Bangladesh to get $400m loan from ADB for economic recovery

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Online Desk: The Asian Development Bank (ADB) on Tuesday (June 13, 2023) approved a $400 million loan to Bangladesh to advance reforms in domestic resource mobilization, improve efficiency and productivity of public spending, and help small businesses, especially women-led businesses to access low-cost innovative bank financing. This loan is ADB's second subprogram of the Sustainable Economic Recovery Program that was launched in October 2021 to support economic recovery after the COVID-19 pandemic, says a press release.

"This subprogram enables Bangladesh to enhance revenues, promote efficiency and transparency in public spending and public procurement, deepen the reforms of state-owned enterprises, and help small businesses and micro entrepreneurs to access low-interest affordable credits from the banking sector," said ADB Principal Public Management Economist for South Asia Aminur Rahman. "The subprogram, with a strong focus on gender, climate change, and digitization, enables the government to strengthen its efforts to support income generation for the poor and vulnerable," he added.

The program will enhance income tax collection through the adoption of the new Income Tax Act, reduce tax loopholes, strengthen compliance and enforcement measures, and broaden the country's tax net. Transparency and efficiency in public procurement will be enhanced through strengthening electronic procurement and electronic payment systems, while approval of public projects will be facilitated through the newly launched digital system of public project appraisal and approval process.

The new package supports the launch by Bangladesh Bank of innovative financing services through commercial banks to provide low-cost microcredit using digital channels and e-wallet. It facilitates bank lending to marginalized and landless farmers, small traders, and low-income earners. Micro and small businesses and women entrepreneurs who do not possess land or property will also be able to access finance based on their trade receipts and other forms of nonfixed collaterals, such as small equipment and machinery.

Promoting gender equality and social inclusion and addressing the climate change agenda in public investment and national budgeting are some of the key activities of this new program. ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty.