

Not a large budget: WB



Johannes Zutt, WB's country director, speaks at a discussion at his office in Dhaka yesterday. Zahid Hussain, the lender's lead economist, was also present.

STAR BUSINESS REPORT

The budget for fiscal 2014-15 is not large if the country's vast development needs are taken into account, the World Bank said yesterday.

Zahid Hussain, lead economist of the multilateral lender's Dhaka office, said Tk 250,506 crore-budget is consistent with countries that are in similar stages of development.

"There are also the vast development needs," he said while presenting the development partner's analysis of the budget at WB's office in Agargaon.

On the other hand, the economist said the size is large as the government's expenditure targets are often missed because of under-utilisation of the annual development programme (ADP), whose size has grown by 33.9 percent in the upcoming fiscal year.

In his presentation, Hussain

showed how the country fared with respect to its targets for expenditure, ADP, revenue generation and external financing since fiscal 2009-10.

During the period, the National Board of Revenue was able to reach its goal for revenue generation only once in fiscal 2010-11 and domestic financing target was reached on only two occasions.

"Besides, there is also a consistently large gap in external financing. As a result, the domestic financing overshoots when external financing undershoots."

The budget can be implemented if the priorities are rightly defined, he said, adding that the government should maintain surveillance over both the implementation of budget and its consistency with inflation target.

While the budget made some commitments aiming to cut extreme poverty and achieve higher economic

growth, it lacks clear commitments on the garment sector, migration, the number of new taxpayers and the troubled financial sector.

On the GDP target of 7.3 percent in fiscal 2014-15, Hussain said, instead of debating over the targets, the discourse should be aimed at how the country could better its current growth rate.

"The average 6 percent GDP growth is satisfactory. We will be happy if the country achieves 6.5 percent GDP growth in the upcoming fiscal year," he said, adding that the GDP would expand in the next fiscal year upon stable political scenario.

The stubbornly low private investment, which has been hurting total investment as well as GDP growth for quite a long time, is still weak, meaning the barriers that have been putting off investors still exist.

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RECOMMENDATIONS

- Define priorities
- Approve economically viable projects
- Enact PPP law
- Expand tax net
- Maintain cap on credit growth of state banks
- Modernise land market
- Consolidate social safety net programmes
- Decentralise power

Change boards of scam-hit banks: WB

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Boards of the state banks, including that of graft-ridden BASIC Bank, should be held accountable as part of the efforts to improve governance at public sector lenders, the World Bank said yesterday.

"Governance reforms may include a change at the board level because, after all, the accountability of the management of these banks lies in large part at the board level," World Bank Country Director Johannes Zutt said.

He made the comments while replying to a question over the government's reluctance to take action in line with the central bank's suggestion of dissolving the board of BASIC Bank.

More than a month ago, the central bank wrote to the finance ministry to dissolve the board of the specialised bank for its part in huge irregularities in lending practices which made BASIC a problem bank in less than four years.

Before sending the letter to the ministry, Bangladesh Bank removed BASIC Bank's managing director on the same ground. As per Banking Companies Act, only the government can dissolve the board.

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Rice imported for cattle feed: food minister

Importers dismiss his claim

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Food Minister Md Qamrul Islam yesterday said the rice that was imported in the current fiscal year was for 'cattle feed', a claim dismissed by importers.

"There are reports in some newspapers about rice imports, but it has to be made clear that India usually releases its low-quality stock every three years at low prices and the private sector imports them as cattle feed."

The minister went on to state that the country is self-sufficient in food, with annual rice production coming to nearly 3.5 crore tonnes, enough to meet the year's domestic demand for the staple.

Islam's remarks came at the launch of

the National Food Policy Plan of Action and Country Investment Plan (CIP) Monitoring Report 2014 at the capital's Ruposhi Bangla Hotel. The food ministry's Food Planning and Monitoring Unit (FPMU) organised the programme.

Importers, however, vehemently disagreed with the food minister's claims, saying most of the rice imports, which come mainly from India, were for human consumption and not for cattle feed.

Rice imports in the current fiscal year soared nearly 13 times from a year ago to 3.74 lakh tonnes, with the private sector accounting for 3.71 lakh tonnes, according to data from the food ministry.

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Govt's bank borrowing shoots up

REJAUL KARIM BYRON

The government borrowed Tk 19,055 crore from banks in just ten days this month, the last of the outgoing fiscal year, as the typical end-of-year scuffle to finish the annual development programme begins.

It has long become a culture that the pace of development works picks up in the closing month of the fiscal year, with the government's bank borrowing rising as well, putting a pressure on the money market.

Until June 9, the government's bank borrowing for the fiscal year stood at around Tk 6,359 crore against the revised target of Tk 29,982 crore. However, on

June 19 it shot up to Tk 25,414 crore.

In the 11 months of the fiscal year, the ministries spent only Tk 39,982 crore, which is 67 percent, of the revised ADP allocation, according to the Implementation Monitoring and Evaluation Division.

In other words, only Tk 3,934 crore was spent each month on average during the July-May period, meaning Tk 20,000 crore has to be spent in the last month to meet the revised target.

Meanwhile, since the banks are sitting on excess liquidity this time, the government's hasty borrowing is unlikely to affect the money market much.

On May 1, the banks' excess liquidity stood at Tk 102,223 crore.

Exports of six vegetables banned

STAR BUSINESS REPORT

The commerce ministry yesterday banned exports of six vegetable items in a bid to curb prices in the month of Ramadan.

The ban on aubergine, garlic, cucumber, green chilli, lemon and coriander leaves will end on July 31, the ministry said in a statement.

Commerce Minister Tofail Ahmed took the decision at a meeting with businessmen at his secretariat office in Dhaka.

The minister said the government will take punitive actions against the businessmen who will try to make hefty profits during Ramadan putting the consumers under price pressure.

Ahmed said 14 teams will monitor the supply and price situation of basic commodities in kitchen markets in the city.

"The government has already taken a special measure to increase onion supply in the market through imports from Myanmar and Turkey."

The minister instructed the businessmen to hang the price lists of basic commodities in front of the shops making them visible to the consumers.

The traders will have to give receipts to the buyers, Ahmed said.



Commerce Minister Tofail Ahmed looks around after inaugurating Intertek's testing lab in Dhaka yesterday.

Intertek opens elaborate testing lab for garment, footwear

STAR BUSINESS REPORT

Intertek yesterday opened a testing laboratory in Dhaka to support the country's growing garment industry.

The company listed on the London Stock Exchange tests quality of industrial products and provides certificates on compliance.

The Dhaka lab, the company's biggest in Asia, will provide one-stop services for diverse industries in the region, the company said in a statement.

The plant will test fabric samples, apparel, footwear, home furnishing and electrical appliances for hazardous elements and chemicals. It will also provide calibration, inspection, auditing and training services.

The lab will help the country reduce lead time and enhance trade competitiveness globally, Commerce Minister Tofail Ahmed said while inaugurating the facility sprawling over one lakh square feet in Tejgaon.

"The elaborate testing facility is the need of the hour to overcome capacity constraints and take full advantage of the

growing business volumes in the region," said Rajesh Saigal, regional managing director of Intertek South Asia.

The company invested 3.2 million pounds to set up the laboratory that can deliver more than 1,000 reports daily, Saigal told The Daily Star.

"This will help the exporters of different regions reduce the lead time in testing to a huge extent and acquire the test results faster," he said.

Bangladesh is an important hub for softlines business as it is the second largest garment exporter after China in the world, said Calvin Yam, senior vice president of Intertek Global Softlines.

Many foreign companies are now relocating their businesses from China to other countries with lower production costs, which created an immense opportunity for Bangladesh, he said.

The lab will not only sharpen the competitive edge of regional clients but also help them gain competitive advantage and ensure achieving acceptable standards for international buyers, said Karthik ND, director of Intertek Bangladesh.

Uniqlo may source garments from India

Fast Retailing Co Ltd's Uniqlo, Japan's largest clothing store chain, is looking to source garments from India, Uniqlo's Chairman Tadashi Yanai told Indian Prime Minister Narendra Modi, according to an Indian government statement.

Modi welcomed Uniqlo's interest in developing its business in India and highlighted the benefits the country's garment sector offers, the statement said on Wednesday.

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