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City Bank gets $75m from AIIB, NDB

STAR BUSINESS DESK

The Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB), two global multilateral development banks, will provide City Bank PLC $75 million in long-term financing for private sector projects with a strong focus on renewable energy and sustainable infrastructure.

The organisations recently signed an agreement to that end, reads a press statement by the bank. Under the arrangement, the AIIB will provide $50 million while the NDB will extend $25 million.

This initiative marks the AIIB's first on-lending facility to any private bank or organisation in Bangladesh without a sovereign guarantee.

The financing is expected to help reduce Bangladesh's infrastructure financing gap and promote investments in energy, energy efficiency, e-mobility, and digital infrastructure.

Mashrur Arefin, managing director and CEO of City Bank, and Gregory Liu, director general for financial institutions and fund clients, global, at the AIIB, initially signed the deal in Beijing. Later, Roman Serov, vice-president and chief operating officer of the NDB, and Bin Hun, director general, signed the long-term financing agreement with City Bank.

Commenting on the partnership, Arefin said, "This long-term financing partnership with the AIIB and the NDB not only demonstrates their confidence in City Bank but also empowers us to

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ADB to cancel or redirect $408m amid project delays

REJAUL KARIM BYRON *and* AHSAN HABIB

The Asian Development Bank (ADB) will cancel or redirect around $408 million from projects in Bangladesh this year due to prolonged implementation delays, even as several ADB-funded schemes made progress.

The Manila-based lender announced the decision at a project implementation review meeting in Dhaka on Tuesday, attended by officials from the ADB, the Economic Relations Division (ERD), and other ministries. Such reviews are held twice a year to speed up project execution.

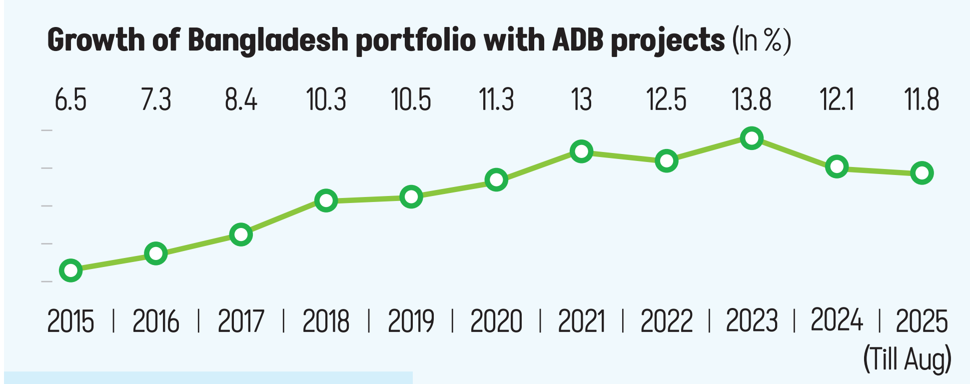
"Some projects have faced significant delays in implementation," the ADB noted in its report.

"Taking into consideration the country's risk appetite and tolerance under the ADB exposure limits framework, partial cancellation of poorly performing loans can create more headroom for new lending opportunities that support the government's priorities," it also stated.

According to the breakdown, $135 million was already cancelled earlier this year due to unused balances at project closing, stemming from procurement savings and favourable foreign exchange rate changes. Another $166 million is set to be cancelled by December, while $107 million will be repurposed for other programmes, bringing the total to $408 million.

This comes as Bangladesh struggles with weak public investment spending. In fiscal year (FY) 2024-25, development expenditure reached only 68 percent of the revised annual development programme (ADP) — the lowest in nearly 50 years. In the first two months of FY2026, implementation was just 2.39 percent, the poorest in 16 years. Earlier this year, the World Bank also repurposed $670 million from 11 ongoing projects for similar reasons.

A senior ERD official said the stalled projects had remained inactive for a long time. "With the cancellation and repurposing, this fund can be diverted to other priority projects, relieving Bangladesh from paying project commitment charges," the official said.



Average days required in procurement

- 2020: 218 days
- 2021: 260 days
- 2022: 214 days
- 2023: 251 days
- 2024: 144 days
- 2025 (As of Aug 31): Around 165 days

Recommendations to speed up ADB-financed projects

- Ensure project readiness
- Establish realistic procurement timelines
- Engage qualified and experienced consultants
- Organise project specific training
- Strengthen e-GP system

SOURCE: ADB

The ADB argued that such steps would strengthen portfolio management and ensure more effective use of public funds. "These steps will enhance portfolio performance and quality," it added.

The lender also highlighted project readiness as a critical factor behind delays, urging ministries to meet new preconditions before taking foreign loans. The government has already tightened requirements — such as securing land, preparing resettlement plans, and finalising tender documents — before projects receive approval.

"The ADB will keep working closely with executing agencies to make projects fully ready for procurement, approvals, safeguards, land acquisition, and manpower," it said.

The bank also acknowledged that 2025 is a challenging year for Bangladesh, with the national election and electoral code of conduct expected to disrupt project activities later in the year. In anticipation, the ADB has set conservative targets for contract awards and disbursements.

"More than half of the current year has passed. So far, implementation performance has been satisfactory, but to maintain this, some areas require greater focus. We still have to achieve another $150 million in contract awards and $661 million in disbursements," the report noted.

To facilitate timely processing, the cut-off date for receiving withdrawal applications and supporting documents has been set for 10 December 2025. Only the next two months — until the end of November — remain available for civil works, procurement of goods, and consultancy services, for which agencies can claim reimbursements or direct payments.

As of August 2025, Bangladesh's ADB-financed portfolio stood at $11.81 billion across 50 projects in seven sectors, alongside 37 ongoing technical assistance projects worth $61.2 million.

Procurement, a major bottleneck in implementation, has shown gradual improvement.

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UN SUPPORT FOR LDC REVIEW

Helpful, but won't guarantee deferment, say economists

REFAYET ULLAH MIRDHA

The United Nations (UN) will support an assessment of Bangladesh's readiness to graduate from least developed country (LDC) status, which economists say would be helpful for, but not guarantee, a deferment of the transition.

The review is expected to start within a month and conclude by mid-January 2026, according to UN Under-Secretary-General Rabab Fatima, who is also the UN high representative for LDCs, and developing landlocked and small island states.

According to the Chief Adviser's Office, the assessment will be carried out by an international consultant alongside a Bangladeshi expert to ensure a comprehensive and balanced evaluation.

The UN move follows a formal request from the interim government, Fatima said during a meeting with Chief Adviser Prof Muhammad Yunus at his hotel in New York on Monday.

Regarding the move, Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue (CPD), said the first deferment of the graduation, until 2026, came in an assessment in 2021.

A transition period of three years was granted, but it was extended to five years due to the severe fallout from the Covid-19 pandemic.

Mustafizur Rahman said a UN team is scheduled to visit Bangladesh in November this year to assess the state of the economy, and Bangladesh should then raise its voice in favour of its demand for the deferment for a specific number of years.

For instance, earlier a Smooth Transition Strategy (STS) was formulated as part of the government's preparation guideline for LDC graduation.

Here, Bangladesh can argue with the UN that the country's progress in readiness as per the STS is still not satisfactory due to last year's political transition and uncertainties in some economic areas.

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PHOTO: STAR/FILE

A billion-dollar opportunity exists to attract global players across ports, river terminals, multimodal transport, and inland container services, according to a report.

Bangladesh drew less than 5% of S Asia's logistics FDI: report

STAR BUSINESS REPORT

Bangladesh has attracted $1.8 billion in greenfield foreign direct investment (FDI) in logistics between 2019 and 2024, accounting for 4.9 percent of South Asia's total, according to a report by GlobalData and the International Finance Corporation (IFC).

The country registered 10 projects in logistics and warehousing operations during the period, apart from receiving $185.6 million in FDI in sales and administration business functions relating to the logistics sector, said the study.

Posted on the Bangladesh Investment Development Authority's website, the study was published in June this year.

Of the investment, the report cited the plan of UAE-based Abu Dhabi Ports to invest $1 billion in the construction of a multipurpose terminal under the Bay Terminal project at Chattogram port.

It also cited the announcement of Denmark-based shipping company AP Moller-Maersk to invest $400 million to open a new container terminal in Laldia, Chattogram.

However, from a South Asian perspective, Bangladesh's share in FDI projects was far below that of India. South Asia attracted 258 logistics FDI projects, with India leading at 85 percent.

The study said the global economy is changing rapidly, driven by politics, policy, and technology, and recommended that the government plan strategically.

The government should enable and encourage the development of logistics

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As bond yields fall, will lending rate decline in coming months?

SOHEL PARVEZ

After the yield on the 10-year Bangladesh government bond fell below Bangladesh Bank's (BB) policy rate of 10 percent last month, the 15-year bond followed suit. Its yield dropped further to 9.67 percent, the lowest since October 2023.

On the other hand, the weighted average interest rate on loans and deposits rose further in August. The interest rate on deposits stood at 6.39 percent and advances at 12.15 percent, the highest since July 2019.

Now the question that comes to mind is: will the interest offered by banks and financial institutions decline?

"Definitely," said Syed Mahbubur Rahman, managing director and CEO of Mutual Trust Bank PLC. "It is expected that the overall interest rate will come down," he said.

However, there is a condition — the policy rate has to decline.

The BB has been maintaining a contractionary monetary policy stance for nearly two years to bring down inflation.

The annual average inflation rose to 10.03 percent in June from 9.73 percent a year ago. The central bank hiked the repo, or policy rate, to 10 percent in October 2024, the 11th time since May 2022.

Bankers said yields on treasury bills and government bonds have been falling over the past three months, ending the upward trend that began two years ago.

A number of factors are behind this.

Amid sluggish demand for private credit, banks with surplus funds are more inclined to invest in government securities. Other institutional investors find investment in bonds more attractive than stocks.

At the same time, the BB's purchase of US dollars from the forex market caused a spike in liquidity flow to the market.

Overall, investment opportunities have declined. So, banks are investing in bonds, he said. The BB data showed that private credit grew 6.52 percent year-on-year in July this year, up slightly from 6.49 percent in June, the lowest in four months, because of political uncertainties, high borrowing costs, and sluggish business sentiment.

There was slack demand for funds from the government too, particularly because of a slow start in the implementation of the annual development programme. All this contributed to the fall in yields on bonds and bills, said one chief of treasury at a private bank.

"Besides, our import business has declined. This is a major reason behind the fall in private credit growth," he said.

After a 1.75 percent rebound in imports in fiscal year (FY) 2024-25, the opening of letters of credit for imports grew 8.28 percent year-on-year in the July-August period of FY26, according to BB data.

Ashim Kumar Saha, deputy managing director of Mercantile Bank PLC, said liquidity flow has increased due to the purchase of US dollars by the central bank in recent months.

The BB bought more than $1.7 billion since July by paying for the US dollars with the local taka from the market.

"Some banks have started reducing the interest rate. But it is yet to have an impact on the overall market. We expect the interest rate on deposits to drop, but it may take some time," he said.

SM Galibur Rahman, head of research and strategic planning at Shanta Securities, said after reducing the interest rate on deposits, banks usually take two to three months to cut lending rates.