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### BEC puts budget on-line

Bangladesh Economic Chronicle (BEC), the first web magazine on business and economy in Bangladesh is going to put the National Budget 2000-2001 on-line, reports UNB.

Visitors will be able to find the full budget speech on BEC's website at [www.bdec.org](http://www.bdec.org) as soon as the finance minister completes his speech in the Parliament, said a press release yesterday.

Users will also find a comparative analysis on this year's budget with those of the last five years.

BEC, which also hosted last year's national budget on-line for the first time in Bangladesh, is the only source providing an on-line database that would allow the users to find the changes in the tariff rates only by putting the HS Code of any particular import item.

### BSRS earns Tk 3.93 cr

Bangladesh Shilpa Rin Sangstha (BSRS) has earned a net profit of Tk 3.93 crore during 1998-99 fiscal year, reports BSS.

The profit has been confirmed on the basis of cash realisation of the interest on investment loans and dividends.

Of the profit, Tk 70 lakh will be paid to the government as dividend, a BSRS press release said in the city yesterday.

This was disclosed while approving the audited accounts of BSRS for the FY 1998-99 at the meeting of the Board of Directors held at its head office recently. The meeting was presided over by Dr A H M Habibur Rahman, Chairman of the Board of Directors.

The board expressed its satisfaction at the profit earning on the basis of cash realisation of interest on loan and dividend on investment and hoped that the Sangstha would contribute more to the national economy in the coming years, the release added.

### ANZ Grindlays Bank launches FastCard

ANZ Grindlays Bank officially launched its new product, FastCard, at a function held at its offices on Monday, says a press release.

Imran Ahmed, Head of Cards, launched the new product. Muhammad A Ali, General Manager and Country Head, and other senior officials of ANZ Grindlays Bank, were also present on the occasion.

Imran Ahmed said FastCard enables customers to obtain a credit card without submitting any supporting income documents. Only a certain amount of funds will be held as lien against the limit the customer seeks. FastCard can be obtained against deposits in the customers' current account, savings account, fixed deposit account and even against Saving Certificates.

He added that FastCard would be delivered to the customers within 15 days of approval of their applications.

ANZ Grindlays credit cards are currently accepted at more than 2000 merchant outlets in the country, the release added.

### IIRD signs MOU with BSF to promote silk industry

Institute of Integrated Rural Development (IIRD) has joined hands with Bangladesh Silk Foundation (BSF) in an attempt to promote the country's silk industry, reports UNB.

A memorandum of understanding (MOU) to this effect was signed between BSF and IIRD yesterday.

Under the MOU, IIRD will join forces with BSF in training, extension, chauki rearing, product promotion and development of the Silk Development Project (SDP).

BSF, a non-profit company, was set up in 1997. It has been implementing the SDP since 1998 under a credit of US dollar 11.35 million from International Development Association (IDA).

The main objective of the 5-year project is to help raise the incomes of small silk producers, most of whom are poor women, through introducing improved technologies and creating institutional and policy improvement.

The project components include institutional development, research and productivity enhancement, technological dissemination, product and market development and monitoring and evaluation.

BSF has already signed MOUs with Thenmarama Mohila Sabuj Sangha (TMSS), Proshika, BRAC and Caritas, and is expected to sign similar MOUs with various other stakeholders for implementation of different components of the project.

"At a time when Germany, for instance, is reported to be

## A CEO's expectations on the B-day

By A K M Shamsuddin

which is shamefully low. Therefore, direct taxation policy needs to be re-drawn to achieve economic growth and stability. My expectation is that the budget 2000-2001 will rationalise and simplify income and corporate taxation. The present maximum rate of 25 per cent income tax for individuals is acceptable. However, the basic exemption limit should be at least take one lakh. Moreover, the system of adding 10 per cent on tax payable on account of property ownership in excess of Tk 10 lakh should be withdrawn. All sorts of surcharges and non-adjustable advance tax deductions must go. There should be tax rebate/exemption available to senior citizens. In order to encourage women entrepreneurs, they should be offered special tax rebates. There should also be rebates for repayment of housing loans.

A lot of rationalisation and simplification needs to be done in the area of corporate income tax. First, the rates are too high and thereby discourage tax payment. There should be a reduction of 5 per cent corporate tax across the board. Second, there should not be restrictions in allowing genuine business expenses as tax deductible expenditures. For example, the cost of a car with more than take 7.5 lakh cannot be depreciated above that value or pharmaceutical companies cannot charge cost of samples beyond a certain ceiling.

To boost exports, there should not be any corporate tax on it. All incomes from IT industries should also be similarly treated. In order the attract investment in the infrastructure sectors, corporate tax incentive should be introduced.

To sweeten voluntary retirement (VR), all benefits accruing out of it should be tax-free both at corporate level, as well as at the hands of the individuals. There must be simplification and rationalisation of the adjustment of advance taxes paid at different stages. And finally, income tax laws need to be simplified too.

#### Income and corporate tax

These are direct taxes, and traditionally realisation from direct taxes have been abysmally meagre. In a country of 130 million people, only about 350 thousand pay income tax.

#### Bank lending rates

Globally, commercial banks lend to investors at rates which are 2 to 3 per cent higher than what they pay to, say savings account holders. In Bangladesh,

this premium is 6 to 8 per cent. This makes the cost of doing business in Bangladesh very high. The nationalised commercial banks (NCB) cannot lower their lending rates because of the huge amount of default loans in their portfolio. On the other hand, foreign commercial banks (FCB) are making hefty profits since they do not have the burden of bad loans. Although interest rates are not controlled by the government, the market mechanism of competition does not work here because of the dominance of the NCBs in the financial market.

Measures are expected in the new budgets to address the issue. The NCBs must make provisions for bad loans (some dating back to even the fifties and sixties of the last century) and thereby must be able to demonstrate flexibility.

#### Boosting export

In today's globalised scenario, if we are to strengthen our role in the world economy, we must go for a rapid expansion of our exports. For this, we need to speedily develop the thrust sectors other than garments. For garments also we must develop backward linkages appropriate for the future, not just in short-term but also in medium to long-term.

But the real expectation would be to speedily develop other thrust sectors like the IT. I expect that the budget proposal would include creation of venture capital funds with clear guidelines so that these are speedily available to investors. Such funds should be

- Interest-free  
- Bureaucratic hassle-free  
- Income tax-free so long as the generated funds are recycled into the business

- When income from such funds are distributed to investors, this should be taxed at a lower rate, say 15 per cent.

The much-awaited re-regulation of the telecom sector is a must to boost and expand our export potential.

#### Attracting foreign and local investment

Bangladesh has one of the best packages offered to foreign direct investors (FDI). Yet, it has failed to attract sizeable FDI, barring in the energy sector. Political instability, law

and order situation, bureaucratic bottlenecks and lack of policy guidelines discourage FDI, when our big neighbour with a vast domestic market has provided a highly stable and business-friendly environment.

The only way to improve this situation, I think, is to promote the existing FDIs so that these can have fair opportunity to grow. Measures that can help these thrive would be simplification of the taxation system, withdrawal of discretionary powers of the tax authorities, full implementation of the PSI system, etc.

Opening up of the infrastructure and service sectors to foreign and local entrepreneurs would also help in improving the investment scenario.

#### Industrial growth

Anomalous tariff system has steadily thrown the country's industrial base off balance. Because of abnormally-high incentive created through the inappropriate tariff regime, smugglers have taken over the country's economy. This can only be contained through fiscal measures.

It is our hope that the next budget would take positive steps, particularly keeping in mind the steps taken by our big neighbour, to rationalise the tariff structure, so that smugglers lose their incentive. This will be manifold beneficial effects. It will help revive industrial activity in the country, thereby generating employment. If smuggling is minimised, the formal sector will grow and when the formal sector's revenue also goes up. Here lies our future as a nation, and it is now in the hands of our finance minister.

#### Containing fiscal deficit

The purpose of economic reform must be to 'unlock the creative energies of the people' and thus benefit from their productivity growth. A credible framework of fiscal discipline is the backbone of this reform.

As it is, our government has as legacy of a huge public debt and an ever-increasing burden of interest payments. On top of this, because of revenue shortfall, the government had to borrow heavily from the banking system. What is worse, these

borrowings do not go to pay for infrastructure development. These are used for meeting revenue expenditures, the bulk of which goes to sustain the unproductive bureaucracy. To quote Yashwant Sinha again, "If we do not raise resources and instead take recourse to even higher borrowing next year, then we will jeopardise our growth prospects, re-ignite the flames of inflation, sow the seeds of another balance of payment crisis and place an unfair burden on the next generation."

We expect that the next budget will propose ways to minimise the fiscal deficits on an urgent basis. Some of the measures

- Lowering of salary expenses of 25 per cent. This can be achieved by downsizing the government and privatising support services like government rest houses, circuit houses, garbage collection etc. Expenses on account of international travels by bureaucrats is phenomenal. This must be be

#### Freeze on defence expenditure

- A rigorous system of zero-based budget scrutiny should be introduced. In India, they could identify 69 schemes to be discontinued by scrutinising only 8 ministries last year. This can only be contained through fiscal measures.

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attempts should be made to pass on all subsidies to users in the form of 'cost-based user charges.'

- All state-owned enterprises (SOEs) should be divested urgently and the proceeds needs to be used to pay back bank loans. Thus debt burdens will be lowered and interest payment liabilities will reduce.

#### A fiscal responsibility act

may be enacted. I hope that the government, in the next budget proposal, will form a committee preparatory to such an act.

A K M Shamsuddin,  
Managing Director  
Rhone Poulen Rorer  
Bangladesh Limited and  
Chairman of Central Depository Bangladesh Limited.

The author is Managing Director Rhone Poulen Rorer Bangladesh Limited and Chairman of Central Depository Bangladesh Limited.

False figures in Rupon Oil accounts

## ICAB suspends MA Fazal and Co

Star Business Report

The Institute of Chartered Accountants of Bangladesh (ICAB) has suspended the membership of an audit firm for a year with effect from May 31, 2000 on charges of professional misconduct.

Mohammed Abul Fazal (bearing enrollment No 67), proprietor of M/s MA Fazal & Co, Chartered Accountants, Dhaka, was found guilty by ICAB in connection with the annual report and accounts of Rupon Oil and Feeds Ltd, a listed company.

According to sources, Rupon Oil's annual accounts for the year 1996-97 was prepared by

New Board of Grameen Bangla Housing Ltd

The first EGM of Grameen Bangla Housing was held at TTTC auditorium in the city recently with company Chairman Dipal Chandra Barua presiding.

A 13-member Board of Directors of the company was elected at the meeting.

M Jahangir Alam was elected Vice Chairman and Engg Sardar Md Amin, Managing Director of the company.

The revised Memorandum of Association & Articles of Association was approved at the meeting.

A project proposal to set up a mini town was presented at the meeting. Aminul Islam, President of Land Purchase Committee also presented reports on the progress of other projects.

Eng Mohammad Iman Ali, Member Secretary, highlighted the company activities and Md Motahar Hossain, Member (Finance) gave a picture of the financial activities of the company.

The shareholders of the company from different banks, educational institutions and business organisations, including Saleha Begum, Grameen Bank Zonal Manager, Comilla and Md Shahjahan Ali, AGM, Grameen Bank, were present at the meeting.

The regulatory body of the country's capital market earlier on October 7, 1999 referred some cases to ICAB for investigation and necessary actions in this regard and subsequently the disciplinary committee of the ICAB approved the latest action.

Besides Rupon Oil, the SEC audit objections referred to ICAB include Mark Bangladesh Shilpa and Engineering, JH Chemical and Wata Chemicals.

Audit objections have also been raised by the investors against some other companies like Wonderland Toys and Samorita Hospital and SEC action against them is underway, according to sources.

Earlier another Chartered Accountant firm, Aia Khan & Co., was reprimanded by ICAB for similar reasons in 1997.



Imran Ahmed, Head of Cards, ANZ Grindlays Bank, launches FastCard at its office recently. Muhammad A Ali, General Manager and Country Head, and other senior officials of the bank, are also seen in the picture.

— ANZ Grindlays photo

### Microsoft, Intel urge US Congress to raise visas for IT workers

Two prominent leaders of America's high-tech industry, Bill Gates and Andy Grove, urged Congress yesterday to raise the number of visas for IT workers to ease what they termed severe shortages, reports AFP.

"This is a very critical issue," Microsoft founder Gates told a joint congressional hearing discussing the issue of H-1B visas accorded to professionals in specialised fields.

"In fact, if there is anything that can help the technology industry move at full speed in the next couple of years, I'd say it's this visa issue," noted the Microsoft founder. "No matter what you do, the demand for these kind of world class engineering skills exceeds supply."

Gates said that because of the labour shortages, the industry is faced with the question of "whether we can continue to do 90 per cent of this work here in the United States or whether we have to go outside the United States to do the work."

Grove, co-founder of Intel Corporation, said the United States is competing against other nations for scarce skilled professionals in information technology.

"At a time when Germany, for instance, is reported to be

competing for the attention and the immigration of Indian scientists, we educate them in our universities and ship them back home," Grove said.

President Bill Clinton and members of Congress have proposed various formulas for increasing the number of visas for high-tech workers, which is due

to drop next year to 107,500 and revert to the 1998 level of 65,000 the following year.

Some analysts say the industry has a deficit of more than 300,000 professionals.

The legislation is that some backers want to include a provision to extend amnesty to some illegal Latin American immigrants who have been living for years in the country since 1986.

The technology industry contends the issue is critical to maintaining US leadership.

"I am very thankful for the short-term relief that the H-1B visa provision has been given, but it is basically bailing out a boat with a little cup," Grove said. "The problem is much deeper than that and much longer lasting. It is not a year-by-year problem. The US is a high-tech leader. As a leader, it has demand for high-tech personnel."

Gates boosting the number of visas can provide "near-term, temporary relief," but that the United States must also conduct a "systematic review of the immigration policies and immigration philosophies" and improve the educational system to train more technology professionals.