

# Budget must aim to accelerate economic growth, investment

Standard Chartered Bank says in new report on Bangladesh

STAR BUSINESS REPORT

The budget for 2014-15 should focus on supporting GDP growth and raising the investment-GDP ratio, the two metrics that have fallen far short of targets over the past two years, Standard Chartered Bank said.

"We expect the fiscal 2014-15 budget to have an expansionary bias, with a focus on reviving investment, raising development spending and improving resource mobilisation," the British bank said in a report on Bangladesh.

The government's GDP growth and investment-GDP ratio targets stand at 8 percent and 32.5 percent respectively for the fiscal year in the Vision 2021 document. On the investment front, Vision 2021 sees a particularly strong increase in private sector investment.

"Reaching these targets is easier said than done, particularly in the current environment of elevated political uncertainty, which has impeded private sector investment," the paper said, while calling for a business-friendly budget to meet the targets.

"To this end, specific measures aimed at boosting business confidence and promoting higher private sector investment have been mooted."

Subsequently, the report expects corporate tax cuts, export incentives and raising the threshold for non-taxable personal income by Tk 5,000 from the current Tk 220,000.

As part of export incentives, the government can reduce the tax on export income, further increase the size of the Export Development Fund (currently \$1 billion) and introduce special incentives for non-garment export industries, it said.

The chairman of the National Board of Revenue has suggested that the government may cut the corporate tax rate from its current rate of 27.5 percent for publicly traded companies, to bring it down to the maximum individual income tax rate of 25 percent.

The report expects the annual development programme spending targets to increase to 5.9 percent of GDP from 5.5 percent this fiscal year.

Achieving the target will be tough though, and would require both administrative improvements and improvements in resource mobilisation for development spending.

To ensure the latter, the report suggests introducing measures to improve the revenue-GDP ratio—low by Asian standards—which would allow a larger buffer for ADP spending.



Supun Weerasinghe, chief executive of Robi, speaks at a press conference at The Westin in Dhaka yesterday.

# Robi returns to profit

STAR BUSINESS REPORT

Robi has bounced back from losses as it earned Tk 100 crore in net profit in the first quarter this year mainly due to an improvement in political environment.

In the October-December quarter last year, the company counted Tk 1 crore in losses.

The mobile operator's gross revenue rose 5.9 percent to Tk 1,170 crore during January-March this year from the previous quarter.

Robi logged higher earnings riding on 'disciplined cost management' and a significant growth in data usage, it said.

The loss in the last quarter of 2013 was due to a drop in EBITDA (earnings before tax, depreciation and amortisation) and higher depreciation and investments in network expansion.

"The stable external environment

has helped deliver strong growth across most of the metrics," Supun Weerasinghe, chief executive of the company, said at a press conference at the Westin hotel in Dhaka yesterday.

EBITDA grew 58.7 percent to Tk 470 crore in the first quarter from Tk 290 crore in the fourth quarter last year due to growth from voice and data revenue resulting from 'the increasing popularity and acceptance of the simplified packages', it said.

The number of subscribers rose 7.1 percent to 2.39 crore till March, from 2.23 crore in the fourth quarter.

Year-on-year, gross revenue increased 8 percent in the first quarter.

EBITDA also registered a healthy year-on-year double digit growth of 13.9 percent for the same period.

Although there has been a turnaround in the quarter-on-quarter net profit, the year-on-year figure was still 7.7 percent lower than the net profit reported in the first quarter of

2013. This was due to increased depreciation resulting from network investments and amortisation of spectrum/licence fees.

Net profit in the first quarter of 2013 was Tk 113.1 crore.

The total investments (capital expenditure) made in the first quarter amounted to \$63.9 million (around Tk 500 crore), 21 percent lower compared to the previous quarter.

SIM tax on every new connection and 'discriminatory corporate tax' continue to be a concern for the industry, said Mahtab Uddin Ahmed, chief operating officer of Robi.

In the first quarter, the company contributed more than Tk 430 crore, or 38 percent of its revenues, to the state coffers, Ahmed said.

Around 10 lakh Robi subscribers now use 3G services and the company plans to bring 60 percent of its users under the 3G network within this year, he said.

# BB promotes easy bank loans for good firms

STAR BUSINESS REPORT

Good companies can get bank loans at low interest rates, but the bad ones will not enjoy such low rates because of their reluctance to repay loans, Bangladesh Bank Governor Atiur Rahman said yesterday.

Many good companies get loans at 11 percent interest, he said.

The governor spoke on the economy and investment, at a luncheon meeting of the American Chamber of Commerce in Bangladesh (AmCham) at Ruposhi Bangla Hotel in Dhaka.

The business community has long been demanding low bank interest rates to cut the cost of doing business, as private banks charge more than 16 percent interest for loans.

Rahman said businessmen can also go to the foreign institutions for loans at lower interest rates. "If you borrow bulk loans from such foreign institutions, the interest rates will definitely come down."

The central bank relaxed loan rescheduling rules last year as businesses were hampered badly by political unrest, he said.

Even the small shopkeepers could not open their outlets in times of political turbulence, Rahman said.

# REHAB election gets go-ahead from court

Full bench of Appellate Division to hear petition on Sunday

STAR BUSINESS REPORT

The Supreme Court yesterday cleared the way for the executive committee election of Real Estate and Housing Association of Bangladesh on May 31 by overruling a High Court order that halted it for three months.

Justice Hasan Foez Siddique, chamber judge of the Appellate Division, passed the stay order following a petition filed by Akhteruzzaman Monju, chairman of REHAB election board, seeking a stay on the HC order.

Following a separate petition filed by Monju, the chamber judge also stayed another HC order that on May 27 directed the authorities to maintain status quo on the REHAB polls.

The judge also sent Monju's stay petition to the full bench of Appellate Division for its hearing on Sunday.

Twenty-one candidates were elected unopposed to REHAB's executive body on May 24, Monju's lawyer Attorney General Mahbubey Alam told The Daily Star.

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# Biman receives 40 applications for MD

STAR BUSINESS REPORT

Biman Bangladesh Airlines has received 40 applications for the vacant post of managing director and chief executive officer.

A core committee headed by Civil Aviation Secretary Khorshed Alam Chowdhury will now make a short-list from the applicants, which include 26 foreign nationals and 14 Bangladeshis.

The short-listed candidates will be given a special problem-solving assignment to gauge their fitness for the role, which has been vacant since Kevin Steele, the first foreign MD of the flag carrier, resigned on April 19.

Based on their performance in the assignment, candidates will be invited for an interview, the final round of the recruitment process, said a top official of the civil aviation ministry wishing anonymity.

Biman Chairman Jamal Uddin Ahmed last month told The Daily Star that they are looking for a foreigner with experience in airlines operation and management for the post.

"We have received a good number of applications from well-deserving foreign candidates," said a member of the core committee.

George Lewis Reeledar, who worked for 30 years with Air Canada and is now serving Biman as a consultant at the customer service department, is among the foreign applicants, a Biman official said.

Among the local candidates, former Biman MDs M Zakiul Islam and M Mahmudur Rahman, ex-Biman director of administration Abdus Salam and former chairman of Civil Aviation Authority of Bangladesh M Iqbal Hussain applied for the post.

Asked how long it may take to complete the recruitment process, the committee member said it might be done by next June.

Biman invited applications from deserving Bangladeshis and foreign nationals for the post on April 9. The last date for applications was May 16.

Candidates aged between 45 and 60 years and having a minimum of 20 years of experience in aviation, including 10 years in a senior management or directorial position, and with detailed knowledge of airline marketing, including codeshares, new online distribution technologies and revenue management systems, were asked to apply.

A director of Biman is currently serving as the acting managing director and CEO.

# Twitter sees growth in emerging markets

AFP, Washington

Twitter is seeing strong user growth in the Asia-Pacific region, helping the messaging platform compensate for a slowdown in the US and Europe, a research report said Tuesday.

The report by eMarketer forecasts that Twitter's global user base will increase 24.4 percent in 2014, led by big gains in countries such as Indonesia and India, and to a lesser extent Argentina, Mexico and Brazil.

The research firm said its figures on current Twitter usage are lower than company estimates -- 183 million at the end of 2013 -- "because we rely heavily on consumer survey data to weed out business accounts, multiple accounts for individual users and other sources of potential double-counting."

Twitter in April estimated the monthly active users at 255 million, which led to a slump in its share price because it suggested sluggish growth.

The eMarketer report said Twitter's worldwide users will hit 227 million this year, and nearly 400 million by 2018.

In its analysis of worldwide users, eMarketer said the Asia-Pacific region had already overtaken North America with more than 30 percent of all Twitter users.

And the figures exclude China, which bans the US messaging service.

"In 2014, the Asia-Pacific region will account for 32.8 percent of all Twitter users, compared with 23.7 percent in North America," the report said.

"And by 2018, Asia-Pacific will more than double North America's share, breaking the 40 percent mark in terms of worldwide market share.



Right, International Monetary Fund Managing Director Christine Lagarde shakes hands with Mozambique's Finance Minister Manuel Chang at the Maputo International Airport in Maputo yesterday.

# IMF warns banking reform has not made enough progress

BBC NEWS

**B**ANKING reforms aimed at preventing another financial crisis have failed to make enough progress, the boss of the International Monetary Fund has warned.

IMF managing director Christine Lagarde blamed a combination of the complexity involved, industry lobbying and "fatigue" for the delay.

"The industry still prizes short-term profit over long-term prudence," Lagarde said at a conference on the future of capitalism.

She said inequality was "an issue" too.

Speaking to the BBC, Lagarde noted that inequality was rising.

"To the extent that inequality is not particularly supportive of sustainable growth, it's an issue and one that we have to look at carefully and try to address in order to

maintain stability and sustainability of economies," she said.

In her speech, Lagarde said some of the biggest problems were with the so-called "too-big-to-fail firms", banks whose collapse would cause such a big knock-on effect on the wider economy that governments were still expected to rescue them.

She said a recent IMF study indicated that such banks were still "major sources of systemic risk" and called for "tougher regulation and tighter supervision" to tackle the issue.

"Their implicit subsidy is still going strongly - amounting to about \$70bn (£41.5bn) in the US, and up to \$300bn in the euro area," she said.

Lagarde called for regulators worldwide to agree a framework to wind down big banks in trouble, as well as mutual recognition on rules for financial markets.

"This is a gaping hole in the financial architecture right now, and it calls for countries to put the global good of financial stability ahead of their parochial concerns," she said.

For such changes to be effective, however, Lagarde said there also needed to be a change in the culture of financial firms, saying changes so far were "not deep or broad enough".

"Incentives must be aligned with expected behaviour and be made transparent," she said.

Lagarde said the changes required both investors and the leaders of financial firms to "take values as seriously as valuations" and "culture as seriously as capital".

"Ultimately, we need to ingrain a greater social consciousness - one that will seep into the financial world and forever change the way it does business," she said.



REUTERS

Models pose for photographs with LG Electronics' flagship G3 high-end smartphone at its unveiling ceremony in Seoul yesterday. South Korea's LG Electronics Inc launched a revamped version of its flagship G3 high-end smartphone at a discount to its predecessor model yesterday and said it would ship more than 10 million units to improve its ailing handset business.