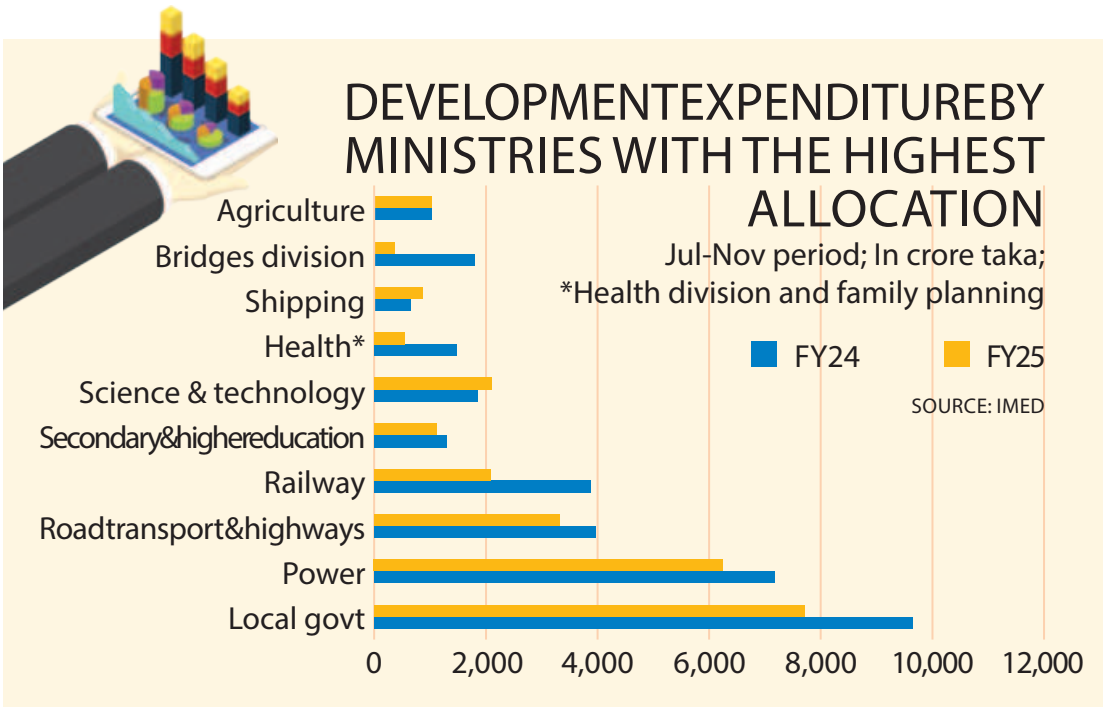
Of them, the health services division, which is one of the top recipients among 15 ministries and divisions, spent Tk 325 crore, which is only 2.91 percent of its allocation of Tk 11,153 crore.

Speaking to journalists after a meeting of the Executive Committee of the National Economic Council (Ecne) on November 25, Planning Adviser Wahiduddin Mahmud said they were planning to raise the budget for the health and education sector in the revised budget.

“The health sector gets less than one percent of the budget. But they could not spend this trivial allocation,” Prof Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, told The Daily Star over the phone yesterday.

“Although the health sector is vital for the country, its (budget) implementation rate has been among the worse historically. The government should review why they have not been able to spend for years,” he said.

A large portion of the country's people are dependent on public health services. So, the



government must unearth the actual reasons, he added.

“The poor capacity of the health ministry is a very common factor behind the low project implementation rate,” acknowledged IMED Secretary Abul Kashem Md Mohiuddin during a conversation with this newspaper.

He also thinks that a lack of proper project selection was responsible for the poor implementation.

“The health sector is very crucial. We have to

remain careful about project selection,” he said.

Out of the 15 recipients with the highest allocations, the Local Government Division spent the highest amount, Tk 7,711 crore, 20 percent of its total allocation.

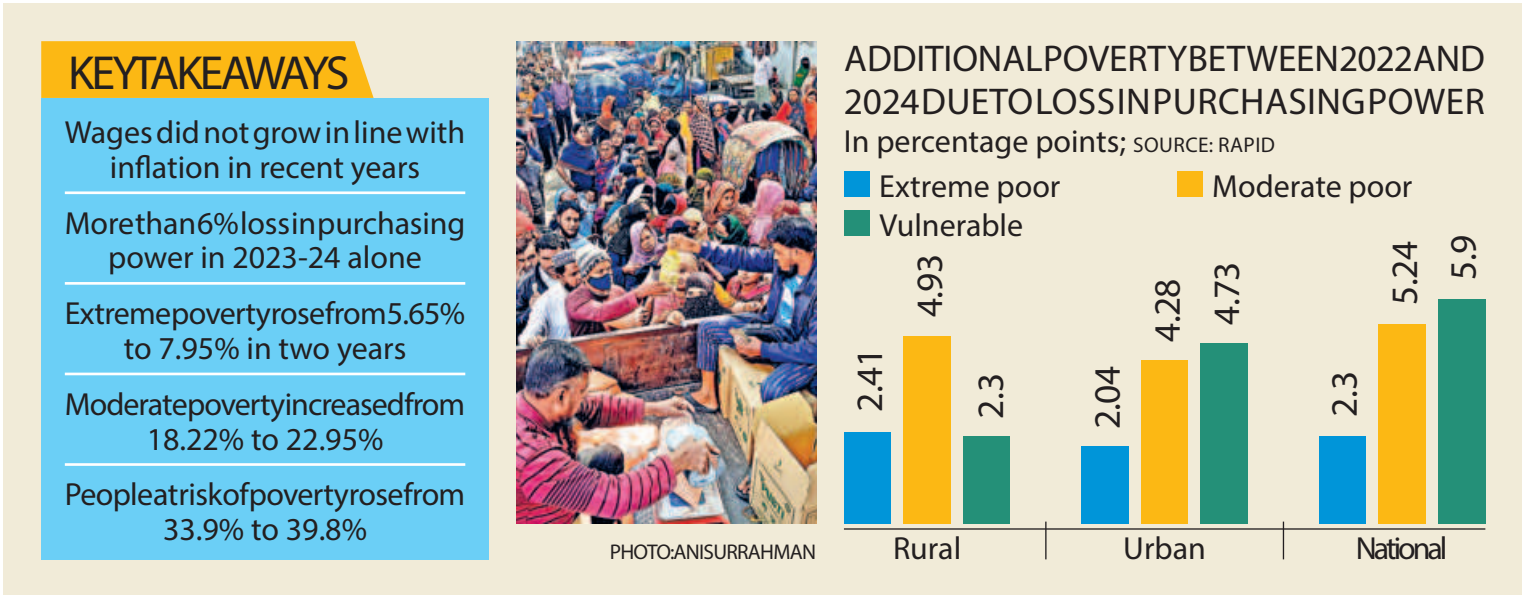
However, this is low compared to last fiscal year. About this division's progress, Prof Rahman said this has come about as local engineers are carrying out their work according to their past schedule.

In the first five months of FY25, the government's

READ MORE ON B3

High inflation sent another 78 lakh into poverty in past two years

Shows RAPID research, warns one crore more could slip into poverty if higher inflation persists



STAR BUSINESS REPORT

Over the past two years, real income reductions due to ongoing inflationary pressure have pushed at least 78 lakh people into poverty, shows the study by the Research and Policy Integration for Development (RAPID).

This includes 38 lakh people who have become extremely poor.

Besides, around 1 crore more are at risk of slipping below the poverty line due to continued inflationary pressures, said Md Deen Islam, research director of the RAPID.

At a workshop at CIRDAP auditorium in the capital yesterday, Islam said ongoing policy tightening should be complemented with contractionary fiscal adjustments to win the battle against the brutal price pressures weighing on Bangladesh for around two years.

The country has been experiencing over 9 percent inflation since March last year.

Price pressures rose to a three-month high of 11.38 percent in November, higher than 10.87 percent in October, owing to the soaring prices of foods, especially the staple rice and vegetables.

Annual average consumer prices stood at 10.22 percent in November, up from 10.04 percent a month ago, according to official data.

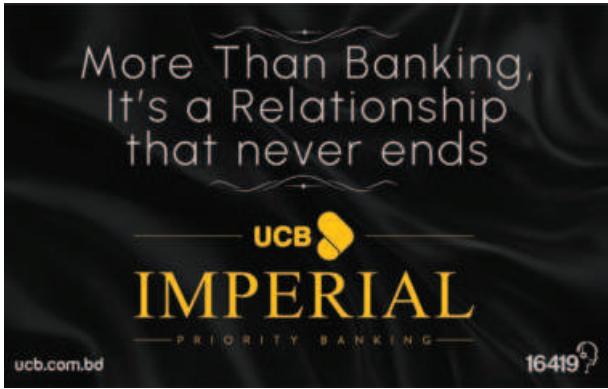
While presenting the keynote at the workshop titled “Macroeconomic Situation and LDC (least developed countries) Graduation”, Islam said the percentage of extreme poverty rate increased to 7.95 percent

from 5.65 percent in the last two years.

The World Bank (WB) defines extreme poverty based on an international poverty income of \$2.15 a day.

In April this year, the WB said weak private consumption growth and high inflation have halted poverty reduction in Bangladesh.

Islam said the percentage of people at risk of falling into poverty increased to 39.8 percent from 33.9 percent in the past two years, due mainly to ongoing high inflation.



Regarding solutions, he said Bangladesh has started implementing a contractionary monetary policy by raising the policy rate to an all-time high of 10 percent.

However, the monetary tightening needs to be combined with other contractionary fiscal adjustments to get inflation under control, he said.

Islam also said the increase in the policy rate needs to be complemented by stopping the

printing of new money and limiting the flow of money to the market, as well as lowering the budget deficit.

Citing economic turbulence due to inflationary pressures in Sri Lanka and Pakistan, he advocated for a long-term monetary policy rather than short-term fluctuations.

Besides, the workshop discussed rearranging budget allocations to shore up the fight against poverty.

About revising the budget of the current fiscal year, M Abu Eusuf, executive director of the RAPID, said just a 2.3 percent reallocation of annual development spending could help double the funds required for three major food-based social protection programmes.

He also said given the current economic stress and past implementation records, slow development spending is not a surprise.

But a clear policy direction should be urgently provided to reallocate development spending to tackle the rising cost of living, he said.

According to him, an 8 percent reallocation of annual development programme (ADP) spending would help double the funds for nine critical social protection programmes for the vulnerable.

In another presentation on “LDC Graduation: Urgency of Preparation for a Smooth Transition, Regardless of Timeline Extension”, RAPID Chairman MA Razzaque stressed on the need for prioritisation of transition measures.

READ MORE ON B3

AIIB to give \$159m for power project

STAR BUSINESS REPORT

The interim government has signed an agreement with Asian Infrastructure Investment Bank (AIIB) to avail a \$158.89 million loan to implement a power transmission infrastructure project through Power Grid Bangladesh.

The loan has a maturity period of 32 years, including a seven-year grace period, and will come in several currencies. The lion's share, \$109.78 million, will be provided in the form of the greenback.

The interest rate will be the secured overnight financing rate (SOFR) plus variable spread for the US dollar, six-month euro interbank offered rate (EURIBOR) plus variable spread for the euro, and 3-month Shanghai interbank offered rate (SHIBOR) plus variable spread for the Chinese Renminbi.

A “variable spread” is a percentage added to a benchmark interest rate (like SOFR) that adjusts over time based on factors such as credit risk, market conditions, or predefined terms in a financial agreement.

In addition, the front end fee will be 0.25 percent of the loan amount (one-time) and commitment fee will be 0.25 percent of the undisbursed amount.

The front end fee on a loan means a charge levied by a lender when a loan is set up or when the first payment of the loan is taken. It may be a commitment fee, an establishment fee, or a documentation fee.

READ MORE ON B3