

# ADB signs \$198m for highway, land port upgrade

STAR BUSINESS DESK

The Asian Development Bank (ADB) signed \$198 million in loans for Bangladesh yesterday to help upgrade a highway and two land ports in the country to boost connectivity and trade across South Asia.

Md Abul Kalam Azad, secretary of the Economic Relations Division (ERD), and M Teresa Kho, country director of ADB's Bangladesh Resident Mission, signed a deal for the South Asia Subregional Economic Cooperation (SASEC) Road Connectivity Project, at the ERD in Dhaka.

The project will expand and improve a 70-kilometre section of the Dhaka-Northwest highways (Joydevpur-Chandra-Tangail-Elenga Road), the second busiest arterial route in the country, the Manila-based lender said in a statement.

The initiative will also upgrade

land ports at Benapole and Burimari, which handle the bulk of goods transported between Bangladesh and India, and through India, with Bhutan and Nepal.

These upgrades will boost trade volumes, improve traffic flows and reduce the loss of perishable goods, according to the statement.

Studies show upgrading regional highways in Bangladesh will support the movement of about 18 million tonnes of freight in Bhutan, India and Nepal, boosting intra-regional trade across South Asia.

"Upgrading this important section of the Dhaka-Northwest highways will give a big lift to both domestic and subregional trade, as well as encouraging more domestic and foreign investment," said Kho.

"The project is an integral part of the SASEC programme's push to improve infrastructure and promote economic cooperation in

one of the world's most densely populated areas."

The narrow two-lane Dhaka-Northwest highway currently suffers from serious congestion and high accident rates, ADB said.

"Expanding the route to four lanes, and introducing a separate lane for slow-moving vehicles will help ease bottlenecks, reduce crashes, and provide the nearly seven million people living in the area with new business opportunities and better access to markets, schools and other social services."

As a public-private partnership initiative, a five-year performance-based contract to maintain the road will be included in works contracts, which also target up to 50 percent of the jobs provided for women.

The project also includes a technical assistance grant of \$1.5 million equivalent, financed from the Japan Fund for Poverty

Reduction, to modernise and improve the Roads and Highways Department.

The project will be carried out over five years and is scheduled to complete by December 2017. The OPEC Fund for International Development and the Abu Dhabi Fund for Development will each provide co-financing loans of \$30 million.

The SASEC programme is an initiative of Bangladesh, Bhutan, India, and Nepal to build closer links that will spur growth and development across the sub-region.

Its work covers activities in many sectors including transport, trade, energy, the private sector, tourism and the environment. ADB provides the programme with a variety of support, including project financing, technical assistance, and advice.

Meanwhile, the government of Myanmar along with the ADB and

the government of Norway, yesterday unveiled a Tourism Master Plan which outlines 38 development projects valued at nearly \$0.5 billion.

The plan will help increase Myanmar's tourism competitiveness, protect environmentally important areas, and safeguard ethnic communities.

The master plan, funded by the government of Norway, recommends building tourism-related human resources by strengthening the tourism education and training system, and identifies \$44.5 million in new opportunities and partnerships aimed at training tourism workers.

"This master plan outlines a path to welcoming more visitors to Myanmar without threatening our unique cultural heritage or endangering pristine environments," said U Htay Aung, Myanmar's minister for hotels and tourism.



Mohammad Obaidul Karim, chairman of Orion Group, attends a programme on Tuesday when Orion appointed ABN Amro as the lead bank for its two powers projects, at the Orion House in Dhaka. Salman Obaidul Karim, managing director of Orion Group, was also present.

## Orion assigns ABN Amro for power projects

STAR BUSINESS DESK

Orion Group on Tuesday appointed ABN Amro Bank NV, a Dutch banking giant, as the lead bank for the two ongoing coal-fired power generation projects of 660 megawatts each.

Mohammad Obaidul Karim, chairman of Orion Group; Salman Obaidul Karim, managing director, and Erwin Boon and Arnoud Sprangers of ABN Amro, attended a programme where the firms signed a deal at Orion House in Dhaka.

ABN Amro has assets over 404.6 billion euros and operations spanning the globe.

## Toyota to recall 242,000 Prius, Lexus worldwide

AFP, Tokyo

Toyota Motor will recall 242,000 Prius and Lexus hybrid cars globally because of a braking problem, the company said Wednesday, adding that it was not reported to have caused any accidents.

Drivers of the two models, manufactured between March and October 2009, have complained they needed to step more heavily than previously on the brake pedal.

A company spokeswoman in Tokyo said a materials weakness was leading to cracks that allowed nitrogen gas to leak into the brake fluid, affecting the efficacy of the brakes.

## Budget to see many odds

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There is no reason for investment to pick up in an uncertain election year with no solution to gas crisis in sight and business confidence hitting the lowest ebb.

High interest rates -- 16 percent to 18 percent for corporate clients and more than 22 percent for small and medium enterprises -- have further worsened the investment climate. Mujeri said higher growth will not be achieved unless the private sector grows.

"Building up confidence of the private sector would be the next big challenge for the government after the political uncertainties," he said.

Salehuddin Ahmed, a former governor of the central bank, said a fall in investment has affected employment.

Debapriya Bhattacharya, distinguished fellow of the Centre for Policy Dialogue, said political uncertainties are eating up the country's growth potential.

"Impacts of political uncertainties do not show up in the short term, they get exposed in much bigger ways in the medium term," he said.

On investment, he said, initially it was impeded by an energy dearth. Later, the stockmarket debacle dented private investment. Growing weaknesses of the banking sector dealt another blow as investors were not getting adequate funds.

In this situation, the business community knows a hike in tax rate or a rise in the government's borrowing from the banking sector could hit them further.

"There is a crunch in the money market, and the interest rate is still very high," said Aftab ul Islam, president of American Chamber of Commerce in Bangladesh.

He said foreign direct investment has really been hurt by confrontational politics. "Foreign investors are hesitant about pouring money in Bangladesh," he added.

## Stock turnover rides high on budget hopes

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"Margin loan-driven sell-off could be a short term pulling factor for the market, but fresh funds seem to be ready to absorb these sell pressures."

A total of 1.52 lakh trades were executed with 16.47 crore shares and mutual fund units changing hand on the Dhaka bourse.

Of the 287 issues that traded on the DSE, 183 advanced, 78 declined and 26 remained unchanged.

Titas Gas featured in the most-traded stocks' chart with 31.75 lakh shares worth Tk 26.51 crore changing hands. Jute Spinners was the biggest gainer of the day, posting a rise of 10 percent, while Desh Garments was the worst loser, plunging 6.91 percent.

The Chittagong Stock Exchange also ended higher with its selective categories index, CSCX, gaining 118 points or 1.50 percent, to close at 7,961.13.

Gainers beat losers 1134 to 60, while 14 issues remained unchanged on the port city bourse that traded 1.79 crore shares and mutual fund units with a turnover of Tk 55.22 crore.



STANCHART

Sculptor Hamiduzzaman Khan poses with the children of Standard Chartered Bank's employees and the members of JAAGO Foundation and Young Learners Centre from The British Council, at a painting contest organised by the bank for World Environment Day 2013 recently.



ABDUL MONEM

Shafiqul Islam, project director at Bangladesh Bridge Authority, and Abid Habib, director of Abdul Monem Ltd (AML), sign a deal yesterday to construct the Janjira approach road to the Padma bridge. Obaidul Kader, communications minister, and Abdul Monem, managing director of AML, were also present.

## Falling investment: a big worry

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Amid this critical economic and political situation, Finance Minister AMA Muhiht is going to present a Tk 222,490 crore budget for fiscal 2013-14, with a deficit set at Tk 55,000 crore or 4.6 percent of GDP.

"Bangladesh always had a manageable deficit, essentially by default, as we have never been able to spend the full allocations and consequently, did not need the full budgeted resources," Bhattacharya said.

The only change observed in the recent period is that the government now relies more on bank borrowing than on foreign grants to finance the deficit, he added.

The economist suggested the government take a hard look at subsidy allocation, especially for the rental power plants. Bhattacharya said there is a lack of coordination between those who are responsible for installing the power generation capacity and those who should be assessing the fiscal implications.

On financing Padma Bridge from domestic sources, he said one does not need to be an economist to understand that it cannot be built exclusively by domestic resources without giving less to other competing priority sectors, such as health and education. The allocation for Padma Bridge will be up by about 56 percent of the increment in the upcoming annual development programme.

"We should not shy away from accessing concessional loans from international and bilateral partners," said Bhattacharya. He criticised the government for not taking measures to augment efforts to raise funds through the capital market and bonds for the non-resident Bangladeshis. Indeed in a

pre-election budget it may not introduce a "Padma levy".

The economist strongly backs expansion of social safety net programmes as the poor and destitute in the country are still many. However, he said there is a definite need to institutionally harmonise and stop pilferage in those programmes.

On exports, particularly for apparel, he advised the government to help the industry, not so much on the revenue side, but by public expenditure on infrastructure development and workers' welfare promotion.

Bhattacharya feels political uncertainties are eating up the country's growth potential.

"The impacts of political uncertainties do not show up so much in the short term, it gets exposed in a much bigger way in the medium term," he said. Quoting a study, he said countries that suffered political uncertainties, needed at least 4-5 years to recover their benchmarks.

"These uncertainties may take away new opportunities that are beckoning Bangladesh in terms of trade, investment and connectivity."

In a brief assessment of the government's performance, he said the major negative episodes include loss of Padma financing, capital market debacle, spat with Grameen Bank, discontinuation of meeting with development partners, scams in the banking sector and multilevel marketing, and debates over new bank licences.

Bhattacharya has credited the government for achieving 6 percent plus growth, higher public investment, better implementation of development programmes, revenue expansion, enhanced electricity supply and higher sensitivity to social safety nets.

## Economic implications of hartal

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The disaggregated figures of inflation of various product groups suggest that only the average inflation rate for gross rent, fuel and lighting in April 2013 remained higher than that of June 2012.

A decomposition of inflation figures of June 2012 and April 2013 indicates that, of the 10.6 percent inflation in June 2012, 6.8 percent came from food inflation, while the rest 3.8 percent came from non-food inflation. Of the 7.8 percent inflation in April 2012, 5.3 percent was contributed to by food inflation and 2.5 percent was on account of non-food inflation. This would imply that both food and non-food components of inflation had an equal share in the reduction of the overall inflation.

One can also find a number of explanations for the declining pace of inflation:

- (i) stable price of rice; (ii) declining international commodity prices; (iii) stronger domestic currency and (iv) slowdown in domestic demand.

Falling rice price is major driver of decline in inflation rate in FY2013. Data from Department of Agricultural Marketing suggests that during the 12-month moving average, price of retail coarse rice declined by (-)10.1 percent in May 2013. However, this had indeed affected the incentive for farmers to go for a higher crop production as demonstrated by stagnating growth of crop production. International commodity prices also declined in the period under purview. According to the IMF data, annual average international commodity price index in April 2013 plunged by (-)5.1 percent.

The prices of major commodities for which Bangladesh relies primarily on imported sources also show a similar picture. One also needs to consider that

throughout FY2013 the taka gained in value against the currencies of major trading partners of Bangladesh thanks to favourable balance of payments situation. In April 2013, the taka was appreciated by 4.7 percent against the dollar, 1.4 percent against the rupee and 3.6 percent against the Chinese yen. Combining these two factors (declining international commodity prices and stronger domestic currency), one may expect an easing environment for the domestic price level.

If we compare the domestic retail prices, it is found that the annual average price of sugar in the domestic market declined by 17.6 percent during the period under purview. However, the price of soybean oil increased by 3.3 percent. This implies that mechanisms informing transmission of declining global prices into domestic prices remained weak. Furthermore, weak domestic demand as manifested by slower economic growth also had an impact on commodity prices. Weak domestic demand is also corroborated by the decline in private sector credit growth and lower import demand for consumer products. One may also argue that the contractionary monetary policy pursued by the central bank has also played a role in bringing down inflationary pressure.

Volatile political environment has often disrupted commodity supply chains which had an adverse impact on the prices of daily essentials. Robust remittance inflow, on the other hand, had a positive impact on domestic consumption demand. Overall, the easing of inflationary pressure was accompanied by low level of economic activities. One should also be mindful to the fact that price level has continued to remain high in spite of some decline in the inflation rate because of past high trends.

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CONCORD

Md Mahbulul Alam, (acting) head of human resources of BRAC Bank, and Anup Kumar Sarker, general manager (marketing) of Concord Entertainment Co, exchange documents of a deal recently. The employees of the bank will get special discounts at entertainment spots of Concord.



YKK

Kosuke Miimi, managing director of YKK Bangladesh Pte Ltd, attends a tree plantation drive as part of its corporate social responsibility at Chapair BB High School at Kaliakoir in Gazipur yesterday. Yuji Yamase, director, and Masud Karim, general manager, were also present.



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AAM Zakaria, managing director of First Security Islami Bank, opens the ATM booth of the bank at College Gate in Tongi yesterday. Syed Waseque Md Ali, deputy managing director, was also present.