

DHAKA TUESDAY JUNE 23, 2009

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Asian Markets

MUMBAI ▼ 1.35%
14,326.22

TOKYO ▲ 0.41%
9,826.26

SINGAPORE ▼ 0.28%
2,266.92

SHANGHAI ▲ 0.55%
2,896.30

Currencies

Buy Tk Sell Tk
USD 68.45 69.45

EUR 92.80 98.70

GBP 110.69 116.50

JPY 0.70 0.78

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▼ \$931.85 (per ounce)

Oil ▼ \$68.02 (per barrel)

SOURCE: AFP

(Midday Trade)

More News

Govt support sought for tourism sector

The tourism industry needs government policy support to become a high revenue generating industry, said the president of Tour Operators' Association of Bangladesh (TOAB) yesterday. "The tourism industry has the potential to provide large sums of revenue to the government, but it needs to ensure policy support and better infrastructure," said Taufiq Uddin Ahmed. "We are fortunate to have beautiful tourist spots in the country, but we lack better infrastructure."

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Black money won't up investment

Govt projection says

REJAUL KARIM BYRON

Black money is not going to push up investment although a proposal has been made to give an opportunity to invest such money in various sectors, as experts say the money is not lying idle now, rather being used somewhere.

The money is not likely to come for investment easily or soon, they said.

According to the government macroeconomic projection, the overall investment will fall by 0.6 percentage point in the next fiscal year (FY).

Much of the fall in investment will be in private sector, which is a sharp contrast to the trends in the last few years.

According to Medium Term Macroeconomic Framework (MTMF), the amount of gross investment in fiscal 2009-10 would be 23.6 percent of the GDP, which is 24.2 percent for the current FY.

Of the investment amount, the private

sector accounts for 18.5 percent of the GDP, which is 19.5 percent in the current FY. The projection is one percentage point less than that of the current FY.

In the last eight years private sector investment increased every year.

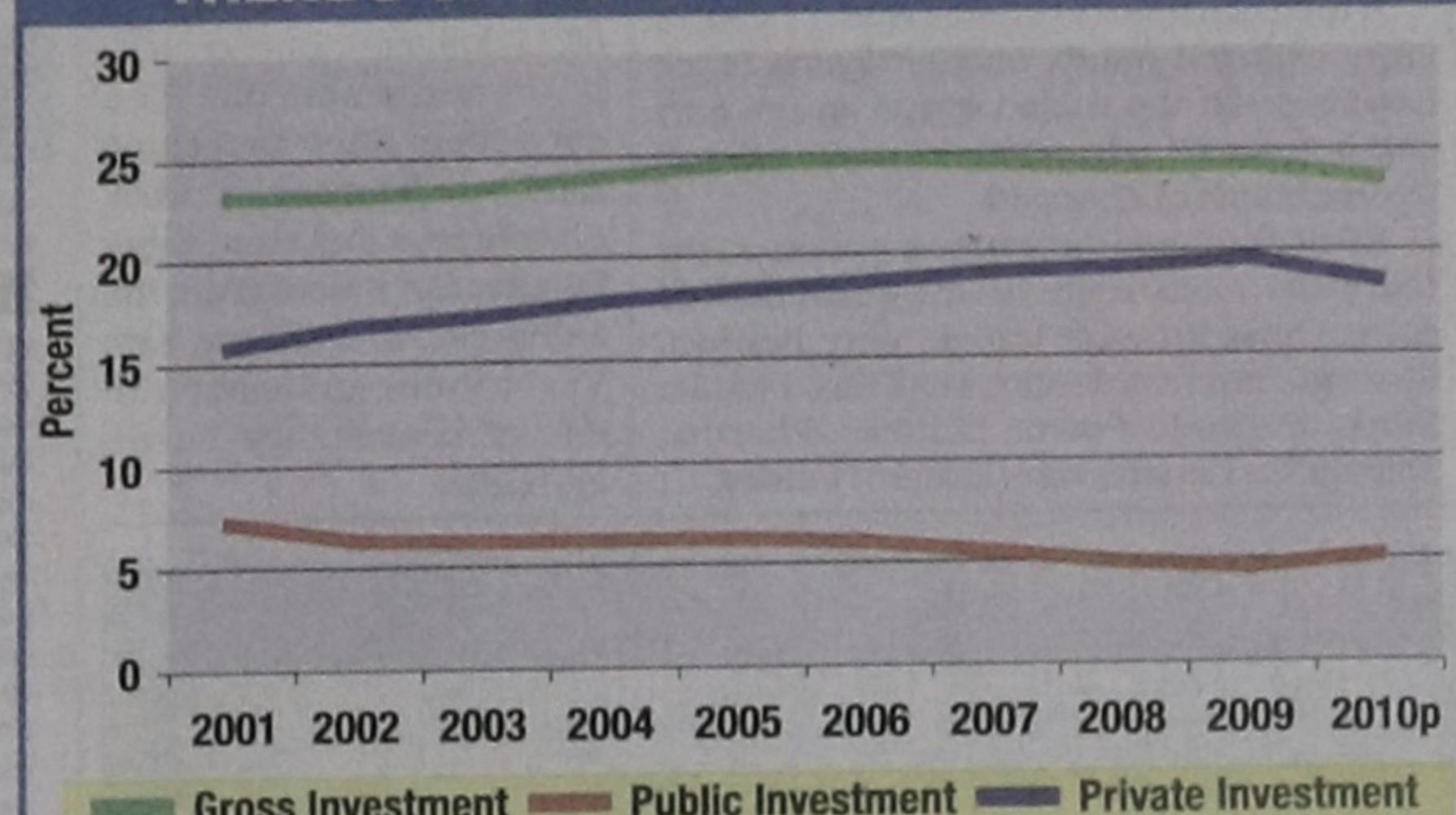
Public investment however will increase by 0.6 percent and stand at 5.2 percent of the GDP, according to the MTMF.

The finance minister in his budget speech has proposed investment of black money in 62 sectors in infrastructure and various industries by paying only 10 percent tax. There is no official statistics about the amount of black money in the economy.

However different unofficial sources think the amount is Tk 20,000 crore to Tk 30,000 crore. None including the finance minister said officially what amount of black money would be invested taking the opportunity.

But some expect that a big portion of the black money would be invested.

TRENDS OF INVESTMENT TO GDP RATIO



Bangladesh Institute of Development Studies' Research Director Zaid Bakht said whatever the amount is, it is not lying idle rather being used somewhere. As a result the money is not likely to be transferred to investment easily or soon.

Bakht also said: "The government might have lowered the projection in MTMF anticipating a fall in private sector investment in the next FY under the impact of the global recession."

"The next six months are very critical. During the period our economy will not pick up. Besides, there is no possibility of improving the investment situation soon against the backdrop of the current investment environment and power situation."

Bakht said various indicators of the economy including import of capital machinery are negative. It will take some more time to pick up.

Bangladesh Bank statistics show L/C opening for import of capital machinery fell by 33 percent during July-April of the current FY, which is a big indicator of the amount of future investment.

The latest data shows that the amount of excess liquidity of banks in March 2009 was Tk 23,737 crore, which was Tk 12,949 crore at the start of the current FY. This indicator also shows that investment is not satisfactory.

WB holds on to bleak growth forecast

Developing countries' GDP to slow to 1.2pc, it says

STAR BUSINESS REPORT

The World Bank (WB) has put Bangladesh's economic growth at 4.5 percent for fiscal 2009-10, much lower than the government's projection, according to the lending agency's global report released yesterday.

In the proposed budget for fiscal 2009-10, the government projected GDP growth at 5.5-6.0 percent.

The global lender still sticks to its earlier forecast on Bangladesh's growth at 5 percent for the outgoing fiscal year (2008-09), also significantly lower than the government's almost final estimation of 5.9 percent.

The multilateral lender also estimated the country's economic growth at 5 percent for fiscal 2010-11.

It found South Asia has witnessed considerably diminished capital inflows and a falloff in investment growth.

GDP is projected to expand 4.6 percent in 2009, down from 6.1 percent in 2008 in South Asia. Regional output is then expected to increase by 7 percent in 2010 and 7.8 percent in 2011.

However, threats to long-term growth include the possibility of heightened fiscal pressures if the global recession is prolonged, and large fiscal deficits, the WB said.

The WB estimated economic growth in developing countries of 1.2 percent this year, and said that without China and India, output would shrink 1.6 percent.

Amid the worst global economic crisis in seven



Workers process paddy at a rice mill. The farm sector, the backbone of Bangladesh economy, accounts for more than 22 percent of gross domestic product.

decades, the multilateral lender eight days ago lowered its outlook on global growth, to a contraction of 3.0 percent this year.

It slightly revised the global gross domestic product (GDP) figure Monday, to a 2.9 percent decline.

The development lender's preceding forecast, published in late March, put developing coun-

tries' annual growth at 2.1 percent, and at zero if China and India were excluded.

In 2010, global growth was projected at 2.0 percent, and that of the developing countries at 4.4 percent, according to the bank. Excluding China and India, the developing countries would grow 2.5 percent.

WITH DETAILS FROM AFP

Budget in line with manifesto, but lacks direction

Says economist

STAR BUSINESS REPORT

Economist Prof Muzaffar Ahmad yesterday said the proposed budget for fiscal 2009-10 reflected several economic pledges made by the government, but it lacks equity and efficiency in sector wise allocation.

Stressing implementation of the pledges, he said many important issues have been touched in the budget but they lack clear direction for execution.

"Power decentralisation is important to ensure development but we have seen that the power of the local government has reduced, which might hamper development," he said at a roundtable at the Cirdap auditorium in Dhaka.

Sushashoner Jonno Nagorik (Sujan), a civil society organisation, arranged the discussion -- Election Manifesto and the Proposed Budget -- that was

attended by political leaders, academics, economists and civil society members.

SM Shahjahan, a former adviser to the caretaker government, moderated the roundtable.

Questioning the justification of the provision to whiten black money, Ahmad said Awami League's election manifesto emphasised breaking the hoarding and syndicated trade as a means to check soaring prices of essentials, but there is no statement in this regard in the budget.

"Poverty reduction was properly emphasised in the election manifesto," he said. "Combating terrorism and militancy were also pronounced but there was no special mention on how to resist it," he said.

Shahjahan said the government should pay attention so that black money holders are not inspired.

BNP Standing Committee Member Lt Gen (retd) Mahbubur Rahman said parliament cannot act like a

black money whitening machine.

He said the government pledged to provide employment for a person in each family, but nothing was said in this regard in the proposed budget. "It was nothing but a farce, as local governments have no power now," he said.

Lauding the government for preparing the budget based on its election manifesto, former Army Chief Lt Gen (retd) Harun Ur Rashid said it is a positive side that the government allocated Tk 10 crore to ensure trial of war criminals.

Criticising the provision of black money whitening, he said such a culture should be eliminated.

Sujan Secretary Badiul Alam Majumdar said the budget ignored the justice and protection of the common people's interests. He emphasised forming a code of conduct for lawmakers.

FBCCI chief responds to money-whitening debate

STAR BUSINESS REPORT

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) President Annisul Huq said yesterday he had welcomed the provision of legalising undisclosed or untaxed money, not of whitening "black or sinful" money.

Huq's recent comment on the whitening of undisclosed money with 10 percent tax on the amount sparked a debate among ministers, politicians, MPs, businessmen, chamber and trade body leaders.

In the budget for fiscal 2009-10, Finance Minister AMA Muhiuddin had proposed to allow undisclosed money to be invested in productive sectors.

In post-budget reactions, Huq backed the provision. The FBCCI chief yesterday responded to criticism in a meeting with journalists at his office.

"Almost all misunderstood me, which is unfortunate. Everybody thought I welcomed the provision of allowing black money to be whitened. I am saying it again that I welcomed the provision of legalising undisclosed or untaxed money, not black money," Huq emphasised.

He said the government could allow undisclosed money to be invested in three sectors: power bonds, infrastructure bonds and PPP bonds on the stock market.

"Floating bonds to legalise undisclosed money would be an easy way," he said.

If the government wants investment of undisclosed money in the productive sectors, the bond market is a feasible alternative, Huq added.

"We have already met with the finance and commerce ministers and the parliamentary standing committee on finance ministry about the proposals on floating bonds. We would submit our written proposals to the ministries soon," Huq said.

In a joint statement, major chamber and trade body leaders urged the government on Sunday to withdraw the provision of approving black-money whitening with 10 percent tax.

The chiefs of 11 chambers and trade bodies expressed concerns over the matter in the statement.

"If it is to be considered at all, it should be only for those who have legally earned profit in business, but have not declared in the past, and such declared earnings may be allowed on payment of normal tax plus a token penalty for default," the statement said.

It also said the businessmen are concerned over the budget proposal to allow legalising 'black money' (earned through drug trafficking, money laundering, smuggling, corrupt practices and undisclosed legal income) on payment of a nominal 10 percent tax over the next three years.

This provision would not only discourage genuine taxpayers but also act as disincentive for honest citizens, according to the statement. "So, the proposal should be reconsidered for withdrawal," it said.

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