



# BUSINESS

## TIME AND COST ESCALATION STATUS OF THE PROJECTS

PROJECT STATUS	NUMBER OF PROJECTS	% OF PROJECTS
Cost escalation	201	55.68
No cost escalation	160	44.32
<b>Total</b>	<b>361</b>	<b>100</b>

PROJECT STATUS	NUMBER OF PROJECTS	% OF PROJECTS
Time escalation	289	80.06
No time escalation	72	19.94
<b>Total</b>	<b>361</b>	<b>100</b>

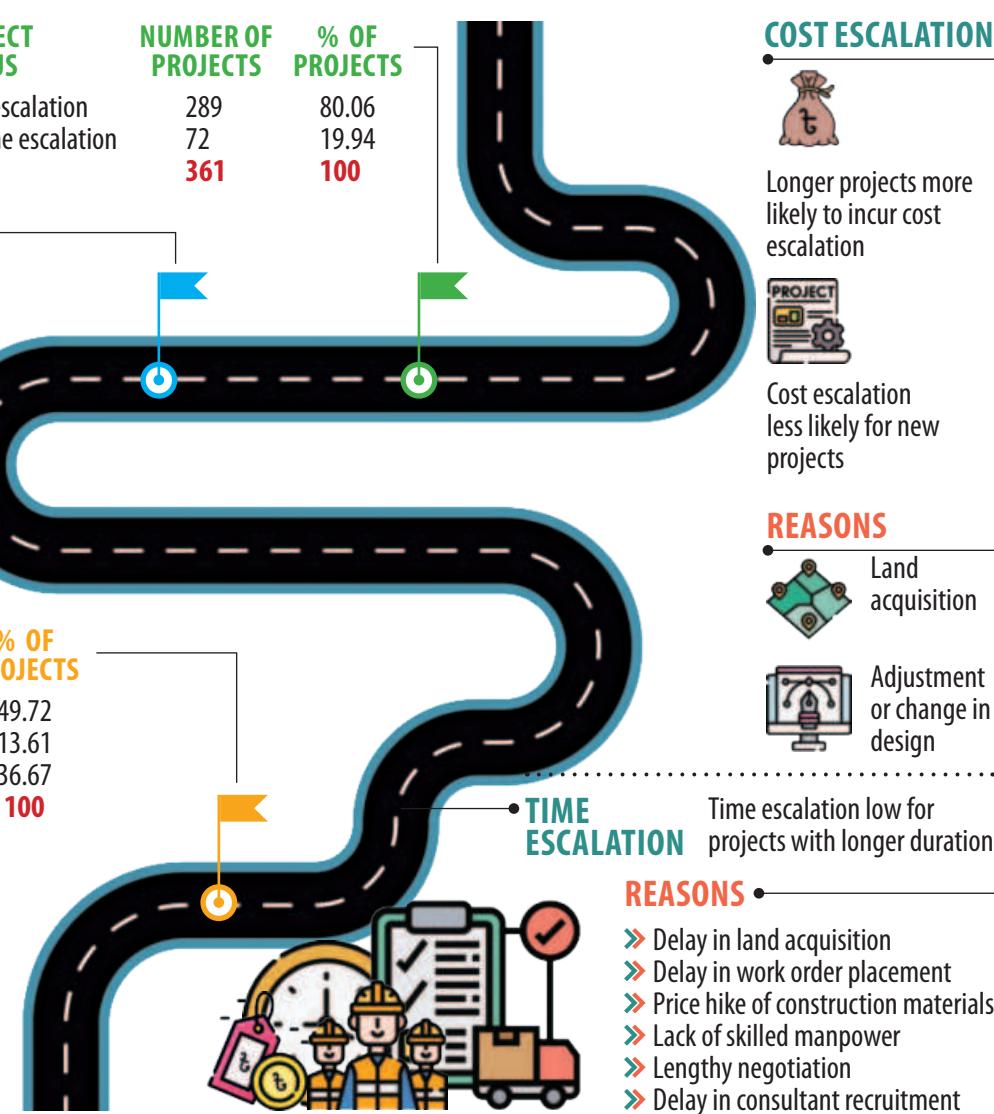
PROJECT STATUS	NUMBER OF PROJECTS	% OF PROJECTS
Both time and cost escalation	179	49.72
No time and cost escalation	49	13.61
Either time or cost escalation	132	36.67
<b>Total</b>	<b>360</b>	<b>100</b>

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In Bangladesh, development projects have a tendency to go through multiple phases of revisions resulting in time and cost escalation.

BIDS study



## 1 MONTH EXTENSION raises project cost by 0.95 percentage points: study

## STAR BUSINESS REPORT

1 month time extension raises project cost by 0.95 percentage points

A one-month extension in duration leads to a 0.95 percentage-point spike in costs during the implementation of development projects, according to a study of the Bangladesh Institute of Development Studies (BIDS).

The findings gave an idea how much could be saved if delays are avoided in a country where Tk 246,066 crore has been allocated for the current financial year to implement development projects under the Annual Development Programme (ADP).

The development budget accounts for 5.5 per cent of the country's gross domestic product of \$460 billion.

The autonomous research think-tank studied 361 projects implemented by the Roads & Highways Department from 2012/13 to 2021/22 and audited by the Implementation Monitoring Evaluation Division (IMED).

The transport and communications sector constituted 28.7 per cent of the ADP allocation in 2022-23, up

from 24.7 per cent a year ago. The allocation was at least 23 per cent in the past one decade.

The BIDS study found that the projects saw a 26 per cent increase in cost on average, while 96 per cent saw time overrun, said Jayed Bin Sattar, a co-

ordinator of the study, while making a presentation at the BIDS Research Almanac 2023 at the Lakeshore Hotel in Dhaka yesterday.

While making the presentation at a session on "Time & Cost Overrun in Development Projects: Evidence from Audit Reports of Roads Projects" on the concluding day of the two-day event, Sattar, a research associate of the BIDS, said both time and cost escalation of the projects were around 50 per cent.

Of the projects reviewed, 55.68 per cent witnessed cost escalation and 80.06 per cent saw time extension.

"The cost and time overrun ultimately increase welfare loss."

In the case of projects financed through borrowing, longer implementation periods have high rates of interest and add to more repayment schedules. Even too much delay can make projects irrelevant, said the study.

The study found that cost escalation was less likely for relatively new projects while longer projects are more likely to incur cost escalation.

The study blamed the insufficient allocation of budget against the actual work plan, the change in the scope of work, and the delay in land acquisition and tender processing for the time over-run.

The delay in land acquisition and adjustment and change in designs were found to be responsible for the significant rise in costs.

"Land acquisition issues are mostly responsible both for time and cost escalation. So, without any reform in the existing system and practice of land acquisition, it would be difficult to solve the time and cost overrun in development projects," said the BIDS study report.

## Eastern Bank's consolidated profits drop

## STAR BUSINESS REPORT

Eastern Bank's consolidated profits, meaning that of the bank and its concerns in total, have dropped 10 per cent year-on-year to Tk 106.9 crore in the first quarter of 2023.

However, profits of the bank alone rose 3.56 per cent to Tk 107.5 crore, according to the financial reports.

Despite struggling with increased foreign currency borrowing cost and expensive deposit, Eastern Bank posted higher profits in the solo basis mainly due to a significant growth in investment income and release of provision on diminution of value of quoted securities.

"We have posted positive growth in the 1st quarter of 2023 despite market volatility, rising inflation, and dollar crisis," said Managing Director and CEO Ali Reza Iftekhar.

"I think our prudent banking and responsible lending were key to this result. We would like to continue with the growth trend," he said.

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## Unquestioned amnesty to black money may not continue

### National BUDGET FY2023-24

direct tax collection, the second-biggest source of revenue for the tax authority.

Under the rule, a taxpayer can show their cash, bank deposits, bank notes, convertible securities and financial instruments in their returns by paying only a 7 per cent tax on the amount.

The money will have to be transferred through the banking channel and banks will deduct the tax from the money to deposit it to the state coffer through automated challan.

A senior official of the NBR said there has been no response from such black money holders.

"We have not received any tax under the provision of the offshore tax amnesty so far."

The scope, which drew a lot of criticism from various quarters since such amnesty discourages honest taxpayers and provides incentives for non-compliance, will end on June 30 this year.

Two other officials said the benefit is unlikely to continue in FY24.

The opportunity to legalise black money without facing any questions from any government agency might not be offered in the upcoming financial year. In 2020-21, the NBR granted the opportunity.

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## Refunds by e-commerce firms going slow

## SUKANTA HALDER

More than Tk 160 crore owed by a number of e-commerce companies in Bangladesh for breaching the escrow system is still stuck in payment gateways, according to commerce ministry documents.

The government had introduced the escrow system on June 30, 2021, amid widespread scandals of e-commerce companies taking advance payments but failing to deliver products.

Escrow is a legal concept describing a financial agreement whereby an asset or money is held by a third party on behalf of two other parties that are in the process of completing a transaction.

Escrow accounts are managed by the escrow agent, such as a payment gateway provider.

In essence, the system aims to ensure payments are made only after product delivery but the accused companies did not comply with this measure.

So far, 14 of the companies have returned Tk 364 crore while the other 13 have not made any refunds whatsoever, the documents show.

Md Sayed Ali, deputy secretary of the Central Digital Commerce Cell, said it may take another three or four months to repay the rest as the companies are yet to provide a full list of the customers owed.

"But everyone will get their money back sooner or later," he added.

However, Ali then informed that people who made advance payments before June 30, 2021, are unlikely to get any refund.

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## 4IR CHALLENGES 80pc RMG workers feel need for training: BIDS survey

## STAR BUSINESS REPORT

Over 80 per cent of manpower of garment factories in Bangladesh think they need more training to face challenges of the 4th industrial revolution, according to a survey of the Bangladesh Institute of Development Studies (BIDS).

The BIDS conducted the survey among 119 firms, including 72 of knit and 47 of woven industries, in four locations in Dhaka and Chattogram division.

Delivering a presentation at BIDS Research Almanac 2023 at a hotel in the capital yesterday, Rizwana Islam, research associate of the BIDS, said the existing manpower believe more training would remedy the skills gap.

Of those believing in the necessity, 82 per cent are male and 84 per cent are female in the woven industry while 84 per cent are male and 88 per cent female in the knit industry.

Islam said they conducted their survey focusing the skills gap, mismatch and shortage.

Although the garment sector has the minimum shortage of manpower among other sectors, it still lacked skilled manpower notably in managerial posts, she said.

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Although the garment sector has the minimum shortage of manpower among all sectors, it still lacks skilled manpower, notably in management, quality control and some of finishing operator posts.

PHOTO: STAR/FILE

**STOCKS**

DSEX	CASPI
0.14%	0.13%
6,290.19	18,530.44

**COMMODITIES**

Gold	Oil
\$1,957.82 (per ounce)	\$72.03 (per barrel)

**ASIAN MARKETS**

Mumbai	Tokyo	Singapore	Shanghai
0.21% 61,431.74	1.60% 30,573.93	0.27% 3,182.55	0.40% 3,297.32