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Deferring LDC graduation not an option

Education and Planning Adviser Wahiduddin Mahmud says

Planning Adviser Wahiduddin Mahmud speaks at the inaugural session of a four-day "Annual BIDS Conference on Development 2024" in Dhaka yesterday. PHOTO: STAR

STAR BUSINESS REPORT

Education and Planning Adviser Wahiduddin Mahmud said Bangladesh has no option to defer its graduation from the least developed country (LDC) club.

"Even if we want to, we may not be able to remain in the group of LDCs. Many people don't know that," he said.

The eminent economist made the remarks yesterday in Dhaka at a four-day conference organised by the Bangladesh Institute of Development Studies (BIDS).

As per the United Nations schedule, Bangladesh is set to graduate from the LDC status in November 2026.

However, owing to the economic crisis that has been prevalent for nearly two years, the issue of deferring graduation has been coming to the spotlight in recent months, particularly by local businesses.

With the economy in a fragile state due to the fallouts of global inflationary pressure, the Covid-19 pandemic, the Russia-Ukraine war as well as political turmoil and energy shocks on the domestic front, a section of exporters has been putting pressure on the government to shelve any graduation plans.

> Although there is a lot of money in the balance sheets of some big industrial companies, it does not exist in reality. Workers have to be paid. But where will the money come from?
>
> Wahiduddin Mahmud
> Education and planning adviser

According to a UN report, trade preferences accorded to Bangladesh as an LDC have played a crucial role in the development of its economy and achievements in trade and social sectors. The loss of these benefits following graduation is expected to dent a lot of businesses by costing the country its trade

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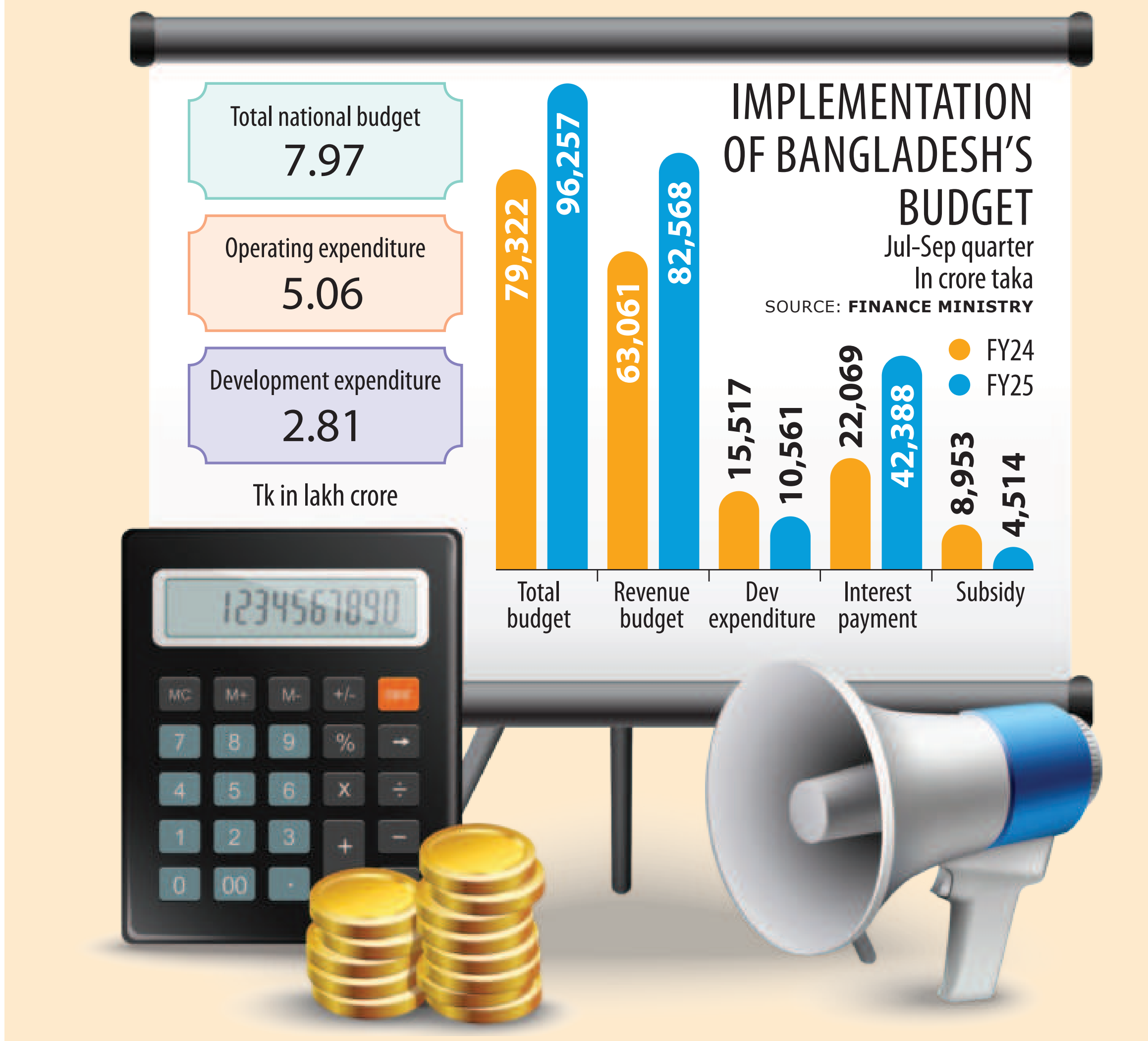
Revised budget may be Tk 50,000cr smaller



REJAUL KARIM BYRON and AM JAHID

Bangladesh's national budget for fiscal year 2024-25 is likely to be reduced by more than Tk 50,000 crore, with the entire cut expected to be made in funds meant for the annual development programme (ADP).

However, this budgetary revision will depend on several factors, including conditions that the International Monetary Fund (IMF) may set for a fresh loan, the availability of budgetary support and the government's ability to generate revenue through tax collections.

A Fiscal Coordination Council held a meeting chaired by the finance adviser on Monday and discussed the reduction, according to officials from the Ministry of Finance.

In June, the government had passed a national budget of Tk 797,000 crore for fiscal year 2024-25, which included an allocation of Tk 265,000 crore for the ADP.

After the expected revision, the overall size of the budget may be reduced to Tk 747,000 crore, with the ADP allocation likely falling to Tk 216,000 crore, a senior official of the ministry said.

These figures are only preliminary estimates, and the final size of the revised budget will be determined during a meeting set for March or April next year, he said.

A significant portion of the cuts is expected to come from the ADP as the implementation of development projects has slowed due to political instability and the change in government.

Besides, the interim government has also decided to adopt a more cautious approach to spending.

In the first four months of fiscal year 2024-25, ADP

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Economic census to begin this week

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A fresh national economic census is set to begin this week after more than a decade, promising to provide an updated picture of economic activities in the country.

The Bangladesh Bureau of Statistics (BBS) will start nationwide data collection on December 10 and continue until December 26.

The national statistical agency will collect information related to activities, manpower, resources and basic facilities of all types of economic units, according to a Bangladesh Bank circular that asked banks to provide information to the data collectors.

The data will provide a detailed picture of the country's economic condition, which will play an important role in building a new Bangladesh, the circular added.

SM Shakil Akhter, director of the economic census project at the BBS, said it was supposed to be carried out in 2023. However, the project was only approved in September 2023, which is why it is being initiated so late, he said.

He elaborated that data would be collected through a computer-assisted

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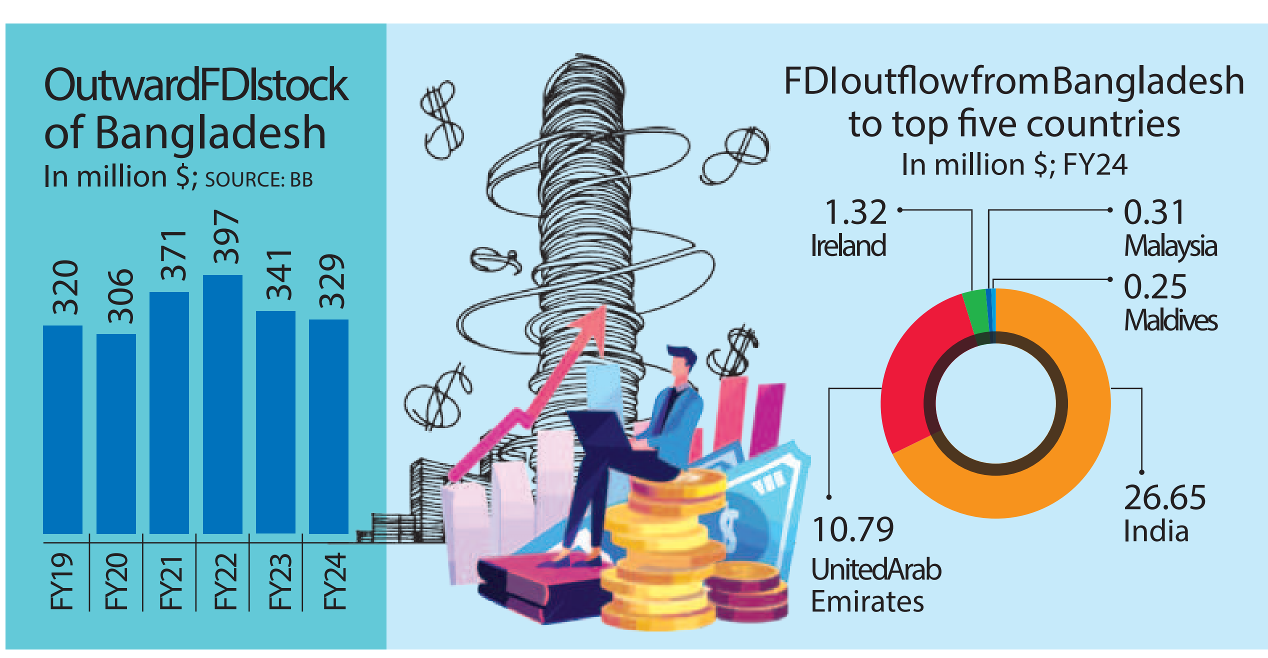
Investment abroad hits $2b in 6 years

JAGARAN CHAKMA



Bangladesh has long been hungry for foreign direct investments (FDI) but that has also been coupled with the outflow of funds through local companies seeking to generate business abroad.

Initially, outbound FDI came about through some Bangladeshi bank branches and exchange houses operating abroad. Over time, businesses also took the initiative to invest overseas, subject to government approval.

In September 2015, the government amended The Foreign Exchange Regulation Act, 1947 by adding a "conditional provision" that permitted export-related enterprises to invest abroad.

This helped Bangladeshi firms expand their enterprises to more than 18 countries to date.

According to data released by Bangladesh Bank (BB) recently, outbound FDI from Bangladesh in the past six years till fiscal year (FY) 2023-24 stood at $2.07 billion.

During the first six months of this year, total FDI outflows amounted to $13.02 million.

This was $24.82 million lower compared to the July-December period of 2023 and $9.1 million lower than in the January-June period of 2023.

In FY24, it amounted to $328.89 million, 3.65 percent lower than in FY23.

On the other hand, FDI inflow into Bangladesh in FY24 stood at $1.47 billion, a year-on-year decrease of 8.8 percent.

"Bangladesh is walking very carefully for investing abroad," states a biannual report titled "Foreign Direct Investment and External Debt" of the central bank for the January-June period this year.

Interestingly, among the countries receiving FDI from Bangladesh, India took the top position with $31.51 million in FY2023-24.

It was followed by the United Arab Emirates ($10.81 million), Ireland ($1.32 million), Malaysia ($0.97 million) and the Maldives ($0.25 million).

Sector-wise, financial intermediaries received the highest amount of $70 million, followed by chemical and pharmaceuticals ($15.24 million) and mining and quarrying ($9.39 million).

Moreover, $0.58 million went to manufacturing, $0.31 million to trading, $0.18 million to textile and apparel, $0.03 million to metal and machinery products and $0.02 million to service and others.

The outflow of FDI proves that local companies are building up their capacity, which is allowing them to invest outside the country, said M Masrur Reaz, chairman and chief executive officer of the Policy Exchange of Bangladesh.

Some companies have made adequate improvements to expand investments globally, Masrur added.

There is no scope to view the outflow of FDI in an unfavourable light since it is helping to build the country's image, he said.

Without a window to make investments offshore, there can never be a global Bangladeshi brand, said Ashraf Ahmed, president of the Dhaka Chamber of Commerce & Industry.

"We will be stuck as an OEM (original equipment manufacturer) for big brands and sell t-shirts for $4 while they sell for $40 at a branded store in the US," he said.