Star Business

DHAKA MONDAY JUNE 21, 2010

Stocks

DGEN	▼	1.30%
		6,217.27
CSCX	▼	1.60%
		11,877.85

IDLC Index

IDLC 50	▼	1.98%
		6,463.33

Subject to Conditions contained in www.idlc.com

Currencies

	Buy Tk	Sell Tk
USD	69.34	69.35
EUR	85.81	85.84
GBP	102.78	102.83
JPY	0.76	0.76

SOURCE: BANGLADESH BANK

Commodities

Gold	▲	$1,256.00 (per ounce)
Oil	▲	$77.18 (per barrel)

SOURCE: AFP (As of Friday)

News in Brief

DSE urges NBR to revise share tax

STAR BUSINESS REPORT

Dhaka Stock Exchange yesterday urged the National Board of Revenue (NBR) to revise the rate of tax on capital market.

A team of DSE, led by its President Md Shakil Rizvi, met NBR Chairman Nasiruddin Ahmed and turned in a post-budget proposal.

In the proposed budget, the government plans to impose 10 percent tax on the capital gains of institutional investors, 5 percent tax on the income of sponsor shareholders or directors of listed companies from share sales, and 3 percent tax on the premium value of shares of a company being sold on the market.

The government also considers increasing tax at source on commissions received by stockbrokers from 0.025 percent to 0.1 percent.

The DSE said the proposed tax rate would not only hinder the market growth, but also discourage companies from listing on the market.

For the development of the market, the government should revise the rate of tax on capital market, bourse officials said.

Bank taxes set to stir passions at G20 talks

AFP, *Washington*

Proposals to slap taxes on banks to help pay for any future global financial crises are set to bedevil G20 talks in Canada next week, pitting rich nations against emerging nations.

But despite opposition, the United States and allies among European powers may succeed in garnering a compromise set of guidelines that leave the door open for new taxes to be introduced.

The US and Britain -- forced into heavy bailouts of banks and financial institutions in 2008 and 2009 at the height of the economic meltdown -- have already drawn up proposals to levy bank taxes, along with Germany and France.

But other leading economies, such as Canada and Australia, which were protected from the financial maelstrom, and emerging economic powers Brazil and India are reluctant to pay for the mistakes made by foreign banks.

PPP outline shapes up

REJAUL KARIM BYRON

Private investors and non-resident Bangladeshis (NRBs) will enjoy several fiscal and special benefits in the public-private partnership (PPP) projects.

Tax will be imposed at reduced rate on import of capital machinery for the PPP projects, according to the Policy and Strategy of PPP 2010 approved by the cabinet on Thursday.

Such projects will enjoy a reduced tax on profit, and tax waiver for a certain period.

The policy also said special incentives will be given to PPP projects targeted for rural or underprivileged population. The NRBs will get special benefits for their investment in the projects. However, the policy did not specify what incentive would be given and the cabinet committee on economic affairs will determine it at the time of approving the projects.

Finance Minister AMA Muhith in his budget speech last year spoke of implementing different projects under PPP initiative and a budgetary allocation was made for the purpose, but no project was implemented due to a lack of guidelines.

The finance minister said implementing projects under the initiative would start in full swing from the next fiscal year as the guidelines have been approved.

A high official of the finance ministry said a timeline has been set for awarding the projects.

PPP PROFILE

- **Import of capital machinery for PPP projects will enjoy reduced tax**
- **The projects will benefit from a reduced tax on profit and tax waiver for a certain period**
- **Private investors and the NRBs will get special benefits**
- **The projects meant for the underprivileged will get incentive**
- **The cost of a project will range from Tk 50 crore to more than Tk 250 crore**

There will be three types of projects under the PPP. A small project will be of Tk 50 crore, a medium project of Tk 50 crore to Tk 250 crore and a big project will be of Tk 250 crore and above.

The bidding process of the big projects should be complete in six months to one year, the medium projects from five months to 10 months and for the small ones the awarding process will take three months to six months.

The institutional framework of the PPP will be a 22-member public-private advisory council, cabinet committee on economic affairs, office of the PPP, line ministry or executive agency, finance division and planning commission.

There will be a separate and autonomous office headed by a chief executive officer (CEO) for implementing the PPP projects. The chief executive will report directly to the prime minister.

The office will consist of officials recruited from both public and private sectors, selected on a competitive basis, having relevant knowledge and experience.

The office will be the central point for promoting the PPP concept. It will support line ministries in identifying, formulating, selecting, contracting and monitoring the implementation of the PPP projects. The office will also coordinate various government and private agencies for fast tracking the PPP projects. It will also maintain a panel of experts for such projects.

The cabinet committee on economic affairs will approve the large projects, while the finance minister the medium ones and the respective minister of the line ministry will approve the small projects.

"For appraisal and approval of unsolicited proposals, competitive bidding such as 'Bonus System', 'Swiss Challenge System' or other appropriate methods will be followed where the options and competitiveness of the unsolicited proposals could be put to open test by inviting competitive proposals," said the policy.

The regulations, model documents, and short description and scope of negotiated PPP projects will be made public. Each private investor participating in a PPP project will be able to track the status of processing through the internet.

The PPP will cover 18 sectors including energy, power, fertiliser, port economic zones, e-service delivery, and poverty alleviation projects.

MCCI

M Anis Ud Dowla, *middle*, president of Metropolitan Chamber of Commerce and Industry (MCCI), attends a discussion on budget, co-organised by MCCI and Policy Research Institute (PRI) in Dhaka yesterday. Zaidi Sattar, *extreme left*, PRI chairman, economist Prof Wahiduddin Mahmud, *second from left*, AB Mirza Azizul Islam, *second from right*, former caretaker government adviser, and Syed Nasim Manzur, *extreme right*, vice president of MCCI, are also seen.

MCCI calls for fair policy

STAR BUSINESS REPORT

The Metropolitan Chamber of Commerce and Industry (MCCI) said yesterday it would be a discriminatory policy if foreign firms were allowed to import without opening letters of credit and the local firms were not given the same opportunity.

The trade body made the observation at a discussion on the budget for fiscal 2011 after Finance Minister AMA Muhith proposed the facility for the 100 percent foreign entities.

MCCI President Anis Ud Dowla said the chamber welcomes the measures to reduce the cost of doing business. "However, such provisions should not be discriminatory against local businesses."

Syed Nasim Manzur, vice president of MCCI, also said the facility proposed for the foreign firms was discriminatory.

MCCI and Policy Research Institute (PRI) jointly organised the event at the MCCI office to share their views on the budget for the next fiscal year.

The trade body observed that the new budget that aims to attain 6.7 percent growth is ambitious, not in terms of the outlay and projections, but in terms of the government's capacity to implement and the challenges involved in mobilising resources.

Discussants observed that attaining 6.7 percent growth would be a challenge unless manufacturing, construction and electricity generation grow faster. The industrial sector accounts for a larger share of GDP.

"Improving productivity in the manufacturing sector will require particular attention," said the MCCI chief. Anis Ud Dowla suggested the government focus on strengthening export compositeness, enhance labour skills, improve attractiveness for FDI and ensure law and order.

Participants also stressed the need for separate allocations for skills development, creation of a special fund for ICT, improvements in implementation of development projects, sustainable urbanisation and low-cost funding for power producers in the private sector.

They also suggested devising an effective protection rate for the industrial sector to determine fiscal measures and help entrepreneurs take investment decisions.

"We need to know the effective protection rate in different sectors," said Prof Wahiduddin Mahmud, former adviser to the caretaker government, explaining that it will help to know which sectors require protection and which do not.

"It is necessary for the government to know which sectors it will consider thrust," he said, adding that fiscal measures should be linked to the industrial policy.

Mahmud also said the size of the development projects is not a big issue and the quality of the implemented projects should be emphasised.

On reduction of agricultural land and unplanned urbanisation, he said the government should have plans to ensure sustainable urbanisation for equitable growth.

Former caretaker government adviser Mirza Azizul Islam said a trade and investment policy should be framed to fix the tax measures.

"This has to be a continuous exercise. It (policy) should be followed during changes in the tax structure."

He also proposed the government to impart skill-based education to support the requirements of industries and businesses.

On the energy crisis, he said the government should take steps to use coal to generate power.

He also suggested local businesses to invest and increase economic activity and thereby, create new jobs.

"There is tremendous scope to meet domestic demand. I will urge you to invest more, considering the situation."

FBCCI reforms in spotlight

AK Azad is poised to take reins of apex trade body

REFAYET ULLAH MIRDHA

AK Azad, who led his team to victory in Saturday's FBCCI election, underscored broad reforms to the apex trade body.

"We need massive reforms," Azad told The Daily Star.

Azad is expected to helm the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) for two years, as 21 members of his panel -- the majority -- were elected.

Azad, the managing director of leading apparel maker and exporter Ha-Meem Group, vowed to construct FBCCI's own building.

"My first assignment will be to purchase a piece of land and construct a building for FBCCI."

> *I will try to build a strong research team in the FBCCI. This team will work for almost all the sectors*

The trade body also needs a good number of officers and employees for its smooth operation, but it has no permanent income source to employ an adequate staff, he said.

A new building will be a source of income too, as it will have convention halls to rent out for different purposes such as seminar and conference, Azad added.

For Azad, his next step will be to link all 64 district chambers to the FBCCI by the internet.

Azad said the apex trade body needs an adequate number of professional economists who could guide it with research findings in negotiations with the government and international business partners as well.

Citing an example of neighbouring India, he said the Federation of Indian Chambers of Commerce and Industry has more than 190 professional economists.

Azad blamed FBCCI's weak research works for the poor trade negotiation capacity of Bangladeshi businessmen.

"I'll try to build a strong research team in the FBCCI for conducting relevant research works. This team will work for almost all the economic and business sectors so we can use the data confidently during negotiations."

Describing frequent transfers of the bureaucrats as a weak point of the government, he said the officials hardly get scope to gain expertise on a particular sector, while the situation is different in other countries.

He also stressed FBCCI's due role as a policy support provider for the government.

"FBCCI has a major role in recommending taxes and import duties."

IDLC launches index

STAR BUSINESS REPORT

IDLC Finance Ltd yesterday launched an independent stock index, first of its kind in Bangladesh, in a bid to show the daily performances of 50 big cap companies with the Dhaka and Chittagong bourses.

The multi-product financial institution created the index styled 'IDLC-50' in cooperation with Alif Assets Management Ltd, an asset management company.

The performance data of IDLC-50 will be published in newspapers, while performance data, quote details, liquidity data, portfolio characteristics and sectoral information will be made available on the websites of IDLC (www.idlc.com) and Alif Assets (www.alif-amc.com), officials said at a function in Dhaka yesterday.

An index is a method of measuring the value and performance of a section of the stockmarket. It is used as an indicator of the market movement, and is created with a group of stocks that represent the whole market or a specific segment of the market.

It also serves as a benchmark to measure the performances of professionally managed client portfolios.

The officials said the existing indices of the two bourses either comprise too many stocks or include a few scrips. Also, the bourses' general indexes comprise some stocks that are hardly tradable on the market, they said.

Besides, they said none of the existing indexes are float-adjusted, meaning the indices include the portion of shares of a company that are not traded in the market.

IDLC-50 overcomes these limitations by updating the change of publicly traded portion of the company shares on daily basis, arising from institutions' or directors' sale out of shares.

"IDLC is committed to bringing new and innovative products and services to the Bangladesh capital market," said Selim RF Hussain, managing director of IDLC Finance.

The IDLC's index is based on the "Float Adjustment Market Optimisation Weighted" methodology, a modern technique that will be used for the first time in Bangladesh.

While selecting the stocks to include in IDLC-50, a number of factors will be considered such as financial health of a company, regular trading in the market, investment risk, amount of investable shares, number of outstanding shares, price sensitiveness and price risk.

"With the index we are not giving any indication for investment decisions," said Arif Khan, deputy managing director of IDLC.

Tanim Noman Sattar, chief executive officer and director of Alif Assets, described the key features of the IDLC-50 index.

E-upazila project launched

STAR BUSINESS DESK

A community pilot project to provide ICT-based services and access to information to the masses, e-upazila, has been set up in Jamalpur recently.

It is a joint effort by Grameenphone Ltd and Social Development Foundation.

Dr Akram H Chowdhury, member of parliament, inaugurated the project. The project was launched using videoconferencing. The e-upazila will benefit people of the locality with ICT-based services in health, education, agriculture and micro-payment.