

Dhaka keen to establish shipping connectivity with Sri Lanka: minister

DIPLOMATIC CORRESPONDENT

Dhaka is keen to be a partner of Colombo's development endeavours and move forward towards establishing shipping connectivity to enhance trade between the two countries, Foreign Minister AH Mahmood Ali said.

He spoke during a meeting with visiting Sri Lankan Health Minister PGYM Sirisena at the foreign ministry yesterday.

Ali congratulates the Sri Lankan minister for signing a deal on procurement of pharmaceuticals and medical devices between Bangladesh and Sri Lanka.

He said Sri Lanka stands to gain enormously through import of quality pharmaceutical products from Bangladesh at a reasonable price; and the deal would facilitate the entire cooperation and create a win-win situation.

Ali said a work plan for Bangladesh nurses' training has been prepared and a joint team has been formed to facilitate the process.

He expressed satisfaction over the beginning of operations of direct flight between Dhaka and Colombo by Mihin Lanka.

The minister stressed the need for increasing flights on the route to boost bilateral trade, the foreign ministry said in a statement yesterday.

During the meeting, the two ministers discussed the recent developments between the two countries in trade and marine/shipping connectivity.

The meeting was informed that the first meeting of the joint working group on trade took place in Dhaka on February 18-19 where both the sides agreed to conduct a feasibility study for preparing a framework arrangement on Bangladesh-Sri Lanka bilateral trade.

In the first joint working group meeting on shipping in Dhaka on April 30-May 1, the two countries agreed to constitute a joint study group for enhanced maritime connectivity between Sri Lankan and Bangladeshi ports.

Citi high official due today

STAR BUSINESS DESK

Valentin Garger, Citi's managing director and regional head of financial institutions APAC (ex-Japan), corporate banking, is scheduled to arrive in Dhaka for a two-day visit today, the bank said in a statement yesterday.

He will meet senior Citi officials, key clients and review the bank's potential for further business growth in Bangladesh.

Garger is based in Hong Kong and is responsible for business strategy, coverage and performance of the portfolio as well as the capital and credit deployed in Financial Institutions Group.

He is also a member of the corporate banking operating committee and the Global FIG Capital Committee.

He has expertise on capital management, treasury/liquidity, debt capital markets, transaction services, markets trading as well as portfolio optimisation and B3 regulatory matters.

He joined Citi in Austria in 1990 and has since held various international positions.

Prior to joining Citi, Garger worked in the corporate retail sector in New York/New Jersey, USA for five years.

He received a Bachelor of Science in computer science from St John's University, New York and an MBA from Webster University in Vienna, Austria.



Md Mofazzal Husain, managing director of Rajshahi Krishi Unnayan Bank (Rakub), and KS Tabrez, managing director of Dutch-Bangla Bank, attend the signing of a mobile banking agreement at Rakub headquarters in Rajshahi on Sunday. Shah Nowaz Ali, chairman of Rakub, was also present.



Sharif Zahir, vice chairman of United Commercial Bank, attends the launch of the Flex Cube Universal Banking System at the bank's corporate branch in Dhaka on Sunday. Muhammed Ali, managing director, was also present.



Sonargaon Hotel hosted an Iftar tasting event at their restaurant Café Bazar on Sunday to showcase the menu that will be on offer for the guests at the hotel during the upcoming month of Ramadan.

KK Tea wins a spot in top superstores

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The garden employs 2,500 workers, mostly women. Many other businesses have opened around the garden over the years, as people's buying capacity has gone up.

In addition to owning a dairy farm with more than 2,000 cows, it has set up a cooperative named Kazi Shahed Foundation, which lends cows to women, in order to meet the garden's huge need for cow dung. The borrowers repay the loan by supplying milk and cow-dung to the foundation, which has 1,750 women members.

Every week, workers also have to attend free classes on basic reading, writing and arithmetic for two hours. At the computer labs, the foundation provides free IT training to boys and girls who have passed class eight.

With not much spending on advertising, the company has been able to create an impact in the market through quality organic tea and bold packaging. "We put a lot of thought behind packaging," said Sylvia.

Since inception, it has changed its packaging four times -- with the latest one making a debut in May.

The bag in bag packaging, the first of its kind in Bangladesh, ensures that the tea bag remains intact and does not lose flavour.

The company has witnessed double digit growth in local markets as middle

income groups are shifting towards green tea for its health benefits. In an effort to keep the soil pristine and natural, the company uses natural neem-based biopesticides and cow dung as fertilisers.

The company has planted 2.5 lakh neem trees as shade trees in the garden. These neem trees work as natural insect killers.

The estate uses juices from the trees to spray over the tea plants as part of pest control. The tea estate has also changed the weather pattern in the area. Before the garden was setup, the weather was extreme with little rainfall.

Now there is plenty of rainfall and birds have started flying into the garden, she said. "We have done environment and community development. This is the beauty of the tea. That is why we say that it is a cup of goodness," said Sylvia, who joined the company in 2006.

To remain 100 percent organic, the tea is sold in environment-friendly, biodegradable jute bags, which are also produced in its factories. It also promotes organic farming in the locality.

It encourages people to grow the feed and grass for cows organically. It promotes organic farming and shares the technique of organic farming so they can feed their cows the organic products.

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China manufacturing grows: HSBC

AFP, Beijing

China's manufacturing activity expanded in June for the first time this year as the effects of Beijing's mini-stimulus on the world's second-largest economy gradually kick in, HSBC said Monday.

The bank said in a statement that its preliminary purchasing managers index (PMI), which tracks activity in China's factories and workshops, came in at 50.8 this month, this highest since November's identical figure.

It was also the first time since December that the index has been above the 50-point break-even level, suggesting the sector is expanding, according to data compiled by financial information services provider Markit and released by HSBC.

Financing the bulging budget

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The proposed and existing tax rates will result in the same tax liability for the assessee with an annual taxable income of Tk 12.20 lakh. But with the coming into force of the new tax regime, assessee falling in the income bracket of between Tk 14.20 lakh and Tk 44.20 lakh will save around Tk 10,000 each in taxes, the cumulative impact of which may run into hundreds of crores. This might have prompted introduction of a new tax slab of 30 percent. There appears no need to revise the existing tax structure and introduce a new higher slab for the individuals.

Further anomaly has been created by prescribing surcharge on net assets without applying the principle of progression. Net assets up to Tk 10 crore will attract a surcharge of 10 percent, but as soon as the net assets go above that mark, the surcharge rate for the total net assets will go up to 15 percent. The 10 percent rate on the first Tk 10 crore will no longer be relevant. The same principle will also be applicable for the next two higher slabs. There is need to change the regressive tax rates and make it progressive.

Another area closely related to successful project execution is the private-public-partnership programme that appears to be close to the finance minister's heart, but which may give him the greatest disappointment. Every year for the last three years, there has been substantial budgetary allocation for PPP programmes and every year, the budgetary provision has been diverted to other uses. Unless alternative financing arrangements are made for the Tk 11,000 crore necessary to implement the 34 PPP projects, the basket of PPP projects will remain unimplemented and may swell further. Some of the projects in the list are suitable for financing as joint ventures between public and private sector. There appears no need to wait for parliament approval of a new legislation on PPP to implement projects that can be implemented under joint venture arrangement under existing regulation.

The author is a former finance secretary.

China's Haojue bikes hit roads

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Currently, assemblers and manufacturers together sell 3 lakh to 3.5 lakh units of motorcycle a year, according to industry insiders.

The Indian Bajaj brand is the market leader in Bangladesh with its 45-49 percent share. Walton, Runner, TVS and Yamaha are the other leading brands.

Nurul Mostofa, executive director of Karnaphuli Group, the owning company of Karnaphuli Industries, also attended the event.



Iqbal Ahmed, chairman of NRB Bank, presides over the bank's first annual general meeting at Lakeshore Hotel in Dhaka on Sunday. Muklesur Rahman, managing director, was also present.

Same storyline, different bottom-line

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These estimates show that the private consumption to GDP ratio declined from 72.85 percent in FY13 to 71.38 percent in FY14 while the private investment to GDP ratio declined from 21.75 percent to 21.39 percent.

General government consumption increased from 5.12 percent in FY13 to 5.2 percent in FY14 while public investment increased from 6.64 percent to 7.3 percent.

Exports of goods and services increased from 19.54 percent in FY13 to 19.76 percent in FY14 while imports of goods and services declined from 26.76 percent to 25.23 percent.

It is hard to imagine a set of national expenditure estimates more consistent with the storyline that provided the basis for expecting GDP growth to be lower than last year.

BBS data has firmly reaffirmed the growth scenario sketched on the basis of proxy indicators and anecdotal evidence. Yet the bottom-line is very different!

Growth is estimated to have been higher than last year despite declining private consumption and investment rates.

How do we account for the difference in the bottom-line? Part of the explanation may be an over-estimated public investment, amounting to Tk 986 billion (about \$12 billion) in FY14.

BBS estimates public investment from budget data. The public investment data reported in the national accounts show

large variance from the government budget.

Not all government expenditures classified as "capital" expenditures (recapitalisation of state-owned banks for instance) constitute creation of real wealth. Such capital expenditures are not investment expenditures from a national point of view.

The items constituting investment expenditures (based on the revised FY14 budget) amount at best to Tk 510 billion. This leaves unexplained Tk 476 billion which could be attributed to investments by public enterprises and local governments from own sources.

Most large public enterprises run an operational deficit. Local governments rely on central government transfers to meet their operating and investment costs. It is therefore difficult to see how the public enterprises and local governments could possibly fund such large investments, equivalent to 3.5 percent of GDP, from their own sources.

It is possible that the proxies and methods used to estimate production and expenditures work well in a normal year, but fail to capture the impact of disruptions in an abnormal year.

We hope the blue book on National Accounts Statistics BBS publishes every year will provide more information on where the increase in growth in FY14 relative to FY13 came from. Without knowing the underlying data, the debate on the growth estimate will only generate more heat than light.

The author is a lead economist at the World Bank, Dhaka.

BB raises reserve requirement for banks

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"As a result, the banks have an opportunity to increase private sector credit growth by 5 percent," he said, adding that if excess liquidity lies with banks for long, investment in unproductive and risky sectors will increase, which may create inflationary pressures.

Moreover, this move also helps in achieving BB's reserve money targets, which will help in bringing non-food inflation down further, Zaman said.

The government's plan is to contain inflation within 7 percent in the outgoing fiscal year but until May it stood above the target. In the next fiscal year, the government has set a target of bringing it down to 6

percent.

"So overall, there are lots of advantages to this as entrepreneurs won't suffer from a fund shortage, it has inflation benefits and lowers the interest burden on the public," Zaman said.

Zahid Hussain, lead economist of the World Bank's Dhaka office, said increasing CRR is not a risk-free step.

"The risk is that it may stem the recent declining trend in lending rates, at a time when the private demand for credit is tending to rise, although only weakly so."

"BB can mitigate this risk by taking a harder stance on central government borrowing from the banking system and loss financing of state-owned enterprises."

Square to launch baby diapers

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"Baby diapers are essential now for a lot of working mothers," the Square official said.

Currently, the annual market for baby diapers stands at nearly Tk 300 crore, registering more than 40 percent growth a year. Bangladesh is expected to be one of the biggest markets for baby diapers by 2020, according to industry estimates.

"Business prospects look good as a very small part of the market has been penetrated so far," Sayeed said, adding that diapers are used for a mere one percent of babies here.

To promote local manufacturing of baby diapers, the government has offered duty benefits for the import of raw materials for fiscal 2014-15.

In his budget speech, Finance Minister AMA Muhith proposed to cut the duty on the raw materials to manufacture diapers from 25 percent to 10 percent, to protect the industry from 'unfair competition from imports'.

"It is very encouraging for the local industry," Sayeed said.

However, industry operators alleged that some businessmen import diapers by under-invoicing to evade duties and VAT, to sell imported diapers at much cheaper rates.

Sayeed urged the revenue authority to take steps to prevent misdeclaration on the value of imported diapers to help the local industry to grow. The government can also set standards to ensure the import of good quality diapers, he said.



AAM Zakaria, managing director of First Security Islami Bank, inaugurates a branch of the bank in Rupnagar yesterday. Syed Waseque Md Ali, deputy managing director, was also present.



Officials participate in a seminar on "industry university relationship" organised by Energypac Power Generation at the auditorium of Ahsanullah University of Science and Technology recently.