



Govt turns to foreign loans to plug deficit

Tk 2.35 lakh crore shortfall projected; move aims to boost private sector, ease inflationary pressure

REJAUL KARIM BYRON

The government is set to move away from its reliance on domestic borrowing to fund the budget deficit next fiscal year and go for foreign borrowing in a bid to free up resources for the private sector and contain inflationary pressures.

According to the draft budget plan, the overall deficit has been projected at Tk 2,35,000 crore, which is 3.4 percent of GDP and 17.5 percent higher than the revised target for this fiscal year.

The outgoing fiscal year's deficit target stands at Tk 2,00,000 crore. The government borrowed Tk 1,37,000 crore from domestic sources and Tk 58,000 crore from abroad. About Tk 5,000 crore were grants.

The draft plan for next fiscal year says that net domestic borrowing is expected to fall by 13 percent to Tk 1,19,000 crore, with bank borrowing cut by more than 15 percent to Tk 1,00,000 crore. Net foreign borrowing is projected to surge by over 91 percent to Tk 1,11,000 crore. The remaining Tk 5,000 crore would come from grants.

This marks a departure from the medium-term macroeconomic policy statement prepared during the interim government, which had stressed a mixed financing strategy with greater reliance on treasury bonds.

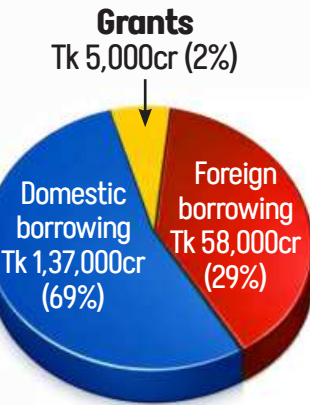
That statement also warned of rising foreign interest rates and currency risks, suggesting domestic borrowing would remain the safer option.

The move aims to revive private investment, which has slumped in recent years, said finance ministry officials involved in the proceedings.

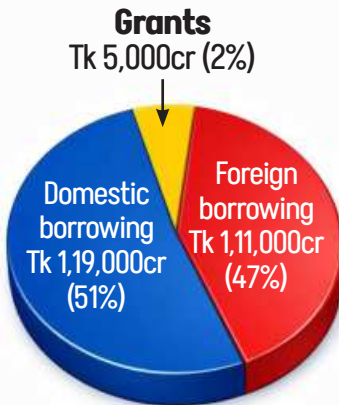
In March, private sector credit growth, which is a barometer of the private investment scenario, hit an all-time low of 4.72 percent, according to data from the Bangladesh Bank.

FISCAL DEFICIT BORROWING COMPOSITION

Current fiscal year
Total: Tk 2,00,000 crore



Next fiscal year (projected)
Total: Tk 2,35,000 crore



Earlier this week, BB rolled out a Tk 60,000 crore stimulus package, with about Tk 40,000 crore coming from the banks' excess liquidity. Reducing government borrowing from banks is seen as essential to supporting this move.

To boost foreign borrowing, ministries have been instructed to expedite disbursement of funds already in the pipeline and repurpose funds for slow-moving projects. Officials also expect significant budget support next year, with the possibility of securing over \$1 billion annually from the International Monetary Fund if a new programme can be negotiated.

Zahid Hussain, former lead economist of the World Bank's Dhaka, cautioned against relying too much on foreign borrowing for funding the budget deficit.

"The issue is how much you can actually get -- the projection of more than Tk 1,00,000 crore is challenging," he said, adding that at best Bangladesh might secure Tk 80,000-90,000 crore, provided pipeline funds are released.

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Messi fitness under scrutiny ahead of WC

AGENCIES

Lionel Messi's fitness has emerged as a concern for Argentina just weeks before the FIFA World Cup after Inter Miami confirmed the superstar is suffering from muscle fatigue in his left hamstring.

The injury scare comes at a crucial moment for the defending world champions. Argentina's squad for the tournament is expected to be announced next week, while Lionel Scaloni's side is due to begin preparations at a training camp in Kansas City, Kansas.

Before the World Cup begins, Argentina will play warm-up matches against Honduras on June 6 and

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CAUTION TO THE WIND... Passengers fill virtually every inch of the train by cramming inside compartments, perching on the engine, and crowding across the roof. They do so in their desperation to reach home for Eid, ignoring the dangers of losing life and limb to be with loved ones. The photo was taken yesterday at Tongi Railway Station in the capital.

PHOTO: MEHEDI HASAN

Strikes put doubts on Iran-US talks

Iran accuses US of breaking truce after missile sites, mine-laying boats hit; Rubio says deal still possible within days

AGENCIES

Iran accused the United States of breaching their ceasefire yesterday and warned it was ready to retaliate after overnight US strikes targeting Iranian missile sites and mine-laying boats threatened a deal to end the war.

Iranian state media reported overnight blasts in the southern port city of Bandar Abbas, near the Strait of Hormuz, and the country's Revolutionary Guards Corps said its forces had downed a US drone entering its airspace and had fired at an F-35 fighter jet.

"The US terrorist army, continuing its illegal

Oil prices jump 3% after strikes

Report says Iran seeking \$24b asset release

Khamenei says no place for US bases in the region

Internet restored in Iran partially after 3 months

The Brent benchmark oil price jumped up by almost three percent after US Central Command announced the new wave of bombings, and China urged both sides to respect the truce and to resolve their dispute peacefully.

According to the maritime safety monitor UKMTO, a blast damaged a tanker on the waterline off Oman -- although the crew and vessel were reportedly safe after what was described as an "external explosion".

and unjustified actions since the ceasefire ... has, in the past 48 hours, committed a gross violation of the ceasefire in the Hormozgan region," the Iranian foreign ministry said.

It added that Tehran "will not leave any evil unanswered and will not hesitate to defend the Iranian nation," without elaborating.

In a statement marking the start of the Eid al-Azha holiday, Tehran's supreme leader Ayatollah Mojtaba Khamenei declared that

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Cattle sales pick up despite rain

Small, medium bulls in high demand; traders cite lower profit margins

HELEMUL ALAM and SHAHEEN MOLLAH

With just two days left before Eid-ul-Azha, trading of sacrificial animals gained pace at cattle markets across Dhaka yesterday as buyers rushed to complete their purchases.

Although cattle prices fell slightly compared to previous days, traders and buyers said prices remained higher than last year.

Demand was particularly high for small and medium-sized bulls priced between Tk 80,000 and Tk 2 lakh.

Mostafa Haque Turaj, who bought a bull for Tk 1.71 lakh from Diabari cattle market, said prices were higher than last year.

"However, we are satisfied, as we could buy a bull directly from a farmer," he said.

Mohammad Faisal, a resident of Kamarpara, said he bought a bull for Tk 1.30 lakh, slightly cheaper than the prices seen in previous days.

Hasibul, a trader who brought 11 bulls to Diabari market on May 23, said he had sold eight by yesterday afternoon with only marginal profit.

"Rain and lower customer turnout forced me to sell most of the cattle at minimal profit because I feared incurring losses," he said.

Another trader, Mohammad Mamun, expressed frustration over sales.

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KALSHI FIRE

An Eid amid ashes and loss

Over 250 homes gutted; thousands left homeless just days ahead of festival

SHAHEEN MOLLAH

Sitting under the Kalshi flyover with her grandchildren beside her, 55-year-old Anowara Begum stared at the charred remains of the slum she had called home for nearly two decades -- until Monday, when a massive fire swept through the Kalshi slum in Dhaka's Pallabi area.

More than 250 homes and dozens of shops were gutted, leaving thousands homeless just days before Eid-ul-Azha on May 28.

For many residents, the blaze destroyed not only their homes and belongings but also years of struggle, savings, and dreams built through hard labour. While some took shelter at relatives' homes, others had nowhere to go but under the flyover near the slum.

Anowara had lived in the slum with her three children and grandchildren. The 10-member family shared a single small home. Now, they are sheltering under the flyover.

Her husband, Nasir Uddin, came to Dhaka years ago from Kishoreganj's Karimganj in search of work. Through years of hard work, they raised their children and arranged their marriages.

"The fear of eviction had already gripped the community in recent days. Many had been struggling to find alternative housing. We requested the authorities to let us stay until after Eid. We said we would leave three days later."

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Residents of the Kalshi slum in Dhaka's Pallabi sift through the charred remains of their homes after a massive fire tore through the settlement Monday night. Since morning, many have been seen removing burned tin sheets and salvaging whatever materials they could from the debris.

PHOTO: MEHEDI HASAN