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GMG to operate flights on another two int'l routes

STAR BUSINESS REPORT

Private airline company GMG yesterday got permission to run its flights on another two international routes, the United Arab Emirates and Pakistan, sources said.

It received the permission after a meeting with the civil aviation and tourism ministry.

Dr MA Momen, managing director of Biman, the national airlines, told The Daily Star, "So far the private airline has been allowed to operate flights on seventeen routes, but it is yet to begin flight operations on all those routes."

On the permission of carrying hajj flight that the private airlines sought, the Biman MD said, "We do not have any objection to give permission to GMG to operate hajj flight."

However, the matter is yet to be finalised, although it came up for discussion at the meeting with the representatives of GMG.

Indonesian envoy visits Eskayef's new plant in Tongi

Warmas Hasan Saputra, Indonesia ambassador to Bangladesh, visited the new plant of Eskayef Bangladesh Ltd, a leading pharmaceuticals company in the country, in Tongi, Gazipur on Sunday.

AM Faruque, managing director of Eskayef Bangladesh, briefed the envoy about the operations, machinery and equipment, and quality standard of the plant, says a press release.

Faruque said, "We have already started the process of exporting our products to Indonesia. We visited Jakarta during mid-April of 2007 and met the high officials of Ministry of Health, Foreign Affairs and top pharmaceutical manufacturers there. Following our visit, the president director and technical expert of one of the leading pharmaceutical companies in Indonesia visited our plant in early May 2007. They showed interest in importing products from us. We are going to export our products to Indonesia very soon."

Mobile subscriber growth to slow after 2009 as poor struggle to buy handsets

Grameenphone CFO says

SARWAR A CHOWDHURY

Growth rates in Bangladesh's mobile telecom industry will slow after 2009 as poorer people will struggle to buy handsets and SIM cards, according to a senior official of Grameenphone, the country's largest mobile phone operator.

Md Arif Al Islam, chief financial officer (CFO) of Grameenphone said: "The cell phone industry witnessed a 140 percent growth last year over the previous year which was the largest growth in any industry in Bangladesh."

"We are projecting that in the next two years the market capacity or depth of the market may be as high as 50 million subscribers and by the end of 2009 the depth will be 60 million," he said.

However, Islam said that there were significant 'entry barriers' that would make it very difficult for the pace of growth to be maintained after 2009. These included the tax on SIM cards and high cost of handsets. Lower income groups such as farmers or rickshaw pullers may not be able to pay Tk 2,000 or Tk 3,000 for a mobile handset, he explained.


Md Arif Al Islam

Islam made his comments to reporters during a discussion on Grameenphone's investments in Bangladesh. At the meeting at Islam's office in Dhaka, the CFO also gave the company's views on the last week's national budget.

"In terms of the national perspective there are a lot of positive aspects in the proposed budget which will benefit the country's economy. But at the same time, we also feel that the budget came up with some additional taxes and duties which will ultimately affect the industry," he said.

The 2007-2008 budget proposal includes an increase in the corporate tax rate on mobile phone operators from 40 per cent to 45 per cent. However the tax rate would be cut to 35 percent, if the companies convert to publicly traded companies and are listed on the stock exchanges.

The budget also proposes the withdrawing of the duty exemption on telecommunication equipment, the imposition of a supplementary duty at the rate of 60 percent on SIM cards and the enhancement of the tariff on each imported handset by Tk 300.

Islam said since its started operations in 1997 Grameenphone has invested Tk 7,600 crore in the mobile industry till 2006. The company contributed Tk 6,700 crore to the government exchequer during the period.

He said that presently there are 22 million telephone subscribers, including land phones. Of these, 13 million are Grameenphone subscribers.


PHOTO: ESKAYEF BANGLADESH

AM Faruque, managing director of Eskayef Bangladesh Ltd, a leading pharmaceuticals company in the country, briefs Warmas Hasan Saputra, Indonesian ambassador to Bangladesh, about the quality assurance process of a new plant of the company during the envoy's visit to the plant on Sunday in Tongi, Gazipur.

Thailand Exhibition from tomorrow

STAR BUSINESS REPORT

A three-day fair titled Thailand Exhibition-2007 will begin tomorrow aiming to promote Thai products in Bangladesh.

Department of Export Promotion, Ministry of Commerce of Thailand and Thai Trade Center in Dhaka in association with Royal Thai Embassy Dhaka is organising the fair at Dhaka Sheraton Hotel.

Mirza Azizul Islam, finance adviser, is expected to inaugurate the fair, said a press release.

A total of 40companies will display products such as chemical, construction materials, food items, jewelry, leather and footwear in the fair.

Telecom operators demand duty cut for PSTN equipment

STAR BUSINESS REPORT

Telecom operators have demanded reduction in the tax rate that has been proposed for PSTN (public switched telephone network) capital machineries in the new budget.

They said although the government has withdrawn four per cent development surcharge, it had increased duties on PSTN to 15 percent from 5 percent, a move that would lead the sector to ruination.

At a press conference at the National Press Club in Dhaka yesterday, President of the Bangladesh Telecom Operators Association (BTOA) ATM Hayatuzzaman said as per the new budget proposal, the duty on PSTN equipment will be raised to 37 percent this time with inclusion of value added tax (VAT) and others.

The BTOA leader resented the withdrawal of all sorts of industrial benefits from the sector.

He said the government decision would threaten the sector that had created 3,000 direct and 70,000 indirect job opportunities.

Such a detrimental measure came at a time when the PSTN operators were putting their efforts to expand the users' base to one crore in next few years from the existing three lakh, he pointed out.

A total of Tk 1,500 crore has so far been invested in PSTN infrastructure development and another Tk 1,000 crore worth equipment are awaiting release from customs soon, the press meet was told.

"If government implements the proposed import duty structure on PSTN, we have to pay an additional Tk 370 crore for releasing those equipment costing the infrastructure development," Hayatuzzaman, also chairman of the Dhaka Telephone, said.

Khabiruzzaman, chief executive officer of GEP Telecom Ltd, said expenditure for providing every PSTN customer connection is three times higher than that of a cellular connection. But the government increased import duty both for a PSTN and cell phone set to Tk 500.

This duty was Tk 200 before announcement of the budget for the 2007-08 fiscal.

The PSTN service sector is yet to be flourished in the country and the profit from PSTN is very marginal as this fixed phone call charge is very minimal comparing to that of mobile phone.

That is why the government should not impose tax on PSTN equipments, the BTOA leaders said, urging the government to immediately reduce the duty.


PHOTO: STAR

Md Nazrul Islam, executive chairman of Board of Investment, and Vinod Mittal, managing director of India's Ispat Industries Ltd, exchange documents after signing a memorandum of understanding (MoU) in Dhaka yesterday. As per the MoU, the company will conduct a feasibility study of its US$ 2.9 billion investment plan in Bangladesh. (Story on page 16)

MORE BUSINESS REACTION TO PROPOSED BUDGET

Govt urged to withdraw duty on machinery

STAR BUSINESS REPORT

Hailing the government for proposing a pro-people and welfare-oriented national budget for the next fiscal year 2007-08, more trade bodies have urged the government to reconsider the imposition of duty on machinery.

They said proposed duty will hinder the process of industrialisation.

They, however, said the budget, if implemented properly, will reduce poverty, generate employment and increase exports.

BTMA

Welcoming the government for giving emphasis on export diversification, creation of employment opportunity and containing inflation, Bangladesh Textile Mills Association (BTMA) said imposition of 10 percent duty on textile machinery and raw materials may create hindrance in the process of industrialisation.

The association said the imposition of tax on textile capital machinery will discourage potential investors, resulting in decrease in investment in the textile industry.

The BTMA urged the government to withdraw the duty on textile machinery.

It said the proposed tariff structure will surely put local industries in trouble.

BFFEA

Bangladesh Frozen Foods Exporters Association (BFFEA) in its budget reaction has requested the government to reduce tax on the exports from the rate of 0.25 percent to 0.1 percent.

The BFFEA also demanded withdrawal of turnover tax imposed on export cash subsidy for sustaining competitiveness in the international market.

The association also asked the government for allocating Tk 200 crore in grant for the shrimp farmers to introduce modern technology for more production of shrimp and Tk 20 crore for training and welfare of the shrimp workers.

BTTLMEA

Bangladesh Terry Towel and Linen Manufacturers' and Exporters' Association (BTTLMEA) called upon the government to reconsider the abolition of zero percent import duty on textile machinery.

The association said absence of this zero duty benefit will hinder the growth of the textile sector.

Referring to the proposed allocation of Tk 25 crore for the welfare of the workers of the RMG sector, the association felt that this should also be extended to the workers of terry towel factories.

110,000 euros German grant for NGOs

UNB, *Dhaka*

The German government has provided NGOs in Bangladesh with grants worth 110,000 euros to implement 17 small-scale development projects by November this year.

Within the framework of the "Small-Scale Project Scheme" of the German Embassy, the grants focus on public healthcare for the disabled, education financing and various small-scale development projects, said a press release.


Tofazzal Hossain


Mainuddin Monem

New chairman, vice chairman of NCC Bank

Tofazzal Hossain and ASM Mainuddin Monem have been elected chairman and vice chairman of National Credit and Commerce (NCC) Bank Ltd.

Both of them are sponsor directors of the bank, says a press release.

An entrepreneur, Tofazzal was the chairman of Islami Insurance Bangladesh Ltd, while Mainuddin is the CEO of AM Pharma Ltd and chairman of AML Power Ltd.

AN ANALYSIS OF THE NATIONAL BUDGET FOR FY2007-08

The analysis is prepared under the CPD (Centre for Policy Dialogue) programme: Independent Review of Bangladesh's Development (IRBD)

CONTINUED FROM JUNE 11

Centre for Policy Dialogue (CPD)

VI. SECTORAL AND REGIONAL MEASURES
Energy

Oil, Gas and Natural Resources

- Government allocated Tk729.47 crore for this sector in the ADP of FY08.
- Total of 22 projects (19 investment and 3 T.A. programs).
- Taka 600 crore has been provided to BPC to maintain the flow of import of petroleum products.
- The Government has decided to assume the accumulated default loan of BPC (Taka 7523 crore) as its own liability by issuing treasury bonds of equal amount.
- **Allocation for this sector registered a growth of 406% which is extra-ordinarily higher than previous year's allocation mainly due to the inclusion of the project – "Monohordi-Dhonua, Elenga-Jamuna bridge (eastern side) gas pipe line establishment and establishment of compressor in Ashuganj and Elenga"(Allocation – Taka278.34 crore which accounts for 38.2% of the total sectoral allocation).**

VI. SECTORAL AND REGIONAL MEASURES
Physical Planning, Water Supply & Housing

- Government has allocated tk1596.28 crore for this sector which is 15.7% higher than the revised budget of FY07.
- Allocation for this sector accounts for 6.4% of the total ADP of FY08 which is nearly same as the corresponding figure (6.0%) for RADP of FY07.
- Government has set a target of raising supply coverage of safe drinking water to 90 percent and sanitation coverage to 100 percent in the next 3 years.
- The programme for construction of 15 thousand flats on khas land in Dhaka, intended to rehabilitate the uprooted people, slum dwellers and the low-income families will soon be implemented.

VI. SECTORAL AND REGIONAL MEASURES
Foreign Investment

- Not much has been said about foreign investment in the proposed budget. However, government has proposed to offer tax rebate facility to the non-resident Bangladeshi investors. This might have a positive impact on FDI as the tax rebate can attract more investment.

VI. SECTORAL AND REGIONAL MEASURES
Capital Market

- Though the capital market in Bangladesh is gradually being widened and deepened, the proposed budget did not have any fiscal incentive for the development of stock market other than the indirect pressure on the mobile phone companies.
- Government has decided to off-load the shares of a number of SoEs (under power, telecommunication and energy) in the capital market during FY08. The listing of SoEs will surely energize the capital market and make it more vibrant. ***However, the names of the specific SoEs were not mentioned in the budget.***

VI. SECTORAL AND REGIONAL MEASURES
NCB and SOE

Restructuring of NCBs:

- Rupali Bank will be sold out by the mid June of 2007.
- Corporatization of other 3 NCBs: Janata and Agrani Bank got licenses but no progress in regard of Sonali Bank.

SOEs Sector:

- Efficiency of both CTG and Mongla Port has increased in recent times.
- 6 land ports will be transformed to the private sector, 2 of which have been made fully operational on a BOT basis.
- Decision has been taken to convert Bangladesh Biman into a public limited company.
- Legal reforms have been taken to reduce the complications related to land registration process.
- Technical and financial feasibility studies have done in relation to build deep sea ports. Pacific Consultants International from Japan has started working on establishing Deep Sea Port.

Many measures have been taken in the budget for the refurbishment of the SOE sector but proper implementation of these initiatives is now the challenge for the CTG

VI. SECTORAL AND REGIONAL MEASURES
Regional Development & Chittagong Hill Tracts

Concerted efforts for Balanced Regional Development

- Allocated Tk 2953.47 crore under various ADP projects of northern region (Rajshahi division) which is 34% higher than revised ADP allocation in FY07
- Allocated Tk 2652.56 crore under different ADP projects for southern region (Khulna and Barisal) which is 42% higher than revised ADP of FY07
- Good initiative. However, the number of new projects or the specific breakdown of these allocations has not been mentioned and division-wise allocation would have been better than the regional allocation, specially for southern region.
- In the ADP of FY08, six projects solely focused on Chittagong Hill Tracts (CHT) are included with an allocation of taka 133 crore. Besides, taka105 crore has been allocated as special development assistance (previous Block Allocation) for CHT.

VII. SOCIAL SECTORS AND SAFETY NET PROGRAMMES
Social Sector

EDUCATION -- *Capacity building and increase in quality education*

- **Proposed Tk 10 crore as education research grant → *Very Positive***
- **Proposed monthly stipend @ Tk 100 for 55 lakh primary students**
- **Continuing education for 6.5 lakh persons attained literacy through mass education programme**
- **15,000 primary teachers will be recruited (60% females) and 10,000 teachers will be trained to improve quality of education**
- **Proposed establishment of computer lab in one school in each district→ *Right but inadequate to cater the need***
- **Withdrawal of zero duty on computer and computer accessories (negative proposition for education, may be good for local manufacturers)**

VII. SOCIAL SECTORS AND SAFETY NET PROGRAMMES
Social Sector

HEALTH – *No Concrete measures to succeed in HNPSP programme*

- **Continuation of duty-free import of different lifesaving drugs including insulin**
- **Steps to increase number of nurses rapidly by setting up more nursing institutions in public sector, and through support from private hospitals, universities and other institutions → *No targets***
- **Increased advance tax deduction from hospitals, diagnostic centres and doctor's fees from @5% to @ 10%**
  - ***Will the NBR get it?***
- **During July-Feb'07, only 39% of allocation in FY07 was spent**

VI. SOCIAL SECTORS AND SAFETY NET PROGRAMMES
Analysis of Gender Sensitivity of the Budget: Demand for More Clarification

- The share of direct and indirect gender equality expenditure claimed to be 24% in the proposed budget as compare to 22% of the previous budget.
- However, an allocation of Tk 309.8 crore to ensure gender equity has been explicitly mentioned in the budget.
- The highest allocation goes to ensure the benefit of widowed and destitute Women amounting Tk 217.8 crore (70.3% of the total).
- Government allocated Tk 17 crore for the new programme "*Maternity Allowance for the Poor Lactating Mothers*" *for safe motherhood and safe birth.* This is an appreciable measure to benefit the disadvantaged and marginalised woman
- *An allocation of Tk 25 crore for RMG workers while Tk 10 crore for Acid burn women and disabled have been made.*
- In India, 50 ministries/ Departments have set up Gender Budgeting Cells. The outlay for 100 percent women specific programmes is Rs.8,795 crore in FY 2008.
- Pakistan has allocated Rs. 415 million in self employment programme under national gender action plan to give preferential treatment to women. Women are also being given special concessions in income tax.
- More support and clarity of details about the expenditure relates to gender equity is needed. However, the main challenge still remains with the proper implementation of allocations.

VII. SOCIAL SECTORS AND SAFETY NET PROGRAMMES
Social Safety Net — *Increased allocation and coverage*

(CroreTaka)

Existing Programmes	FYO7(B)	FY07 (RB)	FY08 (B)	Growth (%) over FY07RB
Old-age allowance	384.00	384.00	448.80	16.90
Allowances programme to the widowed, deserted and destitute women	156.00	156.00	198.00	26.90
Honorarium programme for insolvent freedom fighters	60.00	78.20	99.50	27.20
Programme for the Assistance to the Fully retarded	40.00	40.00	52.80	32.00
Fund for Mitigating risk due to natural disaster	130.00	130.00	135.00	3.80
Fund for rehabilitation of the acid burnt women and the physically handicapped	10.00	5.00	10.00	100.00
Fund for the housing of the homeless	50.00	0.00	0.00	--
Seasonal unemployment Reduction Fund	55.00	00.00	50.00	--
Retraining and Employment of Voluntarily Retired/Retrenched Employees/ Labourers	30.00	10.00	0.00	-100.00
Development fund for the readymade garments workers	20.00	0.00	20.00	--
VGD, VGF, Test Relief and Gratuitous Relief (GR)	10.57 lakh Mt	1232.00	1649.00	33. 80
Total		1669.20	2273.90	36.23

- Number of beneficiaries of allowance increased from 25.14 lakhs to 27.5 lakhs (9.3% increase)
- No reporting on implementation status

Concern: No allocation for Housing of the Homeless in rural areas. Allocated fund for Retraining and Employment may be used for Contributory Provident fund for RMG workers

VII. SOCIAL SECTORS AND SAFETY NET PROGRAMMES
Social Safety Net — *Several new and desired schemes*

- **Maternity Allowance for the Poor Lactating Mothers: Tk 17 crore; Target beneficiary: 45 thousand with monthly allowance of Tk 300**
- **Rural Employment Opportunities for Protection of Public Property: with targeted employment opportunity creation for 24 thousand destitute women**
- **Construction of flats for freedom fighters and the Freedom Fighter Park → No targets**
- **Fund for Disaster Affected Small Farmers: Proposed to allocate Tk 100 crore**
- **Rehabilitation of the uprooted people, slum dwellers by constructing 15 thousand flats on khas land in Dhaka. → *CPD made a similar recommendation***
- **Proposed to allocate Tk 5 crore for the education of mentally and physically challenged children**

VIII. CHALLENGES FOR IMPLEMENTATION

Revenue Generation

- Hold the momentum of collection
- Emphasis on assessee-friendly institutional issues
- Introduction of universal self-assessment as early as possible
- Simplification of VAT registration

Foreign Aid Flow

- Forming a Task Force for accelerated disbursement of held up project aids
- Negotiate new budgetary support

Government Bank Borrowing

- Avoid volatility in bank borrowing to avoid pressure on private borrowing

VIII. CHALLENGES FOR IMPLEMENTATION

Annual Development Plan

- Energetic kick-off from the first quarter
- To develop a strategic approach focusing on e.g. power sector
- Quality must be ensured while including new projects
- Strengthen linkage with local government for project implementation
- Enhanced public-private and government-NGO partnership
- To gear up foreign aided projects
- Focus on power sector

Pursue Improved Transparency in Monitoring Implementation

Need for Quality and Real Time Economic Data

CONCLUDED