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Bangladesh's exports to US may increase: WTO report

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Some Least Developed Countries (LDCs), including Bangladesh, are likely to see their exports rise in the US, said a report by the World Trade Organization (WTO).

This is because their exports are highly dependent on products for which China currently has a large share in total US imports, such as clothing and textiles, as well as electronic equipment, it said in its April issue of Global Trade Outlook and Statistics released early this week.

The other LDCs are Cambodia and Lesotho.

Based on simulation, the WTO said these LDCs can benefit from shifting demand towards their products. However, because of the adverse impact of trade policy uncertainty vis-à-vis the United States, the simulations still project a small reduction in the real Gross Domestic Product of LDCs.

The Trump administration slapped tariffs on goods of dozens of countries entering into its markets.

Because of the move, products made in Bangladesh will face a fresh 37 percent tariff during entry to the US markets after the 90-day pause on new tariffs announced by Trump on countries except China.

The WTO said the outlook for global trade has deteriorated sharply due to a surge in tariffs and trade policy uncertainty.

Based on measures in place as of 14 April, including the suspension of "reciprocal tariffs" by the United States, the volume of world merchandise trade is expected to decline by 0.2 percent in 2025 before posting a modest recovery of 2.5 percent in 2026.

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It's time to go for more flexible exchange rate: IMF

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The time is right for Bangladesh to move towards a more flexible exchange rate regime, said Chris Papageorgiou, mission chief of the International Monetary Fund (IMF) to Bangladesh.

At a press conference at the Bangladesh Bank headquarters yesterday, Papageorgiou said that the gap between the official and unofficial exchange rates had narrowed significantly, creating an opportune moment for the shift.

Describing the current regime, he said, "This is not full flexibility — it's a crawling peg, which provides some guidance within a band but still allows for a future transition to complete flexibility."

The press briefing followed the IMF delegation's visit to Dhaka from April 6 to 17 as part of the combined third and fourth reviews under its ongoing $4.7 billion package.

It includes the Extended Credit Facility (ECF), Extended Fund Facility (EFF), and Resilience and Sustainability Facility (RSF).

Papageorgiou said, "From the IMF's perspective, and looking at the reform and its history, we have been discussing this crawling peg for at least one or two years."

"This is, in fact, the right time to move towards this flexibility," he replied, when asked whether it was the right time to move towards greater flexibility.

"We also see that the difference between the illegal exchange rate [unofficial rate] and the official exchange rate is very small, and we praise the authorities for this," he added.

The IMF and the government, specifically the Bangladesh Bank, were aligned on the need for greater flexibility, he said, adding, "There is no doubt that we all want to move in the same direction. We see more flexibility in the exchange rate regime in Bangladesh."

For more than three years, the country's foreign exchange market has been facing volatility.

However, recent months have seen signs of stability, due mainly to increased inflows of US dollars, which have reduced the gap between the official and parallel market rates.

Despite this improvement, the exchange rate system remains partially controlled.

In February, the Bangladesh Bank governor said that a full transition to a market-based system was not yet feasible, citing concerns about market manipulation.

"If we make it fully market-based, they will take advantage of it," the central bank governor said at the time.

At yesterday's press conference, Papageorgiou said, "We see that reserves are now stabilised, and again, we give a lot of credit to the authorities for that, because, if you remember, for a number of years, reserves had been on a steady decline and worrisome trend — now they are stable."

However, he cautioned that reserve accumulation had yet to begin in earnest. "We expect that, with more flexibility, this accumulation will happen in the near term."

On monetary policy, the IMF said that it was up to the central bank.

"We leave that decision completely to the governor. We fully endorse the current stance, which is tightening, as we want to ensure that inflation comes down in a timely manner," said the mission chief.

"So far, inflation has been very persistent — stubborn, we would say — compared to other regions. We applaud the governor for maintaining this stance."

He added that the 10 percent policy rate would likely remain unchanged until inflation showed clear signs of easing. "Looking ahead, as we expect inflation to ease, possibly by next year, the governor will consider what to do with the policy rate."

On the banking sector, Ivo Krznar, deputy mission chief to Bangladesh, said that there is no doubt that a healthy and competitive banking sector, which is regulated and supervised in line with international standards, is a prerequisite for a healthy growth rate.

Commenting on recent regulations concerning asset classification and provisioning, Krznar said, "The new regulation is a cornerstone of reform that aligns with international best practices, and the IMF commends the authorities for implementing this rule."

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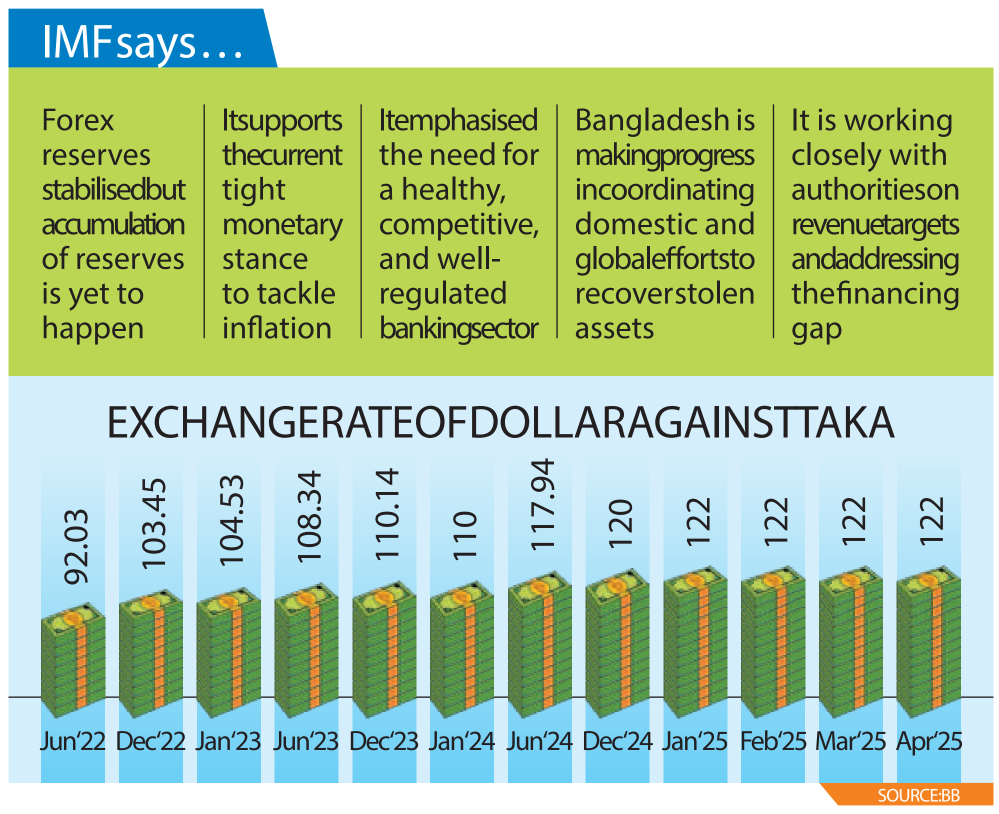

ADP spending in July-March lowest in 15 years

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Implementation of the Annual Development Programme (ADP) in the first nine months of the current fiscal year of 2024-25 has reached its lowest point in at least 15 years, with about Tk 82,894 crore being spent during the period.

This means just 36.65 percent of the total revised outlay for FY25 has been used during the July-March period, according to data from the Implementation Monitoring and Evaluation Division (IMED), published yesterday.

Even during the same nine months in FY21, when almost all economic activities were put on hold amid the Covid-19 pandemic, the ADP implementation rate was higher at 42 percent.

The ADP execution rate declined this fiscal year as development activities were hampered by political unrest soon after it began on July 1, according to planning ministry officials.

About 36 percent of the total revised outlay for FY25 has been used during the July-March period

They also pointed to how the interim government has taken austerity measures, such as slowing or postponing certain projects initiated by the previous administration, in the face of budgetary shortfalls.

Furthermore, a number of contractors for various projects fled the country before completing their work following the recent political changeover, thereby adversely impacting ADP implementation.

In response to this underwhelming performance in ADP implementation, relevant authorities downsized the total outlay for FY25 by about Tk 53,000 crore to Tk 226,125 crore to realign expectations with current realities.

During this period, the utilisation of both state funds and foreign loans has declined.

Of them, the spending of foreign funds fell to about Tk 32,411 crore, which makes up just 40 percent of this year's ADP allocation.

In the July-March period of FY24, around Tk 44,066 crore, or 52.77 percent, of the overall ADP budget for that year came from foreign funds.

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NBR to collect travel tax directly from outbound passengers

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The National Board of Revenue (NBR) is set to introduce a new system for collecting travel tax directly from outbound passengers, replacing the current practice where airlines include the tax in ticket prices and later deposit it into the state coffer.

NBR Chairman Md Abdur Rahman Khan announced the move during a pre-budget discussion with relevant stakeholders held at the NBR headquarters in Dhaka's Agargaon yesterday.

Currently, airlines collect the travel tax on behalf of the government, but the funds often do not make it to the state treasury properly.

"We are working on a mechanism that will allow passengers to conveniently pay the tax themselves and obtain an official challan (receipt)," Khan said.

"The process will be made simple enough that passengers can even pay the tax directly at the airport," he added.

At the budget discussion, the NBR chairman also criticised sweetmeat traders, accusing them of widespread VAT evasion by not issuing receipts and failing to use electronic fiscal devices (EFDs).

"None of the sweet shop owners give VAT receipts. They don't use EFDs either," the NBR chief said.

"I've bought sweets from many places over the years and paid VAT every time, but that money never reached the government treasury. I've never once received a proper VAT receipt from any sweet shop," he added.

Khan made these comments in response to a proposal by the Bangladesh Sweets Manufacturers Association to reduce VAT on sweetmeats from the existing 10 percent to 3 percent.

The association's secretary general, Noni Gopal Ghosh, argued that when VAT was 7.5 percent, revenue collection from the sector was actually higher.

Dismissing the claim, the NBR chairman said, "You're suggesting that revenue increases when the VAT rate is lower. That's an absurd idea. This kind of magical thinking doesn't reflect reality."

To address the issue, the NBR is planning to introduce a VAT-inclusive pricing model for sweetmeats, similar to the one used in superstores.

The NBR will include VAT in the price of sweets so that customers do not even notice, according to Khan.

"We're preparing a directive that

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Shop rent Tk 3 lakh, but govt gets just Tk 22,000

Probe finds massive allocation irregularities at National Sports Council markets

SUKANTA HALDER *and* ASHIK ABDULLAH APU

A probe has found massive irregularities in the rental of shops at nine markets of the National Sports Council (NSC), including a case where the government receives as little as Tk 22,000 in monthly rent while as much as Tk 3 lakh is being collected from the tenant.

Formed following the political changeover in August last year, the investigation committee is now working to assess the total financial loss to the exchequer. Meanwhile, anti-corruption campaigners have described the findings as just "a tip of the iceberg".

The irregularities found by the committee include shady allotments, shop leases changing hands up to four times, misuse of utilities, unauthorised occupation and discrepancies in financial records.

The committee submitted its findings to the Ministry of Youth and Sports in November last year. The Daily Star has obtained a copy of the 13-page report, prepared by a three-member panel.

According to the report, NSC officials and staff cannot shrug off responsibility.

It said a powerful syndicate comprising NSC officials, stadium administrators and shop owners has been operating illegal activities related to shop allocation and rent collection.

Meanwhile, Transparency International Bangladesh (TIB) has urged the Anti-Corruption Commission (ACC) to intervene and bring the culprits to justice.

All nine markets are located in the capital and together house 1,075 shops.

SHOPS CHANGE HANDS, RENTS SPIRAL

The report highlights that many original lessees pay minimal monthly rents to the NSC but rent out the shops at highly inflated rates.

The repeated transfer of leases — sometimes to second, third, or even fourth parties — has pushed up rents by 10 to 15 times the original amount.

For example, Shamshur Rahman Gong, the original lessee of an 812-square-foot shop at Bangabandhu National Stadium, pays Tk 21,934 per month but has sublet it for Tk 3,00,000 — a 13-fold increase, from which the NSC earns nothing.

Similarly, Md Jamal Hossain pays just Tk 4,357 for a 156-square-foot shop at Maulana Bhasani National Hockey Stadium, while the current occupant pays Tk 40,000 per month.

Such practices are prevalent across all nine NSC-run markets, including the Super Market adjacent to Bangabandhu National Stadium, Volleyball Stadium, Sher-e-Bangla National Cricket Stadium in Mirpur, the outer market beside it, the Bir Shreshtha Shaheed Sipahi Mohammad Mustafa Kamal Stadium in Kamalapur, and the swimming pool market near Bangabandhu Stadium.

The Daily Star attempted to contact Shamshur Rahman Gong and Md Jamal Hossain, but they could not be reached.

ALLOCATION COMMITTEE EXPIRED A DECADE AGO

According to the report, the NSC's shop allocation committee, formed in 2013, expired in 2016 and has not been reconstituted since.

Consequently, all allocations made after 2015 did not follow proper procedure.

Although NSC policy mandates rent revisions every three years, the committee failed to implement any significant hikes, enabling lessees to profit

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Shops at the National Stadium in Dhaka's Gulistan area, formerly Bangabandhu National Stadium, sell sports gear, fitness equipment and electronics. A recent probe found that many original lessees of these shops pay minimal rent to the National Sports Council but sublet the properties at highly inflated rates.

PHOTO: PALASH KHAN