

Korean experts suggest model for robust debt management

STAR BUSINESS REPORT

A team of South Korean experts is set to provide an economic model that would help Bangladesh manage its external debt efficiently and ensure macroeconomic stability.

The model, which is being prepared under the Korean government-funded Knowledge Sharing Programme, is largely based on the East Asian nation's experience in transforming its war-torn economy into a full-fledged industrialised nation in less than four decades.

The draft of the model was shared with senior finance ministry officials yesterday at a workshop hosted by the Centre for International Economic Studies, Sookmyung University and Korea Fixed Income Research Institute at Sonargaon Hotel in Dhaka.

Based on the Korean experience, the experts recommend centralisation of the authorisation system of commercial loans, as borrowing from commercial sources increases the debt service ratio.

They said foreign capital management was connected with project management in South Korea and has been injected primarily into the export industry. The decision of

introducing and managing foreign debt should not be a political issue but an economic one.

The government should also ensure that foreign capital contributes to economic growth, by directing funds into industry and infrastructure, they said.

Speaking to reporters later, Prof In Soo Kang, senior research fellow of Sookmyung Women's University, one of the experts, said the model is being built in the backdrop of Bangladesh's increasing need for funds to support the economy, which has been growing at around 6 percent for a decade now.

He said the current estimation of potential gross domestic product (GDP) is crucial for accurate policy implication, but due to lack of data it cannot be estimated properly so far.

The economist said a macroeconomic model is important for a country as projects would be undertaken accordingly. "Policies can be misleading if there is no sound macroeconomic model."

The model will improve data accumulation and correct macroeconomic model, he said.

Another important feature of the model is its plan for debt management.

Kang said the demand for capital for various infrastructure projects would

increase in the coming days to pave the way for higher economic growth. But Bangladesh cannot rely only on cheap loans from development partners, as the flow of concessional credit is limited.

"The conditions for concessional loans are good but they are limited in quantity, as every developing country wants such cheap loans which carry almost no interest. So, you will have to consider the commercial loans."

After the Korean War, Seoul relied on grants and foreign aid from development partners to develop the country. But in 1960s and 1970s, it had to resort to commercial loans to drive growth further.

Kang said: "There are some good sides and bad sides to the Korean model in case of borrowing from commercial sources. So, you should not repeat the failures we had made."

"You can get a good result in the future if you can manage the model."

According to the draft model, Bangladesh's capital market is not developed enough to finance the capital needs needed for economic development, while the volume of the government bond market is low.

There is a limit in financing foreign capital through foreign grant and

concessional loans. As a result, the ratio of foreign grant to GDP is continuously decreasing. The target GDP growth rate of 8 percent cannot be achieved through the concessional loans.

The presentation also points to rotation system of Economic Resource Division personnel responsible for foreign debt management.

"Foreign debt management needs very specific knowledge and skills. So, maintaining specially trained and experienced workforce is very important," the paper said.

It also said there is no long- or short-term strategy for foreign debt management and no guideline on how to and how much to finance.

The Korean team called for strong regulation for companies borrowing from foreign markets, as sometimes they become insolvent.

The draft also said the government should choose good agents who can arrange commercial loans with low cost.

Speaking at the event, Mohammad Asif-uz-Zaman, additional secretary of ERD, said the model might pave the way for effective management of commercial borrowing and debt management.

Mahmuda Begum, an additional secretary of the finance ministry, said Bangladesh could



Mohammed Irad Ali, director of Hotel Agrabad, and Mohammed Mohsin, vice chairman of PHP Group, attend the signing of a deal at the hotel premises in Chittagong recently. PHP Group will get preferential status on all hospitality services in the hotel.

DSE suspends Pharma Aids trade

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Dhaka Stock Exchange yesterday suspended the trading of Pharma Aids for an indefinite period, as the firm barred bourse officials from inspecting the factory premises. DSE also served notice on the company, seeking an explanation as to why it did so.

In a web posting, DSE said Pharma Aids did not allow bourse officials to conduct an inspection at the factory premises recently as part of the bourse's regular activities. "The issuer has failed to comply with its continuing obligations in respect to listing regulations by preventing the exchange from carrying out its essential work to protect the greater interest of investors," the DSE said.

DSE officials said the recent price hike in the shares of Pharma Aids prompted the bourse management to inspect the factory premises. The price of each Pharma Aids share rose by around 15 percent last month, before closing at Tk 181.3 on Tuesday. Pharma Aids was listed on the stockmarket in 1987.

Regulator asks insurers to brighten sector's image

STAR BUSINESS REPORT

Regulators yesterday asked insurers to seriously work on improving the image of the sector.

Bangladesh Insurance Association (BIA), a platform of insurance directors, must work closely with the Insurance Development and Regulatory Authority to develop the sector, said Fazlul Karim, acting chairman of IDRA.

Karim held his first meeting with the insurers yesterday after taking charge as the acting boss of IDRA last week, after Shefaqe Ahmed, chairman of IDRA, retired from his three-year job in January.

The insurance industry is beset with severe problems, such as indiscipline and image crisis, which need to be addressed, Karim said. "Unhealthy competition between the insurance companies is another problem of the industry."

Sheikh Kabir Hossain, president of BIA, and other office bearers also spoke.

RANA PLAZA TRAGEDY Call for fast-tracking compensation for missing workers

STAR BUSINESS REPORT

A labour organisation yesterday demanded the missing victims of the Rana Plaza building collapse be declared dead through inspection instead of solely depending on DNA tests, so that their families can be compensated.

The families that have been waiting for closure for the last nine months have lost hope of finding the graves of their loved ones through DNA tests, as human remains are still buried at the site, the organisation said.

As the bodies recovered were decomposed beyond recognition, some families took home the wrong bodies, making it harder for DNA sampling to identify the victims, it said.

Speaking at a press briefing at Topkhana Road in Dhaka, a garment worker's organisation—Bangladesh Garment Sramik Samati—demanded a fresh search for human remains at the Rana Plaza site.

"The discovery of Obaidul's skeleton at the site, followed by around 300 bones, proves that the rescue mission at Rana Plaza site was flawed, incomplete," said Taslima Akhter, convenor of the organisation.

The discoveries suggest that the actual death toll in the disaster is much higher than the official figure of 1,135, she said.

The families of the missing workers received little in the form of compensation, and there is confusion over the death toll as no one could confirm how many people were inside the building when it collapsed on April 24, she said.

There were three families at the event, whose DNA samples matched in the tests, but could not find their loved ones among the unidentified graves.

New Microsoft chief underlines Indian-bred success abroad

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It suggested that, rather than celebrate Nadella, India should question why so many talented figures flower overseas instead of on home soil where family connections are often as important as qualifications.

Outside of corporate boardrooms, Indian-origin families have thrived in the United States.

A 2012 report from the US think-tank Pew Research Centre showed the median annual income for Indian Americans was \$88,000, much higher than the Asian American average of \$66,000 and the overall US household median of \$49,800.

Among Indian Americans aged 25 and older, 70 percent had obtained at least a bachelor's degree, above the Asian American share at 49 percent and far higher than the national 28 percent, the study said.

Nadella is faced with the challenge of revitalising Microsoft as the world shifts to a mobile Internet era, and some hope his knowledge of the Indian market could help boost opportunities for those in the industry at home. "One of the best that the East had to offer was embraced by the West on Tuesday, and back home there are great expectations that the winds of change will blow here as well," said a story in The



Mehmood Husain, managing director of Bank Asia; Mehboob Chowdhury, chief executive of Pacific Bangladesh Telecom Ltd (Citycell), and Md Rafel Kabir, managing director of Bangladesh Bancnet Ltd, attend the signing of a tripartite agreement on mobile banking, at the Bank Asia corporate office in Dhaka yesterday.



Md Asaduzzaman Khan, managing director of Industrial and Infrastructure Development Finance Company, and Kazi Tareq Shams, managing director of Midori Service Apartment (Pvt) Ltd, exchange documents of an agreement at a programme on Monday to raise Tk 80 crore in syndicated loan for the latter.

Legal aid for all workers Analysts suggest giving incentives to lawyers in labour-related cases

STAR BUSINESS REPORT

The government should provide legal aid to all workers, irrespective of their income, free of cost as many labourers are deprived of getting constitutional rights due to financial problems, said the chairman of a labour court.

A worker, who earns below Tk 50,000 a year, is now entitled to legal assistance from the government for free, said Mia Md Sharif Hossain, the chairman of Labour Court-1 in Dhaka.

"Many garment workers are receiving wages above the limit but they are still unable to afford the legal fees. It's not logical," he said at a meeting in Dhaka yesterday.

"All workers will be able to get justice if the government provides legal assistance free of charge," Hossain added.

The National Legal Aid Services Organisation or NLASO, a statutory body working under the law ministry, organised the meeting to give an overview of the legal aid cell that was launched in May last year.

The government should provide lawyers' fees to handle labour-related cases by fixing a rate, Hossain added. "Otherwise, lawyers may not be interested in working on the cases."

Syed Aminul Islam, a joint secretary of the law ministry and director of NLASO, said: "We are working on a draft policy so that all workers receive legal assistance for free."

Legal aid is the assistance given to people otherwise unable to afford legal representation or have access to court. "It is neither charity nor mercy; it is the right of the poor and underprivileged section of society."

Despite such provisions, many are deprived of their constitutional right to access justice due to poverty.

Currently, the legal aid cell is providing assistance to workers with panel lawyers under government funds, said Islam. The cell is run by NLASO in association with Dhaka District Legal Aid Committee and UNDP.

From May last year to January, the legal aid cell has provided legal counselling to 145 people, filed 17 cases and settled 2 cases.

In addition, individuals receiving old age allowance, distressed mother holding a vulnerable group development card, victims of trafficking and acid throwing, insolvent widows, abandoned or distressed women, disabled persons, and poor detainees can enjoy the free legal services.

The government has established a permanent legal aid office in every district to ensure access to justice for the poor and disadvantaged.

The legal aid fees structure has long been identified as a significant barrier to accessing legal aid. It was a criticism from the lawyers' community that the lawyers' fee is very poor in legal aid cases.

Islam, also a former labour court chairman, said the main challenge of the judiciary system is to ensure quality services to the poor by overcoming malpractices by a section of lawyers.

So, the government plans to strengthen monitoring the activities of the panel lawyers, he said.

Ruhul Amin, general secretary of Bangladesh Shramik Shanghati Federation, urged the government to provide incentives to the judge and lawyers so that they resolve

Reforms improve economic climate

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This change has started, though late; a core group involving 80 civil servants have been trained to help them understand how the private sector works and to help them grow further, he added.

The biggest reform was with enactment of the VAT law and formation of ADR mechanism, he said.

"The new law will be very supportive. It is not all about taxing the people. It will be a win-win for both the tax collector and taxpayers."

It is interesting that this law was not implemented soon after its enactment; two years have been given to address the capacity gap of National Board of Revenue, he said.

The IFC official said ADR will have a big impact, especially on potential foreign investors, as they will be able to resolve any dispute that arises after starting a business here.

He hailed the government for agreeing to introduce Regulatory Impact Assessment (RIA) to review the impact of new laws and regulations. It will be an inbuilt mechanism in the government, he said.

The government has also agreed to introduce business process reengineering, which will deal with the measures in issuing licences and permits under any law. Under this programme, 20 civil servants will be developed as master trainers, he said.

"All these are targeted towards removing red tapes and enhancing the capacity of bureaucracy."

He however said laws should be revisited once every 5 years and rules and regulations every two years to make those time befitting.

Inflation rises to 7.5pc

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The BB's monetary policy statement for January-June urged the government to keep its bank borrowing for fiscal 2013-14 within the target of Tk 26,000 crore.

"Limiting the government borrowing from the banking sector is important for achieving inflation targets and providing space for banks to lend to the private sector," said the central bank.

The fiscal coordination council of the finance ministry is due to sit today with Finance Minister AMA Muhith in chair to finalise the revised budget.

The government's bank borrowing target will remain within the budgetary target though, a finance ministry official said.

Biman set to say goodbye to vintage DC-10

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"Passengers are welcomed to book either the last flight from Dhaka or to book the scenic flights online via the Biman website," Hussein said.

"Tickets will only be sold via our website, so do not buy tickets elsewhere. We want these tickets to go to genuine aviation enthusiasts," Biman said in a statement quoting Steele.

The first wide-body tri-jet—the Douglas DC-10—made a chequered beginning in the 1970s, but became a mainstay of many airlines around the world on medium and long routes.

McDonnell Douglas made 446 DC-10s during the plane's manufacturing run, which included six different variations. The penultimate, New Era, was sold to Biman and delivered in 1989, according to the statement.

The DC-10 suffered 13 fatal accidents overall in which 1,190 passengers and 72 crews were killed, excluding a bomb on a plane in 1986, Bloomberg reports quoting UK aviation consultancy Ascend.

More than 100 non-passenger DC-10s remain in service, according to Ascend, primarily with cargo carriers, including Fedex Corp. Others have been converted for roles spanning fire fighting to serving as an eye hospital for Orbis International.



Md Ehsan Khasru, managing director of Prime Bank, and Azharul Islam, managing director of Ace Autos, attend the signing of an agreement at the bank's head office in Dhaka recently. All customers of Ace Autos can now buy Great Wall-branded vehicles with car loan facility from the bank.



Alamgir Kabir, chairman of Southeast Bank, attends the business policy and planning conference of the bank at Ruposhi Bangla Hotel in Dhaka on Tuesday. Shahid Hossain, managing director, was also present.