

# Star BUSINESS



## Dev budget for FY26 lowest in four years

ADP lowered by 14% amid limited fiscal space

REJAUL KARIM BYRON and MD ASADUZ ZAMAN

The interim government is set to slash the development budget for the fiscal year (FY) 2025-26 by 14 percent year-on-year, as it struggles with limited fiscal space and steers away from costly mega projects.

The Annual Development Programme (ADP) is likely to stand at Tk 238,000 crore for FY26, down from Tk 278,289 crore in the current fiscal year — making it the lowest in the past four years, according to planning ministry sources.

The proposed allocation was discussed at an extended meeting of the planning ministry yesterday, chaired by Planning Adviser Wahiduddin Mahmud. The National Economic Council (NEC) is scheduled to approve the development budget on May 18.

Of the total allocation, Tk 144,000 crore is to be funded from domestic resources. Foreign assistance is projected to contribute Tk 86,000 crore, while state-owned enterprises (SOEs) will provide Tk 8,000 crore for their own development schemes.

This marks a massive fall from the Tk 13,289 crore development expenditure by SOEs in the current fiscal year.

Analysts say the sharp cut in development spending reflects growing concerns over weak revenue collection, the urgent need for fiscal discipline ahead of the national budget, and an overall poor utilisation of existing funds.

In the first nine months of FY25, ADP implementation stood at just 36.65 percent, the lowest in at least 15 years.

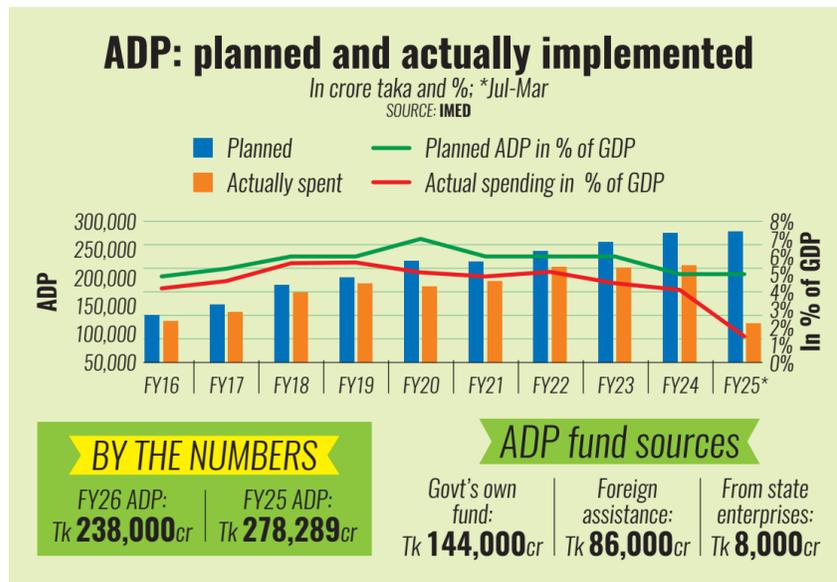
Economists have broadly welcomed the proposed reduction, calling it a “pragmatic approach” under the current circumstances.

In the next national budget, they called for expanded social protection and better use of limited resources.

Fahmida Khatun, executive director of local think tank Centre for Policy Dialogue (CPD), said, “The trimming of development spending is due mainly to the government’s limited fiscal space.”

“But another reason is that several large projects were undertaken previously based on political considerations, many of which were expensive and not expected to yield quick returns,” she commented.

“Given the current macroeconomic indicators, we



should aim for a low-growth, low-inflation path to stabilise the economy. To reduce inflation, we must cut expenditure, but that will also lower growth and employment,” said Khatun.

According to the economist, a balance among inflation, growth, and employment is essential. “We need to manage expectations. Trying to aggressively improve one indicator might worsen another. We have to avoid such conflicts.”

Ashikur Rahman, principal economist at the Policy Research Institute (PRI) of Bangladesh, echoed similar sentiments.

“I don’t think there’s any need to set an unrealistically high ADP target this time amid uncertainty about IMF budget support,” he said.

“Instead, we need to focus on fiscal discipline, emphasise revenue growth, and prioritise investments in key sectors.”

He pointed to the long-standing gap between revenue generation and development targets.

“If you look at revenue mobilisation over

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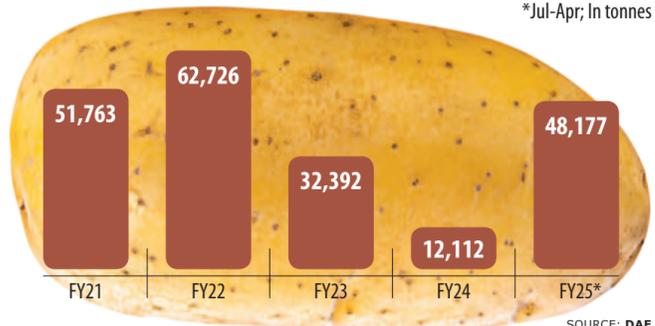


## Potato farmers hit hard by price drop amid record output

Exports highest in 3 years

### POTATO EXPORT TRENDS

\*Jul-Apr; In tonnes



SUKANTA HALDER, QUAMRUL ISLAM RUBAIYAT and TANJIL HASAN

Many potato farmers across Bangladesh are incurring losses this season despite a bumper harvest and the highest exports in three years, as a steep drop in domestic prices has left them unable to recover even their production costs.

Bangladesh exported 48,177 tonnes of potatoes until April this fiscal year, up from 12,112 tonnes last fiscal year and 32,392 tonnes in fiscal year 2022-23, according to the data of the Department of Agricultural Extension (DAE).

Many farmers of different districts reported that they were unable to secure space in cold storages and were forced to sell their produce at prices well below production costs.

Meanwhile, driven by high prices during the previous season, farmers expanded potato cultivation this year in anticipation of better profits.

Potato seeds are typically planted between October and November, with harvesting taking place from February to April.

Potato cultivation rose to a record 5.24 lakh hectares this season — a 15 percent increase from the previous season, according to the DAE data.

Farmers had hoped to cash in on last year’s price surge, when potatoes fetched up to Tk 80 per kilogramme (kg),

expecting similar returns this season.

Potatoes were sold at retail prices of Tk 18-25 per kg in Dhaka markets yesterday, and last year at this time, potatoes were sold for Tk 50-55 per kg, showed data of the Trading Corporation of Bangladesh.

Meanwhile, the price of potatoes has decreased by 4.44 percent in the past week, the data showed.

Mohammad Kaium, a potato wholesaler at Karwan Bazar, one of the largest kitchen markets in Dhaka, told The Daily Star that just five days ago, potatoes sold at Tk 15-16 per kg due to a supply shortage.

However, as supply has increased, the price has now dropped to Tk 12-13 per kg, he said.

The situation is worse in potato-producing hubs like Munshiganj, Dinajpur, Thakurgaon, Rangpur and Joypurhat, with farmers reporting prices as low as Tk 10-11 per kg — far below the production costs.

The Department of Agricultural Marketing estimates the country’s average production cost at Tk 14 per kg this season. For farmers in the northern region, it is around Tk 20 per kg.

The country has produced a record 1.29 lakh tonnes of potatoes this season, surpassing the country’s annual demand of around 90 lakh tonnes, said Md Obaidur Rahman Mondol, director

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## HSBC Bangladesh’s profit rose 9% in 2024

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HSBC Bangladesh’s profit rose 9 percent year-on-year to Tk 1,086.13 crore in 2024, thanks to an increase in interest income.

The lender earned Tk 1,908.42 crore in interest income during 2024, reflecting a 12 percent increase from the previous year.

However, its total operating expenses surged to Tk 1,051.51 crore, significantly up from Tk 697.84 crore in 2023, according to the bank’s audited financial statements.

In 2023, the global bank made a profit of Tk 999 crore, posting a 70 percent year-on-year rise.

**The bank earned Tk 1,908.42 crore in interest income in 2024, reflecting a 12 percent increase from the previous year**

“Our strategy is working, and our strong performance over the last year is evidence of this,” HSBC Bangladesh said in an email reply yesterday.

“HSBC is a highly connected global business, and this remains our biggest strength.”

The bank formally launched its operations in Bangladesh on December 3, 1996, with the opening of its first branch at Anchor Tower in Dhaka.

Since then, HSBC has grown into one of the leading international banks operating in the country.

## Govt eyes FDI uptick thru reforms

Says Bida executive chairman

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Bangladesh is stepping up its efforts to attract foreign direct investment (FDI) through sweeping reforms, a more stable macroeconomic environment, and targeted incentives.

These priorities were laid out in the third session of the State of Investment Climate webinar, hosted by the Bangladesh Investment Development Authority (Bida) yesterday, with strong participation from investors, policymakers, and development partners.

Chowdhury Ashik Mahmud Bin Harun, executive chairman of Bida and the Bangladesh Economic Zones Authority (Beza), delivered a comprehensive address, stressing that FDI must become a cornerstone of the country’s economic strategy.

“Our FDI-to-GDP ratio has historically been underwhelming. We are not proud of it, and that’s why we

are changing the narrative,” he added.

Chowdhury highlighted that while global uncertainty and political transition posed challenges in late 2024, FDI inflows have stabilised, and early indicators from the first quarter of 2025 are promising.

**“Our FDI-to-GDP ratio has historically been underwhelming. We are not proud of it, and that’s why we are changing the narrative,” says Chowdhury Ashik Mahmud Bin Harun, executive chairman of Bida**

“There was a blip in the third quarter last year due to unrest, but we’ve bounced back, and we’re expecting stronger figures going forward,” he said.

A major driver of this optimism is easing inflation, which has dropped from double digits to single digits in recent months.

Citing forecasts from the International Monetary Fund, Chowdhury said they now expect inflation to hover around 5 percent by early next year.

“This allows us to gradually reduce policy interest rates, making credit more affordable and investment more viable,” he added.

To build on this momentum, the government is preparing a diaspora-focused FDI incentive scheme, rewarding non-resident Bangladeshis who facilitate foreign investments, similar to existing remittance incentives.

Chowdhury also revealed that a national free trade zone strategy is being formulated in consultation with international experts.

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Bangladesh Bank (BB) has asked four state-run banks to submit a work plan for the next three years to improve their financial health, which had turned fragile during the Awami League-led government’s regime due to political interference and irregularities.

The banking regulator recently sent letters to state-run Agrani Bank, Sonali Bank, Janata Bank, and Rupali Bank, instructing them to submit the work plan.

A senior official of the central bank, seeking anonymity, told The Daily Star that these banks have to submit a three-year work plan to improve their financial indicators.

The indicators include the reduction of non-performing loans (NPLs), provision and capital shortfalls, and credit concentration; closing loss-making branches; and bringing loans of large borrowers within the exposure limit.

Previously, the central bank used to set biannual performance improvement targets for the four state-run banks, but they were not able to meet their targets. That is why the BB has now asked them to submit a work plan and targets for the next three years, said the BB official.

### Key financial indicators

In crore taka: As of Dec 2024

BANKS	BAD LOANS	PROVISION SHORTFALL	CAPITAL SHORTFALL
Sonali Bank	16,905	9,030	No shortfall
Agrani Bank	27,931	8,889	4,686
Janata Bank	67,147	27,860	52,890
Rupali Bank	15,079	7,021	5,192

SOURCE: BB

Since 2007, the BB has been setting biannual performance improvement targets such as cash recovery from defaulters, bringing down the defaulted loan ratio, improving the capital base, credit growth, profitability, and so on for the four state-owned commercial banks to restore their financial health.

Despite close monitoring by the central bank, the financial health of the state-run lenders continued to worsen during the previous government’s regime.

After the political changeover on August 5 of last year, the actual fragile scenario of the state-run banks came to light.

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