

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▼ 0.42%	▼ 0.25%	\$1,887.43	\$41.93	▼ 0.02%	▲ 0.12%	▼ 0.46%	▲ 0.21%	83.95	96.94	106.99	12.08
4,982.37	8,560.20	(per ounce)	(per barrel)	37,973.22	23,539.10	2,471.61	3,224.36	84.95	100.74	110.79	12.70



BUSINESS

DHAKA WEDNESDAY SEPTEMBER 30, 2020, ASHWIN 15, 1427 BS ● starbusiness@thedailystar.net

Incentives for tanners on cards for setting up private ETPs

Govt looking for alternatives as CETP construction drags on

STAR BUSINESS REPORT

The government is planning to incentivise private tanneries in setting up their own effluent treatment plants in Savar Tannery Industrial Estate (STIE) to expedite the attainment of the much-required Leather Working Group (LWG) certification to increase leather goods exports.

Salman F Rahman, the prime minister's private industry and investment adviser, yesterday asked Commerce Secretary Md Jafar Uddin to look for such scope, reasoning that there would be delays making the STIE's central effluent treatment plant (CETP) fully functional.

He was addressing a virtual meeting on the future of Bangladesh's leather sector in the aftermath of the Covid-19 jointly organised by the Economic Reporters' Forum (ERF), the Asia Foundation and the Research and Policy Integration for Development (RAPID).

So far, three tanneries have obtained approval to construct their ETPs to secure the LWG certification and avail better export prices from international retailers and brands.

The certification of the global compliance audit organisation provided in different categories depends on compliance to standards, including on the use of ETPs and a dedicated site for tanneries.

Since most local leather and leather goods exporters can't comply with the conditions,



LWG CERTIFICATION IS A MUST

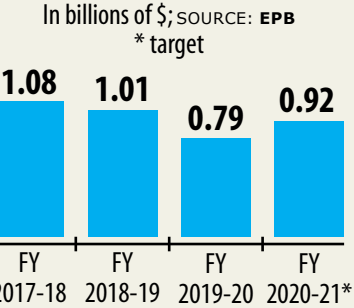
➤ Bangladesh has only **3** LWG accredited tanneries whereas India and Vietnam has **100** and **14** respectively

➤ Vietnam, despite having no domestic source of raw materials, has ramped up measures to attain more LWG certification

ISSUES THAT NEED POLICY ATTENTION

- Disruptions since the relocation of tanneries
- Securing accreditation from Leather Working Group
- Effective supply chains and backward linkage management
- Shortage of skilled workforce
- Attracting FDI will remain a priority
- Changing market dynamics – domestic market sales vs exports
- Market access prospects after LDC graduation

EXPORT OF LEATHER, LEATHER GOODS



they have to make do with lower prices, which are as much as 40 per cent lower from international rates, from Chinese buyers who are not too fussed about compliance. Chinese importers reprocess the same goods to receive international standards.

The Bangladesh Small and Cottage Industries Corporation

(BSCIC), the STIE's authority, is yet complete the construction of the CETP, which was taken up in 2012. The work started in 2014 and it was scheduled to complete by 2017.

As of July, Tk 879 crore was spent for the project, according to STIE officials.

The construction is mired with challenges such as changing of project directors several times over the years, fund crisis, legal battles, bureaucratic tangles and delays by Chinese engineers.

Rahman yesterday suggested hiring a private management team to run the STIE and the CETP for three to five years to ensure full functionality.

He cited two tenders that have already been floated for solid

waste management at the site.

Rahman also spoke of seeking tie-up opportunities with Vietnam so that local leather could avail higher prices from exports.

Vietnam does not have its own source of rawhide, the raw materials for leather and leather goods, while Bangladesh has plenty of them.

So, Bangladesh could send the raw materials to Vietnam for making goods although there is a chance of Vietnam demanding LWG certifications. Vietnam has 14 LWG-certified leather goods industries.

The adviser favoured signing free trade agreements (FTAs) with major partners to enjoy duty benefits once the country's graduated from a least developed

one to a developing country in 2024.

Till date, Bangladesh could not sign any FTA with any country. Earlier this month, the cabinet approved a preferential trade agreement with Bhutan.

Regarding the CETP, Rahman said its trial discharge in May, June and July had met the standards of the Department of Environment.

It could not be maintained in August and September as the STIE was processing collections of Eid-ul-Azha, when half of the country's annual rawhide sourcing occurred.

He said the government would impose a tax on tanneries unable to control water use, which was currently free of charge for them.

There is a big link between tourism and footwear and leather goods business, said Syed Nasim Manzur, managing director of Apex Footwear.

The tourism industry declined by 58 per cent to 78 per cent globally because of the fallouts of the Covid-19 pandemic, which caused the consumption of footwear to decline by 22.50 per cent globally, he said.

Manzur demanded that the leather and leather goods industries be provided benefits equal to those extended to the industries like those for garment export so that the country could ship more leather and leather goods.

His company received the approval from the government last month to construct a private ETP.

Manzur also said Vietnam's leather and leather goods export has been increasing thanks to its FTAs with the European Union and Japan.

Jafar Uddin said the commerce ministry is going to hold a meeting next month to decide the fate of the leather and leather goods industries so that the miseries faced during the last two Eid ul Azha festivals are not repeated.

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Deadline for loan rescheduling extended again for rawhide traders

STAR BUSINESS REPORT

The central bank yesterday extended the timeframe of relaxed loan rescheduling facility for rawhide traders for the second time in order to help them stay away from the defaulted zone.

Having been announced on July 5, the initial deadline to apply for the facility was set at July 30 but seeing as many rawhide traders failed to do so within the stipulated timeframe, the central bank was forced to push the deadline to October 29.

Now though, due to the considerable number of loan defaulters among rawhide traders, the deadline has again been extended to December 30 of this year, as per a notice from Bangladesh Bank issued yesterday.

The central bank announced the relaxed facility ahead of Eid-ul-Azha, which was celebrated at the end of July, in a bid to ensure that the leather industry would have sufficient funds to collect necessary raw materials.

Traditionally, half of the country's rawhide supply is collected during the Eid festival.

Under the relaxed rescheduling facility, traders are allowed to reschedule defaulted loans that were taken in the form of working capital and demand loans after paying only 2 per cent down-payment on the outstanding loans as of June 30.

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Export readiness fund seeks applications for grants

MD FAZLUR RAHMAN

A government fund looking to boost exports from Bangladesh is seeking applications from prospective firms for grants to be used to improve their production capacity.

To diversify exports, the commerce ministry is implementing the Export Competitiveness for Jobs (EC4J) Project, which is supported by the World Bank.

The project is designed to enhance the growth and competitiveness of four sectors and to create more and better job opportunities: leather and leather goods, footwear, light engineering products and plastics.

One of the components of the EC4J is the Export Readiness Fund (ERF), a \$10 million matching grant programme, which provides financial support to firms to identify gaps, catalyse investment and improve environmental, social and quality (ESQ) standards, and, thus, improve competitiveness in the export markets, said Md Obaidul Azam, project director of the EC4J.

Launched in January, the ERF began providing support to Bangladeshi firms with ESQ compliance assessments under its funding Window 1. The fund will today roll out the Window 2 and Window 3, according to a media invitation.

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Raw jute prices soar to record high

SOHEL PARVEZ

Raw jute prices hit a record high of around Tk 3,000 per maund as supply declined in the markets of producing regions owing to stocking by middlemen and slow release by farmers seeking to cash in on flood-induced production fall, various traders said yesterday.



AT A GLANCE

- Prices soared to Tk **3,000**/maund
- Supply declined due to stocking by middlemen
- Recurrent floods and unfavourable weather damaged yields
- The finest grade of the fibre traded at Tk **2,800** a week ago
- Farmers sowed jute on **7.26** lakh hectares this year, up **9%** year-on-year

The finest grade of the natural fibre, used by local mills to make yarn mainly for export, traded at Tk 2,800 per maund a week ago.

Since then, prices have shot up to Tk 3,000 per maund as availability fell in the markets, said Prabir Saha, a jute trader at Madhukhali of Faridpur, one of the biggest jute producing districts.

"These are the highest prices I have

ever seen. Farmers are benefiting from the spiralling prices. A section of middlemen, particularly those who do stocking business seasonally, are also profiting from the high prices," he said over the phone yesterday.

Prices of jute started increasing since the beginning of harvest early last month as recurrent floods and unfavourable weather damaged yields.

yield would be much lower.

Taking into account flood related crop losses and untimely sowing, overall production will be 55 lakh bales this year, said spinners and millers.

The annual requirement of raw jute is 65 lakh bales, of which 60 lakh bales is consumed by mills to make yarn, sacks, bags and twine.

The rest is used by households, said the Bangladesh Jute Spinners Association (BJSA) and Bangladesh Jute Mills Association (BJMA).

Earlier this week, millers in a joint letter to the prime minister cited the issue of shortfall from requirement and raised concerns over the increasing prices of raw jute.

"Current prices of raw jute are at Tk 2,900-Tk 3,000 per maund. Prices are increasing every week. This was never seen before," read the letter.

It urged for imposing export duty of \$250 per tonne to discourage the export of raw jute and increasing availability in the local market.

Millers said the deficit amount in the domestic requirement had widened because of exports.

The latest data on the quantity of raw jute export is not available but the Export Promotion Bureau showed that raw jute exporters earned 38 per cent higher year-on-year to \$20 million in the July-August period of the current fiscal year from that a year ago.

Abdul Quayyum, secretary general of the Bangladesh Jute Association (BJA), said more than 100,000 bales of raw jute might be exported in the July-September period this year.

The BJA earlier opposed the millers and urged the government not to impose any duty on raw jute exports, saying that the requirement of the fibre reduced this year because of closure of 25 state-run jute mills from July.

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