

Star BUSINESS

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Bangladesh business rules third best in South Asia

World Bank says Dhaka leads the way

STAR BUSINESS REPORTER

Bangladesh has the third most business-friendly regulations in South Asia ahead of Sri Lanka and India, said a report published yesterday by the World Bank and the International Finance Corporation (IFC).

The report titled Doing Business in South Asia 2007, which, for the first time, includes sub-national data from Bangladesh, also said that 'Dhaka' has the most business-friendly regulations out of the country's four major cities.

The simplification of property registration act helped Bangladesh to reach the position, the report added.

The report compares business regulations in South Asia with 175 economies around the world. The top ranked countries in the region are the Maldives (53) and Pakistan (74), followed by Bangladesh (88), Sri Lanka (89), Nepal (100), India (134), Bhutan (138) and Afghanistan (162). Globally Singapore ranks number 1 with the Democratic Republic of Congo at 175.

The report finds that out of the 4 major Bangladeshi cities, Dhaka has the most business-friendly regulations, while Bogra imposes the most complex and costly

administrative barriers. Chittagong and Khulna rank in the middle.

"Bangladesh recently improved the environment for businesses by introducing the land registration act to reduce fraud in land tenure. Despite improvements in the area of property registration --one of the 10 Doing Business indicators -- Bangladesh can still do much better," the report said.

Commenting on Bangladesh's situation, Zhu Xian, World Bank country director, said, "We are committed to supporting the government's initiative to improve the business climate in Bangladesh that is essential to generate higher levels of investment and productivity."

"Bangladesh could jump in the international rankings if it simply adopted the best practices in business regulation that already exist within the country -- from 88th to 62nd on the global Doing Business rankings. This would leave all other South Asian countries, except for the Maldives behind," said Caralee McLiesh, an author of the Doing Business in South Asia report.

Local regulations and different implementation of national-level regulations cause large differences in the case of doing business among Bangladeshi cities.

For example, in Dhaka it takes 13 procedures and 185 days to obtain a license, compared to 150 days and 15 procedures in Chittagong, and 146 days and 14 procedures in Bogra. Within Bangladesh, it is fastest to start a business in Khulna and Bogra (30 days), compared to Dhaka and Chittagong where it takes one week longer (37 days).

"Although the regional variations within Bangladesh are less significant than they are in India and Pakistan, local authorities can still learn from each other in the areas of business regulation where regional variations exist. In Khulna for example, resolving a commercial dispute through court is faster than other cities, but still requires almost 4 years (1,373 days)," said Simon Bell, World Bank manager for Financial and Private Sector Development in South Asia.

Doing Business in South Asia 2007 is the third report in a series of South Asia regional reports based on the methodology of the annual global Doing Business report.

Doing Business tracks a set of regulatory indicators related to business start-up, operation, trade, payment of taxes, and closure by measuring the time and cost associated with various government requirements. It does not track

South Asian rankings for business friendly rules	
The Maldives (53)	
Pakistan (74)	
Bangladesh (88)	
Sri Lanka (89)	
Nepal (100)	
India (134)	
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Afghanistan (162)	
Figures in brackets show ranking out of 175 countries worldwide	

variables such as macroeconomic policy, quality of infrastructure, currency volatility, investor perceptions, or crime rates.

Trade fair in Ctg begins tomorrow

STAFF CORRESPONDENT, Ctg

The fifteenth Chittagong International Trade Fair-2007 organised by Chittagong Chamber of Commerce and Industry (CCCI) will begin here tomorrow (Thursday) with a view to promoting local products and finding their newer markets abroad.

Information Adviser Mainul Husein, also in charge of the ministry of law, justice and parliamentary affairs, is expected to formally inaugurate the month-long fair at the Railway Polo Ground in the morning.

High Commissioner of Pakistan Alamgir Babar and Commerce Secretary Firoz Ahmed will be present as special guests.

There will be 277 stalls and 36 pavilions in the fair.

"Pakistan is participating for the first time as a partner country and a special Pakistan Pavilion covering a large space is erected at the fair. Besides, an exclusive 'Irani and Thai Zone' comprising several stalls will also be there, said Saifuzzaman Chowdhury, the CCCI president, while briefing journalists yesterday.

A few business firms from countries like United States of America, India, Russian, Hong Kong, Malaysia, Singapore, Iran and South Korea would also join the fair with their products, he said.

The theme for this year's fair is "Creating Opportunities for Business Linkage" and the fair will remain open from 10.00am to 10.00pm everyday.

The products to be showcased include handicrafts, computer, consumer products, food items, home appliances and garments.

DSE turnover halves on regulatory move

STAR BUSINESS REPORT

Turnover on the Dhaka Stock Exchange (DSE) has halved in the last week in response to Sunday's imposition by regulators of trading restrictions on shares in five companies.

Yesterday turnover fell to Tk 82.35 crore against the all time high of Tk 159.20 crore just one week ago.

The Security and Exchange Commission's (SEC) move, which placed the shares of the five companies under spot trade, forced the premier bourse to witness the low turnover, as the SEC's initiative holds back the inter-category money adjustment facility, market operators said.

On Sunday, the SEC directed both Dhaka and Chittagong stock exchanges to place Brac Bank, Power Grid Company of Bangladesh (PGCB), Dhaka Electric Supply Company (DESCO), Summit Power and Eastern Cables under the spot market, without money adjustment facility, instead of public market from Monday.

The directive was issued to check the five companies skyrocketing share prices and the huge levels of transactions in the stocks.

"The five companies shares are considered as big issues in the market. The investors can buy or sell the shares of the companies in line with the inter-category money adjustment facility. But, now the securities are traded for same day trading and cash settlement, without

the use of the adjustment facility. As a result, turnover has fallen in the last couple of days," said a stockbroker.

The adjustment facility allows an investor to buy any securities under A, B, G and N categories against sale proceeds of any securities under those categories in the same trading day.

Prices of the five companies shares, however, rose on the DSE. Brac Bank shares price up by 2.13 percent ending the day at Tk 586.50 while DESCO 4.14 percent at Tk 664, Eastern Cables 0.85 percent at Tk 383.75, PGCB 4.03 percent at Tk 476.75 and Summit Power 1.73 percent at Tk 556.50.

The share price indices also went up slightly. The benchmark DSE General Index up 9.49 points, or 0.5 percent, finished at 1871.48 points. The CSE Selective Categories Index went rose by 8.7929 points, 0.31 percent, to close at 2766.73 points.

Of the 205 issues traded on the DSE, 97 gained, 85 declined and 23 remained unchanged while of the 100 issues traded on the CSE, 48 advanced, 37 declined and 15 remained unchanged.

The total turnover came down to Tk 15.41 crore on the CSE.

Govt to do everything for RMG uplift

Geeteara tells BGMEA

UNB, Dhaka

Industries Adviser Geeteara Shafia Chowdhury yesterday told the BGMEA leaders that the government would do everything possible for the development of the country's garment industry.

She gave the assurance when the BGMEA standing committee leaders on sick industries met the adviser at her office.

The BGMEA leaders informed the adviser about the 270 sick industries and sought her help to resume production in the factories.

They urged the adviser to provide the facility of opening back-to-back LCs, interest waiver on their loans and rescheduling of loans for 10 years without interest and keeping the sick industries out of the purview of Artharin Adalat.

Chairman of the BGMEA standing committee on sick industries M Abu Bakar, co-chairman HMM Alam, Ershad Hossain, Azharul Islam, Golam Mostafa, Kutubuddin and Ramjul Siraj, among others, were present at the meeting.

Malaysia sees record foreign investment in manufacturing

AFP, Kuala Lumpur

Malaysia drew a record 20.2 billion ringgit (5.78 billion dollars) in foreign investments in its manufacturing sector in 2006, but is facing more competition for funds, the government said Tuesday.

Trade Minister Rafidah Aziz said last year's 12.8 percent increase in foreign direct investments from 17.9 billion ringgit in 2005 was the "highest level recorded to date."

"Despite the increasing global competition, Malaysia continues to attract global foreign investment outflow, reflecting the country's cost-competitiveness as a manufacturing and export base," she told reporters.

A total of 1,077 manufacturing projects worth 46 billion ringgit were approved in 2006, far exceeding the 27.5 billion ringgit annual target set under a 15-year government industrialisation plan, she said.



Zhu Xian, the World Bank country director, along with several high officials of the bank's Dhaka office, met Latifur Rahman, president of Metropolitan Chamber of Commerce and Industry, at the chamber office in Dhaka yesterday.

GP wins global award

Grameenphone (GP) Ltd, the leading cellphone operator of the country, has won the GSM Association's Global Mobile Award for the best use of mobile in social and economic development.

GP won the award for its Healthline service, says a press release.

Grameenphone CEO Erik Aas received the award at the 3GSM World Congress in Barcelona.

"This was a very competitive category, we received more than 60 entries from operators, manufacturers, NGOs, charities and businesses and our independent judging panel had a real challenge on their hands to select a winner," said GSMA Chief Executive Rob Conway.

"Healthline is a lifeline, particularly for mobile users in remote areas, our warmest congratulations to Grameenphone," he added.

The Healthline service, implemented in cooperation with the Telemedicine Reference Center Limited, is a 24-hour Medical Call Center manned by Licensed Physicians and accessible to all Grameenphone subscribers.

"This is a great honour for



GP CEO Erik Aas (L) receives the award.

Grameenphone. The GSMA award is a recognition of the initiatives' taken up by Grameenphone to further facilitate the socio-economic development of Bangladesh," says Erik Aas.

Some of the services initially available under this programme include: Information on doctor and medical facilities; information on drug or pharmacy; information on laboratory test report (interpretation); medical advice/consultation from doctor (for registered subscribers); and help and advice during medical emergency.

Papa, what is income tax? Do you also pay income tax?

MAMUN RASHID

As a devout student of marketing, it has become a hobby of mine to watch and read various advertisements in print and electronic media. I find it extremely interesting that how an effective advertisement can communicate with the target segment. An effective advertisement has high 'recall value' which can very frequently remind the target audience of its message. I was extremely impressed with the advertisement of Grameenphone where the story of a mother and son was depicted. The advertisement of RC Cola also touched me for its recall value and the recent Banglalink advertisement with regard to a fisherman getting empowered through the access to right information. Another one that intrigued me was an advertisement of National Board of Revenue (NBR) where a young child innocently asks her father, 'Papa, what is income tax? Do you also pay income tax?'. I have seen the advertisements only a few times. May be as a government entity NBR does not have enough funds to continue or does not value the target segment communication much.

The reason I have been intrigued by the advertisement of NBR is that it implies several important behaviour pattern of us regarding tax and paying tax. The importance of that is that we are quite oblivious to the idea of paying tax or in more simple words, we do not want to pay taxes. This attitude is

more prevalent among the literate class or the more privileged section



In the poster circulated by the National Board of Revenue, a child ask her father, "Papa, what is income tax? Do you also pay income tax?" of the society.

It is no wonder that we do not want to pay taxes. No body in this world likes that. But if we look at closely, we shall find out that we pay very low taxes. Our tax/GDP ratio is about 9 percent, which is about 4-5 percent lower than most similar countries have. Especially in case of direct tax like income tax, a very high percentage of our total population simply does not pay or adopt unlawful evasion. The bigger issue is that in our collective consciousness we do not feel strong enough about this unlawful and unethical evasion. At times this segment of population also refer to their ignorance

about tax rules or what should be included in the tax assessment form.

The typical logic that we present for not paying tax is that as we do not receive adequate services from the state, which will justify our paying appropriate taxes. Another logic that everybody suggests is that there are larger corruptions in the society and as those more corrupt persons are getting free ride by not paying any taxes, our 'smaller' corruption of not paying income tax can be readily ignored. Both of these arguments are self-defeating and show our moral bankruptcy. While every citizen should be able to demand services in exchange of the tax payments, it is unreal to expect anything from the state when nobody pays anything and wants to have everything. In the question of 'larger' or 'smaller' corruption, we have to admit that any corruption is deplorable. Any corruption, however small that may be, distorts the moral fabric of the society and disable the check and balance system of the state which ultimately hinders the growth the economy and ourselves. For not paying taxes, there are also logic is that the tax administration is corrupt and the system always favour the non-taxpayer than an honest taxpayer. Also, the rules and procedures are too complicated to abide by. While some of this logic is true, none of them are overwhelming enough to continue the practice of not paying taxes.

In whichever way, we craft our logic, it has become imminent that

we admit in black and white that we have to pay taxes. There is no alternative to that. Broadly there are two reasons why we have to be law abiding in paying taxes. Firstly, our economy is currently at a take off stage. To attain the potential and enhance the growth of the economy, we need to make increased level of investment. This investment can be financed either external sources like aid, grant, international commercial investment or through internal revenue generations. Internal financing is always preferable than external source. Reliance on internal source would always enable the government to make investment decisions based on its own priority and get away from the shackle of donor-imposed conditions which do not always serve the best interest of the economy. Also, the more fund the government would have available from internal sources, the more development projects it would be able to undertake. The benefit from these incremental development works will be able to create more income equity in the society and strengthen the social fabric. Greater reliance on internal source will also help us to maintain adequate macroeconomic stability and protect us from any unforeseen economic meltdown.

The other reason for more emphasis on tax payment is the establishment of accountability process across the society. Currently as the vast majority does not pay taxes and the tax administration is corrupt, we observe a

continuous 'Blame Game'. Everybody, from Government to private sector to individuals, accuses the other for being responsible of the whole chaos and the reason why they are not being able to be law abiding. However that does not prevent anyone from demanding all the benefits from the others. If we all would pay taxes, transparency would be created across the society. All the honest taxpayers can force the black money holder out. The state or the authority can easily identify any unlawful person or group and take appropriate action. Not only so, the greater number of taxpayers will create a strong stakeholder which will bring accountability in public policies like annual budget, public procurement, prioritisation of policy support to various private sector groups etc.

While we still have to increase our tax/GDP ratio, it must be mentioned that in last 12 years we have seen tremendous growth in tax collection. In 1995-96, our tax revenue was about BDT 2,000 crore, which has become BDT 34,000 crore in 2005-06. Most of this increase has come from indirect taxes like VAT and other import related earnings or consumption taxes. Direct taxes like income taxes have increased, but there is still tremendous room for increase.

Few days back, I read in the newspaper that some eminent personalities are paying very negligible income tax not commensurate to their life style or understandable earnings. If the news were correct, that would be very sad. If we want a

corruption free society and an accountable regime where black money will not prevail and honest and efficient person will dominate in every sphere, the leaders of our civil society will have to establish example. If the leaders of civil society cannot personally establish their credibility as honest citizens, our search for honest and efficient persons will only be a gimmick. If we truly believe in government of 'of the people, for the people and by the people', we must believe in sharing our wealth for the development of the down trodden people, by generating more revenue for the government to finance its priorities. And that can be initiated by including all our determinable earnings in the tax assessment form and thereafter pay the appropriate taxes. Few days back our chief of army staff was reported to have mentioned in a meeting that many things during the past 35 years have gone out of the track and we need to bring those back to track. In Pakistan, another chief gave few weeks time to the rich and important people to assess their proper tax, settle these or accept to be behind the bar. If our corrupt political leaders are being put behind the bar, if the business magnets could be punished for selling adulterated or date expired food items or hoarding, our civil society leaders should also get prepared to accept the appropriate treatment for mal-reporting in their tax assessment form and thereby evading taxes.

The writer is a banker