

Minimum wage for workers in all RMG factories by June 30

Promise owners

STAR BUSINESS REPORT

The Bangladesh Garments Manufacturers and Exporters Association (BGMEA) has promised to implement fully the tripartite agreement on minimum wage for garment workers that was signed between the government, owners and workers in all garment factories by June 30.

The BGMEA leaders told a meeting with the government yesterday that the October deal signed following a massive unrest in some garment industries has already been implemented in 70 percent of the garments factories.

This execution will culminate by June through implementation of the deal in rest of the factories.

Any lapses in such implementation on any RMG unit's part would

result in complete suspension of apparel business, BGMEA President Anwar-ul-Alam Chowdhury Parvez warned while talking to reporters following the meeting with the LGRD adviser at the latter's office.

The BGMEA leaders however expressed their reluctance to take any responsibility of the factories that are not members of the apex trade body for the apparel sector. The BGMEA-member factories are 4100.

Mohammad Anwarul Iqbal, the adviser in charge of the ministries of local government and rural development (LGRD), labour and employment, told the journalists that actions would be taken against the garments failing to give salary to the workers.

He said the officials concerned have already been instructed to

take punitive measures against those factories under the existing labour law.

The government has decided to recover the Hatirjheel near Karwan bazaar, the adviser said, expressing his doubt about the future of the building constructed by the BGMEA in the Hatirjheel.

Anwarul Iqbal underscored the need for a stronger workers-owners relation. He said good relations can mitigate many a minor problem.

The adviser told the meeting that the total salary of the workers at the EPZ factories increased by Tk 341 crore following their agitation.

But there are allegations that the owners are giving lower salary to the workers, he said.

The meeting was told that some non-governmental organisations

(NGOs) were involved in instigating agitation among the garment workers.

The BGMEA leaders alleged that at least 12 local and two foreign NGOs are directly involved in a campaign against garment factories.

The progress in setting up of effluent treatment plants (ETP) in different factories for protecting environment also came up for discussion at the meeting.

The executive chairman of Bangladesh Export Processing Zones Authority (Bepza) Brigadier General Ashraf Abdullah Yusuf, who was also present at the meeting, said although the Japanese government provided money for establishing five central ETPs, but that could not be implemented due to some problems.

Record container handling in a day at Ctg port

Chittagong Port has handled the highest-ever containers in a single day. SAIF Powertec Limited, the government-appointed private operator of Chittagong Container Terminal, handled 1,769 TEU (twenty-foot equivalent unit) containers on Friday at the CCT. Unloading and loading of the containers from three ships were completed in 24 hours, according to a press release.

Earlier, the terminal could handle 700 to 800 containers in 24 hours. Since taking over operations of CCT on March 5 this year, SAIF Powertec set a target to complete unloading and loading of a single ship in 24 hours. Now the private port operator has exceeded its target.

Three ships were disposed on the day. The ships were Precious River, Xpress Makalu and Banga Borak. Some 157 box containers were unloaded from and 380 were loaded in Precious River. A total of 26 box containers were unloaded from and 316 loaded in Xpress Makalu. In Banga Borak, 90 box containers were unloaded and 258 loaded.

United Leasing okays dividend

United Leasing Company Ltd has declared Tk 20 dividend per share for 2006, says a press release.

The dividend declaration came following the 18th annual general meeting and 5th extra-ordinary general meeting of the company held in Dhaka last week.

Company Chairman ASMO Sobhan presided over the meetings.

Fair at Suvastu shopping complex likely to continue

The duration of the month-long fair at Suvastu Nazar Valley Shopping Complex in the capital's Gulshan area may be extended as the fair is getting huge response from visitors, says a press release.

The fair styled 'Baishakhi Mela' began on April 14, the Bangla New Year's day.

Some 70 stalls are displaying their products at the fair where customers also enjoy eating out at the food court.

China allows banks to invest in foreign stock

PTI, Beijing

China's cash-rich commercial banks have been allowed for the first time to invest in foreign stocks with funds managed on behalf of their clients.

The China Banking Regulatory Commission (CBRC) gave the official go-ahead Friday to allow commercial banks, holding the qualified domestic institutional investor certificates, or QDIIS, to issue wealth management products that invest in overseas stocks.

Exports grow 20.21pc in nine months

STAR BUSINESS REPORT

The country's exports grew by 20.21 percent to \$ 9036.45 million in the first nine months of fiscal year 2006-07, thanks to good performance by apparels, frozen foods and footwear.

The export earnings fetched \$ 9036.45 million in July-March period against \$7517.40 million in the corresponding period of 2005-06, according to Export Promotion Bureau (EPB) figures released yesterday. The export target for July-March period was fixed at \$8990 million.

Despite growth knitwear missed the export target by 4.30 percent. Knitwear fetched \$3335.22 million against the target of \$3485.28 million.

"The failure is due to the adverse effect of labour unrest in the garment sector in May 2006," said Fazlul Haq, president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

However, Haq is very optimistic to achieve the export target of \$4.8 billion set for knitwear for 2006-07.

During the July-March period, woven garments fetched \$3505.73 million against \$2965.04 million in the corresponding period of the last financial year, showing 18.24 percent export growth.

Anwar-ul-Alam Chowdhury Parvez, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said if the present congenial busi-

ness environment continues, the overall export performance must be improved significantly.

Frozen foods, ceramic products, handicrafts, footwear, cut flowers, agro processed goods and engineering products also registered significant increases, contributing to the overall export growth.

Exports of jute goods, pharmaceuticals, chemical fertilizer, raw jute, vegetables, tobacco, bicycle, tea and electronic goods declined. The products also failed to reach export targets during the period.

On month-to-month basis, the overall exports of March 2007 were 13.40 percent higher.

Dhaka to make updated list of goods for market access under WTO offer

STAR BUSINESS REPORT

Dhaka will prepare an updated list of products for negotiations under WTO to get those included in the list of 97 percent goods eligible for duty-free and quota-free (DFQF) market access.

At the 2005 World Trade Organisation Hong Kong meeting, the developed and developing countries agreed to provide the 97 percent products from least developed countries (LDCs) with DFQF facilities.

A number of developed countries already gave DFQF facilities to the LDCs. But DFQF market access to the US market is extremely important for Bangladesh as US is the single largest market for Bangladeshi apparel products.

The decision to prepare a new list of products was taken at a high-powered committee meeting yesterday with Finance and Commerce Adviser Mirza Azizul Islam in the chair.

The meeting also decided to reconstitute its working groups dealing with WTO issues to make them proactive.

"The existing working groups were not proactive. They should be proactive rather than reactive on the WTO issue," the adviser told a group of reporters after the meeting.

The meeting decided to bring changes in the Trade Policy Review of Bangladesh as 22 countries questioned about complexity of tariff structure, over dependence on tariff and enhancement of revenue collection capacity.

Citigroup puts Bangladesh resources in global network

In its latest move to build and export its local talents to Asian countries, Citibank NA Bangladesh arranged the placement of two of its officials to its India and Malaysia franchise, in the Citi Markets and Banking, says a press release.

One talent has been placed as the relationship manager in the Commercial Banking Group at Citigroup India while the other has been placed at Citibank Malaysia as Islamic banking operations head.

Mamun Rashid, managing director and Citigroup country officer-Bangladesh, said, "This is a recognition of Bangladesh talents by none less than the world's leading financial services company and we want more of young talents to join Citigroup Bangladesh and afterwards help the group's global network."

Arbitration body soon for rehab of sick industries

BSS, Dhaka

The government will form an integrated arbitration committee for framing necessary laws to rehabilitate as many as 3,769 sick industries and also to resolve prevailing problems in this regard.

The committee to be formed soon will comprise, among others, representatives of the sick industries of all sectors to make suggestions to the government for rehabilitation.

On the basis of their suggestions, the government will enact a law to resolve these long lasting problems in the country's industrial sector.

A decision to this effect was taken at a meeting of the leaders of the Bangladesh Sick Industries Association with the Industries Adviser Geeti Ara Safiya Chowdhury in the chair. Additional Secretary of the Ministry Md Ayub Mia was also present.

President of the association Chowdhury Mohammad Ishaque led a delegation in the meeting.

"The government will take every possible steps to rehabilitate the sick industries," the adviser said and asked the association leaders to represent the industry in a single body to assist the ministry in this regard.

"The entire industry sector as a whole should be represented in the committee, so the recommendations to be made by it could resolve the problems of all sick industries," she said.

Geeti Ara assured the association leaders of considering, in principle, their demand for allocating Tk 300 crore in the upcoming budget to provide assistance to the sick industries.



PHOTO: CGL

Dato Dr Tengku Rethwan Tengku Mansor, group managing director of Malaysia's Tadmonsori Holdings SDN BHD, and Mukarram Husain Khan, managing director of Bangladesh's Capita Land Development Ltd, at a press conference in Dhaka on Saturday announce the launch of a \$100 million joint venture land development project, 'Capita Jaya Holdings Limited'.

WOMEN ENTREPRENEURSHIP

Tk 70cr budgetary allocation demanded

STAR BUSINESS REPORT

Country's women entrepreneurs have demanded a budgetary allocation of at least Tk 70 crore for the development of entrepreneurship of the womenfolk.

They lamented that financing of small and medium enterprises (SMEs) at a rate of 10 percent interest by the commercial banks as per the central bank's directive is yet to be implemented.

"Despite commitments made by political leaders on many occasions, a little has been done for women empowerment and entrepreneurship development," said Selima Ahmed, president, Bangladesh Women Chamber of

Commerce and Industry (BWCCI) at a seminar on Budget Aspiration of Women Entrepreneurs in Bangladesh held at the CIRDP auditorium in the city yesterday.

Raising the demand for allocating Tk 70 crore in the next national budget, she said of this amount, Tk50 crore should be earmarked for funding the women entrepreneurs, while the remaining Tk20 crore would be utilised for their capacity building, market research and development and product diversification.

The BWCCI chief also sought the Bangladesh Bank's intervention in implementing its directive to all the commercial banks that was given in a circular issued on July 19, 2005, which asked for

collateral-free loans for the SMEs.

Selima underscored the need for in-depth training, business counseling, information sharing session and marketing assistance for the women entrepreneurs.

The women's chamber earlier placed their demands to National Board of Revenue (NBR) and Bangladesh Bank.

The chamber will also meet Finance Adviser Mirza Azizul Islam soon to discuss about their demands.

Ruba Rummana, Assistance Professor, Department of Economics, Ahsanullah Science and Technology University, presented the keynote speech at the seminar.

Reforming taxes in Bangladesh: A taxpayer's perspective

SADIQ AHMED

Tax revenue as a share of GDP in Bangladesh is amongst the lowest in the world. The tax ratio (tax revenue as a share of GDP) is a meagre 9 percent in Bangladesh as compared with an average of 17 percent for countries with per capita income below \$1000, 22 percent for countries with per capita income between \$1000 and \$17000, and 27 percent for countries with per capita income exceeding \$17000. Controlling for per capita income, cross-country comparison suggests that Bangladesh along with a few other countries is at the bottom of the tax effort list. With its present per capita income Bangladesh should be collecting at least 12-13 percent of GDP as tax revenues.

Broadly speaking the tax ratio tends to rise as income grows, although this relationship does not always hold at very high per capita income levels. For example among OECD countries Sweden obtains an astounding 50 percent of GDP as tax revenues whereas USA, with higher per capita income, obtains some 25 percent. This suggests that the tax ratio depends not only on per capita income but also on the readiness of citizens to let their governments partake a large part of their income for the use of the state. So, the search for an optimal tax ratio is futile. Rather, this is an

exercise in political economy and the ratio will vary from country to country based on the political discourse between citizens and the state.

No body likes to pay taxes. History is full of example of tax rebellion and tax related conflicts. What makes it possible for OECD countries like Sweden to collect some half of its GDP as taxes? Even at the lower end, countries like Japan and USA collect a quarter of its GDP. Clearly, a part of the answer must lie in the willingness of citizens to pay. This in turn depends upon services provided by the state. But willingness is only one element. Even if I like the services provided by the state, I don't necessarily benefit in proportion to the taxes I pay. Furthermore, since states tend to provide many "public goods" why not I let my neighbors pay and I can be a "free rider"? Thus, capacity to pay (per capita income), willingness to pay (services provided by the state) and incentive to pay (free rider problem) are all important factors in determining the tax outcome.

What can Bangladesh learn from the experience of OECD countries? Countries are different with different levels of per capita income, different endowments of natural resources, composition of economic activities, social and political environment, etc. So the

experience of one country does not automatically translate into a one-to-one correspondence to some other country context. Yet, some broad generic lessons of experience are possible from the tax effort in OECD countries. As an illustration, I use my own experience as a tax payer in the United States. My family and I fall in the category of ordinary tax payers and our experience may not fully reflect all the complexities that some other US tax payer with a more complicated situation may have faced, but the process is broadly applicable to most tax payer situations. Over the past 30 years or so that I have lived in the USA, I have filed applicable taxes for myself and my family. In this long episode, I have never used a tax lawyer; I have never been in direct contact with a tax authority staff, all transactions including tax filing, payments and reimbursements from the US Treasury when necessary has happened through the mail or electronically. I have never been delinquent nor have I ever been late in filing the required tax papers. On average I have spent 3-4 hours per tax filing and in many cases the tax form has been a one page document called 1040EZ.

If one reflects carefully on this experience, this tells a powerful story of a tax system and administration that has lots of attraction and relevance to the Bangladesh

case. Lets first start with the last point: the ease of tax filing. This is simply a reflection of the fact that income tax laws are pretty straight forward and simple for most citizens whose income sources are from wages and interest income from bank deposits and who are happy to take standard deductions. The tax filing gets a bit more involved as other sources of income, such as rental income or income from self employment are involved or when itemized deductions are sought. Even then, the process is relatively straight forward and filing is not a big hassle. This illustrates two of the fundamental principles of a good tax system: transparency and simplicity. Tax system should be transparent so that informed tax payers understand how taxes are assessed and be simple enough for most tax payers to have the option to do their own filing. Of course, special provisions are there to handle complex cases including income from business, multiple sources of income, complicated itemized deductions, special treatments, etc. Tax accountants and tax lawyers typically handle those cases, but these provisions are not essential for most wage earners who can be regarded as ordinary tax payers.

The fact that I have never seen a tax official and yet always filed my tax return on time suggests another powerful characteristic of a good

tax system: voluntary compliance with self assessment. An environment must be created whereby most citizens would voluntarily file their taxes on time. This is partly related to the first two principles of transparency and simplicity noted above. If I know my tax obligations and can file my tax return without any hassle or complicated filing process, my incentives to file taxes voluntarily increases manifold.

The most attractive feature of the US experience is that tax filing and related transactions do not require direct dealings between the tax payer and the tax authority unless there are problems. I file my taxes through the mail. I also send my payment through mail. If there is an over payment through withholding or other means, I have always gotten back the amount owed to me by the Treasury without any follow up. This is a remarkably hassle free aspect of the tax system which makes voluntary tax compliance so much more acceptable. It also has the powerful incentive that it eliminates any kind of tax fraud or avoidance through collusion with the tax official. The system cuts through this aspect of corruption directly at the source, which is a great feature in the context of the corruption-ridden environment of Bangladesh.

Self assessment and voluntary compliance are backed by a well

crafted follow-up system to ensure proper compliance with tax laws. This is chiefly built on the principle of selective audits. The audits are done very carefully. This requires good report keeping and computerization of tax record. In this 21st century these requirements are quite easy to implement. In the USA audits are done selectively (less than 2 percent of tax cases per year) but vigorously. Any body familiar with the US tax system knows that penalties for tax fraud can be very severe and without exception. The legal cover against tax fraud and hundred percent implementation of legislated sanctions are essential ingredients of a tax system based on voluntary compliance and self assessment.

The tax authority needs to be empowered so that it can do its job without undue political influence. Many countries have found it useful to have an autonomous tax department. It also has to be adequately staffed and with the right kind of expertise. A modern tax department cannot be run on the basis of civil service staff that transfer jobs frequently as a part of routine rotations. This needs to be run as a business with seasoned professional staff. Since the tax department has lots of power and can be a source of exploitation or fear, OECD countries have emphasized the concept of a "tax service authority" with the emphasis on

service. The customers (tax payers) are treated as clients who need services of the tax department. The tax department staff are required to treat customers with respect and care when there is a need for interaction. However, most tax forms and publications are available electronically and direct interaction for these is not necessary. Tax forms and publications are routinely mailed to tax payers well ahead of time. These documents are also available in post offices, public libraries as well as in tax offices.

What is the way forward for Bangladesh? It is understandable that given the low per capita income, the low level of education and weak administrative capacity the Bangladesh Tax Department is not likely to convert to the Internal Revenue Service (IRS) department of the US Treasury. But there is no reason why the way in which income taxes are collected cannot change fundamentally as illustrated above. First, the tax laws ought to be radically simplified and streamlined to make it possible for most ordinary tax payers to file their income tax through a one page form like the 1040EZ. The forms and documentation requirements can increase progressively to handle complicated filing needs. Secondly, the arms-length relationship between the tax payer and the tax authority must be estab-

lished as a top priority. There is no earthly reason why a citizen cannot file the tax return through mail. Where payments are involved, these could be deposited in a Treasury account established with a number of commercial banks. The main point is that there should be no opportunity for collusive behavior between the tax payer and the tax collector. Third, a system of rigorous audits must be established. The audits should be highly selective but enforced with the full force of law and without exception. Finally, thought must be given to establishing an autonomous and professional Tax Service Authority (TSA). The TSA must hire competent professionals, should have automated record system, and must be oriented to provide service to the tax payer. The relationship should be one of client and service provider rather than based on threat and fear. A tax system based on voluntary tax compliance is the only hope for long-term progress with tax reform. The earlier the government recognizes this and establishes the environment for this, the better off are the tax payers and the prospects for enhanced tax revenues.

The author is Sector Director Poverty Reduction, Economic Management, Finance and Private Sector Unit of the South Asia Region of the World Bank, Washington DC. The views expressed in this piece are those of the author and not necessarily the views of the World Bank Group.