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New telecom policy won't force foreign firms to share ownership

CA's special assistant says

STAR BUSINESS REPORT

The government's new telecom licensing policy will not compel mobile operators to dispose of 15 percent of their ownership to local partners, said Faiz Ahmad Taiyeb, special assistant to the chief adviser with executive authority over posts, telecommunications, and ICT.

"It's not an act. I'm not forcing you to dispose of the ownership. It's a direction. I'm just making a suggestion. When a company has both foreign and local ownership, it performs better," he told a roundtable yesterday.

The roundtable, titled "Telecom Network and Licensing Policy Reform," was organised by the Telecom and Technology Reporters' Network Bangladesh at a hotel in Dhaka.

The statement comes against the backdrop of leading foreign investors in Bangladesh's telecommunications sector urging the government to reconsider proposed restrictions on foreign ownership in the upcoming Telecommunications Network and Licensing Reform Policy 2025.

In the latest version of the policy, it was mentioned that the maximum foreign ownership limit for mobile network operators is set at 85 percent.

Taiyeb further noted that while the earlier International Long Distance Telecommunication Services (ILDTS) policy was introduced to meet the needs of the time, it was grossly abused by previous governments.

"A total of 3,400 licences were issued under the ILDTS—one of the worst cases of abuse in global telecom history," he remarked.

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FDI hits 2-year high in Jan-Mar

JAGARAN CHAKMA

Foreign investors channelled more money into their Bangladesh operations during the January to March period this year, marking a sharp rebound in foreign direct investment after years of sluggish inflows amid political uncertainty and erratic energy supplies.

Foreign direct investment (FDI) rose to $1.58 billion in the first quarter of 2025. Of this, $711 million was repatriated, while the remaining $865 million stayed in the country, according to the Bangladesh Bank.

This net inflow was 114 percent higher than the $403 million recorded in the same period a year earlier.

It was the highest quarterly net FDI since around mid 2022, and 76 percent above the $490 million received in the October-December quarter of 2024.

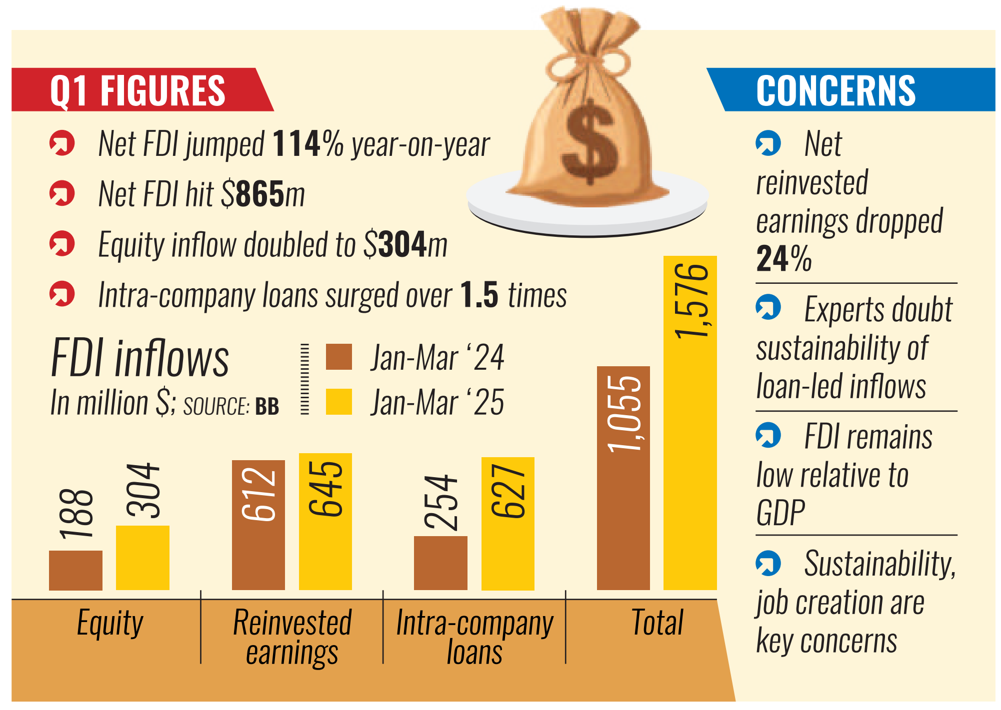
FDI usually consists of equity capital, reinvested earnings, and intra-company loans. Equity capital refers to the purchase of shares or ownership stakes in a foreign enterprise.

Reinvested earnings are profits retained in the business rather than distributed as dividends. Intra-company loans are financing arrangements between foreign investors and their local subsidiaries within the same multinational group.

In the first quarter of 2025, equity capital rose by 62 percent year-on-year, while intra-company loans saw a 147 percent increase to reach $627 million.

Economists and business leaders say the spike in intra-company loans may reflect firms trying to sidestep high local borrowing costs.

Such loans are mainly used to maintain liquidity, fund ongoing operations, or support expansion without turning to domestic banks.



Ashik Chowdhury, executive chairman of the Bangladesh Investment Development Authority (Bida), said the agency played only a limited part in securing the recent inflows, as many investment decisions had been made earlier.

However, he credited faster approvals from Bida and the central bank for helping sustain the current momentum.

While the rise in FDI suggests growing investor interest, economists caution that much of the increase comes from intra-company loans rather than fresh capital.

"Post-election stability after January of 2024 and easing industrial unrest may have revived investor confidence,

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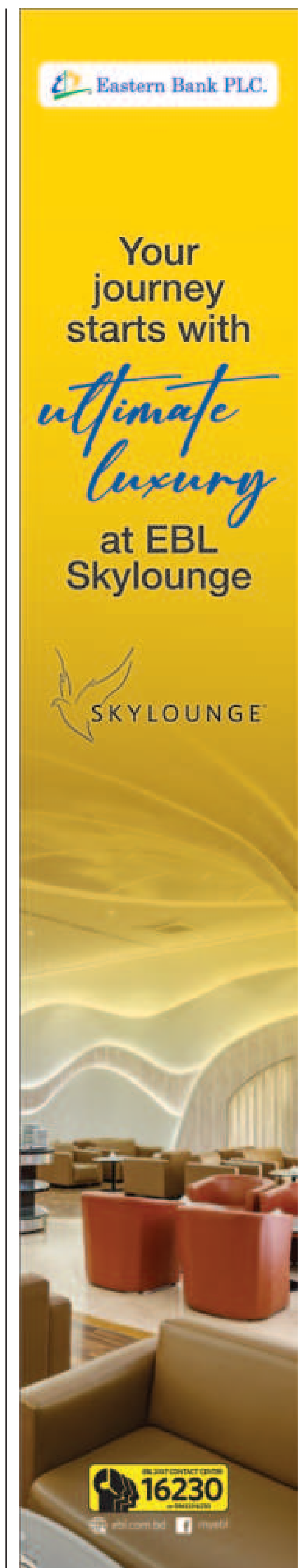

Johannes Zutt

WB's new South Asia vice president in town

STAR BUSINESS REPORT

Johannes Zutt, the newly appointed vice president for the South Asia region at World Bank, arrived in Dhaka yesterday on a four-day official visit, marking his first country mission since assuming the role on July 1.

During the visit, Zutt is scheduled to meet with the chief adviser, the finance adviser, the governor of Bangladesh Bank, senior government officials, and representatives of the private sector, the World Bank said in a press release.

Zutt, a Dutch national, has served as the World Bank's Country Director for Bangladesh, Bhutan and Nepal from 2013 to 2015.

"I have very fond memories of Bangladesh, its people, and the friendships I have made there," he said, recalling his previous tenure.

"I look forward to returning to Bangladesh to see first-hand the transformative changes that have been achieved over the past ten years since I left my role as country director," he said.

Zutt joined the World Bank in 1999 and has since held several leadership positions.

Before taking charge as South Asia vice president, he was the World Bank's country director for

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Construction slumps as public spending slows

PHOTO: ANISUR RAHMAN

Prices of key construction materials have surged by 12 percent to 15 percent in recent years, industry insiders said.

JAGARAN CHAKMA

Bangladesh's construction sector, one of the country's largest sectors, is reeling from a sharp contraction in public project implementation and spending, underscoring growing stress across the broader economy, according to industry insiders and analysts.

The sector's woes are laid bare in the latest Purchasing Managers' Index (PMI) report of the Metropolitan Chamber of Commerce and Industry (MCCI) and Policy Exchange Bangladesh (PEB).

It reveals that the construction index has dipped below the crucial 50-point mark. A reading under 50 signals contraction, suggesting that instead of expanding, the sector is now grappling with a downturn.

Meanwhile, the implementation rate of the Annual Development Programme (ADP) fell to a record low of 49 percent in the first 11 months of fiscal year (FY) 2024-25 (July-May).

This signals a significant slowdown in development spending compared to previous years.

"The construction sector in Bangladesh is facing unprecedented challenges," said Mir Nasir Hossain, managing director of Mir Akhter Hossain Ltd and a former president of the Federation of Bangladesh Chambers of Commerce and Industry.

He said prices of key construction materials have surged by 12 percent to 15 percent in recent years, while fund disbursement for government projects has slowed considerably.

As a result, most firms are incurring losses in one way or another, he said.

"Bank interest rates have jumped nearly 44 percent, rising from 9 percent to between 14 and 16 percent, significantly increasing borrowing costs for construction companies," said Hossain.

He further said changes in loan classification regulations have heightened the risk of companies being labelled loan defaulters, posing a serious threat to their survival.

"Although the public procurement rules allow for price adjustment clauses in projects exceeding 18 months, in practice, these clauses are not always effectively implemented, leaving contractors vulnerable to price volatility," he added.

Hossain also pointed out that foreign firms, particularly Chinese companies, continue to enjoy advantages in the local market—whether in financing, resources, or government facilitation—while domestic firms are grappling with rising costs, payment delays, and regulatory uncertainties.

Monir Uddin Ahmed, president of the Bangladesh Association of Construction Industry, said public infrastructure work has nearly ground to a halt because the interim government is not allocating sufficient funds for new projects.

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Apparel exports to US rose 14% in FY25

STAR BUSINESS REPORT

Bangladesh's garment exporters registered the highest growth in shipments to the United States (US) in the just-concluded 2024-25 fiscal year, thanks to the shifting of work orders from other countries, mainly China.

Bangladesh shipped $7.54 billion worth of apparel to the US in the last fiscal year, posting a 14 percent year-on-year growth.

With the spike, the share of exports to the US in overall garment shipments edged up nearly one percentage point to 19.18 percent year-on-year in FY25, according to the Export Promotion Bureau (EPB).

"Many American buyers increased sourcing from Bangladesh in the last fiscal year after shipments from Vietnam got stuck. US trade tensions with China also made some buyers source from us," said Shams Mahmud, managing director of Shasha Denims Ltd, a leading apparel exporter.

In FY25, woven garments accounted for the majority of the shipments to the US, the single biggest market for Bangladesh. Exports of woven items grew 13 percent year-on-year to $4.94 billion in FY25.

But knitwear makers' exports soared 15 percent year-on-year to $2.59 billion during the period.

Overall, Bangladesh sent over $39 billion worth of apparel in FY25, posting nearly a 9 percent growth.

The European Union (EU) bought half of the garments sold by the South Asian country, the world's second-largest apparel exporter after China.

In FY25, garment exports to the EU expanded 9 percent year-on-year to $19.7 billion.

Within the EU market, where Bangladesh's goods get duty-free entry, Germany was the biggest destination, followed by Spain, France, and the Netherlands, according to EPB data.

Apart from the US and EU, the UK, Canada, and Japan were the largest markets for apparel in the last fiscal year.

Mohiuddin Rubel, managing director of Bangladesh Apparel Exchange, an initiative to promote local apparel and textiles, said that since the onset of Covid-19, the global landscape has taken unexpected turns, presenting a cascade of new challenges each day.

"Our performance remains robust in the traditional markets, boasting an impressive 84 percent share of our total apparel exports. However, the non-traditional market tells a different story, with our current stake standing at a modest 16 percent."

Exporters define the EU, US, UK, and Canada as traditional markets, while the rest—including Japan, Australia, and India—as non-traditional ones.

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