IMF suggests quick fix to infrastructure to attract FDI

STAR BUSINESS REPORT

Better infrastructure and business environment can help attract more foreign investment to Bangladesh, a senior official of the International Monetary Fund said yesterday.

"There has to be a concerted effort to solve all infrastructure bottlenecks," said David Cowen, mission chief for Bangladesh of IMF's visiting team.

"The foreign direct investment (FDI) flow into Bangladesh is extremely low. There is tremendous potential to improve the scenario if the country can develop its infrastructure and fix its regulatory framework," Cowen said. "There has to be a win-win situation for foreign investors."

His comments came at the luncheon meeting of American Chamber of Commerce in Bangladesh (AmCham) at Ruposhi Bangla Hotel in the city. He spoke on the country's macroeconomic situation.

Cowen said the global engine of growth would be in Asia for the next few years, with Bangladesh situated at a crossroads of the world's most dynamic region.

He said expanding the export base and accelerating regional integration could also be significant contributing factors to stronger growth performance.

"It however requires concerted action by the policymakers and the government should closely work with the private sector."

"Further gains in readymade market share, a stronger-than-anticipated uptick in manpower exports and additional commodity price relief could provide a cushion to the growth, current account and inflation outlook."

"But weaker-than-expected growth in advanced economies could weigh on RMG exports and possibly remittances."

He said excessively loose macro policies are major concern of IMF, and weak policy anchors could prove destabilising.

AMCHAM

David Cowen, *centre*, mission chief for Bangladesh of the visiting team of International Monetary Fund, speaks at the luncheon meeting of American Chamber of Commerce in Bangladesh, at Ruposhi Bangla Hotel in Dhaka yesterday. Aftab ul Islam, *second from right*, president of the chamber, is also seen.

"Most notably, high inflation could erode domestic purchasing power as well as external competitiveness. Particularly the poor, who are living below the poverty line, will be hit hard," Cowen said.

"The double-digit inflation is a major concern for us. We hope this pressure will be managed," the IMF official said.

He said the country's gross domestic product growth was strong in 2010-11, driven by supportive domestic policies.

"Exports also performed very well, as the global recovery gained traction and Bangladesh took further market share in the RMG sector. Power shortages showed signs of easing, but other longstanding infrastructure constraints persisted."

He said it is a good sign that newer growth areas have emerged including in pharmaceuticals, food processing, shipbuilding and light engineering.

Cowen however said despite rapid export growth external pressures are intensifying. "The trade deficit is widening, as surging imports outpaced record exports in last fiscal year, driven by high global commodity prices, rising oil demand and rapid credit expansion. Slower remittance growth and lower aid flows added further pressures," he said.

"Although we do not have the final answer here some slowdown could be seen in manpower exports in the coming years."

He said the overall balance of payments was in a deficit for the first time in a decade, leading to foreign reserve losses.

The IMF official said tax revenues exceeded 10 percent of GDP in last fiscal year is a major milestone for Bangladesh.

"Although annual development programme implementation is improving, spending remains below the target. The government can do a lot when it comes to ADP implementation. As a result, Bangladesh could benefit fully from the resources being provided by the key development partners."

He said the country's average economic growth of 6-7 percent is really impressive. "But, the country can do better than this."

On Bangladesh's stock-market, he said: "This is also a major focus of IMF along with other development partners in how the authorities strengthen the securities market."

He said they are also focused on bank's exposure to the systemic risk, which can affect the economy.

Aftab ul Islam, president of AmCham, said the country attracted $913 million in 2010, which is 30 percent higher than the previous year. "But FDI as well as local investment is very low in the country compared to the need."

"Bangladesh is a country with enormous opportunities but what is urgently required is to be able to earn the capacity to utilise its untapped human and natural resources."

Khalid Hassan, vice president of AmCham; Tobias Glucksman, head of economic and political wing of the US embassy in Dhaka; and A Gafur, executive director of AmCham, were also present.

Telcos urge regulator to alter licence guideline

ABDULLAH MAMUN

Four mobile phone operators urged the telecom regulator yesterday to reconsider the VAT, employment and loan regulations of the final 2G licence renewal guideline.

The chief executive officers and some other high officials of Grameenphone, Banglalink, Robi and Citycell met Zia Ahmed, chairman of Bangladesh Telecommunication Regulatory Commission (BTRC) yesterday.

The officials say these issues have not been reflected in BTRC's guideline posted on its website on Sunday.

However, a high official of BTRC said the regulator's chairman has clarified the issues to the telecom officials saying that the licensing guideline has been finalised.

The Daily Star's calls to Zia Ahmed's mobile phone were unanswered.

M Rafiqul Islam, additional secretary of the telecom ministry, the licensing authority, said the ministry has communicated with BTRC about the issues.

The disputed issues will be addressed as confusion has surfaced over the guideline, he said.

Mehboob Chowdhury, CEO of Citycell, said operators sought a meeting with the BTRC chairman to express their concerns over the guideline.

The operators' foremost reservation is about the VAT (valued added tax) as the final guideline says the mobile operators will have to pay all fees, including Tk 7,563 crore in spectrum charges, plus 15 percent VAT.

Currently, the operators deposit the fees to BTRC, which does not include 15 percent VAT. As much as 85 percent of the payable money of the total cash goes to the telecom regulator, while the rest 15 percent goes to the National Board of Revenue.

According to the guideline, the licencees should take permission from the commission for taking loans and provide loan-related information to the commission.

Operators will have to obtain written approval from the telecom watchdog before introducing any service, offer or package. Telecom officials say the rule is not business-friendly.

In the meeting at the telecom ministry, it was decided that the number of foreigners employed at the top two rungs at the mobile operators will not exceed 50 percent of the total recruits.

But the regulator has brought in change to the guideline that stipulates that the number of foreign officials will not exceed 50 percent in each tier.

Another important issue, the officials pointed out, is that the operators will have to pay their annual spectrum charges in US dollars. They claim that the issue was also settled and it was decided that they would pay money in local currency as the greenback's value fluctuates every day.

The operators will have to pay 49 percent of their spectrum charges by November when the licences will be renewed, and the rest would be paid in three installments in May 2012, November 2012 and May 2013.

The telco officials also requested for deadline extension of the first installment payment date due to time constraint.

BB sets lending rate for solar home systems

STAR BUSINESS REPORT

Microfinance institutions and banks will not be able to charge more than 12 percent interest on loans for installation of solar home systems in off-grid areas.

The rate will be counted on a reducing balance basis at clients' level.

The central bank took the decision to help take solar power to a wider population, now off the national grid.

In a circular on Sunday, Bangladesh Bank also said banks would be able to show loans disbursed under the refinancing scheme for setting up solar home systems as agriculture or rural loans in their statement.

More than half of the country's 16 crore population is out of the electricity network, making Bangladesh the ideal ground for solar energy.

KFC

Akku Chowdhury, managing director of Transcom Foods Ltd, Singers Tishma, Topu and models Moonmoon, Sharmin Lucky pose at the launch of three new food items -- the Colonel Mint and the Hawaiian Zinger Burger and mini meal -- at KFC's Gulshan outlet in Dhaka yesterday. Transcom Foods operates KFC in Bangladesh.

Regent Airways adds Sylhet to its route

STAR BUSINESS DESK

Regent Airways has connected Sylhet to its domestic route as its fourth destination from Dhaka, the private airliner said in a statement yesterday.

The flight, which was launched on August 24, is scheduled to depart daily from Dhaka at 11:20 am as RX 731 and at 12:25 pm from Sylhet as RX 732. It will be operated using the airline's two Canadian-built 50-seater Bombardier Dash-8-Q300 aircraft, the statement added.

The flight basically connects incoming and outgoing international flights carrying the Bangladeshi expatriates in the United Kingdom. Most of them are originally hailed from Sylhet.

Accordingly, the baggage allowance for every passenger transferring to and from international flights has been raised to 30 kilograms. The one-way fare between Dhaka and Sylhet route starts from Tk 3,200.

The airline has appointed Regent Travels (UK) Ltd as its general sales agent in the UK located at 61 Princelet Street in London. The flight to and from Sylhet also connects to the airline's other flights to and from Chittagong and Jessore and has special fares for such connections.

Regent Airways -- incorporated as HG Aviation Ltd -- is a fully owned subsidiary of the Chittagong-based conglomerate Habib Group. Founded in 1948, the group has a diversified portfolio of investments in power, readymade garments, textiles, spinning, fertiliser, steel, cement and others.

Captain's World now in Dhanmondi

STAR BUSINESS REPORT

Captain's World, a sister concern of Canteen Stores Department (CSD) owned by Bangladesh Armed Forces, opened its third outlet in Dhanmondi in Dhaka yesterday.

"We have opened the Dhanmondi outlet to serve pure food at a reasonable price," said Md Ali Jahid, deputy general manger of CSD, at a press briefing on the outlet premises.

Customers can taste different bakery and cookie items in the outlet, he said. Fast food items, including fried chicken, tandoori, kebab, and French fries, will also be available there, Jahid added.

The outlet will be open for all from tomorrow. It has also offered 10 percent discount on lunch for university students.

Retired major Jahid said they will open more outlets outside Dhaka, especially cantonment areas, soon to provide quality food in the areas.

Captain's World opens it first outlet at Jahangir Gate in Dhaka Cantonment in 2007 and the second outlet in Uttara.

CSD Bangladesh has involvement in other businesses such as Captain's Bakery, Cinderella Shopping Mall, trading and poultry business.

STAR

Md Ali Jahid, deputy general manger of Canteen Store Department, attends the launch of Captain's World in Dhanmondi in Dhaka yesterday.

Faruk seeks Japan's support for trade fair in Tokyo

STAR BUSINESS DESK

Commerce Minister Faruk Khan arrived in Tokyo on Monday on an official visit at the invitation of the government of Japan, the embassy of Bangladesh said in a statement.

The minister met Akamatsu, president of Japan Bangladesh Joint Committee on Commercial and Economic Cooperation (JBCCEC), and sought his support to hold a single country trade fair in Tokyo.

Khan also requested the JBCCEC to assist similar fairs by Japanese firms doing business in Bangladesh.

Akamatsu expressed his interest in exploring business opportunities in Bangladesh and sought government cooperation in this regard.

The minister offered to initiate talks on creation of an exclusive economic zone for Japanese investors alone, if JBCCEC approached to Bangladesh government in the same way.

Akamatsu also expressed interest particularly in tourism, textile and garments sectors and affirmed positive contribution to expanding bilateral trade and investment.

Later, during the luncheon hosted by JBCCEC in honour of the minister, Morisaki, director general of the MFUJ Bank, said his bank will organise an investment seminar for Bangladesh, to be held in Tokyo, later this year.

Khan later met Hiroyo Sasaki, vice president of Japan International Cooperation Agency (JICA), at the JICA headquarters and sought support of the Japanese government in power, energy, communication infrastructure and other flourishing sectors.

Referring to the joint statement signed between the two governments during the visit of Prime Minister Sheikh Hasina, the JICA chief said it would dispatch an expert team headed by an adviser to the premier to activate the 'Action Plan' for creating better investment environment for Japanese investors.

Sasaki also pledged to continue its support to Bangladesh's ongoing economic development process and hoped Bangladesh would attain the status of a mid income country by 2021.

Emerging nations to discuss aid to Europe

AFP, *Brasilia*

Emerging economies which make up the BRICS group will discuss possible aid to the European Union to help it confront its debt crisis, Brazilian Finance Minister Guido Mantega said Tuesday.

"The BRICS nations will meet next week in Washington and we will discuss how to help the European Union get out of this situation," he said. The BRICS nations comprise Brazil, Russia, India, China and South Africa.

The Brazilian finance minister will be in Washington next week along with many of his counterparts from around the world for the annual meetings of the International Monetary Fund and World Bank. A BRICS meeting is set for September 22.

In what would be a reversal of roles, the leading emerging economies, which in recent years have been growing faster than the major industrialised nations, were expected to put forth a plan to help stabilize the global economy, according to the Brazilian financial daily Valor.

SHELTECH

Toufiq M Seraj, managing director of Sheltech, announces Sheltech Autumn Fair at a press meet in Dhaka yesterday. The 11-day event kicks off at the realtor's corporate office building at Panthapath in the capital tomorrow.