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DHAKA FRIDAY SEPTEMBER 5, 2014, e-mail:business@thedailystar.net

COMMODITIES

\$1,269.92

Infrastructure deficit, corruption are top barriers to business

Survey finds adversities; Bangladesh moves up one place to 109th in Global Competitiveness Index

STAR BUSINESS REPORT

STOCKS

Inadequate infrastructure, corruption and inefficient bureaucracy continue to haunt entrepreneurs in Bangladesh, as the three factors top the list of bottlenecks hampering business, according to a survey by the World Economic

Twenty-one percent of businesses, surveyed in Bangladesh as part of the Global Competitiveness Report 2014-2015, identified inadequate supply of infrastructure as the top barrier to doing business. The report was released globally on Wednesday, and yesterday in Bangladesh.

Corruption was the second worst barrier, dropping from the first position last year, with 20.7 percent of businesses pointing at it. It was followed by inefficient government bureaucracy at 15.3 percent.

"The top factors are considered to be the most important problematic factors for doing businesses for over a long period," said Khondaker Golam Moazzem, additional research director of Centre for Policy Dialogue (CPD), while presenting the survey report at Brac Centre Inn in Dhaka.

He said there is a lack of adequate effort to reduce the extent of adversities

PROBLEMATIC FACTORS FOR BUSINESS 2014

> Inadequate infrastructure Corruption Inefficient bureaucracy

Political instability/coups

A lack of access to financing

Policy instability Inadequately educated workforce

Crime and theft Complexity of tax regulations

Tax rates

Inflation Foreign currency regulations

Poor work ethics in national labour force

Insufficient capacity to innovate Poor public health

Restrictive labour regulations

caused by these factors, which have topped the list since 2006.

The economist, however, said entrepreneurs foresee better economic prospects in 2014. "This would have positive implications in overall businesses."

In Bangladesh, CPD carried out the Executive Opinion Summary survey based on the questionnaire developed by WEF; 76 businesses took part in the survey conducted between February and April.

The survey covers entrepreneurs and businessmen involved in manufacturing and services, and medium and large enterprises; 93 percent of these companies are located in Dhaka, with head offices in Bangladesh.

Government instability or coups, access to financing, policy instability, an inadequately educated workforce and crime and theft were identified by the survey among the top problems facing the business community.

Tax regulations, inflation, foreign currency regulations, tax rates, poor work ethics in the national labour force and insufficient capacity to innovate, poor public health and restrictive labour regulations also pose as problems for the businesses.

In the last six years, perceptions on general infrastructure experienced little change; it was stuck in the 'worst' category due to limited road transport, although supply of electricity improved significantly, said CPD.

Targets set for

STAR BUSINESS REPORT

Banks will have to lend at least 5 percent of their total loans a year to green projects, Bangladesh Bank said

The amount will be 3 percent for nine new banks and 4 percent for non-bank financial institutions.

For example, if a bank it has to give 5 percent of the loans or Tk 100 crore

There are no such targets now and the new measures

"Eco-friendly financing is important for sustainable banking and relevant for the country vulnerable to

READ MORE ON B3

Policymakers, economists and busi-**READ MORE ON B3** nesses from Bangladesh joined hands in Singapore yesterday to reiterate the country's potential as a top investment destination and vast opportunities the constantly growing economy offers. They teamed up at the Bangladesh Investment Summit, a private sector initiative, in the financial hub of Asia to convey the multitude of opportunities awaiting foreign investors in the

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ZINA TASREEN, from Singapore

country. "Bangladesh will not let you down and nor would you find Bangladesh wanting in support of your efforts," Gowher Rizvi, foreign affairs adviser to the prime minister, told an audience of 80 investors from prominent

global financial firms. The country is "truly blessed" for its location and provides the advantages of proximity to important centres of trade and commerce such as Beijing, Shanghai, Mumbai, Singapore, Hong Kong, Dubai, Manila and so on, he said at the daylong event at the Four Seasons Hotel.

More importantly, the country has its own large domestic market and unfettered access to the entire Indian market of 1.3 billion people, Rizvi said.

As long as there has been some value addition in Bangladesh, it can enter India without tariff, he said,

The adviser also touched upon corruption, another pressing issue for investors. "To say there is no corruption would

2nd Bangladesh Investment Summit, Asia Unlocking opportunities for Asia's investors • 4 September 2014, Singapore

From left, Mahmudul Huq, managing director of Sadat Jute Industries; Shameem Ahsan, president of BASIS;

export and outsourcing sector at Bangladesh Investment Summit in Singapore yesterday.

to foreign investors

Mahfuz Anam, editor of The Daily Star; Igbal Ahmed, chairman of Seamark Group; MKM Mohiuddin, former presi-

Bangladesh shows its opportunities

Analysts talk about the country's potential at

Bangladesh Investment Summit in Singapore

dent of CSE; and Sonia Bashir Kabir, country director of Microsoft Bangladesh, attend a panel discussion on the

be a lie and you won't get me to say that. As often in Bangladesh, perception is not always right -- and what Transparency International does is a measure perception, not the reality." In other words, corruption is "far

disturb the export sector."

less" now and the government has put in various transparency measures, he

The adviser said the investors would not have to deal with red tape and land conflict either, as the government has large tracts of land and identified five new economic zones, with 13 more on the drawing board

"For those of you who want to invest, land will not be a problem. You can lease it directly from the government and you will not have to go through the hassle of buying a land which has multiple ownership

Jim McCabe, chief executive officer

Inflation eases a bit

STAR BUSINESS REPORT

Inflation eased 0.13 percentage point to 6.91 percent in August compared to the previous month due mainly to a fall in food prices in the international markets.

Food inflation also came down, to 7.67 percent, at the end of last month from 7.94 percent in July, according to Bangladesh Bureau of Statistics data released yesterday.

The non-food inflation rate, however, rose to 5.76 percent in August from 5.71 percent in the previous month.

Releasing the data, Planning Minister AHM Mustafa Kamal said prices of edible oil, sugar and onion, which are the major imported food items, declined in the global markets.

Also, prices of the locally-grown food items, except for vegetables, did not rise during the period, he said at a press conference at his office.

"Our target is to keep the inflation





rate at around 6.5 percent at the end of the year," the minister said.

Kamal, however, said if the ongoing floods linger, the inflation rate might not come down. "The flood situation so far is usual and this level of floods boosts agricultural production as lands are silted by flood water," he said.

A further decline in the inflation rate also depends on stability in food and non-food prices in the global markets, he added.

green financing

in a notice yesterday.

lends Tk 2,000 crore a year,

directly to green projects.

will come into effect next year.

climate change," BB said.

He cited the continuance of exports last year amid heavy political turmoil as a case in point. "Extraordinary measures were taken. There is an across-the-board consensus between political parties that none of us must



of Standard Chartered Bangladesh, the summit's headline sponsor, and Mashrur Arefin, deputy managing director of The City Bank, the summit's platinum sponsor, gave the opening speeches.

READ MORE ON B3

Pakistan's trade privileges won't hurt Bangladesh's exports to EU: study

STAR BUSINESS REPORT

Pakistan's gain of GSP Plus status from the EU authorities will not hurt Bangladesh's exports to the EU because of the diversified products Bangladesh has, a study found.

The European parliament last year approved the Single Delegated Act under which 10 countries, including Pakistan, were allowed into the generalised system of preferences plus (GSP Plus)

scheme. The decision of the EU, the main export destination of Bangladesh, came into effect from

January 1 this year. Pakistan was awarded the GSP plus status despite being a developing country due to a massive flood which killed several hundred people and damaged huge crop lands in 2010.

It was feared that Bangladesh will lose a large chunk of its EU market share due to Pakistan's gain on GSP facility as both are strong competitors in the EU apparel market.

Bangladesh has been enjoying duty- and quota-free status to the EU since the inception of the trade privilege by the EU in 1971.

Bangladesh will not suffer any major impact on its EU garment exports in spite of Pakistan's GSP Plus status, Mostafa Abid Khan, director of Bangladesh Foreign Trade Institute (BFTI), said in his research paper: Revised GSP scheme of the EU: implications for Bangladesh.

Abid presented his paper at a seminar organised by the BFTI at Cirdap auditorium in Dhaka yesterday. Pakistan's export to the EU is likely to increase by \$1 billion a year, however, majority of the increase will be from trade creation, he said in the paper.

There is also a possibility of trade diversion from China, India, Bangladesh and Turkey as well, due to allotment of zero-duty benefit for 75 specified Pakistani products exported to the EU, he said.

However, trade diversion effect for all countries, including Bangladesh, is statistically insig-

nificant, he said.

Trade diversion from Bangladesh may take place in t-shirts, jerseys, pullovers, cardigans, waistcoats and other men's or boys' suits of cotton, women or girls' suits, bedding material of cotton and artificial fibre.

the weakness of Bangladesh. But the compliance

issues in the Bangladesh improved radically this year compared to previous years," Frederic Maduraud, minister counsellor of EUD Bangladesh, said at the seminar. He said this year the workers of Tuba Group

were paid with proceeds from sale of the groupowner's land, and the garment makers managed a good amount of fund for paying the workers.

Still, Bangladesh needs to improve a lot to fulfil the conditions agreed in the Sustainability

Compact, signed between Bangladesh and the EU involving the International Labour Organisation in Geneva in July 8 last year, he said.

"EU wants to remain engaged with Bangladesh. But, Bangladesh needs to improve workplace safety."

"After the inspection of almost all garment factories in Bangladesh, less than 2 percent were found vulnerable, which indicates that Bangladesh is a safe place for garment business," said Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association, the garment makers' apex platform.

Mustafizur Rahman, executive director of the Centre for Policy Dialogue, suggested export diversification to the EU market, as Bangladesh has the potential to export of other products to the same market.

Bangladesh could export bicycles to the EU "The tragedies in the garment sector exposed market that is worth \$1 billion annually, said Zillul Hye Razi, EU trade adviser. "We cannot amend the rules of the EU, but we

can change us so that we can enjoy the duty benefits," said Mashiur Rahman, the prime minister's economic affairs adviser.

People thought that Bangladesh will lose its garment business after the elimination of multifibre arrangement in January 1, 2005, but that did not happen, Rahman said.

increasing since then, he said.

Rather export from Bangladesh has been

Remittance rises 16pc in Aug from year ago

STAR BUSINESS REPORT

Inward remittances accelerated 16 percent to \$1.16 billion in August, compared to the same month a year ago.

However, remittances fell 22.14 percent in August from a record \$1.49 billion in the previous month, data from Bangladesh Bank shows. The record remittance receipts in July

prompted rating agency Moody's to raise its growth forecast for Bangladesh for this fiscal year to 6 percent from 5.8 percent. "The rebound in remittance inflows

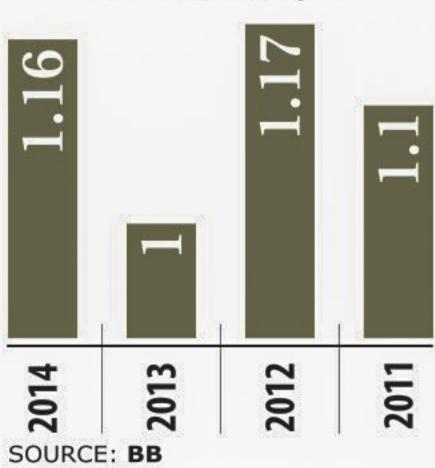
helps consumption and will enable Bangladesh to maintain its relatively strong economic growth performance this year," Moody's said in a recent report.

"The improvement is credit positive for Bangladesh (Ba3 stable) because it suggests a bolstering of the sovereign's external payments position, a key strength of its credit profile.

The growth was helped by three factors: a rise in migration of skilled workers, legalisation of workers in Saudi Arabia and revision of workers' pay-scale in the Middle East, said Mustafizur Rahman, executive director of the Centre for Policy Dialogue.

REMITTANCE FLOW IN AUG

In billions of \$



Worker migration to Bangladesh's regional markets, including Malaysia and South Korea, is on the rise, he said.

The government should look to markets in Europe and the US to earn more remittances from there, Rahman said.

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