Star BUSINESS

ADP spending hits multi-year low amid political transition

MD ASADUZ ZAMAN

The government's development expenditure has fallen to its lowest level in at least five years in the first nine months of the current fiscal year 2025-26 (FY26).

Ministries and divisions spent only Tk 75,607 crore in the first nine months, just 36.19 percent of the total allocation under the Annual Development Programme (ADP), according to data released by the Implementation Monitoring and Evaluation Division (IMED) yesterday.

While broadly similar to the same period last year, the figure is significantly below the five-year average. In FY22, nine-month implementation stood at 45 percent, the highest in recent years.

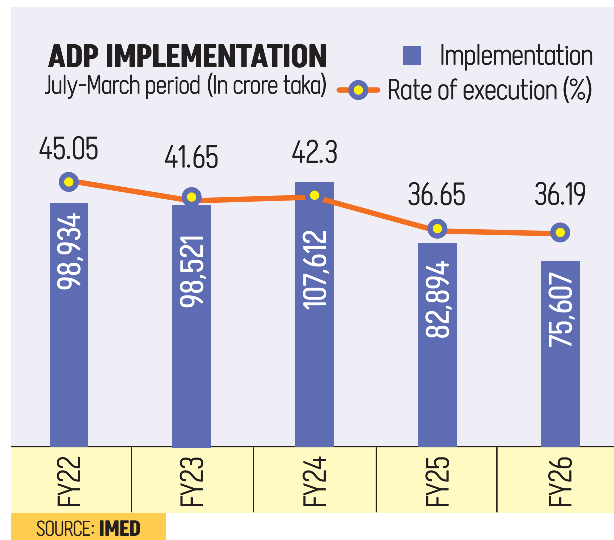
The drop, both in terms of amount and execution rate, comes amid economic uncertainty and political transition midway through the fiscal year.

The situation is particularly acute in the health sector, which implemented only 21.6 percent of the July-March target, despite growing concerns about healthcare accessibility.

With only three months remaining, analysts say Bangladesh is likely to record another year of very low development budget implementation. This will likely impact revenue collection by the National Board of Revenue (NBR), which collects advance income tax and VAT from implementing authorities.

It may, however, help contain the budget deficit and limit government borrowing from the banking sector.

Development spending hit a historic low in FY25, with only 68 percent of the revised ADP implemented, the weakest performance since FY1976-77.



Execution this year may fall to around 60 percent, said Mohammad Lutfor Rahman, a professor of economics at Jahangirnagar University. Implementation rates typically rise in the fourth quarter, but the gains may not be enough to close the gap.

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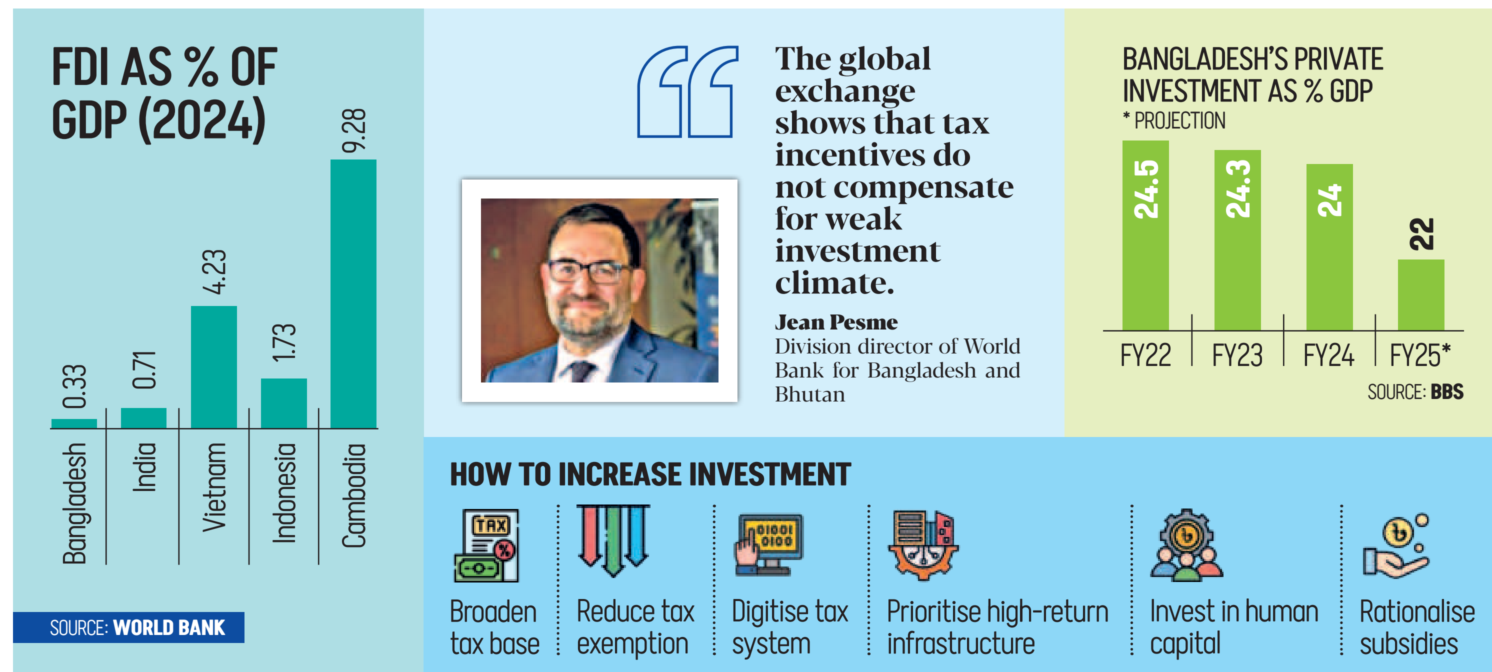
Ensure predictability, fix tax system to attract foreign investment

Urge foreign investors, saying incentives alone cannot compensate for weak governance and an unstable policy environment



STAR BUSINESS REPORT

Bangladesh will not be able to realise its ambition of becoming a trillion-dollar economy by 2034 unless it revives investment, foreign investors and development partners said yesterday.

Without a turnaround in the investment climate, the country also risks falling short on other goals, such as sustained economic growth and job creation, said Jean Pesme, division director of the World Bank for Bangladesh and Bhutan.

At a meeting of the Foreign Investors' Chamber of Commerce and Industry (FICCI) in Dhaka, he said attracting investment requires coordinated reforms in revenue policy, the financial sector and the wider business environment.

He said implementing only one reform in isolation would deliver limited results.

Foreign direct investment stood at just $1.6 billion in the fiscal year 2024-25, or around 0.33 percent of GDP, well below regional peers. Private investment was projected at 22 percent of GDP in FY25, the lowest level in 11 years, according to official data.

Pesme said global experience shows that tax incentives alone cannot offset a weak investment climate.

"Even where governments reduce the marginal effective tax rate and see an increase in foreign direct investment (FDI), the inflow is eight times higher when strong institutions, macroeconomic stability and rule of law are already in place," he added.

He commented that Bangladesh's revenue challenge lies less in tax rates and more in weak administration, governance shortcomings and extensive tax expenditures, which are almost as large as total collections.

According to the World Bank's regional division director, the country depends heavily on tax holidays and sector-specific exemptions, especially for the ready-made garment sector. This creates distortions, opens the door to rent-seeking and increases resistance to reform, as changes inevitably produce winners and losers.

He highlighted the need to work on the investment climate and fiscal reform simultaneously so that they combine and reinforce each other.

"And when you look at the experience globally, the countries that really try to attract FDI through incentives are the ones that already have strong macro stability, rule of law, efficient administration and strong infrastructure."

He also emphasised broadening the tax base and introducing greater uniformity by eliminating rent-seeking behaviour, reducing distortions, improving compliance and limiting incentives to game the system.

Predictability and credibility, he said, are essential.

"Improving tax administration can really bring results. We think revenue collection, as well as managing tax expenditure and services, is very important as it is about the quality of public spending."

The results are not coming immediately, but the earlier you start, signal where you want to go, and then implement, in a systematic way, the better, he added.

Chandan Sapkota, country economist at the Asian Development Bank (ADB) resident mission in Bangladesh, said investors consistently raise concerns about taxes, especially the role of the National Board of Revenue (NBR).

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Akij Resources to acquire 30% stake in Dominage Steel Building

STAR BUSINESS REPORT

Dominage Steel Building Systems (DSBSL) has decided to sell 30 percent of its shares to a buyer group led by Akij Resources.

DSBSL board approved the transfer of 3.07 crore shares at a negotiated price through an off-market transaction at its meeting on April 25.

A sale agreement will be executed with the buyers -- Akij Resources, Sheikh Jasim Uddin, and Faria Hossain -- pending approval from the Bangladesh Securities and Exchange Commission (BSEC), according to a disclosure issued on the Dhaka Stock Exchange (DSE) website yesterday.

Upon receiving BSEC clearance, a new board of directors will assume management and operations of DSBSL.

The existing board said the acquisition would help the company fully resume and optimise production, citing recent operational challenges.

It added that the synergy with Akij's existing steel infrastructure would create long-term value for shareholders.

Akij Resources holds a significant presence in the steel and construction sectors through its subsidiaries. Officially established in April 2020, it builds on the heritage of the Akij Group, one of Bangladesh's largest conglomerates.

DSBSL, established in 2007 as a private limited company, manufactures pre-engineered steel buildings.

The company operates two factories, at Fulbaria, Palash, Narsingdi and at Aukpara, Ashulia, Savar, with a combined monthly production capacity of 550 tonnes. It sources raw materials from manufacturers in Japan, China, and Taiwan.

Chinese economic zone still stalled after a decade

Beza chief sets 180-day roadmap to break deadlock

JAGARAN CHAKMA

More than a decade after Bangladesh and China announced a Chinese Economic and Industrial Zone in Anwara upazila of Chattogram, the project remains largely on paper with no visible construction.

The Bangladesh Economic Zones Authority (Beza), which is overseeing the project, says the zone could attract $1.5 billion in investment and create more than 200,000 jobs. However, there are still no firm commitments, signed land-lease agreements, or confirmed factory setups.

Of the nearly 784 acres allocated in Anwara, only about 60 acres have been prepared, and not a single factory has been established.

Basic infrastructure on the ground is still incomplete, with utility services only partly in place. The Chattogram Water Supply and Sewerage Authority has installed a limited water supply pipeline, while the Karnaphuli Gas Distribution Company has set up a nearby gas station.

Beza has also built an administrative building and two access roads.

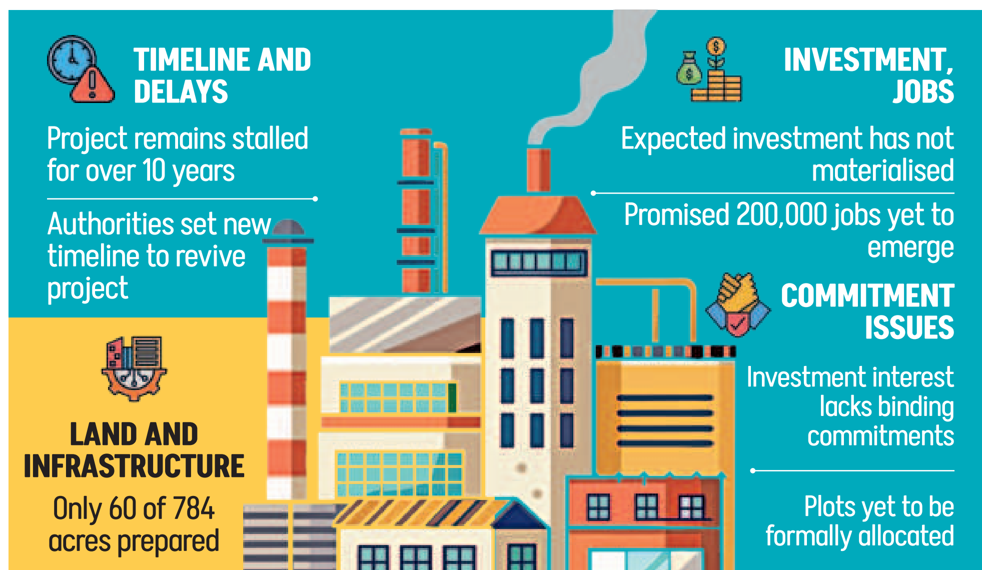
This reflects a broader pattern in Bangladesh's investment landscape, where large pledges do not always translate into actual inflows. Chinese foreign direct investment also remains modest, with only a small share of announced amounts materialising.

HOW THE PROJECT BEGAN

The project dates back to June 2014, when, during a visit to China, former prime minister Sheikh Hasina proposed an exclusive economic zone for Chinese investors. Beza pursued the plan and signed an agreement with China's commerce ministry during the visit.

The Executive Committee of the National Economic Council approved the project in September 2015 and allocated Tk 420.37 crore for the first phase, with China expected to provide a loan to fund it.

Beza later acquired land in Anwara, about 270 kilometres south of Dhaka, for the zone.



In October 2016, Beza signed a contract with China Harbour Engineering Company Limited, but the development and land-lease agreements could not be finalised, and the deal collapsed in April 2022.

Later, on July 16, 2022, China nominated the China Road and Bridge Corporation (CRBC) as the new developer. Beza signed cooperation and investment terms with CRBC later that year and finalised the shareholder agreement in October 2023.

Progress remained slow under the Awami League government. After the political change in August 2024, the interim government renewed efforts to move the project forward, but there has still been no progress on the ground.

This is happening despite stronger Dhaka-Beijing ties and rising US tariffs that are encouraging Chinese manufacturers to consider relocating factories.

Beza sources said some Chinese manufacturers visited the site last year, and around 200 investors are expected to participate in the zone, suggesting the project still has strong potential if long-standing delays are resolved.

BEZA EXPLAINS DELAYS IN NEGOTIATIONS

"Progress on the proposed Chinese economic zone has been slow due to unresolved contractual and commercial issues," said Mohammad Zakaria Mithu, director (MIS and research) at Beza.

He said that although land acquisition is complete, no formal agreement has been signed with the Chinese side, and negotiations on the engineering, procurement and construction (EPC) contract are still ongoing.

"The development agreement, which is needed to start physical work, depends on finalising the EPC contract," he added.

Mithu also said disagreements over cost valuation under the Chinese loan framework remain a key obstacle, with both sides yet to align their expectations.

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RMG exporters demand lower source tax

STAR BUSINESS REPORT

Garment exporters yesterday urged the government to cut the source tax from 1 percent to between 0.5 and 0.65 percent, citing ongoing difficulties caused by domestic challenges and external pressures.

They also proposed keeping the reduced rate in place for the next five years.

In addition, they called for exemption from the 10 percent income tax on export incentive receipts, saying that export incentives have already been reduced as part of preparations for Bangladesh's graduation from the least developed countries (LDC) group.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) made these proposals in their budget recommendations for fiscal year 2026-27 (FY27), which were submitted to the National Board of Revenue (NBR) yesterday.

NATIONAL BUDGET FOR FY27

Both associations proposed setting the corporate tax rate for subcontracting factories at 12 percent instead of the current 25 to 30 percent, arguing that it should be aligned with existing policies where green factories pay 10 percent and non-green factories pay 12 percent.

They also said subcontracting factories, which place work orders with other factories, currently pay a 5 percent source tax on contract payments and demanded that it be reduced to 1 percent in the upcoming budget.

In addition, they proposed fixing the bond licence fee at Tk10,000 for three years, along with relaxed rules for sub-contracting and bond licence locking.

They also recommended exempting VAT and import duties on the import of man-made fibre and non-cotton yarn, saying this is necessary to expand production using man-made fibres and increase global market share.

Globally, around 75 percent of garments are made from man-made fibres, while in Bangladesh, over 70 percent of exports are cotton-based and only

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