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Star BUSINESS

Govt may scrap money whitening provision

Tk 790,000cr budget likely to be passed today

MD ASADUZ ZAMAN

The interim government is likely to scrap the provision that allows black money to be legalised through the purchase of apartments and land in the next fiscal year (FY) 2025-26, amid criticism from civil society groups, think tanks and watchdogs.

The decision may be finalised at today's advisory council meeting in Dhaka, where the Tk 790,000 crore national budget is expected to be passed, according to a top finance ministry official.

"We have increased the black money whitening rate several times in the proposed budget for the next fiscal year. However, if the council discards it, the provision will be scrapped altogether," the official said yesterday.

The proposed Finance Bill 2025 retained the scope for legalising undisclosed assets through investment in real estate, but at a much higher cost.

For years, individuals with black money could make it legal by investing in property and paying additional tax.

Last year's rates went up to Tk 6,000 per square metre for real estate and Tk 15,000 per square metre for land.

This time, the rates have been proposed as high as 259 percent. Buyers of flats, buildings or apartments in areas like Gulshan, Banani and Baridhara would have to pay Tk 21,527 per square metre to whiten their wealth.

Unlike last year's budget, this year's proposal offers no indemnity against questions from the authorities.

The flat 15 percent tax on undeclared immovable property, which granted such immunity in FY25, is absent from the proposed budget too.

Still, the move to allow black money whitening through real estate drew criticism from different corners.

Transparency International Bangladesh (TIB) said it would fuel corruption, while local think tank Centre for Policy Dialogue (CPD) called it a contradiction of the spirit of the "July Uprising" and said it would demoralise honest taxpayers.

Meanwhile, officials said the council is also expected to scrap the 5 percent tax currently applied to heart stents.

"There is also a 5 percent advance tax on cornea imports for eye treatment, which we plan to remove. These are some of the steps we are taking," said a senior official of the National Board of Revenue (NBR).

The government also plans to lower the high duty on solar energy system components, he added.

"So, we are introducing measures that genuinely benefit the environment and public welfare," he said.

BUDGET TO BE PASSED THROUGH GAZETTE

The new budget for FY26 is likely to be passed today through a government gazette, rather than a vote in the National Parliament.

Once cleared at the advisory council meeting chaired by the chief adviser in the morning, both the Appropriation Act for the new fiscal year and the Supplementary Appropriation Act for the current year will come into force after ratification by the president and gazette publication.

READ MORE ON B3

EPA talks with Japan to end in August

Commerce secretary says

STAR BUSINESS REPORT

The negotiation for the signing of an economic partnership agreement (EPA) between Bangladesh and Japan will be completed by the end of August, said Commerce Secretary Mahbubur Rahman yesterday.

After the finalisation of the negotiation, the EPA can be signed soon, he said.

In March last year, Bangladesh began talks for signing the EPA, mainly to secure preferential trade benefits from Japan after the country graduates to a developing nation from the group of least developed countries (LDCs) by November next year.

The secretary, however, said signing any free trade agreement (FTA) with China would not bring any benefit for Bangladesh, as imports from China generated duties of nearly Tk 50,000 crore.

Currently, China is Bangladesh's largest trading partner, as local traders and businesspeople import goods worth over $16 billion a year.

However, exports from Bangladesh to China have been at a very low level for years, hovering around $600 million to $700 million.

READ MORE ON B3

Tight monetary policy alone can't reduce inflation

Economists say

STAR BUSINESS REPORT

Inflation in Bangladesh is not a monetary phenomenon, so only a tight monetary policy may not reduce it at the expected pace. Rather, it will reduce investment and job creation, said economists yesterday.

They were addressing a seminar of the Bangladesh Economic Association (BEA) at the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) in the capital.

"This inflation, which has remained high for a couple of years, is not a monetary phenomenon, so it will not drop due to a tight monetary policy," said Prof Abu Ahmed, a former chairman of the economics department at the University of Dhaka.

Investment and job creation will be hampered due to contractionary monetary policy, said an expert.

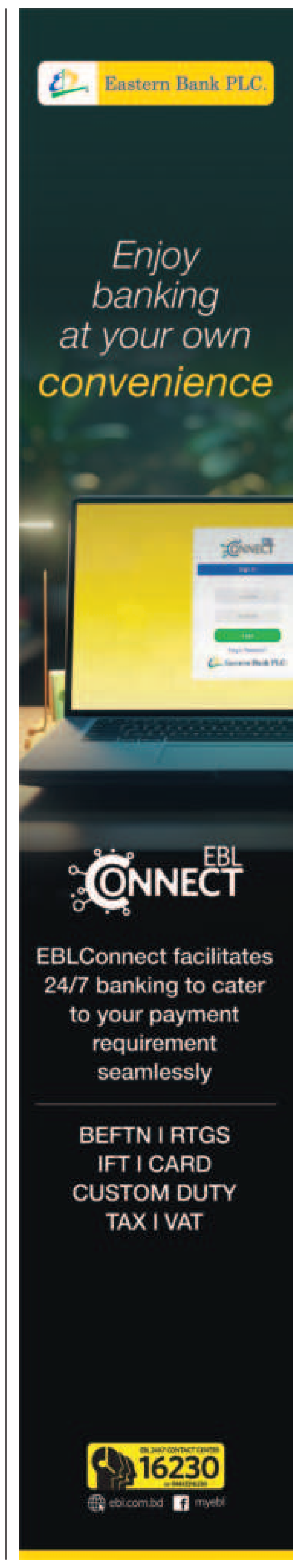
Meanwhile, investment and job creation will be hampered due to the contractionary monetary policy. Bangladesh's inflation is high due to supply-side constraints and the massive devaluation of the local currency, he added.

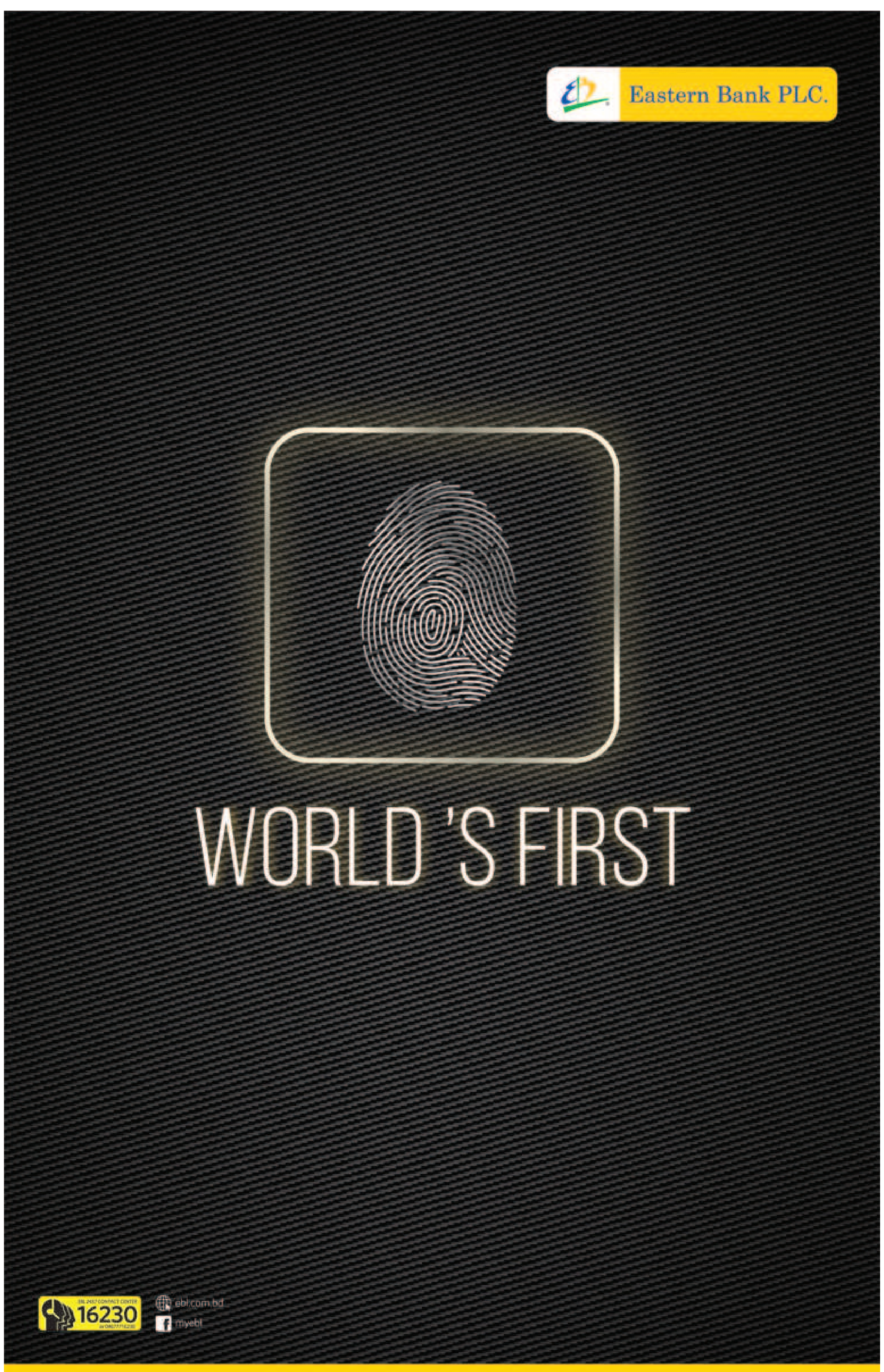
Abdul Awal Mintoo, a business leader and lifetime member of the BEA, echoed Ahmed, saying that it was true Bangladesh Bank only had a single instrument—the policy rate—to contain inflation.

However, this instrument will not work in Bangladesh, said Mintoo, a former president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

On the other hand, contractionary monetary and fiscal policies work only

READ MORE ON B3





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Eastern Bank holds workshop on AML and CFT in Chattogram

STAR BUSINESS DESK

Eastern Bank PLC, in its capacity as lead bank, organised a training workshop on "Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)" for representatives of all scheduled commercial banks operating in Chattogram.

Aimed at enhancing professional competencies and regulatory compliance within the banking sector, the daylong training programme was held yesterday at The Peninsula Chittagong in the port city, according to a press release.

Md Mostakur Rahman, director of the Bangladesh Financial Intelligence Unit (BFIU), attended the event as the chief guest. He praised EBL's proactive approach in fostering a collaborative learning platform to strengthen AML and CFT compliance frameworks among banks in the region.

Sajjad Hossain, additional director of BFIU; Md Tarikul Islam, deputy director; and Imran Shah Omar Chowdhury, also deputy director, led engaging sessions throughout the day as expert resource persons.

They provided critical insights into emerging typologies, regulatory expectations, and best practices in mitigating AML/CFT risks, including discussions on credit-backed and trade-based money laundering.

Among others, Mahmoodun Nabi Chowdhury, deputy managing director and CAMLCO of the bank; Md Abdul Awal, head of monitoring; Md Shahjahan Ali, deputy CAMLCO; and Mesbah Uddin Ahmed, branch area head for Chattogram, were also present.

Md Mostakur Rahman, director of Bangladesh Financial Intelligence Unit, attends the workshop on "Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)" at The Peninsula Chittagong hotel yesterday. The workshop was organised by Eastern Bank PLC as lead bank for representatives of all scheduled commercial banks in Chattogram. PHOTO: EASTERN BANK

SBAC Bank organises workshop on Islamic banking

Mohammad Zakir Hossain, additional director of the Islamic Banking Regulations and Policy Department at the Bangladesh Bank, poses for group photographs with participants of the workshop titled "Islamic Banking and Shariah Awareness Programme" organised by SBAC Bank PLC at its training institute in Dhaka yesterday. PHOTO: SBAC BANK

STAR BUSINESS DESK

SBAC Bank PLC yesterday organised a daylong training workshop titled "Islamic Banking and Shariah Awareness Programme" at the SBAC Bank Training Institute in Dhaka.

The event was organised for officials from the bank's Islamic windows, including those stationed at the head office.

Mohammad Zakir Hossain, additional director of the Islamic Banking Regulations and Policy Department at the Bangladesh Bank, attended the programme as the chief guest. In his address, he elaborated on Shariah-compliant deposit and investment products.

Aftab Uddin, deputy director of the central bank, discussed the regulatory framework underpinning Islamic banking, alongside the evolution of Shariah governance within the sector.

Among others, Md Masoodur Rahman, senior executive vice-president and head of banking operations division at SBAC Bank; Md Saidur Rahman, principal of the SBAC Bank Training Institute; and Mohammad Rafiqul Islam Shikder, vice-president and head of the Islamic banking division, were also presence.

Mashrur Arefin elected chairman of Association of Bankers Bangladesh

STAR BUSINESS DESK

Mashrur Arefin

Mashrur Arefin, managing director and CEO of City Bank PLC, has been elected as the chairman of the Association of Bankers Bangladesh (ABB), the apex platform of top banking professionals in the country, for the interim period until the association's next annual general meeting.

The election took place at a meeting of ABB's board of governors in the capital recently, according to a press release.

This leadership transition follows the resignation of former ABB Chairman Selim RF Hussain, who recently stepped down as managing director and CEO of BRAC Bank PLC.

At the same meeting, Mohammad Ali, managing director and CEO of Pubali Bank PLC, was elected as vice-chairman of ABB. Abul Kashem Mohammed Shirin, managing director and CEO of Dutch-Bangla Bank PLC, will continue in his role as vice-chairman.

Mashrur began his banking career at ANZ Grindlays Bank as a management trainee in 1995.

Over the course of a 30-year career in banking, he has held positions at several prominent institutions, including Standard Chartered Bank in Qatar, ANZ's head office in Melbourne, American Express Bank, and Citibank NA.

Mashrur, who has been serving as managing director and CEO of City Bank PLC for the past six years, previously held the role of vice-chairman of ABB for nearly four years prior to this appointment.

Mohammad Ali joined Pubali Bank PLC as chief technology officer in 2008. He steadily advanced through the ranks, becoming deputy managing director in 2016 and additional managing director in 2020, before being appointed managing director and CEO.

Throughout his tenure, he has also served as chief operating officer, CAMLCO, chief risk officer, and chairman of the bank's credit committee.

Prior to his election as vice-chairman of ABB, he was an active member of the association's governing body.

US may target Samsung, Hynix, TSMC operations in China

REUTERS

The US Department of Commerce is considering revoking authorisations granted in recent years to global chipmakers Samsung, SK Hynix and TSMC, making it more difficult for them to receive US goods and technology at their plants in China, according to people familiar with the matter.

The chances of the United States withdrawing the authorisations are unclear. But with such a move, it would be harder for foreign chipmakers to operate in China, where they produce semiconductors used in a wide range of industries.

A White House official said the United States was "just laying the groundwork" in case the truce reached between the two countries fell apart. But the official expressed confidence that the trade agreement would go forward and that rare earths would flow from China, as agreed.

"There is currently no intention of deploying this tactic," the official said. "It's another tool we want in our toolbox in case either this agreement falls through or any other catalyst throws a wrench in bilateral relations."

Shares of US chip equipment makers that supply plants in China fell when the Wall Street Journal first reported the news earlier on Friday. KLA Corp dropped 2.4 percent, Lam Research fell 1.9 percent, and Applied Materials sank 2 percent. Shares of Micron, a major competitor to Samsung and SK Hynix in the memory chip sector, rose 1.5 percent.

A TSMC spokesman declined comment. Samsung and Hynix did not immediately respond to requests for comment. Lam Research, KLA and Applied Materials did not immediately respond, either.

In October 2022, after the United States placed sweeping restrictions on US chipmaking equipment to China, it gave foreign manufacturers like Samsung and Hynix letters authorizing them to receive goods.

In 2023 and 2024, the companies received what is known as Validated End User status in order to continue the trade.

UK retail sales record biggest monthly drop since 2023

REUTERS, *London*

British retail sales volumes recorded their sharpest drop since December 2023 last month, as demand fell after shoppers splurged on food, summer clothes and home improvements the month before, official figures showed on Friday.

Retail sales volumes dropped by 2.7 percent in May, the Office for National Statistics said, a much sharper decline than the median forecast of 0.5 percent in a Reuters poll. The Reuters Tariff Watch newsletter is your daily guide to the latest global trade and tariff news. Sign up here.

Sales volumes were also 1.3 percent lower than a year earlier, the biggest annual drop since April 2024 and well below a Reuters poll forecast for 1.7 percent annual sales growth.

The monthly decline was mainly due to what ONS statistician Hannah Finselbach described as a "dismal month for food retailers" with lower spending on alcohol and tobacco, as well as reduced footfall at clothing stores and less demand for DIY items as dry weather had allowed work to be done earlier.

PHOTO: AFP/FILE

"The sharp 2.7 percent m/m drop back in retail sales volumes in May adds to other evidence that the burst of economic growth in Q1 is over. That said, consumer spending may still outperform other areas of the economy this year," Capital Economics' Chief UK Economist Paul Dales said.

Sterling dropped by about a quarter of a cent against the US dollar after the data, which came alongside government borrowing figures which showed a slightly larger than expected budget deficit of 17.7 billion pounds ($23.85 billion) for May.

Britain's economy grew a faster-than-expected 0.7 percent in the first quarter of 2025 but shrank in April - due to the end of a property tax break and an initial hit from US tariffs - and the Bank of England forecasts overall growth of 1 percent for 2025.

April's retail data had shown robust 1.3 percent sales growth after demand was boosted by unusually sunny weather for the time of year and GfK consumer sentiment data for June, released earlier on Friday, showed the highest sentiment so far this year.

However, reports from retailers have been more mixed. The British Retail Consortium said earlier this month that spending growth slowed sharply in May as shoppers had done much of their summer purchases a month earlier.

Updates this month from major British retailers have been mixed. Tesco, the country's biggest food retailer, beat expectations for first quarter sales, despite what it called an "intensely competitive" market. However, struggling discounter Poundland said it plans to close 68 stores.

Responding to ICAB's Rejoinder and Press Briefing

Audit Reforms Deserve Facts, Not Diversions

The Institute of Cost and Management Accountants of Bangladesh (ICMAB) strongly refutes the misleading allegations made by the Institute of Chartered Accountants of Bangladesh (ICAB) against ICMAB in its recent rejoinder and press briefing. These appear to be deliberate attempts to divert attention from ICMAB's legitimate demand for inclusive audit rights. We reaffirm our position to contribute meaningfully within the current legal framework, without challenging the existing rights of Chartered Accountants, to enhance audit capacity and national governance standards. The responses of ICMAB against the misleading information published through national dailies are given below:

a) As per FRC's official website, there are 209 practicing firms with 609 practicing members of ICAB whereas the registered company numbers are about 300,000 (RJSC's online database). It shows a clear picture of demand-supply gap of professional accountants in Bangladesh.

b) ICMAB hasn't blamed ICAB for money laundering, rather it emphasizes on weak audit ecosystem that exists in the country. Surprisingly, the high officials of ICAB acknowledge this reality in their press briefing holding Bangladesh Bank responsible.

c) ICMAB is a full member of International Federation of Accountants (IFAC) since 1983 and maintains all the standards like other local and global professional accounting bodies under IFAC framework. ICMAB also complies with the International Education Standards (IES) of IFAC to the satisfaction of IFAC.

d) With reference to sections 2(13), 2(18) and 2(19) of FRA 2015, ICMAB mentions that FRC recognizes ICMAB and its members as auditors, professional accountants and professional accounting organization like ICAB. This has been misinterpreted to mislead the readers.

e) There are clear precedents where CMAs are granted statutory audit rights. In Pakistan, this is ensured under the Companies Act 2017 and Income Tax Ordinance 2001. In Ontario, Canada, CMAs were allowed to audit under the Public Accounting Act 2004 before unification. In the UK, ACCA members also hold audit rights under defined conditions. It is regrettable that senior ICAB officials publicly label countries as "good" or "bad", a stance that is not only unprofessional but also unbecoming of their position.

Over the years, ICMAB is deprived from their due right to serve the nation as '**Professional Accountants in Practice (PAIP)**' under the existing legal and regulatory framework. ICMAB believes in mutual respect, collaboration and dialogue. Our demand to the government is to begin reform in audit ecosystem under the supervision of FRC and include CMAs in conducting audits other than statutory audits by revising section 73 of Income Tax Act 2023 through Finance Act 2025.

ICMAB THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF BANGLADESH (ICMAB)

WB approves

FROM PAGE B4

By 2027, all government project appraisal documents will be public.

The public procurement system will be required to use electronic government procurement (e-GP), disclose beneficial ownership, and remove price caps to foster competition and reduce corruption risks.

To further improve financial accountability, the auditing capacity of the Office of the Comptroller and Auditor General will be strengthened.

The independence of the Bangladesh Bureau of Statistics will also improve data transparency, leading to better service delivery.

Finally, cash transfer programmes for the poor and vulnerable will be made more effective with the operationalisation of a dynamic social registry.

With this financing, the WB's total new commitments to Bangladesh in FY25 now stand at $3.07 billion.

Workers left out

FROM PAGE B4

Referring to the July uprising in 2024, he said, "People's aspirations were not limited to political reform. They also demanded social reform and freedom from discrimination in society."

Ahmed said the government must take dynamic action, as it is a different kind of administration. "It is not traditional. It came to power through a movement and the sacrifice of many workers," he said.

He added that workers had hoped for at least a minimum guarantee of livelihood, employment, a society free from discrimination and fair treatment.

Their commission report, he said, mentioned that the means of livelihood of workers must not be destroyed.

For example, he said, "If my car violates traffic laws, they should fine me. They should not take away my car."

"But the reality is, police are seizing and destroying rickshaws. Is this acceptable in a civil society? If they violate the law, fine them, but you cannot destroy their means of livelihood," he said.

"We also propose some structural reforms. One is upskilling or reskilling training, especially for existing workers," said the top labour rights activist.

Normally, skill programmes target unemployed youth entering the labour market, but current workers are also at risk due to automation, political change and shifts in both international and national trade, he said.

Secondly, he called for the immediate creation of a comprehensive database of workers.

"This is vital for identity. During Covid-19, for example, the government failed to deliver much of its aid to the public because of the lack of a proper database," he said.

Ahmed pointed out that the true aim of austerity measures is to reduce unnecessary or luxury spending, not to harm the livelihoods of the most vulnerable.

"The things we propose are very basic and directly linked to livelihood and social safety nets for the unemployed. We want a very targeted social safety net programme for them," he said.

He also raised the matter of the national minimum wage. "I think it is both feasible and necessary," he said.

"There are many skilled private car drivers in Bangladesh. But who decides their salary? It is set by the neighbours. The market is unstable, so they do not get what they deserve," he added.

In his recommendations, Ahmed emphasised recognising workers as workers, ensuring safe workplaces and providing proper compensation for accidents.

"The question may now arise as to how such initiatives will be implemented. First, the process must begin," he concluded.

Middle East

FROM PAGE B4

"Geopolitical tensions have been mostly ignored by equities, but they are being factored into oil," Citigroup analysts wrote in a note.

"To us, the key for equities from here will come from energy commodity pricing," they said.

STOCKS UNPERTURBED

US stocks have so far weathered rising Middle East tensions with little sign of panic. A more direct US involvement in the conflict could, however, spook markets, investors said.

Financial markets may be in for an initial selloff if the US military attacks Iran, with economists warning that a dramatic rise in oil prices could damage a global economy already strained by Trump's tariffs.

Without AI, Bangladesh risks falling behind: experts

Two-day BPO summit kicks off in Dhaka

STAR BUSINESS REPORT

If business process outsourcing (BPO) companies in Bangladesh fail to adopt technologies like artificial intelligence, machine learning, and large language models, they will fall behind in global competition, experts warned yesterday.

"Technological advancement in the past two years has surpassed all previous eras of innovation," said Faiz Ahmad Taiyeb, special assistant to the chief adviser with executive authority over the posts, telecommunications and ICT ministry.

"If companies cannot adapt to this transformation, they may shut down within two years... They will be eliminated by default," he said.

"Especially for IT and ITES companies, there is no room to survive without embracing change. This failure will not only harm businesses but also damage the country's competitiveness," he added.

Taiyeb was addressing the inauguration of a two-day BPO Summit Bangladesh 2025 at Senaprangan, Dhaka.

Organised by the Bangladesh Association of Contact Center and Outsourcing (BACCO), the event bore the theme "BPO 2.0: Revolution to Innovation" this year, signalling a shift towards innovation-driven growth in the industry.

Taiyeb urged BPO companies to swiftly assess what peer nations like China, India, Vietnam and the Philippines are doing in AI adoption.

"Only then can you approach the government with informed policy demands," he said. He emphasised that IT engineers must understand sectoral challenges, as technology now permeates every industry.

"The way Chinese companies are leveraging generative AI and accelerating business process upgrades—if we fail to keep pace, we must identify these gaps and bring them to the government's attention," said Taiyeb.

Bangladesh has set a target to generate $5 billion from IT exports by 2030.

"Sri Lanka, one-tenth our size, has set a similar goal. Yet our current annual export hovers at around $700 million to $800 million. We must double our IT exports every year—this is a shared national challenge," he said.

Taiyeb recommended providing export incentives of 8 percent to 10 percent for frontier technologies like AI, while offering 4 percent to 5 percent for legacy segments.

"This ensures that new tech is prioritised without overburdening the government," he said.

He predicted that legacy call centres would disappear within five years, transforming into AI and large language model (LLM)-powered operations. "This sector must embrace transformation now."

BACCO President Tanvir Ibrahim said, "The BPO Summit is not just an industry event—it is a collective declaration of our confidence, capability and future aspirations. We believe this summit will help empower the youth with technology-driven employment and entrepreneurship opportunities."

Adilur Rahman Khan, adviser to the interim government on industry and housing & public works, attended as chief guest.

"The BPO sector is no longer just about outsourcing—it symbolises human resource development and economic transformation. The government will provide full support for its growth," he said.

ICT Secretary Shish Haider Chowdhury and BACCO Secretary General Faisal Alim also spoke.

This year's summit features nine international seminars and workshops, a job fair, special sessions on entrepreneurship, freelancer platforms, and a large exhibition with domestic and international BPO and tech companies.

Diplomats, tech experts and global buyers are attending.

A major attraction this year is an "Experience Zone", showcasing cutting-edge technologies, including Starlink satellite internet, immersive AR and VR simulations themed on the July uprising, advanced drones and submarine technologies, and robotics exhibitions.

NBR officials announce pen-down strike again

STAR BUSINESS REPORT

The NBR Reform Unity Council, a platform comprising officials of the National Board of Revenue (NBR), has announced that it will start a demonstration from tomorrow, demanding the inclusion of its representatives in the panel formed by the government to amend the new tax reform ordinance.

The council has also demanded the removal of the NBR chairman and a stop to what it described as "vengeful transfers and repression" by the administration.

To press home its demands, the platform has announced a pen-down strike for three hours, beginning at 9 am on June 23.

It will also hold a sit-in at the NBR, including its field offices, during the pen-down strike, said a press release issued by the council.

The platform was formed last month by revenue officials seeking the repeal of the "Revenue Policy and Revenue Management Ordinance," issued by the government on May 12 to reform the tax system, boost revenue collection, and comply with a condition of the International Monetary Fund (IMF) tied to a $4.7 billion loan.

The ordinance separates tax policy from implementation by forming two divisions and seeks to dissolve the NBR, which has resulted in strong resistance among revenue officials and hampered business operations.

Amid continued protests, the finance ministry on May 25 stated that the framework for strengthening the NBR and separating revenue policy through the establishment of a specialised institution—while safeguarding the interests of officials from the customs, excise, and taxes cadres—will be finalised following discussions with the NBR, the Revenue Reform Advisory Committee, and key stakeholders.

To strengthen the NBR and separate tax policymaking, the required amendments to the ordinance will be introduced by July 31.

Until the amendment is made, the ordinance will not be put into force, it added.

The NBR Reform Unity Council said the NBR authority is not cooperating with them, and their representatives were not included in the six-member panel—comprising officials of tax, VAT, and customs—formed to recommend revisions to the ordinance.

The council also alleged that the officials who welcomed the ordinance have been included in the panel.

EPA talks with Japan

FROM PAGE B1

Rather, the signing of FTAs with other countries, such as South Korea, the European Union (EU), and African countries, will be much more beneficial, he said.

So, Bangladesh has been negotiating the signing of trade agreements with those countries, he said.

Bangladesh has also been engaged in negotiations to try to convert Trump's reciprocal tariffs into a free trade agreement, the secretary said.

Regarding the country's LDC graduation, the secretary said the deferment of graduation was not possible, although the country would lose preferential trade benefits, as it has already graduated.

The secretary also said that within the next two to three months, the government will issue another 43 lakh new "family cards" to sell select essential commodities at subsidised prices to one crore families.

The commerce secretary was speaking at a dialogue on "Budget FY25-26 in the Context of LDC Graduation," organised by RAPID with support from the UK Foreign, Commonwealth and Development Office (FCDO) at Six Seasons Hotel in Dhaka.

M Abu Eusuf, executive director of the Research and Policy Integration for Development (RAPID) and a professor at the University of Dhaka, moderated the dialogue.

At the discussion, Planning Adviser Wahiduddin Mahmud said the government has recently approved some projects to drill gas fields to meet industrial demand for energy.

He also said the government has continued implementing some important mega projects, although those were taken up by the previous government.

For instance, the government has approved the Bay Terminal at Chattogram, Matarbari power plants, and deep-sea port, as these projects are very much related to trade and business, the adviser also said.

Rubana Huq, vice-chancellor of the Asian University for Women and a former president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), advocated for the deferment of the LDC graduation, citing that the country needed more preparations for a smooth transition.

BGMEA Vice-President Vidiya Amrit Khan also echoed Huq's views on LDC graduation. Khan also suggested reducing the VAT on the sale of waste from garment manufacturing factories.

Monzur Hossain, member of the General Economics Division, said that if LDC graduation were deferred for two more years, vital economic reforms would be delayed.

A fragile economy is being rebuilt through the restoration of macroeconomic stability, as inflation is gradually declining and the central bank's foreign exchange reserves are also increasing, he said.

Shawkat Hossain Masum, head of online at Prothom Alo, said the investment issue did not prominently feature in the proposed budget for the next fiscal year, as the environment was not conducive for domestic and foreign entrepreneurs to make investments.

Fazlee Shamim Ehsan, executive president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said that apart from a severe gas crisis, the reduction of incentives for local textile use has been affecting investments in the primary textile sector.

Doulot Akter Mala, president of the Economic Reporters' Forum (ERF), urged the government to provide logistics support for the industrial sector and attract more investment.

In a keynote paper, RAPID Chairman MA Razzaque said the proposed budget reflects the government's efforts to navigate exceptionally challenging macroeconomic conditions amid severe fiscal constraints.

The budget presents an opportunity to align immediate priorities with longer-term goals of competitiveness, diversification, and inclusive development as LDC graduation nears, he said.

Opec+ could speed up oil output hikes by a year

Head of Russia's Rosneft says

REUTERS

Opec+ group of leading global oil producers could bring forward its output hikes by around a year from the initial plan, Igor Sechin, head of Russia's largest oil producer Rosneft, said on Saturday.

He also said that the decision by the Opec+ to speed up output increase now looked far-sighted and justified in the light of the confrontation between Israel and Iran.

The Organization of the Petroleum Exporting Countries and its allies, led by Russia, shocked oil markets in April by agreeing a bigger-than-expected output hike for May despite weak prices and slowing demand.

Opec+ has since decided to continue with more than planned hikes.

"The announced increase in production since May of this year is three times higher than the alliance's initial plan. In addition, the entire increase in Opec+ production could be shifted a year ahead of plan," he said without elaborating.

Govt may scrap

FROM PAGE B1

Speaking to The Daily Star, Finance Adviser Salehuddin Ahmed said spending under the revised budget may continue until June 30. The new budget takes effect on July 1.

According to a finance ministry official, public feedback on the budget was accepted until June 19, and relevant suggestions will be considered during finalisation.

The Finance Adviser announced the budget on June 2 in a televised address.

The proposed expenditure for the new fiscal year stands at Tk 790,000 crore, with a projected revenue of Tk 564,000 crore. This leaves an overall deficit of Tk 226,000 crore, which is 3.6 percent of GDP.

The revised budget for the current fiscal year has been trimmed by Tk 53,000 crore, setting total spending at Tk 744,000 crore.

The revised revenue target is Tk 518,000 crore, with a deficit of Tk 230,000 crore, or 4.1 percent of GDP.

Tight monetary policy

FROM PAGE B1

for the private sector. So, the government's operating costs did not drop, he said.

Amidst the tight monetary policy, deposits of around Tk 3 lakh crore accumulated in the banking sector last year, while Tk 2.70 lakh crore was taken by the government, he said.

"Then, how will the private sector get funds for investments?" asked Mintoo.

The entrepreneur suggested that the government enable an environment conducive to investments, which would ensure a higher number of jobs.

Social capital is a prerequisite for attracting investment. A prompt judicial system, improved law enforcement, and better institutional capacities will also have to meet international standards, he added.

Muhammad Fouzul Kabir Khan, power, energy and mineral resources adviser, said when the interim government came to office, all state institutions were "spoilt," police were not working, and the situation was so bad that around 177 movements were taking place on the roads.

Corruption was widespread, and many funds had been taken abroad. In this situation, the interim government's target was to ensure economic recovery. One of its main targets was to reduce inflation too, he said.

Giving many examples of high corruption and wastage, the adviser said these were the two major problems in the Bangladesh economy. Hinting at politicians and bureaucrats, he said no one wants to stop corruption.

Some corrupt people left the country, and some are now asking to get projects, citing that they have been deprived in the last 16 years, said Khan.

"However, we want to create an environment of competition and set examples," he said.

This year, the government had to keep a subsidy of Tk 66,000 crore for the power and energy sector. This high subsidy cannot be afforded year after year, he said.

Regarding the reasons behind the high subsidy, Khan said the previous government entered into power purchase contracts with rates as high as Tk 80 per kilowatt, while individual consumers pay Tk 8.95 per kilowatt.

The government has already addressed this issue through tariff negotiations, he said.

The previous government had $3.2 billion worth of import payments due, and the interim government has already paid most of it, he said.

Now, $800 million to $900 million remain due, and this will also be paid soon, said Khan.

Meanwhile, liquefied natural gas (LNG) prices were high due to the import payments being due, which ultimately raised costs and burdens for the interim government, he said.

The adviser requested the private sector to invest in rooftop solar panels to generate renewable energy and contribute to the economy.

Professor Dr AK Enamul Haque, director general of the Bangladesh Institute of Development Studies, Kazi Iqbal and SM Zulfiqar Ali, research directors; Prof Rashed Al Mahmud Titumir, a former chairman of the development studies department of the University of Dhaka; Sajjad Zahir, executive director of the Economic Research Group; Prof Shafiun Nahin Shimul, director of the Institute of Health Economics at the University of Dhaka; Md Golzare Nabi, a director of Bangladesh Bank; Sayema Haque Bidisha, pro-vice chancellor of the University of Dhaka; and Prof Sharmind Neelormi of the economics department at Jahangirnagar University gave PowerPoint presentations.

The speakers focused on forming a strategic industrial policy targeting three to four sectors, an action plan for job creation, increasing budget implementation, and ensuring quality execution of public projects.

Prof Mahbub Ullah, convener of the BEA, chaired the event, while Prof Mohammad Helal Uddin, member secretary of the BEA, conducted the programme.

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Syed Sultan Uddin Ahmed

Workers left out of FY26 budget priorities

Says Labour Reform Commission chairman

SUKANTA HALDER

The proposed budget for the fiscal year 2025-26 has drawn criticism from the government-appointed Labour Reform Commission, which had earlier called for formal recognition of workers and stronger financial and legal safeguards.

The commission says the budget has largely ignored the needs of the country's working population.

Despite rising living costs and repeated calls for fair wages and broader social protection, the budget offers no clear measures to support millions of workers, said Syed Sultan Uddin Ahmed, chairman of the commission.

Following the political changeover in August last year, the interim government appointed the Labour Reform Commission in November. The commission submitted its recommendations to Chief Adviser Muhammad Yunus in April this year.

Among its proposals, the commission urged the government to provide legal protection and formal recognition for all workers. This would cover those in both the formal and informal sectors, as well as migrant workers and self-employed individuals, under a comprehensive single labour law.

It also recommended setting national minimum wages that would ensure a decent standard of living. The report suggested revising both national and sectoral wages every three years to reflect inflation and the cost of living.

In an interview with The Daily Star recently, Ahmed said, "We had hoped that the government would seriously consider our proposals, but in reality, that was not reflected."

He noted that although the budget speech outlined 11 priorities, not one focused on workers. "There are seven crore working people in Bangladesh who deserve attention."

Ahmed pointed out that the Bangladesh Labour Welfare Foundation, a state-backed body meant to support workers, has never received an allocation in the national budget.

"This is in no way expected," he added.

He said that 85 percent of workers are employed in the informal sector in Bangladesh, yet no social safety net exists for them. There is also no protection for people who are unemployed or seasonally jobless.

"Our expectation was that at least the government would call us and ask how much money it would initially cost. But that did not happen," commented Ahmed, who is also the executive director of the Bangladesh Institute of Labour Studies (BILS).

He said that their recommendations were not only for the ministry concerned but also for other bodies such as the National Pension Authority.

The formation of such institutions, he said, should be shaped by discussions about social safety for domestic workers, rickshaw pullers, construction workers and others. So far, no such talks have taken place.

Regarding the commission report, he said the chief adviser, the labour adviser and the labour ministry all responded positively and welcomed the recommendations.

"The government, including the chief adviser, assured us that the report would be implemented word for word, which was very encouraging," he said.

While he acknowledged that the labour ministry is working on the matter, Ahmed insisted there should have been consultation and budget allocations before any review began.

"The public, workers and labour organisations want some visible steps," he said. "I am not saying the government is ignoring our report, but we expect proactiveness."

Ahmed noted that vulnerability among workers is rising by the day due to factory closures, political instability and international issues.

"We feel that while some of our recommendations require political consensus, most of them need administrative restructuring, change and reform," he said.

"Political consensus is the main priority, and discussions are now focused on election reform, constitutional reforms and related matters; people think other reports are being sidelined," Ahmed said.

"This is our main concern."

READ MORE ON B2

POLICY NEGLECT

FY26 budget ignores the needs of 7 crore workers

No allocation has ever been made for Workers' Welfare Foundation

Informal workers remain excluded from social safety schemes

No consultation was held with labour organisations on budget allocations

Reforms

Reforms like re-skilling existing workers and building a national worker database are urgent needs

Worker rights and social justice

Workers' livelihood tools, like rickshaws, must not be seized and destroyed for legal violations

A national minimum wage is both feasible and necessary to stabilise the labour market

Do we learn anything from loan failures?

MAMUN RASHID

Despite having spent more than three decades in the financial sector, I faced the real test as a credit officer when I was appointed head of restructuring and recovery at Standard Chartered Bank. This was particularly so during audit, portfolio review and due diligence assignments following the Asian financial meltdown in 1997, in East Africa, Greater China and Europe.

Younger bankers often ask me: do we learn enough from credit or loan failures? My background as a risk officer has taught me that loans often go bad due to several reasons, including improper assessment of need, poor facility structuring, security or collateral shortfall, and weak internal cash generation within the business, leading to recurring past-due payments.

The reasons also include lending based on the borrower's name rather than the business fundamentals, ignorance of competition and economic downturns or investing in business segments unrelated to core operations or future prospects.

I have seen many credits go bad in Indonesia because lending officers failed to understand foreign currency conversion or fluctuation risks. In Malaysia, loans often turned sour when working capital was misused to finance projects, not unlike what we see in Bangladesh. In Taiwan, many middle-market loans went bad because the tenor provided was shorter than the trade cycle. Serious competition in India sometimes led banks to overlook security or collateral shortfalls.

In East Africa, many loans failed due to poor structuring, with borrowers diverting large sums to unrelated purposes.

Even in Bangladesh, we have seen industrial credits diverted to the stock market or siphoned off altogether. In Pakistan, "name lending" or "influenced lending" caused banks to go belly-up. In Latin America, many cases stemmed from exposure to foreign currency risk, while in Europe and North America, a drastic reduction in underlying asset values made exit impossible.

A proper assessment of need is essential, a "deep dive" into how much the client truly requires to run their business, and in what form. We must examine the business model: projected turnover, the tenor of an end-to-end transaction, and derive a figure. Even after arriving at this figure, we must assess how much will be financed by the bank and how much by the owners. I have seen loans go bad because the loan term was shorter than the trade cycle.

I have also seen loans fail because of non-compliance with regulatory requirements. For example, lacking a waste treatment plant, or causing river or neighbourhood pollution in India. Social activists forced agencies to shut down plants. Faulty land titles, or land grabs involving school or prayer sites, created problems in setting up plants, forcing relocation and pushing up project costs. The death of a key person without succession planning has also jeopardised many loans.

Bangladesh's banking sector has long struggled with loan defaults. Despite many corrective measures, defaults continue to plague the financial system. As of March 2025, bad loans totalled more than Tk 4.2 lakh crore. Borrowers owed Tk 17.42 lakh crore to banks, with an NPL ratio of more than 24 percent. In Bangladesh, loans have mainly turned non-performing due to weak loan assessment or facility structuring, lending officers' failure to understand the inherent risks of specific industries or business segments, including cross-border or foreign exchange risk, working capital loans being turned into term loans, "name lending" or "push lending" caused by intense competition, dictated loans or insider loans at state-owned and some large private banks, and, most crucially, lack of timely monitoring and action.

Our central bank, with help from development partners, has made notable progress in tackling default loans. This time, they seem more determined. However, we must develop a stronger risk management culture in every financial institution to avoid future surprises.

Mamun Rashid is an economic analyst and chairman at Financial Excellence Ltd.

Qatar holds talks with energy companies on risk of conflict

REUTERS, *Doha/London*

Qatar held crisis talks this week with energy majors after Israeli strikes on Iran's huge gas field, which it shares with Qatar, an industry source and a diplomat in the region told Reuters.

Saad Al Kaabi, CEO of state-owned QatarEnergy and the Gulf Arab state's energy minister, urged companies to warn the US, Britain and European governments about the risks the conflict poses to gas exports from Qatar and the increasing threat to the global gas supply, they said.

An interruption to Qatar's liquefied natural gas (LNG) operation could cut off around 20 percent of the global supply, which Doha exports from the world's largest gas reservoir.

"QatarEnergy is making sure that foreign governments are fully aware of the implications and repercussions the situation and further escalation pose to gas production from Qatar," said the diplomat, who spoke on condition of anonymity because of the sensitivity of the situation.

An interruption to Qatar's liquefied natural gas operation could cut off around 20 percent of the global supply

QatarEnergy did not immediately respond to a request for comment.

Kaabi also met this week in Doha with ambassadors representing countries whose companies are involved in QatarEnergy's North Field expansion project, the diplomat said.

US majors ExxonMobil and ConocoPhillips, Britain's Shell, Italy's Eni and France's TotalEnergies all have stakes in the expansion, which is set to boost exports from Qatar by around 82 percent in the coming years. Qatar currently produces 77 million tonnes of liquefied gas a year.

So far, there have been no disruptions to QatarEnergy's exports, and cargo deliveries are on schedule.

Israel began attacking Iran last Friday, saying its longtime enemy was on the verge of developing nuclear weapons. Iran, which says its nuclear programme is only for peaceful purposes, retaliated with missile and drone strikes on Israel.

The White House said on Thursday President Donald Trump would decide on US involvement in the conflict in the next two weeks.

COMPLEX RISKS

A further expansion of the biggest ever conflict between Israel and Iran poses multiple risks to operations at QatarEnergy, the world's largest exporter of LNG.

European Commission on Tuesday proposed that the EU bans imports of Russian gas by the end of 2027.

Qatar said Israel's strike on Iran's portion of the shared gas field, some 200 km (124 miles) from QatarEnergy's installations was a reckless move.

"The companies operating in the fields are international, and there is a global presence, especially in the North Field," Majed Al Ansari, spokesperson for Qatar's foreign ministry, told reporters on Tuesday.

WB approves $500m for governance, financial reforms

STAR BUSINESS REPORT

The World Bank (WB) yesterday approved $500 million in financing to enhance trust in Bangladesh's public institutions through increased accountability and transparency.

This credit support, under the Strengthening Governance and Institutional Resilience Development Policy, will also improve corporate governance and stability in the financial sector, said the multilateral lender.

"Improvements in how public finances are managed are important for Bangladesh's economy to grow sustainably. The government is taking ambitious steps to make its institutions more open and answerable, so they can serve the people better," said World Bank's Interim Country Director for Bangladesh Gayle Martin.

"Through another project that was approved last week, we are supporting the government to implement these reforms."

The WB had approved $640 million for Bangladesh last week.

The Washington-based lender said Bangladesh has one of the lowest revenue-to-GDP ratios among middle-income countries, which significantly limits the government's ability to deliver quality services.

This new finance supports reforms to boost domestic revenue mobilisation, making tax administration and policy-making more transparent and efficient, aligning with international best practices.

It will also promote a more strategic and transparent approach to managing tax exemptions, requiring parliamentary approval for all exemptions, a significant departure from current ad hoc practices.

The WB said the financing will also strengthen corporate governance and risk management by aligning financial reporting with international standards and increasing transparency.

It will enhance financial sector stability by providing the Bangladesh Bank with comprehensive resolution powers to address banking sector vulnerabilities.

A third set of reforms will improve public sector transparency, accountability, and efficiency.

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Middle East tensions put investors on alert, weighing worst-case scenarios

REUTERS, *New York*

Investors are mulling a host of different market scenarios should the US deepen its involvement in the Middle East conflict, with the potential for ripple effects if energy prices skyrocket.

They have honed in on the evolving situation between Israel and Iran, which have exchanged missile strikes, and are closely monitoring whether the US decides to join Israel in its bombing campaign.

Potential scenarios could send inflation higher, dampening consumer confidence and lessening the chance of near-term interest rate cuts. This would likely cause an initial selloff in equities and possible safe-haven bid for the dollar.

While US crude prices have climbed some 10 percent over the past week, the S&P 500 has been little changed as of yet, following an initial drop when Israel launched its attacks.

However, if attacks were to take out Iranian oil supply, "that's when the market is going to sit up and take notice," said Art Hogan, chief market strategist at B Riley Wealth.

"If you get disruption to supply of oil product on the global marketplace, that is not reflected in today's WTI price and that is where things get negative," Hogan said.

The White House said on Thursday President Donald Trump would decide on US involvement in the conflict in the next two weeks.

Analysts at Oxford Economics modeled three scenarios, ranging from a de-escalation in the conflict, a complete shutdown in Iranian production, and a closure of the Strait of Hormuz, "each with increasingly large impacts on global oil prices," the firm said in a note.

In the most severe case, global oil prices jump to around $130 per barrel, driving US inflation near 6 percent by the end of this year, Oxford said in the note.

"Although the price shock inevitably dampens consumer spending because of the hit to real incomes, the scale of the rise in inflation and concerns about the potential for second-round inflation effects likely ruin any chance of rate cuts in the US this year," Oxford said in the note.

OIL IMPACT

The biggest market impact from the escalating conflict has been restricted to oil, with oil prices soaring on worries that the Iran-Israel conflict could disrupt supplies. Brent crude futures have risen as much as 18 percent since June 10, hitting a near 5-month high of $79.04 on Thursday.

The accompanying rise in investors' expectations for further near-term volatility in oil prices has outpaced the rise in volatility expectations for other major asset classes, including stocks and bonds.

But other asset classes, including stocks, could still feel the knock-on effects of higher oil prices, especially if there is a larger surge in oil prices if the worst market fears of supply disruptions come true, analysts said.

READ MORE ON B2

Traders work on the floor of the New York Stock Exchange on June 18. US stocks have so far weathered rising Middle East tensions with little sign of panic. A more direct US involvement in the conflict could, however, spook markets, investors said. PHOTO: AFP