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Provision fails to get enough black money whitened

REJAUL KARIM BYRON

Black money holders are getting more and more opportunities to whiten their undeclared incomes, but the policy of successive governments since late 1970s has failed to get significant amount of black money whitened.

The first opportunity for whitening black money was given in 1976 that enabled the black money holders to legalise the illegal money paying 25 percent income tax. Since then a total of Tk 3,920 crore has been whitened, NBR sources said.

But finance ministry and National Board of Revenue (NBR) sources said the amount is very little compared to the colossal amount of black money and the size of GDP (gross domestic product) that has increased 30 times over the last 29 years.

During late 1990s, the Ershad government again offered the black money whitening opportunity, reducing the tax rate to 20 percent from earlier 25 percent.

The three post-1990 governments further cut the tax rate giving more opportunity to the black money holders. They offered it at zero to 10 percent tax.

The present government in the proposed budget for 2005-06 offered black money holders the scope at 7.5 percent income tax, whereas the genuine taxpayers

TAX RATE AND WHITE BLACK MONEY (Tk in cro

Year	Tax rate %	Money whitened
1976-77	25	Tk 70
1987-88	20	Tk 200
1988-89	20*	Tk 250
1989-90	20*	Tk 400
2000-01	10	T k
1,000		

*Conditional

have to pay a minimum of 10 percent tax on their legal income.

GDP SIZE AND BLACK MONEY

In 1976-77, the GDP was Tk 11,032 crore in the current price and at that time about Tk 70 crore was whitened, which was about 0.63 percent of the GDP.

During the last year of Ershad regime, the GDP was Tk 73,757 crore while Tk 400 crore was whitened then, which was 0.54 percent of the GDP.

In FY 2000-01 during the Awami League government, the GDP was Tk 253,546 crore but Tk 1,000 crore was whitened, which was 0.39 percent of the GDP.

During the present BNP-led coalition regime, on average Tk 666 crore has been whitened a year, which is only 0.18 percent of the GDP.

EXPERT'S VIEWS

Explaining why less amount of black money has been whitened even after increasing the opportunity, Research Director of Bangladesh Institute of Development Studies (BIDS), Zaid Bakht said increased capital flight is a major reason for it.

He said the liberalised foreign exchange policy has now made it easier to siphon off money out of the country than in the past.

About the increasing opportunities for the black money holders, he said the governments are facing resource constraints and the volume of foreign aid is shrinking. That is why they are using the money-whitening tool as a source of revenue.

Moreover, vested quarters are always active to exert pressure on the government to increase such opportunities, he observed.

The finance minister who had taken a tough stance against extension of the scope for whitening black money time and again, finally surrendered to the pressure of those vested quarters, Bakht told The Daily Star last week.

POLICY AND WHITENED AMOUNT

Only a few black money holders took the opportunity given by the martial law government in 1976 when Tk 70 crore was whitened.

During 1987-88, the government unconditionally offered such opportunity at 20 percent income tax. It collected Tk 40 crore in tax against Tk 200 crore black money whitened.

In 1988-90, the government retained the provision with 20 percent tax but said if black money is invested in industries within two years, the rate will be 10 percent.

The new policy resulted in whitening of Tk 250 crore, generating Tk 35 crore tax in 1988-89. The next year Tk 400 crore was whitened and Tk 40 crore tax collected.

In 2000-01, the Awami League government reintroduced the provision after more than a decade. It unconditionally offered the money whitening process at 10 percent tax. This generated Tk 100 crore tax against whitening of Tk 1,000 crore.

The BNP government in 2001-02 introduced a system under which black money owners could whiten their money without paying tax if they invest it in production or services sector or purchase of shares. During the last three years, Tk 2,000 crore was whitened.

Cisco Systems to open office in Bangladesh

Company's India and Saarc region president talks to The Daily Star

SHARIER KHAN

Cisco Systems Incorporate, the world leader in networking for internet, will open a local office in Dhaka soon to cater booming needs in banking and manufacturing sectors here, says Cisco President of India and Saarc region Rangnath Salgome.

Present in Bangladesh since 1998, Cisco made a 100 percent growth last year. Although it is not so big in terms of revenue, it gives Cisco an important vibe about Bangladesh economy.

Cisco now foresees a strong economic and IT growth potential in Bangladesh in the coming years, Salgome told The Daily Star in an interview in Dhaka yesterday.

Only six months back, Cisco formed Cisco Bangladesh entity to expand its activities. So far it has provided the local customers with resources and services from its India and Saarc regional office that made half a billion dollar revenue last year. Now the company is planning to gradually recruit local staff for Bangladesh operations.

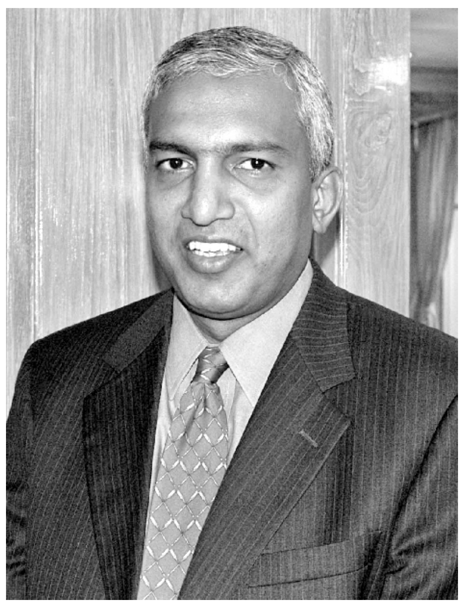
"Next to India, Bangladesh and Sri Lanka get high importance from Cisco," said Salgome who came to Dhaka on a one-day visit yesterday.

Cisco, which had a turnover of US$22 billion worldwide last year, has so far concentrated in providing network solution to leading banks and all the telecoms operators. Now it is planning to serve the manufacturing sector as well.

"We have four areas of activities. Of these four, we are active in two until now: providing services to enterprise business such as banking, manufacturing and education and to telecoms or broadband operators and corporate clients," he added.

"Now we are studying prospects of the two other areas namely services to IT sector and government and defence arena. In IT services, Bangladesh is receiving some tasks such as software development and operating call centres outsourced by IT companies," the Cisco regional chief said.

"We shall also see the prospects of networking government offices and defence sector," he



Rangnath Salgome

added.

Salgome said Bangladesh is steadily enjoying a 5 to 6 percent GDP growth, which will result in having a true social impact. Besides, the government's ITC policy is quite encouraging for investment. Above all, the country is undergoing a telecommunications revolution with subscribers surpassing three million.

"Wired networking is still weak here. The situation will change soon. Same thing happened in India just three years ago. First, there was mobile phone revolution and then came the wired networking revolution," he noted.

The Cisco executive said Bangladesh garments sector is expanding further. With such an expansion, comes the need for the manufacturers to remain electronically connected, switching from slow and manual connectivity. "It has become very important for the manufacturing industry to adopt new networking technology or embrace defeat with Chinese competitors," Salgome added.

Networking will be an essential factor in Bangladesh's economic and social growth, he observed adding networking the government offices, for instance, makes public services quick and easy while helping coordination among various agencies.

"When Cisco came to India 10 years ago, the context was same as it is now in Bangladesh. We opened an office under Cisco's Singapore office. Later, we grew there gradually recruiting new people," he said.

To stimulate the IT sector yet further here, the government should give emphasis on computer education at primary school and higher level, encourage tax benefits for setting up software development ventures, deregulate further the telecoms sector.

"Networking within the government offices adds significant value and stimulates activities in private sectors too. In India, they passed legislation in which the state governments have been asked to spend 2 percent of its annual budget for the development of IT. In the last three years, various departments such as the tax department and the parliament affairs in India have come under networking. They are now planning to introduce networking to the lowest tier of the administration," Salgome said.

Cisco also gives emphasis on spreading special education. In Bangladesh, it provides education through 10 universities including BUET, CUET and SUST. Presently, there are 1000 students with 100 women under full scholarships which are indirectly funded by Cisco.

"Unlike the Chinese way of high volume investment-based economy, the Saarc region can create a knowledge-based economy," he added.

At present, the Cisco Saarc office has about 1000 employees and the overall growth of Saarc business is 60 percent, said the visiting Cisco regional chief.

Move to rename Trust Bank as Army Trust Bank

BDNEWS, *Dhaka*

Management of The Trust Bank Ltd has taken initiative to rename it the Army Trust Bank Ltd following a confusion over similar names in the banking sector, bank sources said.

The bank authorities have recently submitted a proposal in this regard to the Bangladesh Bank (BB) and finance ministry.

Farhad Uddin, company secretary of the bank, told the news agency that similar names in the banking sector create confusion among the clients.

He particularly referred to the Mutual Trust Bank Ltd and said some clients have even sent remittances to that bank.

A BB official also said the central bank received a primary request for renaming the bank.

The BB now needs clearance from the registrar of Joint Stock Companies on the availability of a proposed name and the memorandum and articles of association from the bank to act on this matter, he added.

However, the company secretary of the bank said they got approval from the registrar of Joint Stock Companies.

But amendment to the memorandum and articles of association will be done at an extraordinary general meeting (EGM) scheduled for July 3, he added.

BOND TRADES

British watchdog fines Citigroup

AFP, *London*

The British financial regulator on Tuesday said it had fined US banking giant Citigroup 13.96 million pounds (21 million euros, 25.4 million dollars) over controversial bond trades last year that upset financial markets.

The fine comprises a penalty of 4.0 million pounds, plus an order to relinquish the 9.96 million pounds in profits that Citigroup -- the world's biggest financial firm -- realised from the trades, the Financial Services Authority (FSA) ruled following an investigation.

It is the second largest fine ever handed down by the watchdog, after the 17.0 million-pound penalty it slapped on oil giant Royal Dutch/Shell last year for overstating its oil and gas reserves.

However, it is the biggest fine the FSA has imposed in relation to irregular financial market transactions, eclipsing a 4.0-million-pound sanction it handed out to banking group Credit Suisse First Boston in December 2002.

The FSA said it had fined Citigroup Global Markets Limited (CGML) after "failing to conduct its business with due skill, care and diligence and failing to control its business effectively".

RMG sector better off, but needs more improvement

Two-day meet of buyers, manufacturers ends

UNB, *Dhaka*

Although the condition for compliance in Bangladesh garment factories is better than in China, much remains to be done to improve the RMG sector, local and foreign experts told a press conference here yesterday.

"The position of Bangladesh is better than that of China, but Bangladesh has to improve a lot within the next six months," said Alan Robert of MFA Forum.

Robert read out a written statement in the news conference held at IDB Bhaban.

Joint Secretary of commerce ministry Ghulam Hossain, UNDP Resident Representative in Bangladesh Jorgen Lissner and President of BGMEA Annisul Huq were also present at the press conference and replied to various questions of the reporters.

"The major role of the buyers is to insist on compliance, but they can also work with the suppliers on building their capacity for compliance. A committee of buyers, whether coordinated formally or informally, to coordinate this agenda and the efforts on compliance," Robert said.

He said the buyers should also take the responsibility to review both their buying practices and possible negative impacts of these practices on suppliers, and review the opportunities to move to a common code of practice and implementation.

"When it is clear that a strategy is needed, it is even clearer that there is a real call for national consensus with a joint, integrated effort on compliance. There should be an establishment of a body for the textile and clothing industry in the way of Economic and Social Development Agency that will involve all players. This body should be of a tripartite initiative," Robert said.

He observed that there is a window of opportunity for Bangladesh to confront the key issues that threaten the textile and clothing industry in the post-MFA world.

Ghulam Hossain agreed that the tragedy of the Spectrum Garment Factor put Bangladesh under the foreign buyers' flank.

"The government has formed three task forces to look after various matters about the RMG sector and the committee is now fixing their proceedings," he said.

Expressing his optimism to resolve some of the problems, Hossain said some issues like minimum wages and maximum working hours could be resolved within the next six months.

Seeking help from all concerned sectors, he said they have some capacity problem and shortage of manpower to thoroughly look into all the matters.

Annisul Huq emphasised the need for fixing the agenda first and then the mode of action for resolving the problems.

"There must be a minimum socio-economic level in every country for compliance, or else, there is a possibility to lose the market," the BGMEA president said.

The two-day conference titled `Internationally Competitive Textile and Garment Industry in Bangladesh' concluded yesterday.

International MFA Forum and UNDP jointly organised the conference.

PHOTO: DBBL

Dutch-Bangla Bank Limited (DBBL) Chairman Zaheed Hossain Khan inaugurates the 22nd branch of the bank at Ganakbari, Savar in Dhaka yesterday.

SEC okays Grameen mutual fund IPO

UNB, *Dhaka*

The Securities and Exchange Commission (SEC) has approved the floating of initial public offering (IPO) of Grameen One, the first scheme of Grameen Mutual Fund One (GMFO) worth Tk 170 million.

Of the total amount, Tk 50 million will go for the public offering, Tk 45 million for subscription by the resident Bangladeshi general investors and Tk 5 million by the non-resident Bangladeshis (NRBs) as SEC approved the IPO on Monday.

The Fund has a sponsor's contribution of Tk 16.5 million and prepublic offering subscription of Tk 103.5 million with leading banks and financial institutions, said a press release yesterday.

Grameen Bank, established by the microcredit pioneer Dr. Muhammad Yunus, is the sponsor and Grameen Fund is the trustee of the Fund. This is the second mutual fund in Bangladesh under private initiative after the first one was launched by AIMS of Bangladesh Limited.

The prospectus will be published in leading newspapers today and subscription for public offering of Tk 50 million will open on July 11 and continue until July 16, 2005.

The prospectus will also be available on the websites of Securities and Exchange Commission (www.secbd.org), Grameen Bank (www.grameen.com) and AIMS of Bangladesh Limited (www.aims-bangladesh.com) from today.

Summit Power set to go public

STAR BUSINESS REPORT

For the first time in Bangladesh, a private power company, Summit Power Limited, yesterday announced to go public through issuance of two million shares at Tk 140 each with a premium of Tk 40 per share.

The IPO subscription will open on August 27 and close on August 31.

These shares will help Summit achieve the annual growth target of 100 percent in its small power project venture, Chairman of Summit Group Aziz Khan told The Daily Star.

The company has a plan to set up new small power projects in the next three years with a total capacity of 400 megawatt in Narsingdi, Savar, Tongi, Sirajganj and Bogra, he said.

From three small 11-megawatt plants presently in Narsingdi, Savar and Comilla, the annual turnover of Summit's small power ventures is Tk 55 crore. Of this, the company makes 15 to 20 percent net profit, which puts Summit in the top rank in the credit listing of the Credit Rating Information and Services Limited (Crisl), Khan added. "Summit was given AA- credit rating two months ago."

The asset value of these three small plants is about Tk 130 crore. Summit also operates a 100-megawatt Khulna power plant, which is not in the purview of this initial public offering (IPO).

REB, Summit sign deal to double power generation of 3 small plants

STAR BUSINESS REPORT

An agreement between the Rural Electrification Board (REB) and Summit Power Limited was signed yesterday for doubling power generation capacity of three of Summit's existing small plants of 11 megawatt capacity each.

The plants located in Narsingdi, Comilla and Savar came into operation in 2001 and are selling power to the REB.

The REB, which buys power mainly from the Power Development Board, has about one million clients in these areas.

The agreement was signed at the energy ministry in the wake of the recent modification of government policy on small power projects for expanding the size of small plants to 50 MW from 10 MW.

Summit is the first Bangladeshi company to set up private power plants through the Khulna Power Co Ltd in 1998.

Expansion of the three plants' capacity to a total of 66 MW will be completed by July next year.

Summit will sell the electricity at Tk 2.02 per kilowatt hour at 33 kva, which is the cheapest electricity for REB's Narsingdi Palli Biddut Samity (PBS) zone-1 and Comilla PBS-1.

When contacted, Chairman of Summit Group Aziz Khan said, "Summit is excited to take part in the development process. I would like to point out that the company is also going public. Summit's share is being floated at Tk 140 with a premium of Tk 40 per share."

Under its revised policy on small power projects, the government is guaranteeing purchase of surplus power to be generated by the private sector. The private sector small plants are primarily supposed to find their own client base.

The government opted for this modification in view of more than 35 percent shortfall in power supply against the demand, and its failure to increase power generation capacity in the private sector in the last four years.

The BNP-led coalition after coming to office had cancelled eight small power projects of the REB despite issuance of Letter of Intent during the previous Awami League rule. In early 2004, the present government cancelled Summit's bid for Sirajganj 450 MW power project although the cabinet purchase committee okayed it.

Earlier this week, the government okayed Orion group's disqualified bid for the 450 MW Meghnaghat-2 project. It is also pushing an unsolicited deal for the 450 MW Meghnaghat-3 project.

CONTEMPT OF COURT

HC verdict against UCBL officials upheld

UNB, *Dhaka*

The Supreme Court yesterday upheld the High Court verdict sentencing to fine UCBL Managing Director and secretary for contempt of court.

Hamidul Huq, MD of United Commercial Bank Ltd, and Secretary Mirza Mahmud Rafiqur Rahman were fined Tk 2,000 each, in default to suffer simple imprisonment for 15 days.

Akhteruzzaman, former chairman and sponsor-Director of the bank, filed a petition against the two officials for non-co-operating in holding the annual general meetings of the bank for the year 1998 to 2000 violating the High Court orders.

Barrister Rafiqul Huq appeared for the petitioner while Dr Kamal Hossain and others stood for the bank officials.

Two foreign cos want to turn Dhaka garbage into fertilizer

STAR BUSINESS REPORT

Two foreign companies yesterday expressed interest to invest 5 million dollars in a waste management scheme to turn the garbage of Dhaka city into organic fertilizer.

UK-based Causeway Group and Pakistan-based Green Technology Environmental Corporation yesterday talked with the authorities of the Dhaka City Corporation about the scheme.

The two companies will invest jointly in the project provided that the DCC agrees to their proposal. Causeway Group will sponsor 70-80 percent of the investment while the Pakistani Group will bear the rest.

They also asked for a 30-acre of land for 25 years on lease in Dhaka for the plant to recycle about 1,000 tonnes of city garbage every day.

However, the DCC assured them of providing the required site at Amin Bazar on the outskirts of Dhaka.

David Kenneth Hall, director (International Affairs) of Causeway Group, said they will go for production of organic fertilizer by the end of this year if everything goes right. "We are quite hopeful about the assurance of the DCC," he said.

After 25 years the plant will be handed over to the government. The project will only be viable if the DCC supplies necessary waste everyday by its own vehicle and at its own cost.

The DCC has been fighting with huge garbage problem. It is yet to find a sound way to channel the daily garbage and get relief of this problem, said Dr Ata Ul Haq, chief executive officer of Green Technology Environmental Corporation. "This is also creating environmental hazards to the city people."

If the proposed project is materialised, the city will get relief form one third of its total waste.

Officials said the proposed waste management plant is made on zero waste concepts. That means it will recycle 100 percent of the waste including concrete, metallic and synthetic wastes.

If implemented, it will produce 250 tonnes of organic fertilizer everyday. The cost of the organic fertilizer will be less than half of chemical fertilizer. The environment friendly fertilizer can be used in agricultural fields and golf courses.