

Lift ban on investing abroad: analysts

STAR BUSINESS REPORT

A government adviser yesterday suggested lifting the ban on overseas investment as there are abundant growth opportunities for local companies to expand their footprint internationally.

Mashiur Rahman, economic affairs adviser to the prime minister, said local entrepreneurs should be allowed to invest outside, so that they can exploit the economies of scale.

Discussing the advantages of allowing entrepreneurs to invest abroad, he said there will also be a flow of income back to their home country, which will have a positive impact on the economy.

"There is also a long term impact by way of joining the local economy with the international economy," said Rahman, adding that the government should ensure that there is a flow of income.

He was speaking at a discussion on overseas investment by Bangladeshi entrepreneurs, at The Daily Star Centre. The International Business Forum of Bangladesh (IBFB) organised the discussion.

Bangladesh does not allow an outflow of foreign direct investment. Officially, only two companies, Pran and Nitoy Niloy, have been allowed to invest outside the country on a limited scale, said Muhammad Ismail Hossain of Shah & Associates, while making a presentation.

Rahman said the condition of the Bangladesh economy is not constant; rather it is changing.

"If you have a much broader geographical area for investment, your investment produces presumably better return."

"If you operate in a small market, you don't have the economies of scale and scope, while, if you operate in a large market, you produce a variety of goods and produce more and you can keep production costs lower. So you need to have a large market."

He said Bangladesh with its connection with the global economy has a larger market to exploit the economies of scale.

The adviser said entrepreneurs would have to invest their taxed income overseas. "If the money is not taxed, the government will realise tax on the untaxed



M Anis Ud Dowla, chairman of ACI, speaks at a discussion on overseas investment by Bangladeshi entrepreneurs at The Daily Star Centre in Dhaka yesterday.

money to be invested outside."

"Here is a chance to bring out the money and help entrepreneurs invest the money and the government get revenues. If the entrepreneurs see that they would not be able to use the money, they would put it away."

Syed Nasim Manzur, president of Metropolitan Chamber of Commerce and Industry, said many think that outside investment is a zero-sum game and takes away domestic investment. "It does not have to be so."

"Bangladesh's corporate sector is ready to invest outside." The noted entrepreneur said although Bangladesh's garment sector has grown hugely, the entrepreneurs are still manufacturers and have not produced a global brand.

"But there is a huge opportunity in many countries to invest and grow, tie up with global supply chains and grow global brands."

Manzur said if Bangladeshis, for example, own cotton or palm fields, they can reduce price volatility in the local market.

"By investing outside, we will not only have access to global markets, skills and talents, we will also be able to grow our talent by sending them to work abroad."

M Anis Ud Dowla, chairman of ACI,

said local investors are ready and deserve a leeway to explore business opportunities in other countries.

"They have the required skills to grab market share. So, it is only fair to allow them to explore new markets."

He, however, said there should not be any free flow of outside investment. "It has to be regulated. There has to be a return of income to the country."

India does not openly welcome investment from Bangladesh and gives permission on a case basis, whereas Bangladesh is offering ample opportunities to Indian businesses to invest here, he added.

The government should take up the issue with the Indian government, he said. Sohail Ahmed Chowdhury, a former commerce secretary, said good companies should be allowed to go outside and find opportunities.

"We can't live in a shell for a long time. This is the right time to take the step," he said, adding that many North-Eastern Indian states also want to establish good trade and business relations with Bangladesh.

Daniel Keen, economic and commercial officer of the US embassy in Dhaka, said investment is rarely a one-way road. "Today, no country can succeed if it is not

globally integrated."

MS Siddiqui, president of Bangladesh Indenting Agents' Association, said if local businesses are not allowed to invest outside legally, they would find a way to do so illegally.

Arunangshu Dutta, a former banker, said Bangladesh has idle capital and should use it. "If we can send human capital abroad, why can't we send money capital?"

There were opposing views at the meeting as well. Matiur Rahman, a former secretary, said the government should not encourage its investors to invest outside the country.

Nabhash Chandra Mandal, executive member of the Board of Investment, said the local companies should not be allowed to invest outside until the country achieves 8 percent GDP growth and becomes a middle income nation.

"If we open the opportunity for them to invest outside the country now, it will create pressure on GDP growth and foreign currency reserves."

Mahmudul Islam Chowdhury, founding president of IBFB, moderated the discussion, while Hafizur Rahman Khan, president, and Humayun Rashid, vice president for finance, also spoke.

NBR urged to raise ceiling for tax-free dividend income

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The Dhaka and Chittagong stock exchanges yesterday requested the National Board of Revenue to increase the ceiling for tax-free dividend income to Tk 50,000 from Tk 20,000 at present.

The twin bourses made the plea considering the present scenario of the stockmarket that has been passing through a prolonged downward trend.

They submitted a set of proposals to the tax authority for consideration in the upcoming budget for the next fiscal year.

Small investors should get tax exemption for up to Tk 50,000 on dividend income, as it will encourage them to further invest in the capital market, the Dhaka Stock Exchange said.

If the proposal is taken into consideration, it will help ease the liquidity crisis in the market, the premier bourse said. "Small investors will also be benefited as they have suffered a lot due to the market turmoil previously," the DSE said.

The Chittagong Stock Exchange said investors are incurring losses due to a prolonged downward trend in the market and the incomes of many of them are below the taxable limit.

"So, the limit of tax-free dividend income should be increased to give the investors a breather."

The stock exchanges have proposed the NBR to reduce tax at source on share transactions to 0.015 percent from the existing 0.05 percent, which will ultimately enhance trade volumes and related tax.

The bourses, on behalf of the government, collect the tax at a rate of 0.05 percent on the value of shares, mutual fund units or other securities transacted at the stock exchanges, and deposit the revenue with the state coffers.

The bourses proposed providing a full tax exemption facility for five years, instead of the existing partial exemption at graduated rates, for sustainable growth and smooth operation of the exchanges, which are now incurring operating losses.

"Currently, the government is not getting any tax on the exchange's income due to the exemption and hence, the 100 percent tax holiday will not affect the government's revenue," the Dhaka bourse said in its proposal.

The CSE said the tax exemption will help them reinvest the money for technical and infrastructural development of the exchanges that are necessary to attract strategic investors for the demutualised bourses.

The bourses also demanded a reduction in the corporate tax rate for listed companies to 25 percent from 27.5 percent. The corporate tax rate for non-listed companies is 35 percent now. Meanwhile, Bangladesh Insurance Association and Bangladesh Merchant Banks Association urged the NBR to reduce corporate taxes to 15 percent.

Insurance companies pay 42.5 percent in corporate tax, while merchant banks pay 37.5 percent.

More than 13m tourists visited Dubai in 2014

AFP, Dubai

Dubai attracted more than 13 million visitors last year, official figures released on Monday showed, as the cash-flush emirate looks to reap the rewards of its growing tourism sector.

A total of 13.2 million foreigners headed to Dubai in 2014, an increase of 8.2 percent compared with the previous year, its tourism department said.

It said it hoped to attract 20 million tourists a year to Dubai by 2020, when the city will host a World Expo.

Figures released in March showed that

hotels in the emirate posted a 9.8 percent rise in revenues to \$6.5 billion (5.8 billion euros) last year -- the sector's best annual result since the 2009 financial crisis.

Turmoil in most of the traditional tourism destinations across the Middle East appears to have helped Dubai capitalise on its reputation as a safe haven for tourists and businesses.

Dubai's economy contracted 2.4 percent in 2009 when it rattled global markets over its debt crisis before receiving a \$10-billion bailout from Abu Dhabi, its oil-rich partner in the Emirates, and reaching restructuring deals with lenders.

World Bank's pension investments clash with principles

REUTERS, Washington

THE World Bank indirectly invests part of its \$18.8 billion staff pension fund in companies in industries such as coal and tobacco, holdings that clash with the development institution's own calls for ethical and low-carbon investing.

In an internal post to staff seen by Reuters, the World Bank's treasurer said around 40 percent of the fund's equity holdings are actively or passively invested against equity index funds, which include companies in industries associated with environmental and health problems.

Two World Bank sources, who asked not to be identified, showed Reuters discussions between staff and managers on an internal site and a research note produced by employees. The note expressed concern about the pension and gave details of the holdings, questioning why the bank does not use socially responsible alternatives.

In its own lending practices across the developing world, the bank refuses to invest in tobacco production and has banned financial support for the construction of coal-fired electricity except for the poorest countries that lack other options.

The Washington-based bank's pension fund, details of whose holdings have not previously been reported, was ranked a "laggard" in transparency and managing climate risks in a report released this week by the Asset Owners Disclosure Project, which pushes asset owners to address climate change risks. It ranked lower than the pension funds of companies including British Coal and the state oil fund of Azerbaijan.

"It's very difficult for the bank to take a position where it is promoting sustainable growth and not managing the risks in their large portfolio - or telling anyone about it," said Julian Poulter, chief executive of the initiative.

While the pension fund is required to prioritize financial gains for staff, investment analysts said it could be directed into pre-screened or tailored funds that exclude companies that fail to follow sound environmental, social and governance (ESG) principles.

The bank's pension fund assets are held in a separate legal trust administered by its Pension Finance Committee (PFC), chaired by the World Bank's chief financial officer and including a mix of members from management, staff and retirees. External managers run the funds on a day-to-day basis. The PFC did not respond to Reuters request for comment.

The World Bank has a responsibility to manage the money "in the best interest of plan beneficiaries," the bank said in a statement to Reuters.

The bank said it does not comment on specific pension investments, adding that it



French President Francois Hollande, left, welcomes World Bank President Jim Yong Kim at the Elysee Palace in Paris, France on April 29.

opts for a "principled yet pragmatic approach" within the fund's overall requirements that considers ESG risks and opportunities "where material and relevant."

That is guided by federal law that requires a plan's investment policy to have the "exclusive purpose" of providing benefits to participants, though pension providers have flexibility on which investment principles to pursue.

The bank has called on others to divest from fossil fuel companies and its president, Jim Yong Kim, has asked long-term investors "to recognize their fiduciary responsibility" to reveal their exposure to climate change-related impacts.

The bank is conducting a review of its corporate sustainability policies, but says its pension fund investments are not included in that process because they have a separate governance structure.

Participation in the pension fund - a combination of defined benefit and 401k-style savings - is mandatory for World Bank employees. It has about 15,000 current employees and around 10,000 retired beneficiaries.

Not all beneficiaries are calling for change. Kenneth Lay, the vice president of the World Bank alumni group - the 1818 Society - said the fund should focus on maximizing returns.

While there is some evidence ESG investment can improve "risk adjusted performance," he said, "there is also extensive literature reaching the opposite conclusion."

Some of the pension's holdings are invested in the Russell 3000 index, which tracks 3,000 companies including coal producers Peabody Coal and Arch Coal and tobacco giant Philip

Morris, according to the employees' research note.

Others are invested in funds tied to Morgan Stanley's MSCI index, which includes major fossil fuel companies like ExxonMobil, according to that note.

MSCI and other indexes offer portfolios that screen out companies in industries with perceived ethical problems.

Some of these funds have performed as well or better than the bank's current investments. The MSCI's two Fossil Fuels Exclusion Indexes have outperformed the main MSCI index for the past three years, according to annual performance fact sheets.

In its statement to Reuters, the bank said were it to consider such funds it "would have to be convinced of their superior return and risk properties in order to make the investment consistent with fiduciary responsibilities."

In a blog post on the bank's in-house Web site last October some employees argued that the bank's target of 3.5 percent annual real returns could be met through socially responsible investments, and raised concerns that the bank's pension investments contradict its public mission.

Bank employees have investment choices within their plans, but none offer ethical alternatives, they said.

In response, Madelyn Antonic, treasurer of the World Bank, posted that "things aren't always black and white." She cited the case of a bio-medical subsidiary of tobacco company Reynolds American Inc. which is working to develop a vaccine for the Ebola virus from modified tobacco leaves.

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A staff member stands next to a display screen during a joint news conference by Reliance Communications Ltd and Facebook Inc in Mumbai on February 10.

Facebook launches open internet platform

REUTERS, Mumbai

Facebook Inc is launching an open platform for online content and application developers to join its Internet.org service, in a move the social media giant said would boost efforts to get people online in low-income and rural areas in emerging markets.

The platform, unveiled on Monday, will be open to all developers who meet certain guidelines, including content being built for browsing on both feature and smartphones and in limited bandwidth scenarios, the company said in a statement.

The move comes amid growing debate in India, home to the world's third-largest population of Internet users, over free access and net neutrality in the country.

Facebook partnered with Reliance Communications to launch Internet.org in India in February. But a number of e-commerce firms and content developers pulled out of the service subsequently as activists claimed it violated principles of net neutrality - the concept that all websites on the internet are treated equally.

"We've heard the debate about net neutrality in India and have been tracking it," Chris Daniels, vice president of product for Internet.org, told Reuters.

"The principles of neutrality must co-exist with programs that also encourage bringing people online," Daniels said, highlighting that Internet.org was open to mobile operators and involved no payments, either to or from the developers.