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Star BUSINESS

Outages taking toll on RMG

BKMEA says

STAR BUSINESS REPORT

Acute load-shedding is severely affecting garment production in the country, which in turn is creating serious challenges for the timely shipment of goods, said Mohammad Hatem, president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

The power situation remains concerning at present, with load-shedding averaging two to three hours and reaching up to six to eight hours in some areas, he said at a press conference held at Pan Pacific Sonargaon Dhaka.

Delays in production and shipments caused by load-shedding are leading to additional costs such as air shipments or discounts, Hatem said.

At the same time, factories must pay workers even during production downtime, thereby increasing overall costs, he added.

Rising fuel and transportation costs have further compounded the situation, as many factories are facing challenges in obtaining diesel for running generators, the association president said.

He also noted that the Bangladesh Petroleum Corporation had instructed that fuel should not be supplied in containers, while the district administration was monitoring the matter and imposing fines where necessary. READ MORE ON B3

Govt plans higher spending for growth, stability

Finance minister in pre-budget talks rejects money printing reports, highlights deregulation push

STAR BUSINESS REPORT

Finance Minister Amir Khosru Mahmud Chowdhury said the government will raise spending on health and education in the upcoming budget as part of a wider effort to boost economic growth.

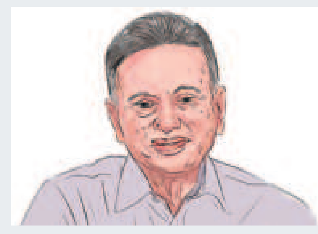
While speaking at separate pre-budget discussions with editors, broadcast journalists and members of the Economic Reporters' Forum (ERF) yesterday, he defended plans for higher public expenditure as part of efforts to restore macroeconomic stability.

"If we want economic growth, we must increase the size of the budget," he said in response to questions about a projected Tk 900,000 crore outlay for the next fiscal year.

The government is also shifting its education policy towards vocational training and wider skills development in an effort to boost employment and overseas remittances. This will be matched by a stronger focus on capital investment, which officials said is essential because "without capital investment, our revenue will not increase".

The targeted social spending, including a "Family Card" cash transfer scheme for female-headed households and plans for universal primary healthcare, is part of a broader ideological mandate to dismantle the political patronage of the previous administration.

"We are democratising the economy because democracy cannot survive if people cannot participate in the economy. We must move away from crony capitalism," Chowdhury said.



"We are democratising the economy because democracy cannot survive if people cannot participate in the economy. We must move away from crony capitalism."

Amir Khosru Mahmud Chowdhury
Finance minister

He added that the government would also provide financing, branding and marketing support for local artisans to help build a creative economy.

To support private sector growth, the minister promised an aggressive deregulation drive.

"Bangladesh was over-regulated to protect cronies," he said. "We

READ MORE ON B3

LDC GRADUATION

Bangladesh readies for UN panel hearing

REFAYET ULLAH MIRDHA

Citing three major economic challenges, the government has prepared its position paper ahead of a United Nations hearing on Bangladesh's request to defer its graduation from the least developed country (LDC) category.

In a virtual meeting of the United Nations Committee for Development Policy (UNCDP) on April 29, Bangladesh will seek a three-year deferral of its scheduled graduation in November this year.

Dhaka plans to highlight a serious gap in preparedness, incomplete core reforms and the economic fallout from the US-Israel war on Iran as key reasons for postponement.

In addition, Bangladesh will raise concerns over vulnerabilities in the financial sector, weaknesses in the banking system, an export slowdown due to volatile global supply chains, high interest rates and an uncertain business and investment climate, said Md Abdur Rahim Khan, additional secretary to the commerce ministry.

Khan, who is also in charge of the commerce secretary, told The Daily Star over the phone that Bangladesh's case for deferment has strengthened after Nepal, another South Asian LDC set to graduate, also applied to the UN for a three-year extension.

Bangladesh, Nepal and Lao PDR are scheduled to graduate from LDC status on November 24 this year. However, Bangladesh and Nepal have now sought to delay the transition until 2029, citing domestic and external economic pressures.

READ MORE ON B3

Govt plans telecom overhaul

Says PM's adviser

STAR BUSINESS REPORT

Bangladesh's mobile and broadband internet services rank among the worst in the world despite a large subscriber base, and a connectivity-led reform plan is being prepared to address the challenge, Rehan Asad, the prime minister's adviser on telecom and ICT, said yesterday.

Speaking at a seminar titled "New Telecom Policy: Expectations of Entrepreneurs", organised by the Telecom and Technology Reporters Network Bangladesh, he said the government sees better connectivity as the key to solving long-standing structural problems in the sector.

"Nothing is more important than connectivity for this government. And that connectivity means both mobile and broadband services. It is not either-or -- it is both," he said.

Asad said Bangladesh is among the top 10 countries by mobile subscriptions, but service quality remains very poor.

"Even in South Asia, Nepal and Bhutan are ahead of us," he said.

He added that broadband services are also weak. "In broadband, we are in an equally bad or worse position -- 141st out of 153 countries in terms of service quality," he said.

"These are not my findings. They come from global reports by GSMA and the International Telecommunication Union," he added.

He said the government plans to fix these problems by rapidly expanding mobile and broadband infrastructure.

"We want to connect 90 percent of the population with 5G and provide

READ MORE ON B2

Bank Resolution Act effectively reinstates looters: experts

STAR BUSINESS REPORT

The Bank Resolution Act-2026, passed with new provisions added overnight, is effectively rehabilitating bank looters and putting the entire banking sector at risk, economic experts, academics, and activists said yesterday.

Clause 18(a) of the law could allow those who previously looted the sector in a planned manner to regain ownership, the speakers warned at a roundtable organised by Voice for Reform at the BDBL building in Karwan Bazar, Dhaka.

Badiul Alam Majumdar, secretary of Shushashoner Jonno Nagorik (Shujan), noted that many of those who looted the sector are yet to be brought to justice.

He said all masterminds behind the takeover of Islami Bank Bangladesh, including S Alam, should be held accountable.

He outlined three steps needed to put the banking sector on a firm footing. First, identifying and ensuring exemplary punishment for perpetrators of banking fraud. Second, implementing systemic reforms such as cashless transactions to prevent recurrence. Lastly, completing institutional reforms, including making Bangladesh Bank an independent constitutional body.

AKM Waresul Karim, dean of the School of Business and Economics at North South University, said the government had resorted to "very low-grade tactics" over the proposed ordinance.

He criticised the Bank Resolution Act as one of its provisions allows shareholders who held ownership immediately before a bank was placed under resolution to apply for reinstatement.

He said the provision blocks the return of long-standing institutional owners like Kuwait Finance House while opening the door for those who acquired ownership by creating "pressure through the DGFI" or through other unethical means. READ MORE ON B2

Cost of customs upgrade project set for 40% hike

Tk 1,700cr project has spent less than 1% of budget in three years

REJAUL KARIM BYRON

Three years after launch and with over 99 percent of its budget unspent, a nearly Tk 1,700 crore customs modernisation project is set to be presented to the Executive Committee of the National Economic Council (Ecnec) today with a proposal to extend its deadline and raise costs by nearly 40 percent.

The Customs Modernisation and Infrastructure Development project was launched in April 2023 with World Bank (WB) financing to modernise key customs offices, including Chattogram, Benapole and Dhaka.

It was scheduled for completion by March 2026. As of June 2025, only Tk 5.14 crore had been spent of the original Tk 1,686 crore budget, of which Tk 1,475 crore was a WB loan.

Although Tk 113 crore has been allocated in the current fiscal year, the government is now seeking to extend the project's duration and increase its cost.

A senior planning ministry official said a revised proposal has been listed for presentation at today's scheduled Ecnec meeting.

The proposal, seen by The Daily Star, recommends increasing the project cost by 39 percent to Tk 2,344 crore, with the WB loan increasing by 34 percent, or Tk 507 crore. It also proposes extending the deadline to June 30, 2028.

READ MORE ON B2

Prime Bank secures $30m loan from Opec Fund to boost trade finance

STAR BUSINESS DESK

Prime Bank PLC has signed a $30 million term-loan agreement with the Opec Fund for International Development (Opec Fund), an international development finance institution.

The strategic collaboration is expected to significantly enhance Prime Bank's capacity to support critical trade finance requirements across the country's small and medium enterprise (SME), agriculture, and corporate sectors.

Faisal Rahman, chief executive officer (current charge) of the bank, and Abdulhamid Alkhalifa, president of the Opec Fund, signed the agreement in Dhaka recently, according to a press release.

Commenting on the partnership, Alkhalifa said, "MSMEs and agribusinesses play a vital role in jobs, food security, and economic resilience in Bangladesh, yet many still struggle to access trade finance."

"Our partnership with Prime Bank will help unlock new opportunities, diversify exports, and strengthen the country's private sector. This loan builds on our long-standing collaboration and reflects our commitment to inclusive, sustainable growth," he added.

Rahman said, "We are delighted to enter into this strategic partnership with the Opec Fund. The three-year expandable term-loan facility will meaningfully enhance our capacity to support the trade financing needs of our valued clients."

Prime Bank

"This collaboration comes at a critical time when businesses are navigating uncertainties in the global economic landscape," he added.

The Opec Fund's support reinforces our relationship and reflects its strong confidence in Prime Bank's governance, operational resilience, and future ambitions in supporting the national economy, the release added.

The facility, structured as a term-loan, will be provided to Prime Bank's offshore banking unit by the Opec Fund.

It carries an initial tenor of one year, with a provision for extension up to three years.

This financing is expected to strengthen Prime Bank's trade finance portfolio, providing much-needed stability and support to Bangladeshi businesses navigating complex global economic headwinds.

Bank Asia leads seminar on 'Cashless Bangladesh Initiative' in Narsingdi

PHOTO: BANK ASIA

Arief Hossain Khan, executive director of Bangladesh Bank, attends the seminar, titled "Cashless Bangladesh Initiative", led by Bank Asia PLC, at the Bangladesh Shishu Academy auditorium in Narsingdi recently.

STAR BUSINESS DESK

Bank Asia PLC led a daylong seminar, titled "Cashless Bangladesh Initiative", organised by Bangladesh Bank, to promote digital transactions and enhance financial awareness.

Held at the Bangladesh Shishu Academy Auditorium in Narsingdi, the event aimed to promote digital financial services among students, teachers, businesspeople, customers, bank officials, mobile financial service (MFS) representatives, and the wider community.

Arief Hossain Khan, executive director of Bangladesh Bank, inaugurated the programme as the chief guest, according to a press release.

The event featured a rally, seminars, presentations, open discussions, and awareness campaigns showcasing the benefits of Bangla QR and other digital payment platforms, encouraging a shift from cash-based to digital transactions.

Md Abdullah-Al-Faruq, superintendent of police in Narsingdi, and Mirza Azhar Ahmed, deputy managing director of Bank Asia PLC, attended the event.

ANM Moinul Kabir, director of the Payment Systems Department-1 of Bangladesh Bank, presided over the programme.

The programme included a detailed presentation on the 'Cashless Bangladesh' initiative by Bangladesh Bank, followed by speeches from distinguished guests and an interactive open discussion session.

Promotional campaigns and roadshows were also organised at selected locations, including Bangla QR leaflet distribution, banner displays, and special discount offers on QR-based payments.

Special emphasis was given to the advantages of Bangla QR, focusing on its speed, convenience, and security. These features play an important role in accelerating financial inclusion and supporting the development of a strong digital financial ecosystem across the country.

Officials from Bangladesh Bank, branch managers of banks in Narsingdi, regional MFS representatives, members of merchant associations, students, and teachers, actively engaged in the sessions and showed strong interest in organising similar initiatives in the future.

Kafi promoted to DMD of Dhaka Bank

STAR BUSINESS DESK

SM Abdullah H Kafi

Dhaka Bank PLC has promoted SM Abdullah H Kafi to the post of deputy managing director (DMD).

Prior to the promotion, he has been leading internal audit, internal control, and compliance functions, significantly strengthening the bank's governance and risk management framework, according to a press release.

Kafi joined Dhaka Bank PLC in 2015, bringing over 27 years of extensive experience in governance, risk and compliance (GRC), business transformation, resilience, and central banking.

He began his career in 1999 as an assistant director at Bangladesh Bank.

He later served at Citibank NA as resident vice-president, leading the operational risk and internal control (ORIC) framework and overseeing business resilience risk management for the country franchise.

Subsequently, Kafi joined HSBC Bangladesh as country head of operational risk.

He later assumed the role of head of global internal audit at HSBC Bangladesh, driving risk-based internal audit practices aligned with HSBC Group standards.

Kafi obtained his master's degree in finance from the University of Dhaka.

BRAC Bank holds remittance awareness conference

STAR BUSINESS DESK

BRAC Bank PLC recently organised a remittance awareness conference in Bogura, reaffirming its commitment to raising public awareness about sending remittances through formal banking channels.

Held at the Mahasthangarh Agent Banking Outlet, the event brought together members of expatriate families and local residents for an interactive discussion on the importance of using formal channels for foreign remittance transfers.

The session highlighted the benefits of sending remittances through banking channels and the risks associated with informal systems such as hundi.

Bank officials emphasised that formal channels ensure safety, transparency and regulatory compliance while also contributing to foreign exchange reserves and overall economic stability.

Participants were introduced to the features and benefits of the bank's "Probashi Paribar" accounts, designed for expatriates and their families.

Bank Resolution Act effectively reinstates looters

FROM PAGE B1

Toufic Ahmad Choudhury, former director general of the Bangladesh Institute of Bank Management (BIBM), called for bringing willful defaulters to book, saying that no resolution measures would yield results unless those responsible for the current crisis are punished.

He also cautioned that rescheduled loans should not have their default status changed until fully repaid – a rule routinely flouted as elections approach, when defaulters reschedule debts.

"Through this process, they remove themselves from the list of defaulters and become 'regular' borrowers. Subsequently, they take the opportunity to secure hundreds of crores of taka in additional loans from the same banks," he said.

Shawkat Hossain Masum, head of online at Prothom Alo, said it was inevitable that some banks in the country would reach the point of insolvency.

He stated that in November 2022, the central bank claimed that there were no problems in the banking sector, even though the real situation was more or less known to everyone. "It was not that Bangladesh Bank was unaware; rather, it was either helpless in the face of politicisation, complicit in it, or both."

He claimed that the interim government opted for merging troubled banks as "no government wants to bear the stigma" of closing banks.

Considering various realities, he said merging two weak banks and making the initiative successful is already very difficult. "Expecting five weak banks to merge and succeed together is a very remote aspiration."

Meanwhile, Professor Mushtaq Khan of SOAS University of London said the interim government should have nationalised or confiscated assets of individuals involved in bank looting.

"Failing to do so was a major mistake," he said, noting that the manner of the looting makes recovery through collateral seizure difficult.

Sarwar Tusher, a joint convener of the National Citizen Party (NCP), accused the current BNP-led government of setting "extreme examples of politicisation" in the economy within two months of taking office.

Criticising BB Governor Md Mostaqur Rahman, the NCP leader said the governor was a "politically affiliated individual" who reportedly has "past links with S Alam".

He went on to allege that several ministers of the new government have connections with the controversial business group, warning that a major crisis in the banking sector, similar to that in the energy sector, may be imminent.

Shams Mahmud, former president of the Dhaka Chamber of Commerce & Industry, said Islami Bank was captured through the stock market.

Instead of direct acquisition as entrepreneurs, the bank's shares were quietly purchased through various anonymous groups and later transferred to a specific group, he added.

"Even if the front door is closed through banking laws, such looting cannot be stopped if the back door, like the stock market, remains open," said Mahmud.

Asif Khan, president of CFA Society Bangladesh, suggested issuing long-term bonds to depositors as an immediate measure to heal the deep wounds in the banking sector.

He said that while small depositors could be fully repaid, larger depositors might need to accept some "haircut," or partial losses.

Govt plans telecom overhaul

FROM PAGE B1

100 Mbps internet to 90 percent of users," he said.

He said the goal is to ensure consistent internet service across both urban and rural areas, so users no longer face uncertainty in accessing basic connectivity. The second priority is to build a unified digital ecosystem through a nationwide digital identity system.

He explained that each citizen will receive a digital ID linked to a digital wallet that can connect with banking and mobile financial services.

The government is studying global models such as Singapore's Singpass and Estonia's digital system, with plans to begin rollout within the next 12 to 18 months.

The third priority is to turn Bangladesh into an AI-enabled economy, he said, adding that artificial intelligence will be introduced in education and industry. The fourth priority is reforming the telecom tax system.

"When someone recharges Tk 100, they receive only Tk 62 worth of service. The remaining Tk 38 goes to the government," he said.

"We want to examine the whole value chain so that a person can receive Tk 80 to Tk 90 worth of service."

He added that Bangladesh is the third-largest collector of telecom taxes globally, which also affects affordability, including access to smartphones.

Asad said the reforms will require coordination between industry players and government agencies, and that discussions with stakeholders are already underway.

Not all problems will be solved immediately, he said, adding that the current work marks the start of a longer reform process.

Sumon Ahmed Sabir, deputy managing director of Fiber@Home, said at the event that policies and guidelines enacted by the interim government unfairly allowed foreign entities to obtain licences across multiple layers.

"The cross-layer empowerment of foreign entities could ultimately lead to 'super-dominance' in mobile infrastructure by one or two companies," he said. He also warned of risks to national security and data governance.

Some representatives of local companies at the event also alleged that the Bangladesh Telecommunication Regulatory Commission (BTRC) formulated policies and guidelines without adequate consultation with industry stakeholders.

Md Emdad Ul Bari, chairman of the BTRC, stated that their claims were unfounded.

BTRC had conducted extensive consultations with industry players, academia, and government bodies during the policy formulation process, he said.

Bari added that the primary objective of the regulator was to ensure that the policies serve the industry as a whole.

He also noted that the guidelines and policies are currently being reviewed again, in consultation with the newly elected government.

Cost of customs upgrade project

FROM PAGE B1

The proposal attributes the cost increase to revisions made at the detailed design stage, after the initial estimate was based on conceptual design.

The earlier exchange rate assumption of Tk 102 per US dollar has been revised to Tk 122. Rising construction rates and higher VAT and tax rates have also contributed to the escalation.

At present, Dhaka Customs handles large volumes of air freight and courier consignments, Chattogram Customs manages 90 percent of the country's import-export activity, and Benapole Customs oversees the bulk of land trade.

The project will introduce modern infrastructure and technology at these offices to speed up import-export operations, reduce tax evasion, and strengthen the detection of money laundering.

Planned works include construction of office buildings, laboratories, warehouses and residential facilities at Chattogram Customs House, as well as a new building for the Customs, Excise and VAT Training Academy. Baseline, midline and endline time-release studies will be conducted at major customs stations.

A tariff policy implementation plan will also be prepared, the existing tariff structure reviewed, and the feasibility of tariff reforms assessed using ASYCUDA World, National Single Window and Automated Risk Management System software.

Higher tax rates may fuel money laundering risks: MCCI

STAR BUSINESS REPORT

Raising tax rates on high-income earners without expanding the tax net could backfire, potentially encouraging money laundering and capital flight, the Metropolitan Chamber of Commerce and Industry (MCCI) said yesterday.

"Raising tax rates on high-income taxpayers may discourage compliant taxpayers and increase the risks of tax evasion or capital flight," MCCI President Kamran T Rahman said while presenting budget proposals for the upcoming fiscal year 2026-27 at a pre-budget discussion with the National Board of Revenue (NBR) in Dhaka.

"In the context of regional competition, it is essential to keep tax rates reasonable. Expanding the tax base, rather than increasing tax rates, could be a more effective and sustainable solution for boosting revenue," he added.

The chamber said maintaining a rational and predictable tax regime is essential to retain investment and ensure compliance in the region marked by growing tax competition.

The trade body recommended broadening the tax base to bring more individuals and businesses, particularly from the informal sector.

Currently, despite having more than one crore registered taxpayers with electronic tax identification numbers (e-TINs), fewer than half regularly file returns, pointing to a structural weakness in the system.

The MCCI proposed introducing a symbolic minimum tax, ranging from Tk 100 to Tk 1,000 annually, along with a simplified one-page digital return-filing system via mobile applications.

"This would encourage first-time taxpayers to enter the formal system and gradually build a culture of compliance," Rahman said.

The chamber also flagged concerns over the effective tax rate faced by businesses, noting that multiple layers of advance income tax (AIT), tax deducted at source (TDS), and various conditionalities often push the actual burden to as high as 40-50 percent, far exceeding statutory rates.

Such distortions reduce the benefits of nominal tax cuts and create disincentives for formal business operations, it said.

MCCI urged policymakers to move towards a simplified, income-based taxation system, reduce conditionalities tied to corporate tax rates, and accelerate digital integration across income tax, VAT, and customs platforms.

It also called for easing compliance requirements, such as the Proof of Submission of Return (PSR), rationalising VAT rates, and ensuring faster, automated input tax credit mechanisms.

Govt plans higher spending

FROM PAGE B1

are serious about deregulation to simplify business. You will see this reflected in the upcoming budget."

Despite deep structural weaknesses inherited by the BNP government, Chowdhury said maintaining macroeconomic stability and financial discipline remains their top priority.

Turning to the country's battered capital market, which he previously described as having been "looted" by political cronies, the minister promised sweeping interventions to restore investor confidence.

"We have a major programme for the stock market; wait a little, and you will see changes," said Chowdhury. "The capital market will be fully reformed."

PRINTING MONEY CLAIMS

The authorities categorically rejected recent media reports claiming that the central bank had printed Tk 20,000 crore for the government.

Bangladesh Bank (BB) Governor Md Mostaqur Rahman dismissed the reports as "completely untrue," saying that such claims could damage the country's sovereign rating and raise borrowing costs.

He said fluctuations in the government's "Ways and Means" advance account are part of routine financial operations.

Chowdhury echoed the governor, saying he was "deeply saddened" by the rumours.

"During our political movement, we repeatedly protested against printing money and the government's heavy borrowing from banks, which crowded out the private sector," said the finance minister. "We cannot deviate from our manifesto promises."

He said that creating "high-powered money" would fuel inflation and squeeze an already undercapitalised private sector. He described fiscal restraint as "one of the foundational principles of the government's economic policy".

Bangladesh has been facing inflation of around 9 percent since March 2023, and economists have cautioned that expanding money supply could make it harder to bring prices under control.

The minister blamed the country's economic difficulties on a legacy of "political patronage" that allowed the state to fall "into the hands of oligarchs".

He said this system enabled widespread tax avoidance, pushing the tax-to-GDP ratio down from 11 percent to below 7 percent. "The financial sector became so heavily politicised that banks have essentially been emptied, and the stock market was looted," he said.

He added that the private sector is now "severely undercapitalised", with currency depreciation and high inflation eroding working capital and contributing to job losses.

Responding to pressure from international lenders to raise revenue quickly, he offered a reality check. "Raising taxes right now is an extremely difficult task. When institutions like the IMF and the World Bank push for a higher tax-to-GDP ratio, you must understand the situation before demanding reforms."

"We cannot act like dictators and forcefully extract money from those who simply cannot afford to pay," he said.

Instead, the government is working on restructuring the tax system, which Chowdhury described as "half-baked". A committee has been formed to separate tax policy from implementation, with the aim of making future policy more representative.

To revive economic growth without adding inflationary pressure, he promised further deregulation to reduce the "cost of doing business", which he said had been driven up by port delays, customs procedures and road extortion.

Deploying police to inspect markets, he said, would not resolve the problem. "The issue must be fixed in the supply chain," he said. He also said the government aims to strengthen small and medium-sized enterprises, which is central to job creation. "We need mega-industries, yes, but the SME sector is the true engine of employment."

BANKING SECTOR AND MONEY LAUNDERING

BB Governor Mostaqur Rahman also gave a stark assessment of the banking sector, saying nearly one-third of deposits are in default. He described many bad loans as "essentially thefts" with little or no collateral.

To claw back capital, the government is stepping up efforts to recover money allegedly smuggled abroad by former business elites.

Nazma Mobarek, secretary of the Financial Institutions Division, said a joint investigation team is working on 11 priority cases, with Mutual Legal Assistance (MLA) requests sent to 23 countries to trace and recover assets.

Domestically, the National Board of Revenue (NBR) is trying to plug a severe revenue shortfall by widening the tax base and increasing digital enforcement rather than raising rates on existing taxpayers.

Noting that corporate tax rates have already fallen from 50 percent in the 1980s to 20 percent today, officials said that further cuts would not resolve chronic tax evasion.

"If we reduce it further, the tendency of tax evasion remains a challenge; we will consider how to address this gap," NBR Chairman Md Abdur Rahman Khan said. "Expanding the tax base is highly relevant. Currently, our VAT base is very small. We are planning how to expand it and ease compliance."

He added that online tax filing would become mandatory from next year. "The system automatically identifies non-filers," he said. "We will pursue them and expect substantial tax collection."

Senior journalists, including Channel i's Head of News Shykh Seraj and The Financial Express Editor Shamsul Huq Zahid, attended the second budget discussion.

At the earlier session, ERF President Doulot Akter Mala and General Secretary Abul Kashem spoke.

Outages

FROM PAGE B1

Under such circumstances, transporting generators to filling stations to collect fuel is not a practical solution, he added.

Hatem said overall production costs have increased by at least 20 percent, but exporters are unable to pass on the additional costs to buyers as prices are fixed in advance.

Meanwhile, global demand has declined, leading buyers to reduce order placements.

He said exports have been declining in recent months, while factories are currently operating at only 50-60 percent of their capacity.

At the press conference, the BKMEA president also announced that a four-day Bangladesh International Textile, Knitting and Garment Industry Exhibition (BTKG Expo 2026) will begin in Dhaka on April 29 and continue until May 2.

The BKMEA and Inforchain Digital Technology Co Ltd are jointly organising the exhibition at the International Convention City Bashundhara (ICCB).

Bangladesh readies

FROM PAGE B1

Earlier on February 19, the newly elected government sent a letter to Jose Antonio Ocampo, chair of the UNCDP, requesting that the preparatory period be extended until November 24, 2029, mentioning that more time is needed to ensure readiness.

Following Bangladesh's request, the UNCDP discussed the issue at its annual meeting in February and agreed on a process to assess the proposal.

The UNCDP has now called a public hearing on Bangladesh's request on April 29. After the hearing, the committee will submit its recommendations to the United Nations Economic and Social Council (ECOSOC) in June.

ECOSOC will then forward its assessment to the United Nations General Assembly (UNGA), which is scheduled to meet in September. The final decision on the deferment will be taken through a vote at the UNGA.

A UN assessment report last month said Bangladesh still faces serious gaps in its readiness for graduation, as its economy continues to be affected by both domestic and international shocks, including the US-Israel war on Iran.

The report highlighted a series of disruptions between 2017 and 2026, including climate vulnerability, the Rohingya crisis, a prolonged macroeconomic slowdown that predated the regime change, the Covid-19 pandemic, the Russia-Ukraine war, inflation, and pressure on the balance of payments.

It also noted that while Bangladesh meets all three criteria for graduation, significant risks persist, including the loss of trade preferences, fiscal and financial vulnerabilities and weak institutional coordination.

The report stressed the need for urgent reforms, stronger implementation capacity, adequate policy space and a whole-of-society approach to ensure a smooth and sustainable transition.

It added that a difficult political changeover and prolonged macroeconomic stress have eroded socio-economic gains, increasing risks linked to graduation.

Rising import costs for fossil fuels have created operational constraints, with gas shortages worsening due to the Middle East conflict, the report said. Economic growth slowed from 7.1 percent in FY22 to 3.5 percent in FY25, weakening momentum ahead of graduation.

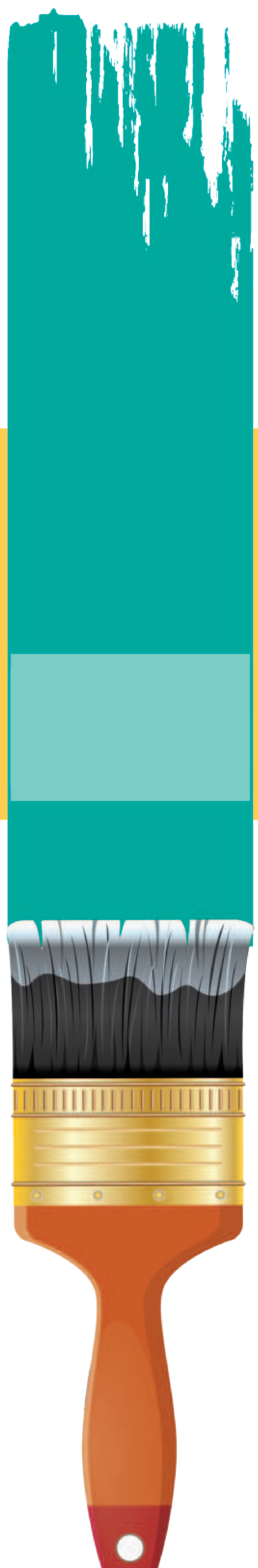
Inflation has outpaced wages, pushing millions into hardship and vulnerability.

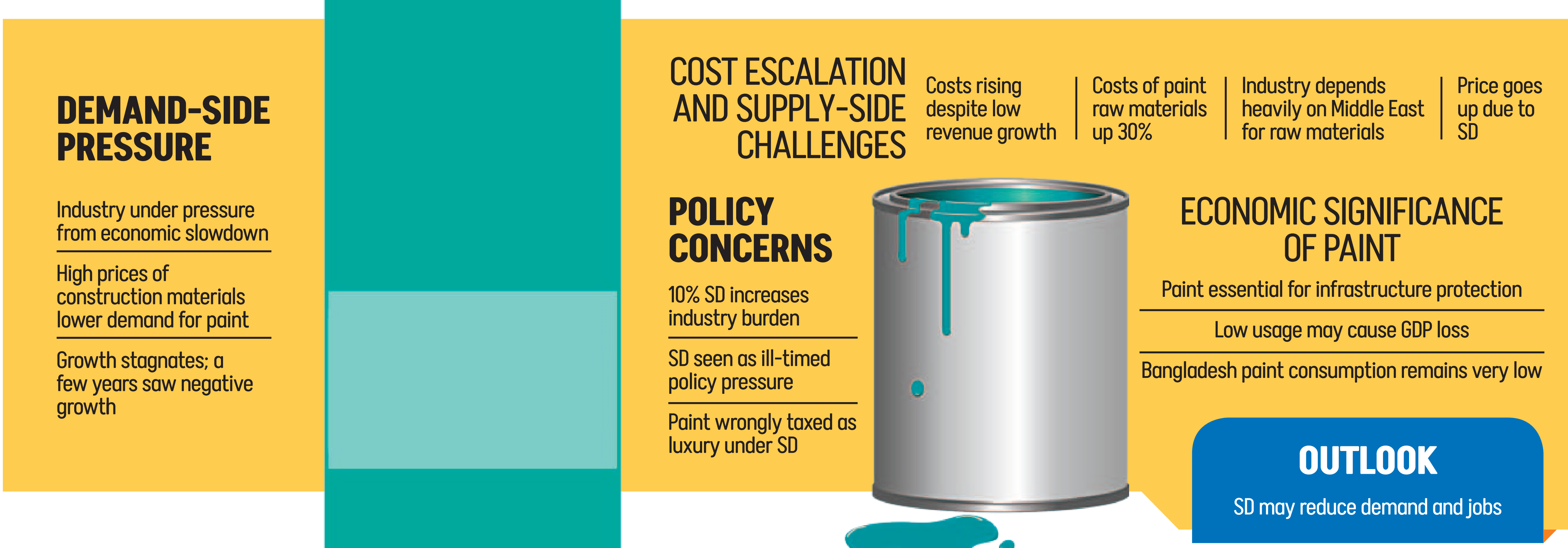
Private investment has also weakened, with capital machinery imports falling from $5.1 billion to $2.8 billion during the 2019-2024 period. The labour market has also come under pressure, with nearly 1.9 million jobs lost between 2023 and 2024, disproportionately affecting women.

PAINT INDUSTRY seeks relief as supplementary duty adds to mounting pressures

Mohsin Habib Chowdhury
President of the Bangladesh Paint Manufacturers' Association (BPMA) and COO and Director of Berger Paints Bangladesh Ltd

While global and domestic economic headwinds have weakened demand, the supplementary duty has emerged as a persistent and policy-driven burden, compounding the sector's difficulties, said Mohsin Habib Chowdhury, president of the Bangladesh Paint Manufacturers' Association





STAR BUSINESS

Bangladesh's paint industry is navigating one of its most challenging periods in recent years, squeezed by slowing economic growth, rising input costs, and what an industry leader described as an ill-timed and unjustified tax burden.

In an interview, Mohsin Habib Chowdhury -- president of the Bangladesh Paint Manufacturers' Association (BPMA) and also chief operating officer and director of Berger Paints Bangladesh Ltd -- outlined how a combination of operational and external pressures is putting the industry under strain.

At the centre of their concern is the 10 percent supplementary duty (SD) on locally manufactured paints -- a policy that industry leaders argue is both conceptually flawed and economically damaging, he said.

While global and domestic economic headwinds have weakened demand, Chowdhury emphasised that the supplementary duty has emerged as a persistent and policy-driven burden, compounding the sector's difficulties at a time when it can least afford additional costs.

GROWTH STALLS AS ECONOMIC MOMENTUM WEAKENS

The challenges facing the paint industry are closely tied to the broader economic environment. Bangladesh's growth trajectory has slowed in recent years, with revised projections falling below earlier expectations. This has had a direct impact on construction, infrastructure development, and housing -- key drivers of paint consumption.

"The paint industry is closely linked with the overall development sector," Chowdhury said, noting that reduced activity in construction translates almost immediately into weaker demand for paints.

The result has been a prolonged period of stagnation. Industry growth has remained flat -- and in some recent years, even negative. For manufacturers, this creates a difficult situation: while revenue growth stalls, fixed costs and operational expenses continue to rise.

This imbalance has eroded profitability across the sector, particularly for smaller players who lack the scale to absorb shocks.

SUPPLEMENTARY DUTY: A MISPLACED POLICY TOOL

Against this fragile backdrop, the imposition of a 10 percent supplementary duty on paint products has become a central point of contention.

Chowdhury said a supplementary duty of 10 percent was imposed from June 10, 2010, to June 2011. It was later reduced to 5 percent at the manufacturing stage, remaining in place from FY2011-12 through FY2018-19.

From FY2019-20 until January 8, 2025, the SD stood at 5 percent at the supply stage. Effective January 9, 2025, the rate has been revised upward to 10 percent at the supply stage, where it remains to date.

"At a time when the industry was already struggling with slowing demand and rising costs, increasing the supplementary duty has only added to the pressure," he said, arguing that such a move contradicts the need to support local manufacturing.

Supplementary duty is traditionally applied to luxury or non-essential goods. However, Chowdhury strongly rejects the classification of paint as a luxury item, arguing that it performs a critical functional role in protecting infrastructure and assets.

"Paint is not merely decorative -- it is essential for preserving the durability and longevity of assets," he said.

The protective function of paint -- preventing corrosion, weather damage, and structural deterioration -- is particularly important in a country like Bangladesh, where environmental conditions can accelerate wear and tear.

From this perspective, discouraging paint usage through higher taxation could have unintended consequences. Reduced maintenance can shorten the lifespan of buildings, bridges, and industrial assets, ultimately increasing long-term costs for both the public and private sectors.

Industry estimates suggest that inadequate asset maintenance due to underuse of paint could result in economic losses equivalent to 1-1.5 percent of GDP, a significant figure in a developing economy.

Chowdhury pointed out that globally, paints are treated as functional goods, and supplementary duty is not imposed on local paint manufacturing in other countries, including regional competitors.

"This makes the current policy not only burdensome but also inconsistent with international practice," he added.

A STRUCTURAL BURDEN IN A TIME OF CRISIS

One of the industry's key concerns is that supplementary duty represents a permanent structural cost, unlike temporary external shocks.

Manufacturers are currently grappling with multiple cost pressures, including rising raw material prices and logistical disruptions. While such challenges are difficult, they are often cyclical and expected to ease over time.

Supplementary duty, however, remains in place regardless of market conditions.

"This is what makes it particularly challenging," Chowdhury said. "We can attempt to manage external shocks, but a policy-driven cost that persists over time becomes much harder to absorb."

The burden is further amplified by weak demand, which limits the ability of manufacturers to pass on higher costs to consumers. As a result, companies are forced to absorb a significant portion of the duty, squeezing margins and reducing profitability.

RISING COSTS FROM GLOBAL DISRUPTIONS

At the same time, the industry is dealing with sharp increases in input costs, largely driven by geopolitical tensions in the Middle East.

Paint production relies heavily on petrochemical derivatives, many of which are sourced from the Middle East. According to Chowdhury, the region accounts for 50-55 percent of the industry's raw material supply.

Recent disruptions have affected both availability and pricing. Supply constraints, combined with increased freight costs due to altered shipping routes, have significantly pushed up input prices.

Manufacturers are now facing average cost increases of around 15 percent, with some solvent-based materials experiencing spikes of up to 30 percent.

These pressures are compounded by domestic factors, including higher fuel prices and exchange rate volatility, which further increase the cost of imports.

For an industry that is almost entirely dependent on imported raw materials, such fluctuations can have an immediate and severe impact.

PRICE ADJUSTMENTS AND DEMAND RISKS

Faced with rising costs, paint manufacturers have little choice but to increase prices. Industry-wide price adjustments are already underway, with companies implementing hikes to partially offset cost increases.

However, this creates a difficult trade-off.

Higher prices risk dampening demand even further in an already weak market. Consumers may delay or reduce painting activities, which not only affects industry revenues but also undermines asset maintenance.

"This creates a multiplier effect," Chowdhury explained. "Lower consumption leads to lower production, reduced revenue, and ultimately less contribution to the economy."

In this context, the supplementary duty adds another layer of pressure, pushing prices higher than they would otherwise be.

LOW CONSUMPTION HIGHLIGHTS POLICY MISALIGNMENT

The industry also challenges the rationale for imposing supplementary duty by pointing to Bangladesh's relatively low paint consumption.

Per capita paint usage in the country stands at approximately 1.5-1.6 kilogrammes, significantly below regional and global averages.

In global comparison, Bangladesh's paint consumption remains significantly lower. Per capita usage in India and Sri Lanka exceeds 3 kilogrammes, while ASEAN countries average around 7-8 kilogrammes.

The gap widens further with China at approximately 14-15 kilogrammes, and developed economies such as Singapore and the United States recording consumption levels above 20 kilogrammes per person -- highlighting the extent of underuse in Bangladesh.

This disparity suggests that Bangladesh is not over-consuming paint -- in fact, it is under-consuming relative to its level of development.

From a policy perspective, this would typically warrant measures to encourage usage, not discourage it.

Low consumption also indicates gaps in awareness and maintenance practices, which could have long-term implications for infrastructure quality and durability.

INDUSTRY CONSOLIDATION AND EMPLOYMENT RISKS

The cumulative impact of these pressures is already visible within the industry.

Of the 34 companies listed under the Bangladesh Paint Manufacturers' Association, only 28 remain active, reflecting the strain on smaller players.

Chowdhury warned that continued pressure could lead to further consolidation, with weaker firms forced to shut down.

This has broader economic implications. Factory closures would lead to job losses, disrupt supply chains, and reduce overall industrial activity.

At the same time, declining profitability would limit companies' ability to invest in expansion, innovation, and capacity building.

"This is not just an industry issue -- it has wider economic and social consequences," he said.

REVENUE PARADOX: SHORT-TERM GAINS, LONG-TERM LOSSES

While supplementary duty contributes to government revenue in the short term, industry leaders argue that it could be counterproductive in the long run, he said.

Higher costs and lower demand reduce overall sales volumes, which in turn affect VAT collection, corporate taxes, and other revenue streams.

"If the industry grows, the government earns more through volume," Chowdhury said. "But if growth is constrained, total revenue may actually decline."

This creates a paradox where a policy intended to boost revenue could end up undermining it.

A CALL FOR PRAGMATIC REFORM

The industry is not calling for immediate and complete withdrawal of supplementary duty, recognising the government's fiscal constraints.

Instead, it is proposing a phased and pragmatic approach.

"If full withdrawal is not possible, a gradual reduction plan would provide much-needed relief," Chowdhury suggested.

Such a move, he argued, would help stabilise prices, support demand, and enable manufacturers to maintain operations without compromising profitability.

In the longer term, this could lead to higher production, increased employment, and stronger contributions to government revenue.

THE BROADER DEVELOPMENT ARGUMENT

Beyond immediate industry concerns, Chowdhury framed the issue within a broader development context.

Paint usage is closely tied to infrastructure quality, urban aesthetics, and even public well-being. Well-maintained buildings and environments contribute to both economic productivity and quality of life.

In some countries, regulatory frameworks actively encourage periodic repainting to ensure structural protection and visual standards. Such approaches, he suggested, could be adapted to Bangladesh to promote better maintenance practices.

"Encouraging paint usage is not just about business -- it is about protecting national assets," he said.

The challenges facing Bangladesh's paint industry reflect a complex interplay of global disruptions and domestic policy choices.

While external pressures such as geopolitical tensions and supply chain disruptions may ease over time, the impact of supplementary duty will persist unless addressed through policy reform.

For an industry that plays a critical role in protecting infrastructure and supporting development, the stakes are high.

As Chowdhury emphasised, the priority should be to support industries that enable long-term value creation, rather than burdening them during periods of economic stress.

A recalibration of supplementary duty -- whether through reduction or phased withdrawal -- could provide the relief needed to stabilise the sector, restore growth momentum, and unlock its full contribution to the economy.