

DSE forms panels for corporate governance

STAR BUSINESS REPORT

Five separate panels have been formed to ensure corporate governance in the demutualised Dhaka Stock Exchange.

The panels were formed at a meeting of the newly formed board of directors of the premier bourse last week in line with the demutualisation scheme approved by the Bangladesh Securities and Exchange Commission in September last year.

Independent directors Mujibur Rahman and Waliul Islam will lead the nomination and remuneration committee and the regulatory affairs committee respectively, while the audit and risk management committee will be led by another independent director. The appeal committee will be headed by Independent Director M Kaikobad and the conflict mitigation committee by Independent Director Ruhul Ameen. The Chittagong Stock Exchange also formed such five separate panels last week.

The demutualisation is a way of separating management of the bourses from ownership. It transforms a stock exchange into a profit-oriented company owned by shareholders and ensures alternative business models and operational efficiency.

A law on demutualisation was passed in parliament on April 29 last year with a promise to bring transparency to the stockmarket.

Bangladesh's stock exchanges were non-profit cooperative organisations owned by the exchange members, who are usually stockbrokers.

New chief for AB Bank



STAR BUSINESS DESK

Shamim Ahmed Chaudhury has recently been appointed the president and managing director of AB Bank, the bank said in a statement yesterday.

Prior to the appointment, he was serving the bank as acting president and managing director.

An MBA in finance, Chaudhury joined the bank in 2008 as deputy managing director, according to the statement. He began his banking career with American Express Bank.

He also worked with Bank of Credit and Commerce International (Overseas) Ltd, Bank of Small Industries and Commerce, Union Bank of Zambia Ltd and Al Rajhi Banking and Investment Corporation.

Wal-Mart boosts fight for customers after poor quarter

AFP, New York

Wal-Mart Stores on Thursday said it was ramping up spending to compete with online retailers and other discounters after US sales took a hit during the holiday sales season.

The world's largest retailer suffered a 0.4 percent fall in US same-store sales in the quarter ending January 31, with customers hampered by severe winter weather, cuts to food stamps and increased payroll taxes.

Results were also marred by write-offs in Wal-Mart's international operations, including charges to cover tax assessments and labor claims in Brazil, the closure of underperforming stores in Brazil and China and the termination of a joint venture in India.

That turned into a 21 percent fall in net profits for the quarter, and the company gave a disappointing forecast for the current period as well.

The US results were a disappointment after Wal-Mart executives vowed aggressive promotions to fend off competitors heading into the crucial holiday November-December shopping season. Although the company characterised store traffic ahead of the "Black Friday" kick-off as brisk, the results suggested it was unable to sustain the momentum. Traffic at US stores fell 1.7 percent during the quarter from last year.

Quarterly earnings fell to \$4.4 billion from \$5.6 billion a year ago. Earnings per share fell to \$1.37 from \$1.68.

Globally revenues were up 1.5 percent to \$129.7 billion, but fell shy of analyst expectations.

Stripped of the restructuring and tax charges from Brazil, China and India, and some US operations costs, Wal-Mart said underlying earnings per share were \$1.60, a penny above analyst expectations.



EXIM BANK

Md Nazrul Islam Mazumder, chairman of EXIM Bank, opens the relocated premises of the bank's Agrabad branch in Chittagong yesterday. Mohammed Haider Ali Miah, managing director, was also present.

Women still sidelined in economic policy

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Akbar Ali Khan, former adviser to the caretaker government, praised the writer for raising the issues of gender discrimination in economic policy framing. "The issues require more attention in economic discussions."

Khan cited the problems of early marriage and a higher prevalence of teenage mothers in Bangladesh. "It is necessary to increase allocation by identifying the problems."

In her book, Fahmida Khatun said women are treated as destitute and poor in the budgetary allocations, overlooking the fact that other women can be part of overall national development. She argues that women's increased participation in economic activities has not only helped the economy grow, but also contributed to increasing family incomes and welfare; but they still face discrimination in society.

She reminds readers of the limitations in neoclassical economic theories that have

not included women's domestic economic activities in national income accounting.

The national income is calculated based on the products and services that are traded in the market for consumption. The writer says the theory is flawed and partial. "Macro economic policies become confusing for not taking women's domestic works in estimating GDP."

Gowher Rizvi, prime minister's adviser on foreign affairs, said the book would help everyone, especially those who do not have an economics background.

"It is a must read for everybody," Rizvi said, adding that the book provides basic information on a number of economic issues.

Sultan Hafeez Rahman, executive director of Institute of Governance Studies, said the writer maintains a positive spirit in her book, right from the beginning. Chairing the event, Rehman Sobhan, chairman of CPD, said the writer has the skill to translate scholastic excellence into popular readership.



AIRTEL

Rubaba Dowla, chief service officer of Airtel Bangladesh, poses after opening a service centre of the mobile operator in Singra, Natore recently.

Understanding social protection plans

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These suggest that the size of population that is both poor and vulnerable on income grounds is large. Thus, a shock, such as a major illness or other social crisis could easily push a large population below the poverty line, even if transitorily.

A related important question is how successfully a PMT will identify the poor. Since it is based on projecting income based on measurable proxy variables, there are understandably large prediction errors resulting from sampling errors, measurement errors and the like. These errors include both exclusion errors (excluding the poor) and inclusion errors (including the non-poor). Empirical work shows that these errors are large for small coverage but they fall with higher coverage. Thus, using a somewhat higher cut-off point to determine income eligibility will considerably reduce the exclusion risk, thereby, including many more poor.

Accordingly, the NSPS proposes an income cut-off point of 1.25 times the poverty line. This is a small increase in the income cut-off aimed at reducing exclusion risk and also bringing in the highly vulnerable population under safety nets. However, the income criteria is only one variable. The other selection criteria deal with gender, age, physical disability, and marital status.

The application of all these criteria yields a target population of poor and vulnerable of about 36 million in fiscal 2017-18 when the NSPS is expected to be fully functional. This amounts to only 22 percent of the population, which is a far

cry from the 50 percent highlighted in The Daily Star report.

The 50 percent refers to the population that is consuming below 1.25 times poverty and is used to define income eligibility. The NSPS does not suggest providing income transfers to 50 percent of the population. Other criteria are used to prioritise and narrow down the actual recipients of transfer payments, which as noted is only 22 percent of the population.

The total cost of the life cycle based safety net transfers from the budget is estimated at 1.4 percent of GDP, excluding the government service pensions. Some 58 percent of the benefits go to children, 24 percent to the elderly and 13 percent to vulnerable women; the remaining 5 percent go to disabled people and freedom fighters.

These beneficiaries are either poor or concentrated around 1.25 times the poverty line. The entire group is highly vulnerable to all kinds of shocks. This small investment will likely yield substantial benefits in terms of social capital formation. Simulation results show that the coverage of the poor and average benefits will be much higher in the NSPS than the present safety nets. As such, the impact of the NSPS in terms of poverty reduction and lower depth of poverty will be larger than the present safety net system that has significantly higher budget spending (1.7 percent of GDP excluding the government service pensions).

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Sonali profits down 70pc

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He, however, termed the bank's accomplishments in 2013 "one dimensional and not multi-dimensional", while calling for improved performance in all indicators.

The banking division secretary went on to call out the branch managers for their proclivity for deposit collection and disinterest for giving out fresh loans, due to which the profits took a massive hit.

"It is not acceptable that banks will collect deposit and keep it idle. It must be invested," Finance Minister AMA Muhith said at the conference.

Sonali Bank Chairman AHM Habibur Rahman, however, acknowledged that many bank officials are afraid of giving out fresh loans due to the Hall-Mark scam.

"It is not proper to avoid risk by not giving fresh loans using the scam as an excuse," he said, adding that loans have to be given by following rules properly and then there will be no problem in future.

He further said 2012 was a year of disaster for Sonali Bank due to scams involving the Hall-Mark Group, which left the state-run bank's image badly dented.

"After the new board took office, it fixed 2013 as the year of restoring the image. The bank is now overcoming the danger situation. Now the condition is gradually improving."

Expo on factory safety equipment opens today

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As part of a tripartite initiative, Accord and Alliance will inspect more than 2,500 out of the 3,500 garment factories, funded by international retailers; the remaining factory inspections will be carried out by BUET and funded by International Labour Organisation, Rabin said.

Retailers and brands, mostly from Europe, signed the legally binding Accord in May last year, after Bangladesh saw two industrial disasters—the Tazreen Fashions fire and Rana Plaza collapse.

In a separate move, 26 US retailers and brands formed the Alliance to inspect 700 factories.

The tragedies that took place in a span of less than five months took the lives of 1,240 people mostly garment workers, highlighted poor safety track-records with most factories lacking basic safety equipment such as sprinklers and fire escapes on every floor.



GUARDIAN INSURANCE

David Griffiths, director of Guardian Life Insurance Ltd, inaugurates a sales office of the company in Mirpur, Dhaka. Noor Md Bhuiyan, managing director, was also present.



LOTTO

Filippo Pellizzari, area manager of Lotto Sports; Khan Shahadat Hossain, deputy managing director of Dhaka Bank; and Kazi Jamil Islam, managing director of Lotto Bangladesh, open Lotto's local flagship store at the capital's Malibagh on Tuesday.



DELTA LIFE INSURANCE

Monzurur Rahman, chairman of Delta Life Insurance Company, attends the company's annual conference at Hotel Long Beach in Cox's Bazar yesterday. Swapan Kumar Sarkar, managing director, was also present.

European brands to hire 25 local engineers

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"However, we will advance step by step and there will be flexibility. But we will not compromise on the standards because that would mean compromising on the lives of workers."

Raina said the Accord went through an international tender for recruiting the foreign inspectors, as this was also a question of credibility.

The Accord, which has been signed by 150 brands, would inspect 1,500 factories by September this year. The inspection will start with 30 international inspectors and by next week another 40 would join.

"This will have a profound change, as a pilot inspection last year showed that there are certain problems and there will be a lot of repairs to be done."

The labour leader said the minimum wage has to increase gradually towards the level of living wages, such that every worker can work reasonable hours and still get a decent living.

"The garment workers are toiling 60 to 62 hours a week in the factories—they don't have any life. This is unhealthy and inhumane, and it is being seen by the consumers around the world."

He, however, said the 77 percent increase in minimum wage to Tk

5,300, or \$67 a month, is a step in the right direction. "But the annual revision of the minimum wage needs to continue."

The IndustriALL general secretary went on to urge the factory owners not to be afraid of implementing the minimum wage, as wages are increasing in Bangladesh's competitor countries.

"It means Bangladesh will maintain its competitive position. Brands will not move away because of the minimum wage. On the contrary, the brands support the idea of a living wage."

He said Indonesian workers' minimum wage stands at over \$200 a month, both China's and Thailand's \$200 and Cambodia's \$100. "If we don't care for the workers, there will be social unrest."

Forty percent of the garment factories are yet to implement the minimum wage, Raina said, citing a recent study by the BGMEA.

"Obviously, this is a problem—we are working on it."

The union leader said there are changes and amendments in the positive direction under the labour law. "But they are not enough. The labour law in Bangladesh is not compliant yet with the norms of the International Labour

Organisation."

"As long as this is the situation, the United States will not change its decision on Generalised System of Preference. The European Union is also following the development closely and may take a decision."

Raina said he would raise all the points during his discussion with the government.

"We will ask the government to continue to work on the labour law reform, especially concerning the export processing zones."

The IndustriALL general secretary said the global federation union would work to make the country's garment industry safe and sustainable in five years.

He said the government approval for over 100 trade unions, covering 40,000 workers, last year is a positive step.

"This year there will be unions in another 100 factories," Raina said, adding that the IndustriALL plans to organise training programmes in association with the BGMEA to educate the newly set up trade unions and the factory management representatives on how to create a win-win solution in the workplace.

But setting up trade unions alone is not enough, as factory workers involved in forming unions in the

past were unilaterally fired, he said.

Raina also disclosed how the American brands declined to join the Accord.

"The IndustriALL wanted to get the American brands and buyers to the Accord. We worked very hard on that. Wal-Mart never replied. They even participated in one negotiation and they just sat there and said nothing during the two days."

Wal-Mart is the largest single buyer of Bangladeshi garment products.

Raina said there were some negotiations with another American brand GAP but it finally fell through. Other brands never came forward.

He went on to say that the IndustriALL would conduct a big public campaign to show how unserious the Alliance, a platform of 26 American brands, is.

Sudhershnan Rao Sarde, secretary of IndustriALL Global Union for South Asia, Nazrul Islam Khan, president of IndustriALL Bangladesh Council, and Ramesh Chandra Roy, secretary general of IndustriALL Bangladesh Council, were present at the press conference.

Geneva-based IndustriALL Global Union represents 50 million workers in 140 countries.



TRUST BANK

Major General Md Salahuddin Miaji, GOC, area commander of Rangpur, hands a loan cheque worth Tk 3 lakh to a woman at the opening of a Trust Bank branch in Lalmonirhat recently. Ishtiaque Ahmed Chowdhury, managing director of Trust Bank, was also present.