

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
0.30%	0.45%	\$1,852.30	\$89.49	0.59%	0.34%	0.87%	0.68%	74.00	104.33	118.31	0.95	
6,077.31	11,009.12	(per ounce)	(per barrel)	17,165.54	8,793.12	2,856.90	2,498.94	BUY TK	74.15	104.55	118.57	0.95



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DHAKA FRIDAY SEPTEMBER 9, 2011, e-mail: business@thedailystar.net

Corruption emerges as major threat to Bangladesh

World Economic Forum identifies a series of challenges; the nation loses one notch in Global Competitiveness Index

STAR BUSINESS REPORT

Corruption will pose a major threat to the government in the coming years, according to a global survey released yesterday.

The survey by the World Economic Forum found Bangladesh's major businesses disagreed with the effectiveness of the country's efforts to combat corruption.

The observation came as Bangladesh slipped by one rung in the Global Competitiveness Index in 2011 to rank 108th due to inadequate infrastructure, inefficient bureaucracy and corruption.

Bangladesh's GCI score has increased by 2.5 percent, but the country lost a place further on the ladder in the survey of 142 countries, while other countries have advanced, according to the report released by the Centre for Policy Dialogue, the Bangladesh partner of World Economic Forum.

"Although positive changes were discerned under different indicators, these changes were insignificant to create enough forces to run the wheel of the economy at required pace," it said. The local think-tank, which released



Mustafizur Rahman, left, executive director of Centre for Policy Dialogue, speaks at the launch of Global Competitiveness Report 2011-12 in Dhaka yesterday. Debapriya Bhattacharya, right, distinguished fellow of the think-tank, and Khondaker Golam Moazzem, middle, senior research fellow, are also seen.

the opinion survey report at an event in the city yesterday, conducted the survey among 70 entrepreneurs and businessmen mostly in Dhaka city and took the year 2010 into account.

The survey finds that inadequate supply of infrastructure remained at the top as the problem factor, while corruption came second and inefficient government bureaucracy came third.

The report however forecasts that Bangladesh along with Cambodia will do better in 2011. In the financial environment index, the survey found that 41 per-

cent think that obtaining credit in 2010 was difficult.

About 62 percent respondents say although foreign direct investment rules are favourable in Bangladesh and beneficial for attracting new investment, the FDI inflow was insignificant.

Entrepreneurs in most cases did not find venture capital for innovative but risky projects, according to the survey.

Ninety-four percent respondents perceived that undocumented extra payments or bribes made by firms for tax payments have increased and assumed 'worst' proportions in 2010, an indication of rising corruption.

"Three-fourth respondents largely disagreed with the effectiveness of the efforts of the government to combat against corruption," said Khondaker Golam Moazzem, senior research fellow of CPD, while presenting the report.

"Weak functioning of Anti-Corruption Commission and enactment of new laws with little power to take action independently are major shortfalls," he said.

The report chronicled major challenges Bangladesh is going to face in the coming years.

"Controlling corruption will be a

major challenge for the government in the coming years."

"Difficulty in obtaining credit, poor monitoring and supervision both in banking and capital markets, weak regulation, poor financial auditing and reporting, and rise in money laundering are major concerns."

The report said Bangladesh should place first and most important focus on infrastructure development, creating public institutions, reducing corruption and human resources development in order to enhance productivity.

"Strong political stand is required against corruption, wasteful or delayed public spending and local government system requires strengthening."

Trade facilitation measures should be strengthened, it said.

The survey also threw light on the government's Digital Bangladesh vision, saying initiatives in the last two years were perceived to be inadequate to build 'Digital Bangladesh' by 2021.

CPD Executive Director Mustafizur Rahman, Distinguished Fellow Debapriya Bhattacharya and Head of Research Fahmida Khatun were present on the occasion.

Stockmarket reforms far from complete

STAR BUSINESS REPORT

Structural reforms have not been put in place to restore order in the Bangladesh stockmarket following a record collapse last year, although some regulatory measures were taken, a global survey found.

A survey of World Economic Forum conducted in Bangladesh by Centre for Policy Dialogue (CPD) made the comments yesterday during the launch of the report.

The local think-tank conducted the survey for 2010 among 70 entrepreneurs and businessmen mostly in Dhaka.

A majority of the respondents expressed their concerns over developments in the capital market in 2010, when the market experienced an artificial rise of 82.8 percent between December 2009 and December 2010 before it was brought down to its knees.

The main index of the Dhaka Stock Exchange rose to a high of 8,918 points, only to see the key barometer come down to as low as 5,200 points in a period of two months.

Fifty-nine percent of the respondents pointed to ineffective rules and regulations as the main weakness of the market, while 76 percent pointed at weak monitoring and supervision by Securities and Exchange Commission, the market regulator.

Fifty-two percent of the respondents say the minority shareholders are less protected, while 67 percent refer to non-transparent rules and regulations and undue interference by influential quarters. According to the survey, 80 percent of respondents blamed insider trading in the stockmarket. They also pointed fingers at weak financial auditing and reporting standards.

"After collapse of the capital market, not much focus was put on structural reforms, other than some regulatory measures," said Khondaker Golam Moazzem, senior research fellow of CPD, while presenting the report.

DSE chief executive steps down

STAR BUSINESS REPORT

The chief executive officer of the country's prime bourse has resigned from his post, ahead of his tenure's expiry.



Satipati Moitra, who took over as the CEO of Dhaka Stock Exchange on December 24, 2009 for three years, cited his deteriorating health as the reason for his resignation.

"The board accepted Moitra's resignation letter," said Shakil Rizvi, president of the DSE.

Moitra, who joined the DSE in 2007 as chief financial officer of the bourse, submitted his resignation letter on Wednesday. Earlier on December 1 last year, Moitra wanted to step down, but continued the job on request from the DSE board.

Md Zahurul Alam, DSE's chief operating officer, will work as acting CEO of the prime bourse.

Govt to reset sugar, oil prices

STAR BUSINESS REPORT

The government will periodically reset the mill-gate, wholesale and retail prices of edible oil and sugar, said Commerce Secretary Ghulam Hussain yesterday.

The next rates will be fixed on Monday. The secretary however did not say whether the prices of those basic commodities will be revised up or down.

A price committee, headed by Bangladesh Tariff Commission Chairman Mozibur Rahman, is analysing different factors such as current prices, duties, price trends in international markets.

Hussain spoke to reporters at a briefing at his office after a meeting with importers and refiners of the two commodities.

The committee will also discuss progress on elimination of the age-old delivery order (DO) system in the marketing of sugar and edible oil as the government scrapped the system on June 21 by signing a law.

However, some businessmen

are still trading under that system as the deals were signed before June 21, Hussain said.

"The sale of sugar and edible oil in the DO system is a punishable crime as the government banned it by making a law. If anybody follows it, he will be punished."

"But we are considering some cases, as those were agreed upon before the law was put into place," he said.

The secretary also said the price committee may extend the exemption of 5 percent value added tax (VAT) on edible oil and sugar. The tenure for the VAT exemption expired on August 31.

The government had exempted VAT on such basic products considering the prices, he said. The government levied 15 percent VAT on those products, Hussain added.

At present, stocks of edible oil stand at 1.5 lakh tonnes and sugar at five lakh tonnes. "We have enough stocks of both edible oil and sugar up to Eid-ul-Azha. So there will not be any crisis in the

supply of those products," he said. Hussain blamed political strikes, poor weather conditions and the bad condition of roads for seasonal price hikes of sugar before the start of Ramadan.

"Moreover, retailers, especially small shop owners, did not follow the rates fixed by the government and made brisk business. Large shops and outlets however followed government rates," he said.

The government on July 20 fixed the mill-gate price of sugar between Tk 58 and Tk 62 a kilogram, the wholesale price at Tk 63 and retail prices at Tk 65. The price of edible oil was set at Tk 109 a litre at the retail level.

NOTICE
We bring out today four pages instead of our regular eight, as business activities are yet to pick up after the Eid-ul-Fitr holidays.



Salman joins DSE board as director

STAR BUSINESS REPORT

Salman F Rahman, president of Bangladesh Association of Publicly Listed Companies, has been appointed as a director of the Dhaka Stock Exchange board, an official said yesterday.

Rahman has joined the DSE board as a "nominated director", approved by the Securities and Exchange Commission said Ahmad Rashid, a director of DSE.

CSE yet to start corporate finance wing

SARWAR A CHOWDHURY

The Chittagong Stock Exchange is yet to launch its corporate finance department although the deadline for opening the new wing expired over a month ago.

In line with a directive of the Securities and Exchange Commission, the port city bourse was scheduled to set up the corporate finance department within July 31.

The SEC repeatedly contacted the country's second bourse to know why the exchange was delaying the launch of the department and when it would be launched.

Every time the CSE replied that the bourse was working on it and soon the department would be opened.

"We may seek formal explanation from the CSE as to why it failed to launch the corporate finance department within the stipulated time, even a month after its deadline expiry," said an SEC official.

But the CSE, and also the Dhaka Stock Exchange, at a meeting with the stockmarket regulator on July 13 agreed to set up separate corporate finance departments within July 31 after the SEC proposed that they launch such divisions to check and address the practices of financial manipulations and enhance trans-

parency and accountability.

"The commission's move was aimed at ensuring corporate governance and more transparency among the listed companies and thus helping investors access financial information or corporate disclosures more accurately," the SEC official said.

He said the commission often received allegations that many listed companies inflate financial reports by showing higher earnings and profits, especially when they submit un-audited quarterly reports. But, when the reports are annualised and audited, huge anomalies are detected.

"The main objective of launching the department is to check whether the listed companies are complying with the corporate governance guidelines set by the SEC," he added.

Neither Fakhor Uddin Ali Ahmed, president of the CSE, nor Syed Sajid Hossain, acting chief executive officer, responded to phone calls despite repeated attempts.

The Dhaka Stock Exchange however launched the corporate finance department on July 31. The division titled "Department of Corporate Governance and Financial Reporting" is engaged mainly in examining financial reports submitted by the listed firms which are required to disclose financial statements every three months.

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