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Proper anti-poverty steps missing in budget

Speakers observe at seminar

STAR BUSINESS REPORT

Speakers at a seminar yesterday observed the proposed budget for 2003-2004 fiscal lacks clear guidelines for poverty eradication.

Although the finance minister has prepared the budget in line with the interim-poverty reduction strategy paper (I-PRSP), it fails to design a proper way of poverty alleviation, they said.

They also said the fiscal measures will do little for the people without ensuring good governance, improving law and order and strengthening local government.

Separation of judiciary from executive and setting up of an independent bureau of anti-corruption is also necessary.

They were speaking at the seminar titled 'Poverty Eradication and the Budget 2003-2004', jointly organised by Manusher Jannya and Samunnaya, held at CIRDAP auditorium.

Chairman of Samunnaya economist Atiur Rahman and researcher Arifur Rahman presented the keynote paper in the seminar. Team leader of Manusher Jannya Shaheen Anam was also present.

Former advisor to the caretaker government Syed Manzur Elahi, who chaired the seminar, said there are no hints in the proposed budget for creating employment opportunities for thousands of educated young people.

He also urged the government to increase the funds for disabled people, who are the one tenth in number of our total population.

Pubali Bank Managing Director Khondaker Ibrahim Khaled said improved growth rate is not enough for poverty eradication without ensuring good governance.

He said increased growth rate without good governance may make rich people richer and poor people poorer and expand flow of black money.

He also called for strengthening local government.

Member of the parliament GM Quader underscored the need to establish an independent bureau of anti-corruption.

He also stressed the need for separating the judiciary from the executive to ensure good governance.

Shamiron Khatun, a union parishad member in Shanthia thana in Pabna, said rural people did not understand the budget but they knew that it never brings well for them.

"Discussion should be arranged among the Union Parishad chairmen, members and government officials to ensure rural people's demand," she observed.

The Prothom Alo Editor Matiur Rahman said increased duty on various essentials may affect the middle class people.

Rahman said it is a matter of shame that lawmakers are busy raising their perks while common people's demand is ignored.

Citing example of dropping several projects related with poverty eradication from the annual development programme (ADP), Jatiya Samajtantrik Dal (JSD) President Hasanul Haque Inu said every year it is seen that maximum budget funds are spent in unproductive sectors.

"A Tk 324 crore project for modernisation of land administration and another Tk 50 crore scheme for capacity building of local government have been dropped from ADP," he said.

Bangladesh Mohila Garments Shramik Federation President Najma Akter said budget fails to address the worry of around one million garment workers in the post multi-fibre agreement (MFA) era.

Bangladesh Adibashi Forum President Sanjeev Drong said tribal people have failed to get any allocation in any budget.

PHOTO: STAR

A trader shows off a bunch of bananas at a godown in Dhaka. Adequate rains see a bumper banana production in the northern region. The popular fruit sells at Tk 100-Tk 150 per one hundred-piece in the wholesale market in the capital.

Expensive govt borrowing bars pvt banks from lowering rates

Citibank NA Bangladesh CEO tells

REJAUL KARIM BYRON

Private banks are unable to bring down interest rates substantially, as the government is borrowing fund at high interest rates.

The government borrows funds through treasury bill auction at more than 10 per cent interest while it borrows at 12 per cent by issuing saving instruments, said Chief Executive Officer of Citibank NA Bangladesh Mamun Rashid (MR) in an interview with The Daily Star.

He said government keeps its attractive deposits with the nationalised commercial banks (NCBs) while cheap deposits are kept in selected foreign commercial banks.

"Besides, cost of credit, private sector responsiveness and lack of fixed income products in the banking sector are contributing to this situation," he said.

Excerpts of interview are stated below.

DS: The country has recently opted for floating exchange rate regime. What are your views on this and what do you think the steps are needed to move forward?

MR: Bangladesh Bank's management of the transition from fixed to floating exchange rate has been commendable. Here, I would like to put on record, the extreme professionalism exercised by the deputy governor concerned along with Sonali Bank, Agrani Bank and the other major market players to make this possible. Needless to say that global market conditions as well as the timing has also acted in our favour.

Contrary to the typical market sentiment, taka appreciated against dollar and I feel, with the amount of aid money flowing in, taka is likely to gain further, thereby creating tremendous pressure on our export competitiveness. Going forward, Bangladesh Bank will need to closely monitor the situation and ensure that it does not go beyond a certain point while continuously

Mamun Rashid

liberalising regulations pertaining to forwards, swaps, import margins and allowing banks to introduce more structured products in the market.

DS: There has been a lot of discussion on bringing down the banks' interest rates further and thereby helping industrialisation. What are your views on this?

MR: With continuous pressure from the market operators, we have seen market interest rates on borrowings come down by more than 1 per cent and deposit rates by 0.5 per cent during the last eighteen months. However, ground reality dictates that government is continuously borrowing through treasury bills at more than 10 per cent interest rate annually and issuing savings certificates at approximately 12 per cent, most of the government deposits are being placed with the NCBs and cheap deposits are placed with select foreign commercial banks. Therefore it becomes difficult for the banking sector as a whole and specially the private sector banks to bring down the interest rates drastically since competition is quite skewed. Besides this fundamental problem, there are also issues related to cost of credit, private sector responsiveness and lack of fixed income products in the banking sector contributing to this situation.

DS: Various reform programmes have been carried out for the country's banking sector. What are your views on the outcome of these?

MR: Right from the Money and Banking Commission instituted by the then government of the eighties, all reform programmes, including Financial Sector Reform Project, Commercial Banks Restructuring Project and Loans Reform Committee, have had a positive impact on the country's banking sector. This has led to re-capitalisation of sick banks, streamlining classified loans, interest rate liberalisation, strengthening the central bank's supervision and restructuring of debts through new policy formulation and guidelines.

Taking stock of the competitive world we are now in, I feel future programmes should focus more on human resource development, establishment of befitting IT platforms and more importantly delineating a well structured credit policy depending on a bank's risk appetite, future growth plan, industry specialisation and asset-liability management.

DS: The budget for financial year of 2003-04 has been placed in parliament and is most possibly going to be approved by the end of this month. What are your views on the implications of this budget?

MR: I am no expert on explaining a budget in detail. However, as a student of economics and as a business practitioner, I am possibly well placed to understand the vision of the budget, which are primarily-broadening the tax net, protecting the local industry and encouraging the manufacturing sector vis-à-vis the trade sector-which is all very good. There are on the other hand, some contradictions with respect to taxation on a few finished goods and raw materials import. Though highest import duty ceiling has been reduced along with duty on few essential items, increased supplementary duty and overall duty structure seem to have gone up for considerable number of items.

Coming to the banking sector, I think there were other avenues, which could have been explored to tackle corporate governance and related issues, instead of punishing efficiency by increasing the tax rate for banks and financial institutions.

With respect to the annual development programme (ADP), while exercising some degree of scepticism with the government's decision to go with the public sector for power generation instead of reposing greater trust in the private sector players, I am fully in concurrence with their focus on poverty alleviation, improvement of education and infra-structure. Having said that I will be keenly observing how the allocated budget on education is actually mobilised to improve the quality of education, while year on year we witness with great pain the continuous downhill march of the general standard of education in our country.

Effective steps may double RMG export earnings by '07

World Bank-sponsored study says

NAZMUL AHSAN

The export earnings from Bangladesh ready-made-garment (RMG) sector will double from the present position by 2007 provided some specific measures are undertaken immediately.

The earning figure may well reach US$ 10 billion by 2007, according to a study.

The study, however, warned RMG sector will face stiff competitions in global market after phasing out of the multi-fibre-arrangement (MFA) in 2004.

Gherzi Textile Organisation (GTO), a Switzerland-based world reputed consulting firm, recently conducted the study on "Post-MFA development and technical assistance for the RMG sector." The study, financed by the World Bank (WB), has been handed over to the Ministry of Commerce.

The report suggested measures like developing backward linkage industry, improving law and order, stopping general strikes, improving infrastructure, setting up market data base system, lowering of bank interest rate and establishing a centrally bonded warehouse (CBW) to cope with the emerging challenges beyond 2004.

The GTO also recommended exporting companies ensure good working condition for workers to overcome the non-tariff barriers.

"As the global demand for RMG foreign trade grows to 350 billion by 2007, so it should be possible for Bangladesh RMG exports to reach 10 billion dollars by 2007," the study went on.

Bangladesh fetched $4.72 billion from RMG export in 2002 and $5.1 billion in 2001. Of $5.1 billion, export from woven garment fetched $3.4 billion, while $1.1 billion came from the export of knitted garments.

Presently, about 80 per cent of the total demand for woven fabrics and 30 per cent demand for knitted garments used in RMG sector have to be imported.

The report suggested the government should ensure power supply to export-oriented garment factories, bring about changes in the infrastructure like ports, roads and rail network. It also recommended for a central bonded warehouse to facilitating distribution of woven fabrics, dyes, chemicals, and spare parts at a lower price to the RMG exporters.

The study also suggested the exporters concentrate more on exporting high-valued items.

The GTO suggested government eliminate bureaucratic procedures and review operations and revamp the export promotion bureau (EPB), the board of investment (BOI) and the Bangladesh Export Processing Zones (BEPZA) to boost RMG exports.

Budget disappoints jute industry people

UNB, Dhaka

Entrepreneurs of the country's jute industry are disappointed with the proposed budget for fiscal 2003-04 where they said their industry received no mention.

While the Indian jute industry, they pointed out, is becoming more and more profitable due to benefits provided by the government, the situation in Bangladesh is completely reverse because of lack in government patronisation.

Giving a comparative situation, they said 67 out of 73 private jute mills in India have been profitable while in Bangladesh not more than five mills are at profit.

Indian mills sell 90 per cent of their production in their domestic market following strong government support whereas 80 per cent products of the jute industry in Bangladesh are exported and the rest 20 per cent sold for domestic consumption.

The local industry people said that the proposed budget did not mention anything about the jute industry when the sector was hoping that their cash incentive against exports would be increased by at least 10 per cent to make it up to 15 per cent.

In last few years, the cash incentive for jute goods export was reduced from 15 to 5 per cent. But during the same period Indian industry's cash incentive was increased from 4 to around 11 per cent, they said.

They also said that the Indian government has a well-planned strategy to support their jute industry through regulated government purchases.

The Indian government, with the help of their Jute Commissioner and BICP (Bureau of Industrial Costs and Prices), an organisation for regulating agricultural prices, makes a projected focus of their yearly requirement of jute bags and then the demand is allocated to the different jute mills on a monthly basis.

"This helps the Indian jute industry to target their production and sales for both local and export markets," said Shahedul Islam Helal, chairman of Bangladesh Jute Goods Association (BJGA).

At the same time, the Indian government has a firm policy under Jute Packaging Material Act and Compulsory Use Act. They also made it mandatory for all grains (for 10kg and above) to be packed in jute bags except for certain commodities for which a certain percentage of other packaging materials are allowed to be used.

Ethiopian envoy meets DCCI president

BSS, Dhaka

Ethiopian Ambassador to Bangladesh Dr Teketel Forssido said here yesterday that his country is keen to strengthen further the bilateral relations, specially business links between Bangladesh and Ethiopia.

The Ethiopian envoy based in the Indian capital of New Delhi stated this when he met President of the Dhaka Chamber of Commerce and Industry (DCCI) Matiur Rahman.

DCCI Director M A Momen and senior officials were also present at the meeting.

Exchanging views with the DCCI leaders, the Ethiopian ambassador assured of all-out support for achieving this objective. He also expressed optimism that the Ethiopian embassy and DCCI will work together to minimise the communication gap in the business arena.

Chambers welcome flag vessels amendment bill

STAR BUSINESS REPORT

Presidents of different chambers and a leading association yesterday expressed satisfaction over placing a bill in the Jatiya Sangsad to amend the Bangladesh Flag Vessels (Protection) Ordinance, 1982.

The proposed amendment fulfils long-standing demand of the trade and industry, particularly of the exporters, according to a press statement.

Signatories to the statement are Metropolitan Chamber of Commerce and Industry President Tapan Chowdhury, Dhaka Chamber of Commerce and Industry President Matiur Rahman, Chittagong Chamber of Commerce and Industry President Amir Humayun Mahmud Chowdhury and Bangladesh Garment Manufacturers and Exporters Association President Kazi Moniruzzaman.

The trade and industry have been pressing the government for the amendment as the waiver requirement poses a serious threat to timely shipment of exports.

The proposed amendment will not only help remove this threat but also eliminate the scope of invisible costs for obtaining the waivers, it said.

The protection under the ordinance will help Bangladeshi flag vessels to secure 40 per cent share of the import and export cargo, which proved to be unrealistic, the statement said.

The last 21 years have shown that the ordinance only hampers efficient shipping service, which is essential for ensuring competitiveness of the country's exports, the statement added.

Khulna DC made administrator of KCCI

STAFF CORRESPONDENT, Khulna

Deputy Commissioner (DC) of Khulna Mohammod Restadul Islam has been made administrator of Khulna Chamber of Commerce and Industry (KCCI).

Ministry of Commerce on Sunday sent an official letter in this regard.

The new administrator has been asked to make necessary arrangements to announce a fresh election schedule of the KCCI.

The commerce ministry charged the immediate past President Shaikh Nazrul Islam with making a forged voters' list to grab the coveted post of KCCI, which he had been holding for last ten years.

The Ministry of Commerce recently served a show-cause notice on him and asked why an administrator should not be appointed for preparing the voters' list for holding KCCI election.

JS body on textiles ministry meets

BSS, Dhaka

The first meeting of the parliamentary standing committee on textiles ministry was held at the Jatiya Sangsad yesterday with its chairman Professor M A Matin in the chair.

The meeting reviewed the activities of textiles ministry and different organisations under it.

The committee discussed 'Bangladesh Sericulture Board (Amendment) Bill, 2003' and 'Bangladesh Silk Research and Training Institute Bill, 2003'.

Committee members Engineer Shamsuddin Ahmed, MP, AKM Selim Reza Habib, MP, Mohammad Abdul Gafur Bhuiyan, MP, Colonel (Retd) M Anwarul Azim, MP and Abu Sayeed Mohammad Shahadat Hussain, MP, participated in the discussion.

The committee decided to place the two bills in the Jatiya Sangsad.

New GM of BSB

Abdul Mannan, deputy general manager of Bangladesh Shilpa Bank (BSB) has been promoted as the general manager and posted to Chittagong zonal office recently.

He joined Bangladesh Shilpa Bank in 1976, says a press release.

STB announces staff changes at top level

As part of its ongoing efforts to strengthen its corporate leadership team, the Singapore Tourism Board (STB) announced several changes to key positions in its senior management team.

This will see staff changes at the top level to better meet the challenges ahead, says a press release.

Lim Neo Chian, deputy chairman of STB's said "these staff changes will give more emphasis on STB's objective to re-position and strengthen its international operations to undertake the entire range of tourism functions that include tourism marketing and investment promotion."

Therefore, the changes this round will involve more of the international operations. These changes will also address emerging needs such as crisis management and emergency planning. The current SARS crisis is a case in point.

CSE training course ends

The two-day short professional training course on 'Company Secretarial Practice' ended at CSE conference hall in Chittagong on Saturday.

The course which began on Friday was jointly organised by the Institute of Chartered Secretaries and Managers of Bangladesh (ICSMB) and Chittagong Stock Exchange Limited, says a press release.

Wal-ul-Maroof Matin, chief executive officer of Chittagong Stock Exchange, inaugurated the course.

At the concluding session, Habibullah Khan, vice president of CSE distributed certificates among the participants.

A total of 52 participants banks, insurance, listed companies, CSE members firm, private companies and Chittagong Port attended the course.