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Political turmoil, import duty take toll on primary textiles

Investment slumps 42.75pc in 2007

REFAYET ULLAH MIRDDHA High interest rate, increased tax and political uncertainty hit the local investment in the sector in 2007, which was Tk 17.12 billion in 2006. In 2005, such investment was Tk 697.20 million. Mill owners and leaders in the textile sector attributed this declining trend to erosion of business confidence on government's anti-graft drive and changed political scenario. The primary textile sector produces cloths, yarn, polyester and blended fibres. "Moreover, the 10 percent duty that was imposed in accordance with the FY '08 budget proposal on import of raw materials, including polyester staple fibre, viscose staple fibre, acrylic staple fibre and pet chips also helped decline the investment," said MA Awal, chairman and managing director of Prime Group of Industries, pointing out that previously there was no duty on import of such raw materials. He said entrepreneurs are not interested to come up with new investment proposals due to higher bank interest rate, which is now hovering around 15 percent to



A file photo shows yarn being manufactured at a spinning mill. Investment in the primary textile sector, which produces fabrics, yarn, polyester and blended fibres, saw 42.75 percent decline in 2007 due to political turmoil and high import duty.

16 percent. Awal suggested business-friendly policies and Better Business Forum's greater role to restore confidence among the businessmen community, which might positively impact the investment in the sector in 2008. Talking to The Daily Star, BTMA President Abdul Hai Sarker admitted to an approximate 35 percent decline in the primary textile sector. According to Sarker, this sector registered a 50 percent growth in 2006. "He sees the possible 2008 investment in the sector 'not satisfactory.'

"Such growth may remain the same this year also. Even if there is any improvement in the investment scenario, the growth would not be like 2006," he said. He, however, described the prevailing investment atmosphere as 'a friendly one'. Pointing to the fact that the present investment in the sector is Tk300 billion, he expressed his hope that local entrepreneurs may come up again with more investment proposals. In this context, he pointed out that Bangladesh's share of the global textile market is only 2 percent. The global market size is US\$500 billion. As per the BTMA data, 24 new spinning mills were set up in 2007. These new mills with 4,12,140 spindles and 17,080 rotors have the capacity of producing 89.53 million kg of yarn per annum. As many as 33 mills with 6,05,054 spindles and 14,054 rotors were set up a year earlier. These mills can produce 139.43 million kg of yarn a year. In 2005, only 14 mills with 2,67,792 spindles and 13,680 rotors were set up, which are capable of producing 60.62 million kg of yarn annually.

Tale of an innovative microentrepreneur

SOHEL PARVEZ

A mere pleasure trip gave him a new business idea: manufacturing of ice-cream sticks. Md Anwarul Islam, who was adjudged Best Innovative Microentrepreneur of the Year 2007 yesterday in Dhaka, saw a factory producing ice-cream sticks during his visit to India in 1992. "By the time I was involved in making ice-cream sticks manually from bamboo. So, I decided to buy one machine manufacturing the sticks," recalled Islam, 38, at the award giving ceremony at Dhaka Sheraton Hotel.

Sheraton Hotel.

'Citi Microentrepreneurship Awards' were introduced by Citi's philanthropic arm Citi Foundation in 2005 to recognize entrepreneurial skills and the best practices of individual microentrepreneurs and microfinance institutions in Bangladesh. The awards were given in four categories such as Best Microentrepreneur of the Year, Best Woman Microentrepreneur of the Year, Best Microfinance Institution of the Year and Best Innovative Microentrepreneur of the Year. Battered by poverty and hunger,

Islam started his struggle in his childhood by engaging himself in dish cleaning at a local restaurant. Later, he started attending a school, but he was forced to give up after completing the primary level. He started his career as an ice-cream vendor. "I took the ice-cream box on shoulder and started selling ice-cream at neighbourhood villages. But it was too heavy to carry," he said. "During the business, I saw some people supplying ice-cream sticks to factories," he said. "And I decided to make ice-cream sticks hoping more profits."

Initially, he got Tk 7,000 from RRF (Rural Reconstruction Foundation), a microfinance organisation, to make ice-cream sticks. And that was the turning point. Islam's ice-cream sticks making factory cost him nearly Tk 3 lakh. Now, he supplies around 4 lakh sticks a day to factories in Dhaka. He makes the sticks from indigenous tree known as peetuli. Islam's ice-cream stick manufacturing plant also creates jobs for about 150 people at Sadir Ali village in Jessore district.

Citi Microentrepreneurship Awards 2007 goes to four



STAR BUSINESS REPORT

It was a remarkable occasion for three personalities and one non-governmental organisation (NGO) when they received Citi Microentrepreneurship Awards 2007 for their individual and organisational success and vision and spirit at a gala function in Dhaka yesterday.

The winners are Barison Begum, Rahima Begum, Md Anwarul Islam and Anannyo Samaj Kallyan Shangstha (ASKS).

Citi Foundation, the philanthropic arm of Citigroup, and Shakti Foundation for Disadvantaged Women (SFDW) organised the programme at Dhaka Sheraton Hotel.

The awards were given in four categories: Best Microentrepreneur of the Year 2007, Best Woman Microentrepreneur of the Year, Best Microfinance Institution of the Year and Best Innovative Microentrepreneur of the Year.

With his idea to manufacture ice-cream sticks through machine, Md Anwarul Islam, a person who had struggled for livelihood by selling ice-cream in his boyhood, adjudged as the best innovator

microentrepreneur for 2007, thanks to the ice-cream sticks manufacturing machine he saw during a pleasure trip to India. Earlier Anwarul made ice-cream sticks manually.

Barison Begum won the Best Microentrepreneur of the Year for her flower garden that helped change the face of Patuapara village while Rahima Begum received the Best Woman Microentrepreneur of the Year award for her crab cultivation that helped her family to come out of poverty cycle.

Anannyo Samaj Kallyan Shangstha (ASKS) won the Best Microfinance Institution of the Year 2007 for its endeavour to empower the people of char areas by extending microcredit and various other development programmes to a char village in Pabna.

Mahfuz Quadri, executive director of Anannyo Samaj Kallyan Shangstha (ASKS), received the award in favour of the organisation.

Barison Begum It was her flower gardening that helped her free the seven-member family from poverty cycle. Barison got the idea of nursery and went into the venture through borrowing Tk 5,000 from Rural Reconstruction Foundation, a

microfinance institution, in 1999. She started cultivating flowers on a two-bigha land belonging to her father-in-law.

Currently, Barison cultivates varieties of flower including rose, merry gold, and China rose in the land and employs 61 workers, excluding her family members, on 5 acres of land. Her venture also encouraged many poor families in her village to cultivate flower on commercial basis.

Now she dreams of purchasing at least two trucks for marketing flower in Dhaka.

Rahima Begum Starting with Tk 3,000 from a micro credit organisation Noabeki Gonomukhi Foundation in 1993, Rahima initiated crab farming at a remote village Phakhimara in Shatkhira district.

Now Rahima's family owns two shops-one grocery store and lead acid battery charger- along with a crab farm where she cultivates the exportable item. Rahima managed to overcome all odds and became a very successful entrepreneur in Shatkhira.

Anannyo Samaj Kallyan Shangstha (ASKS) Not all NGOs like to risk extending loans to char areas generally vul-

nerable to river bank erosion. But ASKS showed the courage to realise their vision to establish a self-sufficient and well-developed community.

The ASKS' intervention in a char land Koshakhali in Pabna district helped many to get rid of extreme poverty.

Md Anwarul Islam In Jessore, Md Anwarul Islam has set an example of how to overcome poverty by hard work and innovation. He came from a needy family and was an ice-cream vendor. While visiting India in 1992, Anwar generated an idea to manufacture ice-cream sticks with a machine to make it cost-effective and easier than the traditional manual way.

But Anwar did not have a source of his much needed capital for his business. Incidentally he met a staff of RRF and took a loan of Tk 5,000. He sold two cows and bought an ice-cream stick manufacturing machine from India with the combined capital he had gathered.

Availability of raw material, a petuli tree, gave a boon for Anwar's business. Now Anwarul supplies 4.0 lakh pieces of ice-cream sticks to factories in Dhaka.

Country has no law to protect consumers' rights

Laments CAB

STAR BUSINESS REPORT

The failure to enact a consumer protection law in Bangladesh has left consumers without real rights in ensuring they gain quality products and services, the Consumers Association of Bangladesh (CAB) claimed yesterday.

Although the Ministry of Commerce formulated a draft Consumer Protection Act in 1998 and a bill was approved in 2004, no such consumer protection legisla-

tion has yet to be enacted. "In Bangladesh there is no act to preserve consumers' rights," said Quazi Faruque, general secretary of CAB, at a press conference yesterday. "Bangladesh has a UN guideline to protect consumers' rights, but it has not been implemented," he added.

In order to propagate consumer's rights of Bangladesh CAB plans to organise its first national conference tomorrow. Neighbouring countries such as

India, Pakistan, Nepal, Sri Lanka, Thailand, Indonesia and Malaysia have already implemented consumer protection legislation.

CAB also called on the government to reduce the price of electricity as this could help increase farm and industrial output.

"To control the current price hike of essential goods and products, there's no alternative of increase our domestic production," said Borhan Ahmed, president of CAB.

Ctg REHAB fair ends

CU CORRESPONDENT, Ctg

The three-day REHAB Fair Chittagong-2008 ended yesterday. As many as 41 real estate firms from Dhaka and Chittagong took part in the fair to showcase their products and services in some 45 stalls.

Wide variation in prices offered by the real estate companies was found in the fair.

Participants said price hike of construction materials barred them from providing the buyers with cheap and affordable housing solutions.

Shuman Kanti Bhattacharjee, an executive of a leading real estate firm, termed the buyers' responses as 'good'. He, however, said, "Increasing prices of flats disappointed some of the buyers."

SM Jahurul Alam, assistant manager, Sales, of Equity Property Management Ltd, said they had a very positive response from the buyers.

He urged the government to take steps to keep the price hike of the construction materials under control to ensure stability of the real estate sector.

Both organisers and real estate firms expressed their satisfaction at the number of prospective and actual buyers who visited the fair.

Total number of visitors exceeded 15,000 as opposed to 9,000 of the previous year, said Kazi Ayunul Hoque, convener of the fair sub-committee.

Textiles, garments machinery fair begins tomorrow

STAR BUSINESS REPORT

The 5th Dhaka International Textiles and Garments Machinery Exhibition-2008 kicks off in the city tomorrow with a view to showcasing textile and garment machinery.

The exhibition will continue until January 24 at Bangladesh-China Friendship Conference Centre, said president of Bangladesh Textile Mills Association (BTMA) Abdul Hai Sarker at a press conference yesterday.

Sarker said BTMA has been organising the annual event in collaboration with ES Event Management of Malaysia and Yorkers Trade and Marketing Service Company Ltd of Hong Kong.

Sarker said 415 leading textile and garment machinery producing companies from 26 countries would exhibit their products in 730 booths this year.

He said machinery used in textile and garment, dyeing and finishing; embroidery and knitting would be put on display at the

exposition. Leading companies from Austria, Bangladesh, Belgium, Brazil, China, Czech Republic, Denmark, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Korea, Malaysia, the Netherlands, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, UK and USA will participate in the exhibition. Adviser Anwarul Iqbal is scheduled to inaugurate the exhibition as the chief guest.

Seminar on Safta January 23

UNB, Dhaka

A two-day regional seminar titled "Safta and

its implementations for the member countries and service trade liberalisation in South Asia" will begin at BRAC Centre Inn here on January 23.

South Asian Network on Economic Modeling (SANET), a regional research organisation, in collaboration with Commonwealth Secretariat and CUTS International are organising the seminar as well as a book launching ceremony.

During the seminar, wraps of the two books on readymade garment industry and trade liberalisation to be opened, said a press release.

State of Bangladesh economy in FY2007-08 (II)

A review of the next six months by the Centre for Policy Dialogue

An in-depth review of the performance of Bangladesh economy during the first six months of FY2007-08 (henceforth FY08) by the Centre for Policy Dialogue (CPD) identified seven indicators of hope and eight indicators of disquiet. The review was published yesterday. In view of the developments during the first six months, eight major challenges have to be addressed by the Caretaker Government (CIG) during the next six months of FY08.

Attaining the projected growth: This year's growth target is 7 percent. The loss of crop production due to consecutive floods and the cyclone Sidr will certainly call for scaling down the growth expectations in the agriculture sector. Loss of livestock, poultry and fish-

eries will also be a factor to reckon with. Manufacturing sector is passing through a challenging period. Declining investment has been a much-discussed issue in recent times, although term loan disbursement has maintained its last year's momentum. As it appears, it will be difficult for growth rates to match even those of the past year (6.5 percent), not to speak of the envisaged 7 percent under the PRSP (poverty reduction strategy paper). Therefore, special attempts should be made to focus on sectors that are closely associated with employment, income distribution and the spatial distribution of poverty.

A mid-term review and restructuring ADP focusing on rehabilitation measures: While the large

growth in budget deficit during the recent months can be attributed principally to the flood rehabilitation programme, financing requirements are likely to grow further in the coming months owing to the cyclone. Since not much can be done with revenue expenditure, the CTG needs to cutback the ADP (annual development programme). While scaling down, more focused expenditure should be targeted, with particular emphasis on Agriculture, Rural Development, Infrastructure Development, Education, Health and Power.

Ensuring food security: Ensuring food security would be a major challenge in the upcoming months. Food security at the supply level has to be ensured through

(a) increased production in Boro season, (b) increased import through public and private sectors, and (c) materialisation of commitments by foreign countries and international organizations to provide food aid. In the meantime, the government machinery should be fully geared to implement the VGF and VGD activities for the under-privileged sections of the society. There is an allocation of Tk.1,649 crore in the National Budget of FY08 for VGD, VGE, Test Relief and Gratuitous Relief (GR) programmes. Post-flood and post-Sidr rehabilitation activities need to be integrated into the regular anti-poverty programmes of the government.

Curbing inflation: Curbing inflation will be another major

challenge. CPD reports have earlier contested the option of contractionary monetary policy. In view of the excess liquidity in the banking system, the thrust should be on restoring business confidence and stimulating investment, alongside agro-production to ensure larger amount of supply in the market to curtail inflation. Recently, Bangladesh Bank in its monetary policy for the rest of the fiscal has announced expansionary monetary policy giving high priority on boosting private investment and supporting government plan to recover the loss from the natural calamities.

Fertilizer: Fertilizer availability is a major problem to the farmers. The government must make arrangements to import about

700,000 tonnes of urea to meet the demand over the next three months. Government must ensure supply of Phosphate (TSP) and Potash (MoP), which is currently a problem in some areas.

Agricultural rehabilitation in the Boro season: The floods in 2007 were highly localised and for those affected the damage was severe. In Boro season, the Department of Agriculture (DAE) should target all farm households in affected unions (or villages if possible) for the rehabilitation programme. The DAE may distribute two bags of urea, one bag of phosphate and potash, and 10 kg of seeds of hybrid rice and hybrid maize, for each household. It would be enough to cover needs of fertilizers and seeds for cultivation of two bighas of land

for the two major profitable crops in the flood-hit regions. Agriculture rehabilitation in the Sidr-affected areas would require assistance in the form of supply of critical inputs, such as quality seeds and tillage, irrigation services, timely availability of fertilizers and agricultural credit.

Raising power generation capacity and ensuring energy security: During the first half of FY08, maximum average daily power generation was around 3552 MW while peak demand stood at 5200 MW per day. Short and long-term efforts are needed to raise power generation. Bangladesh will need to generate 9,300 MW power by 2012 and 41,900 MW by 2025, if an 8 percent GDP growth is to be attained for achieving the MDGs.

Coping with subsidies, including petroleum price subsidy: With the increased level of oil prices in the international market, the government will need to spend an additional US\$ 650-700 million for import of oil in FY08. This additional amount will need to be borne by the state, through subsidy, unless prices are readjusted upward.

The next six months will be a critical period for Bangladesh, given the challenges that lie ahead. The increasingly open and globally integrated economy of Bangladesh is coming under rising pressure in the form of higher domestic prices, stalled investment growth and pressure on the balance of trade and balance of payments.

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