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BUSINESS

DHAKA MONDAY APRIL 29, 2013, e-mail:business@thedailystar.net

BB goes tough on lending to buyers of buildings, floors

STAR BUSINESS REPORT

The central bank yesterday asked all commercial banks to remain cautious in financing building construction, land development and purchase of establishments, apartments or floor space.

The banks were asked to verify different laws and regulations before going for such financing.

Bangladesh Bank took the decision after a non-compliant building, Rana Plaza, collapsed in Savar last week in the worst-ever manmade disaster in Bangladesh, killing more than 350 people and injuring thousands.

"All banks will have to send reports to the BB by June 30 on the compliance of the new order," according to a BB notice.

The banks will confirm that their borrowers have complied with the Building Construction Act 1952, Bangladesh National Building Code 2006, Bangladesh Environment Protection Act 1995, Fire Prevention and Extinguishing Act 2003 and other applicable laws and rules.

Appropriate permission, if applicable, has to be taken from National Housing Authority, Rajdhani Unnayan Karttripakkha (capital development authority), and such authorities in Chittagong, Khulna and Rajshahi, and other city corporations or municipalities.

The banks will also confirm whether all the rules and regulations have been complied with in case of the existing financing, the notice said.

The new order will also be applicable to the construction, purchase or rental of the banks' own buildings.

The directive will cover the existing buildings and already purchased or rented properties.

ICT policy reforms come into focus

Analysts say long-term plans needed to boost the sector

STAR BUSINESS REPORT

The country should adopt long-term plans to develop the ICT industry that has tremendous potential, but the government is still pursuing a makeshift approach, analysts said yesterday.

"The ICT sector is not growing at the expected pace due to problems with policy, but it can become a billion dollar industry," said Hasan M Mazumdar, country representative of The Asia Foundation, a non-government organisation.

He said a huge number of Bangladeshi expatriates in the US want to invest in the local ICT sector but negative policies and regulatory issues dent their confidence, he said.

Mazumdar spoke at a roundtable on "facilitating policy reforms to encourage private sector investment in ICT" at The Daily Star Centre in Dhaka.

Bangladesh Association of Software and Information Services (BASIS) and The Asia Foundation co-organised the discussion where leaders of different trade bodies in the sector were present.

Speakers said policy reforms for software export and import, easy regulation, content development efforts by the government, tax waiver for internet use, and easy bank loans can boost the sector.

Nazrul Islam Khan, ICT secretary, said some small changes to the existing rules and regulations can make mobile payment a huge success; such payments worth thousands of crores of taka would be made possible through mobile phones.

"There are 25,000 government websites but people cannot use the sites due to a dearth of broadband connectivity."

Analysts take part in a roundtable on policy reforms to encourage investment in ICT, co-organised by Bangladesh Association of Software and Information Services and The Asia Foundation, at The Daily Star Centre in Dhaka yesterday.

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Insurers won't pay RMG units of Rana Plaza

SAJJADUR RAHMAN

Five apparel factories that were operating in the ill-fated Rana Plaza in Savar will not be able to file insurance claims as the garment units were housed in a faultily-constructed building, insurers said.

Of the five, New Wave Bottoms and New Wave Style have fire and marine insurance with Green Delta Insurance Company Ltd.

Building collapse is not covered by the factories' insurance policy and so these two factories will not get the Tk 14-15 crore claims as per the policies with Green Delta, officials said.

"Even, if incidence of building collapse was included in the policy, the factories would not get the money because of the wrong foundation of the building," said Nasir A Choudhury, managing director of Green Delta.

The nine-storey building, which collapsed on Wednesday with more than 3,000 workers trapped in the five factories, was built on a marshy land and had a foundation for six storeys only. Death toll already crossed 365.

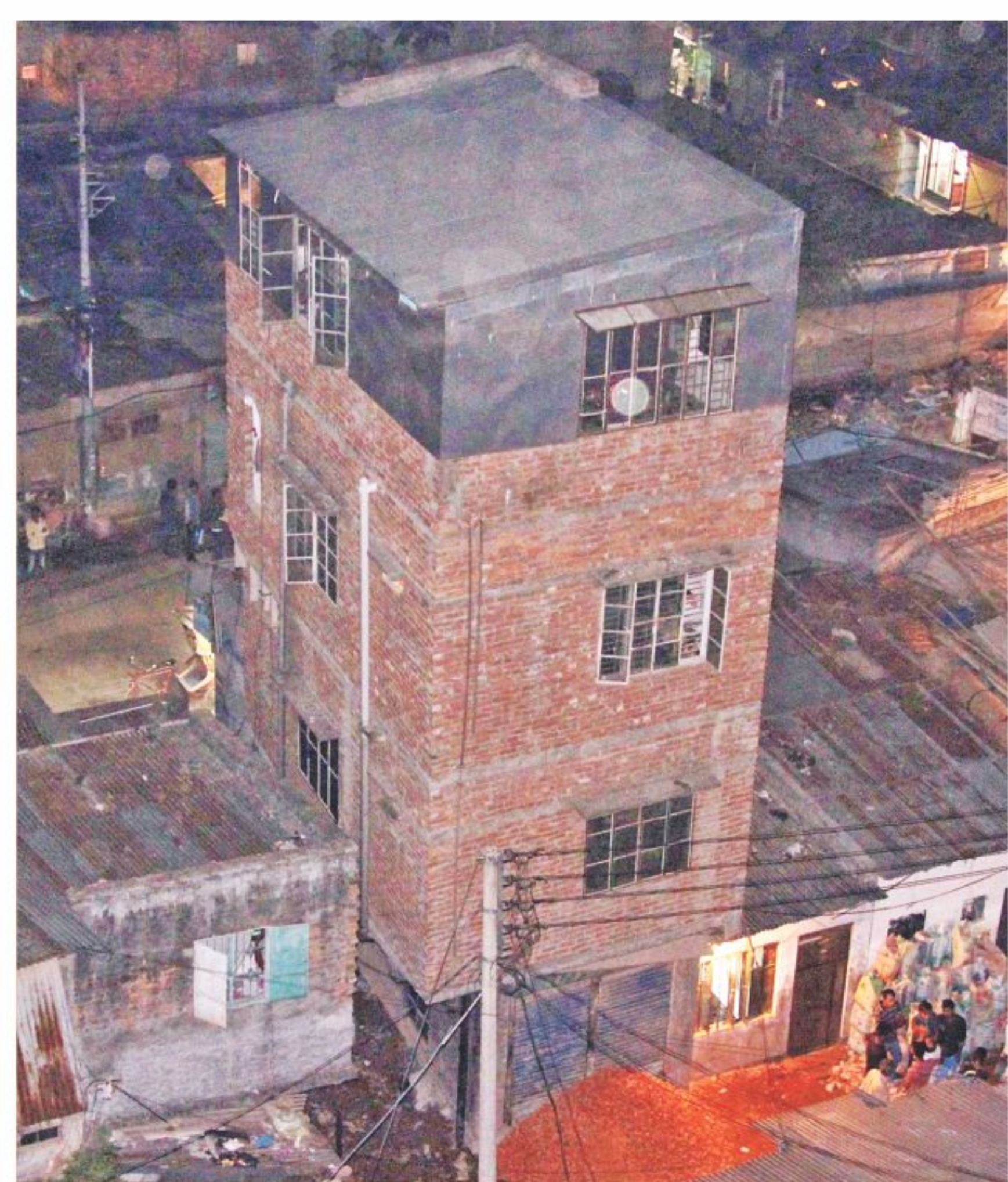
Sabbir Ahmed, chief financial officer of Reliance Insurance, also echoed Choudhury about the claims. Though the owners take out fire and marine insurance to cover their export-import business, they do not insure their workers.

Bangladesh Garment Manufacturers and Exporters Association, the trade body of garment makers and exporters, has a group insurance for its member factories, but it is limited to only 20 workers from each factory.

Under the policy, a worker gets Tk 1 lakh as compensation in case of any accident.

"Insurance coverage is very specific."

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Police sealed a four-storey building at Benarashi Palli in Mirpur yesterday, after it tilted raising fears of collapse in the neighbourhood. Law enforcers spotted cracks on the building that houses two shoe factories and as many garment units. The structure was built without any approval from Rajuk, a building inspector said. It has no legal utility connections.

AMRAN HOSSAIN

T-shirt tax campaign for Bangladesh victims

THE GUARDIAN

A new campaign has been launched in the UK to raise money for the Bangladesh factory collapse victims by urging shoppers to pay a voluntary "T-shirt tax".

The cash is going to the charity ActionAid which will distribute it to the families of victims killed in the disaster, as well as to workers who survived.

Victoria Butler-Cole, a 36-year-old barrister from Kent who came up with the idea, said: "It seems to me we have a moral duty to help. Everyone has something in their wardrobe from Bangladesh. This isn't just the fault of companies who supply cheap clothes."

Butler-Cole said shoppers should consider donating the difference between what they paid for a T-shirt and what it would cost if it had been produced by workers treated properly. For example, if a T-shirt produced in Bangladesh cost £3, a £3 donation would be fair, she said.

On Saturday demonstrators gathered outside cut-price retailer Primark's flagship store in Oxford Street. A petition has been launched calling for Primark and other brands, including Matalan and Mango, which used businesses based inside the Dhaka building, to compensate the families of workers killed or injured.

Butler-Cole acknowledged struggling families wouldn't be able to pay a T-shirt tax, and often relied on cut-price clothes. But she said others should consider it. The tax was better than a high-street boycott, which could lead to Bangladeshi workers losing their livelihoods, she added.

Plan to sniff out faulty factories

Muhith makes proposal at cabinet meeting today

STAR BUSINESS REPORT

Finance Minister AMA Muhith is set to make a proposal in today's cabinet meeting to conduct a comprehensive inspection drive across the country to identify faulty garment factories.

The survey will be conducted jointly by Bangladesh Garment Manufacturers' Association and Bangladesh Knitwear Manufacturers' Association, Muhith told reporters at his secretariat office yesterday.

"A timeframe will be given to the risky garment factories to fulfil the safety requirements."

The garment industry has seen massive expansion in the past several years, with its yearly exports increasing from \$14 billion to \$25 billion, according to Muhith.

"Because of the rate at which the garment factories mushroomed, compliance could not be maintained properly," he said, while calling for stern actions against errant garment factory owners from the government for the sake of the industry and "safety of the workers".

When reminded that no action has yet been taken by the taskforce formed following the Tazreen fire, Muhith said: "It is due to the laboured nature of the country's law enforcement system."

He cited the murder case of former finance minister Shah AMS Kibria, which is yet to be concluded after eight years.

Muhith said the tragedy at Savar was no accident but "a case of mass murder", as garment owners forced workers back to the production lines despite information surfacing the previous day about the precarious state of the building.

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SMEs a route to wider inclusive growth: Atiur

STAR BUSINESS DESK

Small and medium enterprises offer a good prospect for geographic diversification of the economy and wider inclusive growth as they comprise almost 90 percent of the private sector firms, Bangladesh Bank Governor Atiur Rahman said yesterday.

The sector contributed around 25 percent to Bangladesh's gross domestic product and around 40 percent to gross manufacturing output last year, he said.

More than 70 percent of the non-agricultural workforce in Bangladesh is engaged in the SME sector, Rahman added.

The governor spoke at a seminar on SME banking strategy, the first in a series, at Sonargaon Hotel in Dhaka.

Bangladesh Bank Training Academy, Bangladesh Institute of Bank Management and the EU-funded INSPIRED project organised the discussion.

The SMEs also have a significant



Atiur Rahman

role in generating jobs, and thus banks are being supported in SME financing initiatives with refinance line from the central bank, through its own funds and those of development partners, Rahman said.

The BB has already provided Tk 2,397 crore (as of July 2012) to different banks and non-banks at lower interest rate. Of the amount, 15 percent or Tk 400 crore is earmarked for women entrepreneurs, the governor said.

The SME Market Segmentation Database, currently underway, is first of its kind in South Asia, a key project by the central bank and International Finance Corporation for the sector's development.

The BB in its credit policy released in 2010 included guidance for commercial banks to be involved in SME financing through setting up dedicated desks for the sector in their branches.

The central bank now gives targets for the banks to ensure SME credit disbursements and emphasises providing loans to small and women entrepreneurs, Rahman said.

More coordinated efforts are needed to overcome challenges in SME financing to ensure a sound and growth supportive SME policy, he said.

The governor also spoke about the necessity of more financial institutions for SME lending, and trained human resources for their efficient functioning.

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