

Political uncertainty, banking risks hurting economy: Fitch

STAR BUSINESS REPORT

Fitch, one of the three most important credit rating agencies in the world, has identified political uncertainty and the underlying vulnerability in the banking sector, especially the state banks, as big risks to the Bangladesh economy.

"This most recent episode in Bangladesh's political history highlights prolonged high political risk levels. Continued political polarisation and uncertainty may impact economic activity through long-term investment decisions," Fitch said in its latest review of Bangladesh.

Political tensions and violence that marked the run-up to the parliamentary elections in January had a "moderately negative impact" on economic growth but "did not paralyse the economy".

Fitch assigned the country long-term credit rating of BB- and short-term rating of B and a country ceiling of BB-.

"Bangladesh's ratings reflect a balance between high, stable real GDP growth and strong external balances, and weak structural

features indicating significant political and banking sector risk."

Fitch said the banking sector is vulnerable to shocks, especially the state-owned banks, as both asset quality and governance are weak.

The gross non-performing loans ratio of the sector increased to 10.5 percent in the first quarter of the year but that of state-owned banks stood at 21.9 percent.

"Bangladesh Bank seems committed to strengthen the poor governance in the banking sector, but has indicated it would need more extensive powers," the rating agency said.

The state banks will need additional capital in the medium-term, which would imply crystallisation of contingent liabilities for the sovereign, it said.

Bangladesh's ratings are constrained by a low level of development. The country scores poorly on a broad range of governance indicators and ranks low on the United Nations' human development indicators, with a GDP per capita of \$1,023 in 2013, well below the 'BB' peer category median of \$4,696, the agency said.

Both the general government debt (40 percent of GDP) and fiscal deficit (5 percent of GDP) compare unfavourably with the 'BB' category medians of 35 percent and 2.7 percent respectively, Fitch said.

A "disappointing" government revenue intake has led to a higher fiscal deficit of 5.0 percent of GDP than the targeted 4.6 percent.

The budget for fiscal 2014-15 aims to keep the fiscal deficit at 5 percent of GDP, suggesting that no fiscal consolidation efforts can be expected of this government anytime soon, it said.

Fitch said the country is on track with regards to the International Monetary Fund's Extended Credit Facility programme, with the government meeting several structural benchmarks, including those related to the implementation of a new VAT law, establishment of internal controls and compliance and full automation of financial reporting in the state banks.

"Inclusion of strong fiscal performance criteria in a potential follow-up programme could result in the build-up of a credible fiscal consolidation track record."

Government to revise seed policy

STAR BUSINESS REPORT

The government is set to revise the two-decade old national seed policy to make it compatible with the present day need and help the seed sector flourish, Agriculture Secretary SM Nazmul Islam said.

He shared the plan at a seminar organised by Bangladesh Seed Association (BSA), a trade-body of 180-private sector seed marketers, at Bangabandhu International Conference Centre in Dhaka yesterday.

Islam said the supply of quality seed has increased over time due to concerted efforts of both public and private sectors.

Entrance of private firms in the seed business has made quality seeds more available in the market, Islam said.

Currently, private and public sectors together meet 21 percent of the requirement of 12.52 lakh tonnes of quality seeds, which, agriculturists say, can increase crop yield by up to 20 percent.

In case of rice seed, private and public sectors meet 56 percent of total annual requirement of quality seed.

Farmers' meet the rest of their requirement through the seed preserved by themselves and through the informal market, according to agriculture ministry.

Islam said private firms now supply 90 percent of hybrid seeds in the country.

It is a must now to have a new seed policy, as more private firms are entering into seed business, said Anwar Faruque, director general of the seed wing of the agriculture ministry.

The present seed policy was drafted in 1993 when there was no existence of any private sector for seeds, he said.

"Now the private sector is playing a vital role for the economy. We are also trying to export the seeds. These issues will be incorporated in the new policy," said Faruque.

BSA President M Anis Ud-Dowlah expected the new policy which is drafting now to encourage private firms to come forward.

The seed act should be revised, he said.

It has been proved that the farmers are much better off using commercially produced seeds and their output more than compensate for the additional cost, he said.

The government should ensure that the farmers are getting fair prices for their produce, he said.

BSA General Secretary Asadul Amin Dadon demanded for establishing an international standard seed testing laboratory to assess seed health.

BSEC top official to join global body of securities commissions

STAR BUSINESS REPORT

Farhad Ahmed, an executive director of Bangladesh Securities and Exchange Commission, has recently been appointed as an enforcement and cooperation adviser of the International Organisation of Securities Commissions (IOSCO).

He would be the first Bangladeshi to serve the association of national securities regulatory agencies for two years.

He will be mainly responsible for supporting the stockmarket regulators that are yet to sign multilateral memorandum of understandings (MMoU) with the association. Ahmed will also provide the organisation with technical assistance.

BSEC spokesman Saifur Rahman confirmed that the stockmarket regulator in a meeting last week approved Ahmed's proposal of joining IOSCO.

The finance ministry will give the final approval.

The MMoU, which sets an international benchmark for cross-border cooperation, provides securities regulators with the tools for combating cross-border fraud and misconduct that can weaken global markets and undermine investor confidence.

The MMoU represents a common understanding among its signatories of how they should consult, cooperate and exchange information for the purpose of regulatory enforcement regarding securities markets.

Ahmed joined the BSEC, which signed the MMoU last year, in 1997 as a deputy director. He was promoted to director in 1999 and to executive director in 2003.



Farhad Ahmed

India nears \$2.5b deal for Boeing military helicopters

REUTERS, New Delhi

India has decided to acquire Boeing's Chinook and Apache helicopters, a defence ministry official said on Saturday, in a deal valued at \$2.5 billion that could ease strained ties between New Delhi and Washington.

The new nationalist-led government of Prime Minister Narendra Modi has grand plans to vastly strengthen India's military capability, in order to play its role as a regional power and meet challenges posed by a rising China and arch rival Pakistan.

"The defence acquisition council has cleared the last hurdle for signing of the contract with the USA in respect of Apache and Chinook," the official told Reuters, while declining to be named as he was not authorised to speak to media.

Starcom MediaVest's senior official in town

STAR BUSINESS DESK

Ranganathan Somanathan, chief operating officer of Starcom MediaVest Group, is due to arrive in Dhaka for a two-day visit today, SMG said in a statement yesterday.

Somanathan will meet colleagues from Bangladesh and a number of key clients and stakeholders during the visit, it said.

Somanathan was named chief operative for Southeast Asia in January 2013 to spearhead the next phase of growth and development for the region, it said.

As part of the newly-created role, his focus will be on SMG's agency brands, operations and divisions which include Starcom, MediaVest, Spark Communications and LiquidThread, across six key markets including Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

Prior to this, Somanathan led VivaKi Malaysia, which includes SMG and Optimedia Malaysia, as chief executive -- a position he held since July 2009.

He spearheaded the transformation of the Malaysian offices through fostering digital culture among the local teams, it said. He was also managing director of SMG's Indonesian operations, and has also worked with P&G, Malaysia Airlines, DiGi, Microsoft, BayerHealthcare, Danone and Mead Johnson.



Threat still exists in economy

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Our politics prevent our people from enjoying benefits of regional integration," Srinivasan said, while speaking about the poor state of integration among the Saarc countries.

Regional integration is one dimension, but multilateral integration should be the primary goal so that the other regional integrations can also be benefitted, he said.

"Our regional integration (in South Asia) is the least in the world. We should integrate at our home first for greater global integration," Srinivasan said.

"We need a strong Saarc economic commission like the EU economic commission to implement important issues for the development of the region," said M Syeduzzaman, a former finance minister of Bangladesh.

"Growth is necessary for reducing poverty in the region, but growth itself is not enough, we need better inclusive economic growth," he said.

Political will is the determining factor for better integration in the region, Syeduzzaman said, adding that greater regional integration is possible if there is inclusive growth in the country. He also said country-specific policies are extremely important for regional integration.

"Given the widening gap within the region and state of the global economy, the region will need to overcome any bilateral tensions and move on the path of achieving greater collective self-reliance," according to a paper of Hafiz A Pasha, professor emeritus of Lahore School of Economics.

M Ali Khan, the Abram Hutzler professor of political economy at Johns Hopkins University of the USA, read out the paper in absence of Pasha. Pasha proposed integration in eight important areas for greater regional connectivity among the South Asian nations.

Mashiur Rahman, the prime minister's economic affairs adviser, and Mustafa K Mujeri, coordinator of SANEI and director general of Bangladesh Institute of Development Studies, also spoke.



NCC BANK

Golam Hafiz Ahmed, managing director of NCC Bank, and Abul Mansur Ahmed, general manager for green banking and CSR at Bangladesh Bank, attend the signing of an agreement recently for access to refinance services under a scheme worth Tk 200 crore for the bank's Tk 10 account holders. Atiur Rahman, governor of Bangladesh Bank, was also present.

EPZ investors worried over trade union

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"We will give the WWCs the status of collective bargaining agents, instead of using the phrase 'trade unions'."

"That means the workers will be allowed the freedom of association under the existing WWC. We will not use the term trade union in the amendment to the EPZ law," Shiparsaid.

On discrimination in trade unionism between the factories inside the EPZs and outside, he said the government should protect the foreign investors.

"The concept of EPZs was introduced to attract foreign investment with special protection. So, we will have to protect their interests."

After the Rana Plaza building collapse in April last year, the government amended the labour law in July the same year, allowing full freedom of association in factories outside the EPZs.

With the amendment to the labour law, a total of 203 trade unions have been registered since January to the end of July this year, according to the labour ministry.

The government moved to amend the EPZ law under pressures from the US gov-

ernment as the Obama Administration suspended the generalised system of preferences status, citing serious shortcomings in labour rights and working conditions, on June 27 last year.

With the suspension, United States Trade Representative, the chief trade negotiation body of the American government, slapped 16 conditions on Bangladesh, including amendment to the EPZ law, to gain back the GSP status.

The cabinet approved a draft law protecting EPZ workers' right to freedom of association on July 7 with a provision that at least 30 percent of the workers of a factory within an EPZ will have to apply for registration.

At present, the EPZ Workers' Association and Industrial Relations Act 2009 does not allow trade unions, a term also not mentioned in the draft okayed by the cabinet.

Currently, some 428 operational units in the EPZs invested \$402.58 million last fiscal year, while their investments amounted to \$328.53 million in fiscal 2012-13, according to Bepza.

Bepza runs eight EPZs and facilitates investments by local and foreign firms to produce goods for exports.

International incoming call rates to fall by a half

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The rest of the revenues are distributed among international gateways (IGW), telecom operators and interconnection exchanges (ICX).

IGWs transport international calls, while ICXs connect different telecom service providers. If any call comes to the country bypassing the IGW-ICX route, it becomes illegal and the government does not get any revenue.

The telecom operators have accepted the matter positively, but some IGW operators said the move will not reduce illegal international calls.

In January, the Association of Mobile Telecom Operators of Bangladesh wrote a letter to the telecom ministry to reduce the

international incoming call rates from 3 cents to 1.5 cents as most illegal VoIP calls cost between 1.5 cents and 2 cents.

Mir Nasir Hossain, managing director of MirTelecom, an IGW operator, had told The Daily Star earlier that it has become tough to make profits as many new IGWs are in operation.

The situation will be more challenging when the call rates will be reduced, he added.

Currently, there are 29 IGWs in the country though nine are inactive as they could not pay revenue worth around Tk 500 crore to the government, or do not want to continue the business. The regulator is also in a process to cancel 4-5 licences.



Export Promotion Bureau

TCB Bhaban
1 Kawran Bazar, Dhaka

Notice Seeking Information for Publishing Export Directory

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The information in prescribed form duly filled-in and signed should reach the undersigned on or before 30-09-2014. For more information, please contact Statistics and Research Division of EPB.

Director
 Statistics and Research Division
 GD-3312



JANATA BANK

Abul Barkat, chairman of Janata Bank, presents a symbolic cheque for the bank's CSR donation of Tk 10 crore for building the Ibrahim Memorial Nursing College, to AK Azad Khan, president of Bangladesh Diabetic Samity, at the bank's head office in Dhaka yesterday.

Pubali to introduce fast remittance transfer from Malaysia next week

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The country's foreign exchange reserves reached a new high in June, crossing the \$22 billion-mark for the first time in the nation's history. Reserves stood at \$22.05 billion, according to data from Bangladesh Bank.

Remittance through Pubali Bank grew 5.5 percent to Tk 2,892 crore in the last six months to June.

Pubali's net profit rose 30.85 percent to Tk 230.55 crore in 2013, compared to the same period of the previous year, according to the bank's website. Last year, the bank's deposit stood at Tk 17,787.82 crore and advances at Tk 13,694.05 crore.