

Amid rising debt pressures, a case for sukuk to ease the burden



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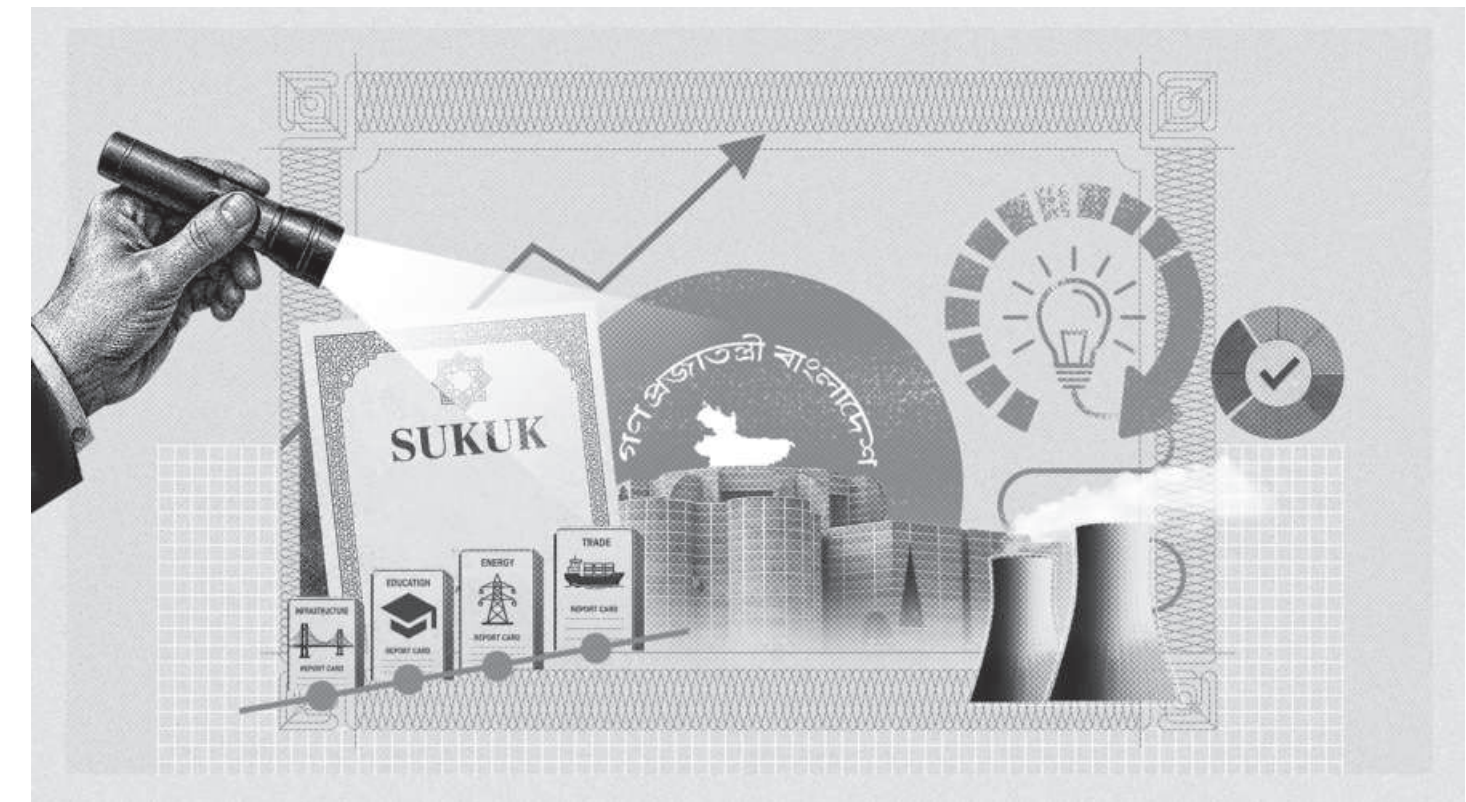
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The government's proposed Tk 9.38 lakh crore budget for FY2026-27 is the largest in Bangladesh's history. The budget frames economic democratisation, deregulation, and the empowerment of the people as priorities on Bangladesh's path to becoming a trillion-dollar economy. Funding it, however, will rely heavily on debt. To this end, the government plans to borrow Tk 2.43 lakh crore during the fiscal year, of which Tk 1.16 lakh crore will be from foreign sources. The remainder will be raised domestically, with Tk 1.12 lakh crore from the banking system and Tk 15,000 crore from national savings certificates. Economists warn that heavy reliance on domestic borrowing could crowd out private sector credit. Interest payments alone will reach Tk 1.05 lakh crore on domestic loans and Tk 22,500 crore on foreign loans.

The Asian Development Bank (ADB) and the IMF-World Bank debt sustainability assessment both classify Bangladesh as being at moderate risk of external and overall debt distress. Both warn that rising domestic debt-servicing costs are already eroding fiscal space, and that any major shock (climatic, geopolitical, or otherwise) could turn a still manageable debt burden into an unmanageable one.

The months-long closure of the Strait of Hormuz is the latest example of this warning. Still, such shocks do not change what the state owes its lenders; its debt-servicing obligations remain the same. Risk-free fixed payments are precisely what make sovereign debt cheaper, but they also place the entire burden of adjustment on the state. When a shock erodes the economy's capacity to pay while its obligations hold firm, the fiscal cushion thins and the government loses room to manoeuvre. The present is a good time for Bangladesh to rethink how it borrows.

One option would be to tie the government's payment obligations to its capacity to meet them. This is the idea behind state-contingent debt instruments (SCDIs): securities whose repayments adjust in line with a measurable indicator of the state's ability to pay. Encouragingly, Bangladesh has already laid the groundwork



VISUAL: ANWAR SOHEL

for such instruments.

Since 2020, the government has been issuing investment sukuk, all of which have been oversubscribed, the most recent by 12.30 times, despite offering lower returns than comparable conventional treasury instruments. This indicates that a sizeable Shariah-sensitive investor base already exists in the market. With Shariah-compliant options still scarce, depositors unsettled by uncertainty in parts of the Islamic banking sector, and Islamic pension schemes under development at the National Pension Authority likely to require such options once launched, demand for sovereign sukuk is set to deepen in the coming years.

The investment sukuk issued has so far financed clearly identified socioeconomic

projects—such as safe water supply, schools, rural roads, and bridges—rather than merely covering general budget gaps. Each issuance carries its own prospectus, setting out the purpose of issuance, the use of proceeds, and the expected impact of the underlying projects. In some cases, the economic internal rate of return (EIRR) of those projects is assessed to confirm that their economic benefits exceed their funding costs.

Yet, for all their merits, these remain fixed-rate structures that closely track comparable conventional treasury bonds. Neither is the actual performance of the underlying projects measured, nor do payments to investors vary with it. The government's obligation stays the same regardless of how the projects actually perform. For investors, this means a safe investment. But from a debt-management perspective, they are no more than conventional debt, offering no relief from the rigidity of debt servicing.

This is where an alternative sukuk design becomes an opportunity. Short-term, trade-based sukuk, for instance, could finance recurring commodity purchases by the government and its agencies, tying issuances to the genuine trading activities of the state.

Long-term, performance-linked sukuk could fund profitable state enterprises or their viable segments, with returns tagged to actual performance. Sukuk could likewise be issued against revenue-generating public assets such as tolled bridges, power plants, ports, and transport networks. Impact-linked sukuk could support public welfare projects that generate no revenue, with payments tied to verified outcomes such as improvements in air quality, traffic, education, healthcare, and employment generation. Waqf resources could complement this welfare financing, while zakat funds could support eligible beneficiaries in the social sector. Together, these structures would bind government spending more closely to performance-oriented economic activity.

If a growing share of government financing were channelled through sukuk whose payouts track the actual performance of the underlying assets, or clearly defined indicators of the state's capacity to pay, the government's debt-servicing burden would adjust accordingly. If scaled sufficiently, this could provide greater fiscal flexibility at the sovereign level. These structures would also be more than financing tools and, done

properly, they would serve as accountability mechanisms. Since payouts would depend on performance, investors can gain a direct stake in how each project is run and would press for fuller disclosure—a form of scrutiny rarely associated with conventional debt. Done well, sukuk could quietly strengthen the country's broader governance.

Of course, such structures would not be easy to introduce. Given limited trust in the performance of government agencies, investors may initially demand a government guarantee or a premium for bearing performance risk, while the agencies themselves may resist stronger monitoring and disclosure. Because of the performance link, every element of the structure would need careful design. The supporting infrastructure would also be essential: tax neutrality, streamlined issuance, strong oversight, an active trustee, Shariah-compliant segregation of income, honest and verifiable impact reporting, and effective coordination among the central bank, the finance ministry, and project-implementing agencies.

Issuances could begin with structures closest to the familiar fixed-rate profile while still carrying a performance-linked element, then move towards fuller performance-based forms as investors grow comfortable. To build confidence early on, a government guarantee may be offered—but not in a blanket form that severs the link between performance and payout. Instead, it should be transitional, paired with full disclosure, and withdrawn as the market matures. Over time, this approach could diversify the government's financing mix, reduce its reliance on entirely fixed obligations, and embed stronger accountability in public projects.

Conventional borrowing, or a plain debt-based sukuk, is easy to issue. But it also locks in the rigidity already burdening debt management. Genuinely performance-linked sukuk may be harder to launch, but that difficulty is the price of fiscal flexibility and gives everyone involved a built-in reason to care about how an underlying project (or the economy itself) performs.

The shift need not be abrupt. We could begin with small-scale projects and early-stage structures that stay close to today's fixed-rate profile, while carrying some performance-accountability elements, and then scale up and shift towards fuller performance linkage as the market matures. Debt management reimagined in this way has the potential to become not merely a means of covering the deficit but also a lever for a stronger, more transparent economy.

How data centres are draining the Global South



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The story started in Georgia, US—not with a law being broken in some faraway place, but with residents noticing something wrong in their own homes: the water pressure kept dropping unusually. County officials repeatedly told residents to cut back on water usage. The reason? A data centre owned by Blackstone, the private equity giant, had quietly consumed 30 million gallons of water amidst drought without authorisation. While ordinary citizens were told to conserve, a corporation was drinking the aquifer dry to cool off its servers.

While communities are resisting such extraction models of digital infrastructures across the US, Europe and the broader West, and scrutiny tightens at home, the industry has conveniently pivoted and found new phenomenal ground to extract from new populations to absorb the cost, new territories where regulation is thin, and protest is easier to ignore. That ground is the Global South, and the hands doing the extracting belong to the same powers that have been here and ruled before.

According to the special report “Dark Side of the Boom” by Earth Journalism Network (EJN), countries like India, Indonesia, Malaysia, and Thailand are racing to become digital hubs, often without adequate environmental safeguards or public transparency about the trade-offs involved. As recently as this year, the *Economic Times* reported that, amidst dire concerns of environmentalists that India's rapidly growing AI and cloud computing sectors could consume nearly 37.5 billion litres of water annually and the imminent threat of groundwater depletion by 2050, India AI Impact Summit 2026 secured over \$250 billion in investment commitments for



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AI infrastructure, including data centres and semiconductor facilities. As data centre investments surge across South and Southeast Asia, Bangladesh too is witnessing the same thrust. According to a report by The Climate Watch (2025), it is estimated that Bangladesh already has a latent data centre requirement of around 200 MW, projected to grow to over 500 MW by 2030. The report further elaborates that the US-based Osiris Group is investing \$200 million in a single Tier-IV facility here. A \$290 million wave of investment is washing over a country where over 40 percent of the population lacks access to safe drinking water, and only two percent of power comes from clean energy sources.

In 2023, groundwater levels across Bangladesh's urban zones

dropped to their lowest in three decades. Studies by the Institute of Water Modelling show water tables in Dhaka falling by more than three metres per year in some locations. Every new borehole deepens the problem. “We used to get water at 150 feet. Now the pump doesn't set up their data centres here.” And we are told the new data centres will use thousands of litres every minute,” said Harun Mia, a 45-year-old farmer from Mirzapur, who cultivates in farmlands near Kaliakoir Hi-Tech Park.

Similar crises have been reported in India, where farmers are drilling up to 1,000 feet, often hitting dry, hard bedrock or drawing up unusable saline water. The irony is that the Bangladesh Water Act, 2013, places drinking water, hygiene, and sanitation as the highest priority for both groundwater and surface water ahead of all other uses. Industrial extraction ranks seventh. Yet, the government keeps issuing permits that violate this hierarchy, while Dhaka WASA, burdened with \$1.66 billion in foreign loans, supplies data centres at subsidised rates as residential consumers face rationing.

To this, Dr Ahmad Kamruzzaman Majumder, professor of environmental science at Stamford University Bangladesh, said, “The developed world is shifting energy-intensive data centres to the Global South, where the strain and carbon footprint fall on us. Big giants like Google and Amazon set up their data centres here.” If we continue fuelling data centres with fossil energy and groundwater, he warned, “we're digitising disaster.”

While billions flow into data centre investments, as per another report by the Climate Watch (2026), a water pump for a hillside village, apparently, could not be made to stand. In Bandarban, a donor-funded solar water project built in the remote Empupara area of Tangkabati Union under Lama upazila has fallen into disrepair within months of its inauguration amid allegations of corruption, poor construction, and weak oversight. Residents also alleged that the solar panels were not mounted with adequate structural support or stability, while the site, on a vulnerable edge of a hill, exposed the installation to erosion and wind

damage. Dozens of indigenous families now travel long distances to collect water from natural sources, a hardship that was promised to end. When a country can mobilise \$290 million for digital infrastructure but cannot keep a solar panel upright, the word for that is not development. It is deflection, dressed in the language of progress, pointed away from the people who need it most.

What is happening in Bangladesh, India and across the Global South with data centres is not new in logic. The Western fashion industry's dependence on Global South labour was never simply about market efficiency. It is a structural continuation of colonial extraction, reproduced through trade architecture and regulatory arbitrage. The human and ecological costs of consumption are exported onto populations with the least political power to resist them.

To put it simply, data centres are the new garment factories—same actors, same logic, same geography and the same colonial extractive modus operandi. They arrive with

the language of development and investment. They leave with the energy, water and carbon budget of communities that had none to spare. This is neither globalisation nor mutual development. It is colonialism with updated accounting, and we should see and name it as such.

We have been conditioned to see a billion-dollar investment announcement and feel pride rather than ask who it will benefit. The pattern is not buried in classified documents. It has been mapped by journalists, measured by environmental scientists, and lived by the communities bearing the weight.

Naming the pattern is the first act of resistance, while demanding governments enforce their own laws and amplify and provide strong support to the networks and coalitions who are already working on it is the next. Above all, let's stop pretending that digital infrastructure is something that happens in a cloud—weightless, invisible and unaccountable.

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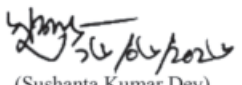
Date: 16/06/2026

e-GP Tender Notice (OTM, NCT)

e-Tender is invited in the National e-GP System Portal (<http://www.eprocure.gov.bd>) for procurement as follows:

Tender ID No.	Name of work	Tender Document Last Selling Date and Time	Tender Closing Date and Time
1297948	Upgradation & Renovation of Khagrachari District Hospital from 100 to 250 bed at Khagrachari District (Sub-Head: Supply, Installation, Testing and commissioning of lift).	08-Jul-2026 12:00	08-Jul-2026 14:00
1298720	Remaining Works of Vertical Extension of 1st and 2nd Floor over existing ground floor of Academic Building (06 storied foundation) at APBN & Specialized Training Centre (ASTC) in Khagrachari District (Civil, Sanitary, Water supply & Electrification work).	02-Jul-2026 12:00	02-Jul-2026 14:00

This is an online Tender, where only e-Tender will be accepted in the National e-GP Portal and no offline/hard copies will be accepted. To submit e-Tender, registration in the National e-GP system portal (<http://www.eprocure.gov.bd>) is required. Further information and guidelines are available in the National e-GP system portal (<http://www.eprocure.gov.bd>) and from e-GP help desk (helpdesk@eprocure.gov.bd). For more details about procurement package, please contact the official inviting the tender.


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