

The expansion of cotton farming has remained stagnant over the years due to a lack of sufficient farmland, manpower and government support



Story on B4

Exports may shrink up to 14% after LDC graduation

ADB says on Bangladesh

STAR BUSINESS REPORT

Exports from Bangladesh may decline by 5.5 percent to as much as 14 percent, especially considering reduced earnings from the EU, after the nation loses its preferential trade benefits following its graduation from a least developed country (LDC) in 2026, according to the Asian Development Bank.

With over 70 percent of the country's merchandise exports currently benefitting from LDC-specific trade preferences, the impact of Bangladesh's impending LDC graduation on its export sector, particularly the dominant garments industry, is a significant concern.

Post-graduation, Bangladesh may lose these preferences and be subject to less favourable trade

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Govt signs \$289m deal with Islamic Dev Bank

STAR BUSINESS REPORT

The government signed a \$289.52 million loan agreement with the Islamic Development Bank (IDB) for the second phase of the "Rural and peri-urban housing finance project".

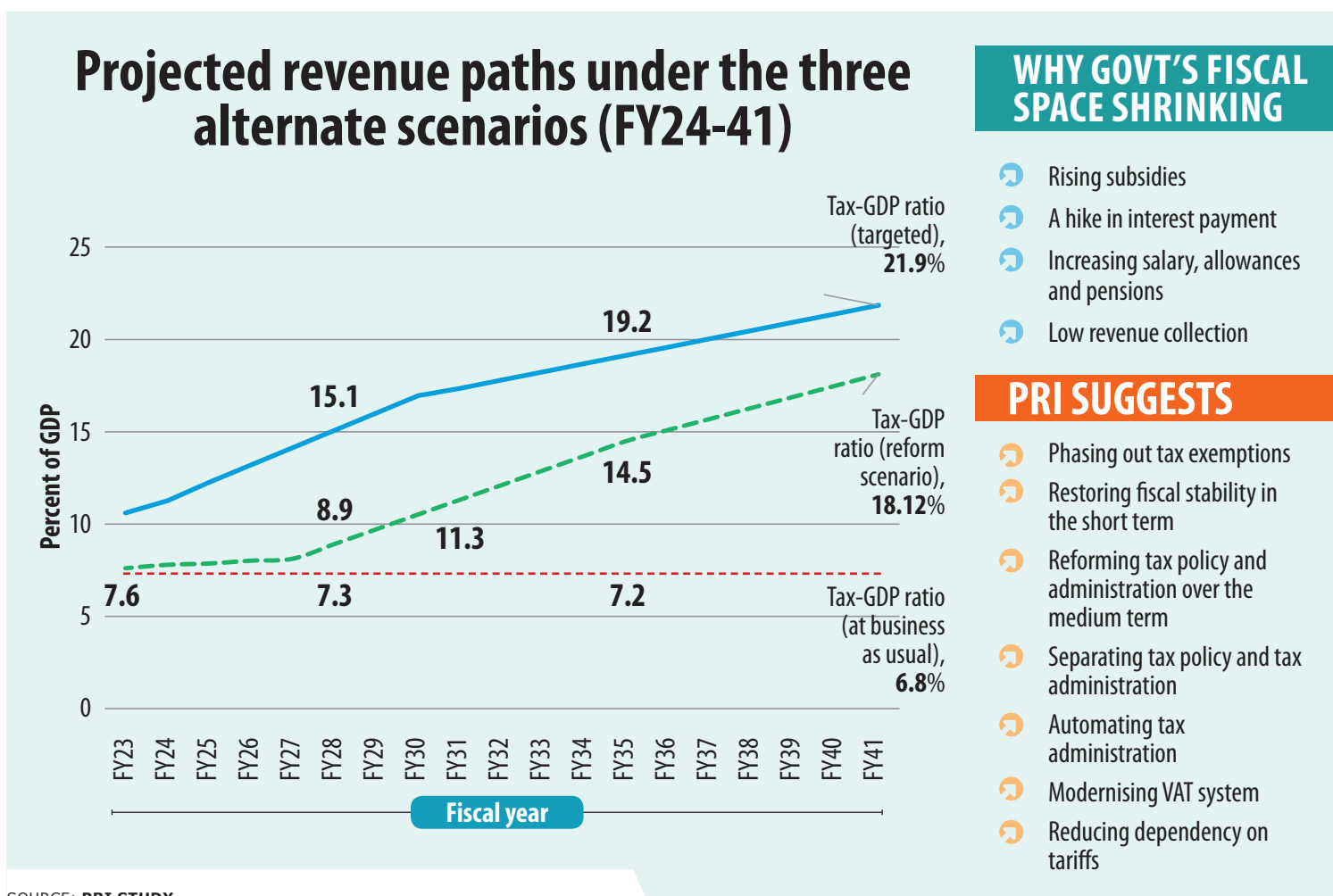
The five-year project aims to provide affordable housing loans for the construction of sustainable, eco-friendly, multi-storied residential buildings for low and lower-middle income people in rural and peri-urban areas of Bangladesh, according to a statement from the Economic Relations Division (ERD).

"It is expected to conserve cultivable land and strengthen the capacity of the Bangladesh House Building Finance Corporation in its housebuilding loan financing activities."

ERD Secretary Md Shahriar Kader Siddiky and IDB Vice-President Mansur Muhtar signed a deal in this regard at the IDB annual meeting in Riyadh on April 29. Finance Minister Abul Hassan Mahmood Ali and IDB Chairman Muhammad Al Jasser were also present.

## Reforms can generate Tk 15 lakh crore additionally by 2035

PRI says improving tax revenue is urgently needed to restore fiscal credibility



STAR BUSINESS REPORT

Reforming tax policy and administration will help the government generate an additional revenue of Tk 15 lakh crore by 2035, providing much needed relief to a country struggling to expand its spending capacity, according to a new study.

In the study, the Policy Research Institute of Bangladesh (PRI) found that by 2035, the government would be able to raise 6.8 lakh crore at the current pace of collections. If reforms are carried out, it will go up to Tk 21.1 lakh crore.

The study -- Bangladesh's Domestic Resource Mobilisation: Imperatives and a Roadmap -- suggested phasing out tax exemptions.

Ahsan H Mansur, executive director of the PRI, presented the findings of the study at a programme at the Hotel Amari Dhaka yesterday.

"Improving tax revenue is urgently needed to restore fiscal credibility. However, serious reforms to tax policy and administration will take several years to implement," he said.

The suggestion comes as Bangladesh struggles to raise its tax collections to the desired level owing to non-compliance and a lower tax base. Currently, the country has one of the lowest ratios of revenue-to-GDP in the world.

According to the study, a gradual phase-out of many of the exemptions over a period

of three to four years has the potential to raise Tk 60,000 crore.

The study said the current paper and territory-based tax administration is outdated and prone to corruption. The efforts to modernise the VAT administration have also failed.

The current system that requires face-to-face dealing between the officials of the National Board of Revenue (NBR) and the public also leads to harassment of honest taxpayers. This discourages many households and medium-sized businesses from registering as taxpayers, thereby reducing compliance.

It called for the separation of the tax policy and the administration as the NBR, with its exclusive focus on tax administration and achieving revenue targets, can't pay much attention to tax policy issues.

The study recommended automation of the tax administration, reducing dependency on tariffs, and making the direct tax system more progressive to address the growing income inequality.

Mansur said Bangladesh's per capita GDP, adjusted for inflation, at about \$5,000 is good. However, the country's tax-to-GDP ratio is comparable to that of Congo, a country with a per capita GDP of \$1,000.

"There are hardly any other countries in such dire fiscal circumstances. Being grouped alongside Somalia and Congo in terms of tax-to-GDP ratio is embarrassing for Bangladesh."

Between 1984 and 2012, the tax-GDP ratio increased slowly in Bangladesh. After 2012, the economy expanded at a faster clip whereas revenue collections failed to keep pace with the GDP growth.

"We have to get out of this situation and this is the major challenge. Part of the problem lies with the tax structure," Mansur said.

In Bangladesh, about two-thirds of the government's revenue come from indirect taxes and one-third from direct taxes. In previous decades, any increase in the collection had been driven by a rise in direct tax receipts while indirect tax had stayed stable.

In contrast, many countries have successfully increased the overall tax revenue, the PRI said.

The study identified the shrinking fiscal space as another major concern, which stems from rising subsidies, interest payments, wages and salaries, and pension payments.

The subsidies as a share of tax revenue increased from 8 percent in 2015-16 to 24 percent in 2022-23.

The interest on foreign debts in domestic currency climbed 654 percent over 12 years through FY23, while the payments on domestic loans surged 568 percent.

Over the same period, revenue increased 360 percent, indicating a significant loss of the fiscal space on account of interest payments, according to the study.

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## Govt frames maiden logistics policy

DWAIPAYAN BARUA, Chattogram

Bangladesh has formulated its maiden logistics policy to achieve sustainable economic growth by increasing domestic and international trade and investment capacity through the construction of a world-class technology-based, time and cost efficient, and environmentally friendly logistics system.

The Prime Minister's Office published a gazette on the National Logistics Policy on April 28.

The policy aims to ensure a reduction in delays and costs by achieving efficiency in overall logistics services, including production, storage, transportation, shipping and release, and distribution of products, within competitive cut-off times based on regional and international standards.

The policy has targeted to develop a well-coordinated cargo transport system through interconnections among waterways, railways, roadways and airways aiming at reducing time and cost in cargo transport and preventing misuse.

Two high profile committees will be formed to implement the policy.

**The policy aims to ensure a reduction in delays and costs by achieving efficiency in overall logistics services**

One is a 16-member National Council for Logistics Development (NCLD) led by the prime minister, which will give the guidelines for the implementation, monitoring, review and evaluation of the policy and related investment.

This committee will have the authority to bring about any amendments necessary for the policy.

Another 31-member National Logistics Development and Coordination Committee (NLDDC) led by the principal secretary to the prime minister would monitor, review and evaluate the progress of the implementation of the workplan set by the policy.

The current logistic services in the country make use of low skills, are expensive and uncoordinated.

The World Bank Group in an analysis published in 2020 identified that the logistics costs in Bangladesh range from 4.5 percent to 48 percent, which is much higher than that in neighbouring and competing countries.

In its introduction, the new policy states that the country's export earnings can be enhanced by 19 percent through short and mid-term reforms

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## Container handling rises in Ctg port

DWAIPAYAN BARUA, Ctg

A higher volume of container and cargo was handled at the Chattogram port in the first nine months of the current fiscal year compared to the same period of the previous year.

Although business leaders termed it a good trend for the country's foreign trade, they added that the country's overall foreign trade was yet to meet the expectations of a rebound.

The port experienced a growth of over 8.27 percent in container handling in the July-March period of fiscal year 2023-24.

According to data provided by the Chittagong Port Authority (CPA), the port handled 23.38 lakh TEUs (twenty-foot equivalent units) of containers, including those laden with imports and exports and empty ones, from July last year to March this year.

It had handled 21.60 lakh TEUs in the first nine months of the prior fiscal year.

The tally was kept at the main jetties of the port, Pangaon Inland Container Terminal (ICT) at Keraniganj and Kamalapur Inland Container Depot (ICD) in Dhaka, said CPA sources.

Different types of items meant for commercial use, commodities, machinery, chemical products, and all sorts of industrial raw materials, except those of the cement and ceramics sector, are imported using containers.

Goods meant for export are also solely transported through containers.

At a briefing on Wednesday, CPA Chairman Rear Admiral Mohammad Sohail expressed hope that container handling would reach 3.2 million TEUs at the

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## Heatwave leaves day labourers in the lurch

MD ABU TALHA SARKER and PRABIR DAS

The severe heatwave that has swept over Bangladesh since the start of April has made life more difficult for people from every walk of life, but those who work as daily wage earners are bearing the brunt of the burden.

As persistently high inflation -- which has hovered above 9 percent since March last year -- has been eroding people's purchasing power, such workers have been left extremely vulnerable to any changes in the job market.

But despite their willingness to brave the unprecedented temperatures, many are still not finding jobs as most employers have put their projects on hold since they are not getting the optimal output from day labourers.

Different professionals such as carpenters and masons, flock to floating labour markets around the capital in the early hours of the morning alongside day labourers, hoping to find work and make a living.

Such floating labour markets are prevalent in Dhaka city, with popular ones located in Mirpur-1, Mirpur-11 (Purobi), Mirpur-12, Mirpur-14, Kazipara, Khilgaon Railgate, Shahjahanpur, Kamalapur,

Ittefaq Mor, Malibagh, Rampura, Badda, Kuril Bishshoroad, Jatrabari, Shanir Akhra, Mohammadpur Town Hall, and Mohammadpur Ring Road.

Employers visit these hubs at around seven in the morning and select workers

as per their requirements, either on a daily basis or for a longer term.

55-year-old Abdur Rahim was seeking work alongside scores of day labourers under a foot overbridge in Mirpur-1 since dawn, but no one came to hire them.



As a heatwave sweeps over the country, the demand for day labourers has fallen drastically. The photo was taken from Mirpur-1 recently.

PHOTO: PRABIR DAS

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STOCKS	
DSEX ▲	CASPI ▲
0.26%	0.09%
5,584.64	15,953.06

COMMODITIES	
Gold ▼	Oil ▲
\$2,313.74	\$82.7
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.5%	▲ 1.24%	▲ 0.28%	▲ 0.26%
75,046.07	38,405.66	3,291.17	3,104.82