

Star BUSINESS



Bangladesh can attract big investments in renewables
Experts tell CA

STAR BUSINESS REPORT

A delegation of development and renewable energy experts, led by a former Norwegian minister, called on Professor Muhammad Yunus, chief adviser to the interim government in Bangladesh, at a state guest house in Dhaka yesterday.

The team expressed their keen interest in investing in small-scale solar plants, the carbon market, and agroforestry in the country, as Bangladesh focuses more on moving away from fossil fuels in the coming years.

Professor Yunus welcomed the move, saying the interim government was now ready to attract foreign direct investment in these rapidly evolving sectors.

"All these are very serious issues for us. Bangladesh wants big investments in renewable energy and the carbon market," the chief adviser said.

Professor Yunus said Dhaka had already initiated talks to import hydroelectricity from Nepal and Bhutan, and his government was eager to explore opportunities to set up a South Asian grid to bring the power to Bangladesh via a narrow corridor in India.

"This (hydroelectricity in Nepal) is a treasure waiting to be explored."

READ MORE ON B3

Record February: remittances climb 25% to \$2.52b

AHSAN HABIB

Remittances have become a much-anticipated relief for the economy reeling under macroeconomic stress, growing steadily since August last year and providing the interim government with a breather amid a rapid erosion of foreign exchange reserves.

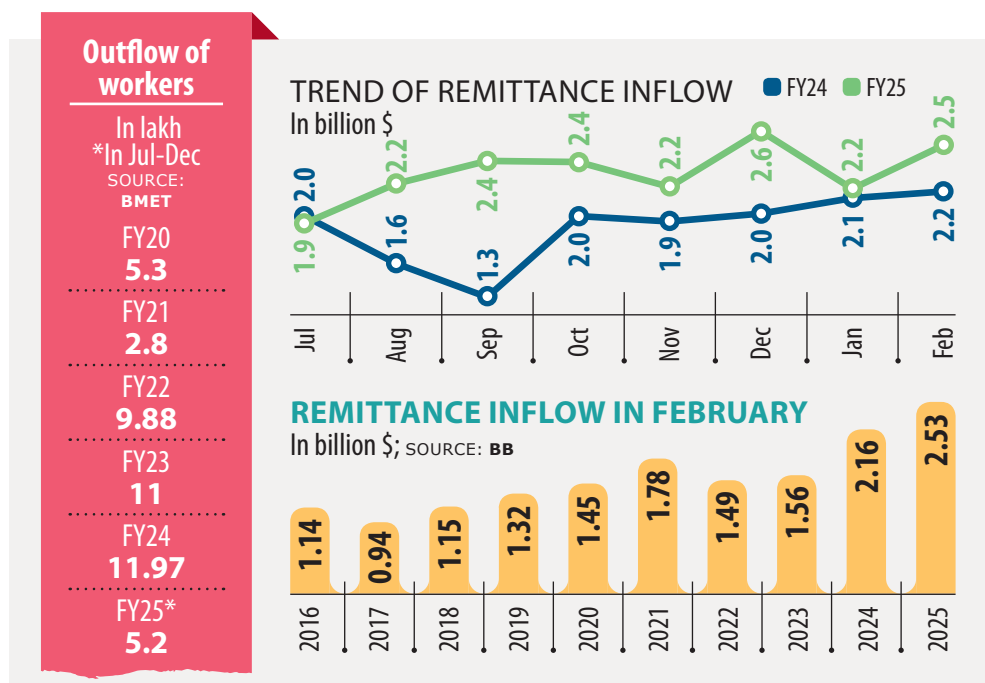
Last month, remittance inflows to Bangladesh rose by 25 percent year-on-year to \$2.52 billion, as migrant Bangladeshi workers sent larger-than-expected amounts to their families back home for Ramadan related purchases and Eid shopping.

"This is the highest-ever remittance inflow in February in Bangladesh's history," said Arief Hossain Khan, spokesperson for the central bank.

In the eight months to February this year, inward remittances recorded a 23.8 percent year-on-year growth, according to Bangladesh Bank (BB) data.

Bangladesh received a total of \$18.49 billion in remittances in the eight months, up from \$14.93 billion in the same period the previous year.

"The surge in remittances is positive news, as it strengthens foreign exchange reserves and helps stabilise the exchange



rate," said Professor Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue (CPD), a leading civil society think tank in Bangladesh.

He said higher remittance inflows are also a relief for the government, as they ease the country's debt servicing burden.

When the interim government took office in early August last year, gross foreign exchange reserves were falling rapidly.

According to BB data, the country's forex reserves reached a record high of \$48 billion in August 2021 but declined to \$25.92 billion by July 2024.

Over the three years leading up to August 2024, local currency Taka weakened by 42 percent.

Foreign exchange reserves were so depleted that many banks struggled to open letters of credit (LCs). However, the situation has improved somewhat and the erosion of reserves has slowed, due mainly to strong remittance inflows and export growth.

As of 27 February 2025, foreign exchange reserves rose by 1.5 percent year-on-year to \$26.13 billion. Under the BPM6 calculation method, reserves increased by 1.8 percent to \$20.90 billion, according to BB data.

"Remittance inflows may rise next month as well," said Rahman, adding that remittances usually remain strong.

READ MORE ON B3

Govt borrowing from non-bank sources surges

REJAUL KARIM BYRON and JAGARAN CHAKMA

The government's borrowing from domestic sources surged in the first half of FY25, primarily driven by a substantial increase in the issuance of special bonds, particularly those issued to clear arrears to electricity and fertiliser producers, as well as treasury bills (T-bills) and bonds targeting institutional and individual investors.

Net borrowing from domestic sources in the first six months of the current fiscal year stood at around Tk 31,432 crore, about 69 times higher than the Tk 456 crore recorded in the same period of the preceding year, according to a Bangladesh Bank report released yesterday.

Borrowing from non-banking sources saw a sharp rise in the first half of FY25, contributing Tk 24,688.2 crore to overall domestic borrowing, compared to Tk 7,089 crore in the same period of FY24

This is about 27 percent of the government's total revised borrowing target of Tk 117,000 crore from domestic sources.

"Despite higher repayments of previous debts, government borrowing from the domestic banking system in the six months showed positive growth compared to the same period of the preceding year, owing to increased financing through government securities," the BB report stated.

"Net non-bank borrowing also showed a significant year-on-year rise during the same period, primarily due to substantial holdings of government securities by various institutions and individuals outside the banking sector."

The government's net borrowing from the banking system reached Tk 6,744 crore, approximately 6.8 percent of the revised borrowing target for FY25, which stands at Tk 99,000 crore.

However, the government did not borrow from the Bangladesh Bank. Instead, it repaid Tk 58,116 crore to the central bank during the first half of the fiscal year.

READ MORE ON B3

Budget spending jumps amid rising interest payments

STAR BUSINESS REPORT

Overall budget expenditure jumped nearly 25 percent year-on-year in the first five months of the current fiscal year, driven by soaring interest payments and subsidies despite lower development spending.

Between July and November, the government spent Tk 194,793 crore out of the Tk 788,422 crore annual budget, according to the latest report from the finance ministry.

Of this amount, operating expenditure rose to Tk 170,491 crore, marking a 40 percent increase compared to the same period in the preceding year.

is attributed to several factors, including the fact that some mega projects are nearing completion, which has increased interest payment obligations.

Rising interest rates in both domestic and international markets have further strained government finances.

Interest rates in the local banking sector have surged by approximately 500 basis points over the past five years, escalating the government's interest payment obligations to unsustainable levels.

An analysis of interest payment trends reveals a significant shift in the government's debt-servicing burden. Between FY10 and FY20, interest

Pran to invest Tk 200cr to boost plastic output, exports

STAR BUSINESS REPORT

In a step towards expanding Bangladesh's export market, Pran-RFL Group, one of Bangladesh's leading conglomerates, signed an agreement with China's Haitian Group to enhance its production capacity and boost exports of household plastic goods through a Tk 200 crore project.

The agreement was signed by RN Paul, managing director of RFL Group, and Xiang Linfa, vice-president of Haitian Group, at Six Seasons Hotel in the capital yesterday, aiming to import advanced machinery from China.

The event was attended by Toukirul Islam, deputy managing director of Durable Plastic Limited, Prodip Kumar Poddar, deputy managing director of Rangpur Metal Industries Limited, and Li Hufeng, general manager (sales) of Haitian Group.

Speaking at the event, RN Paul highlighted the current challenges in Bangladesh's investment climate, citing a slowdown in private sector investments due to economic uncertainties.

However, he emphasised that RFL's decision to expand production and enter new markets would send a positive signal for the country's industrial growth.

"This project will be implemented swiftly, and we are confident that it will make a substantial contribution to Bangladesh's export sector," Paul said.

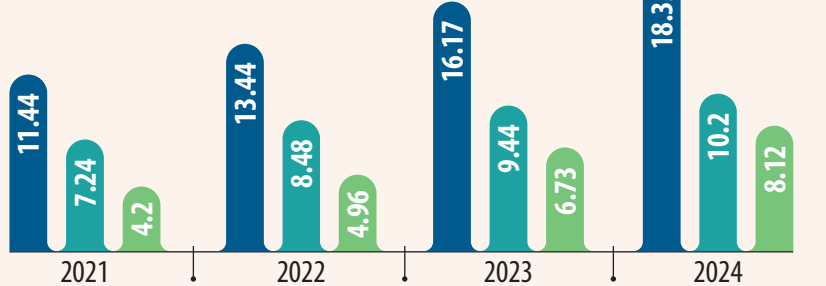
"We expect to start production by May this year, creating employment opportunities for around 2,500 people. Additionally, this initiative is projected to increase our annual export revenue by approximately 30 percent," he added.

READ MORE ON B3

GOVERNMENT'S DEBT STOCK

In lakh crore taka

SOURCE: FINANCE DIVISION



However, development expenditure, including the Annual Development Programme (ADP), declined by 28 percent to Tk 24,302 crore during the same period.

As the country faces mounting debt from both domestic and foreign sources, interest payments have been the primary cause of the increase in operating expenditure.

In the first five months of FY25, the government's interest payments surged by 76 percent year-on-year.

From July to November this fiscal year, interest payments amounted to Tk 71,213 crore, up from Tk 40,445 crore in the same period of the preceding year.

Of this amount, Tk 63,624 crore—accounting for 89 percent of the total—was paid on domestic borrowing, while the remainder covered foreign loans.

The sharp rise in interest expenses

payments consistently remained below 20 percent of the total revenue budget.

In fiscal year 2010, it stood at 18.65 percent, rising to 21 percent in FY21.

The situation worsened following the pandemic, as the government rushed to secure substantial budgetary support from foreign sources, leading to a growing debt burden.

As of June 2024, government debt had risen to a record Tk 1,832,282 crore, up from Tk 1,144,296 crore in June 2021.

Apart from interest payments, subsidy costs have also surged significantly.

Due to the recent spike in global prices, the government had to allocate a substantial amount for subsidies as well as to clear arrears.

During the July-November period, the government spent Tk 27,979 crore on subsidies—nearly twice as much as the previous year.

READ MORE ON B3

ARE YOU OUR NEXT STELLAR WOMEN

Register yourself as **Architect (Residential & Commercial)**

TO REGISTER, SCAN HERE

Last date of Registration: 10th March 2025

Please apply with the following:

- IAB membership number
- Architectural philosophy/ Design focus
- A minimum of 3 completed projects (with original pictures)
- 3D images of ongoing projects
- The unique points that set you apart
- Contributions you have made to the society
- Extra qualities you possess

Please scan the QR code for details

Spark Your Inner Power!