

Strong road links in South, Southeast Asia to boost trade: ADB

MD FAZLUR RAHMAN

Road links between South and Southeast Asia could properly be established for a modest \$986 million, which will have a huge and positive impact on trade between the regions, according to the Asian Development Bank.

"The time is ripe for greater South and Southeast Asian integration through enhanced transport infrastructure, stimulating growth and boosting prosperity," the Manila-based lender said.

Trade between the eight countries in South Asia and 10 nations in Southeast Asia rose to \$90 billion in 2013 from \$4 billion in 1990.

"Still there is enormous potential for future growth," the ADB said.

With economies elsewhere in doldrums, the countries of South Asia and Southeast Asia are growing steadily and forging closer ties. In 2015, the ADB projects South Asia to grow at 6.9 percent and Southeast Asia at 4.4 percent. This compares with a projection of 1.9 percent for major industrial economies.

The bank said closer integration between South Asia and Southeast Asia is being held back by poor road and rail links between Bangladesh, India, Myanmar, and Thailand, the key land connection between the two regions. Ports in the Bay of Bengal suffer from low capacity, inefficiency, and a lack of road and rail access.

Improving the quality of transport infrastructure, and building new roads and railways to link the two regions will lower unit transport costs, reduce shipping times, and raise the quantity of goods, all of which will lead to increased trade, said the lender.

The total cost of comprehensive new regional transport projects linking the two regions (through roads, railways, and ports) is estimated at \$62.6 billion, while the cost for priority transport projects is estimated at \$8.4 billion.

BY THE NUMBERS

- Cost of regional transport projects estimated at **\$62.6b**
- Potential benefit ranges from **\$89b** to **\$358b** over next decade
- Integration to create a regional market of **2.3 billion** people
- Trade between South Asia and Southeast Asia rose to **\$90b** in 2013 from **\$4b** in 1990

The biggest investments in priority regional transport infrastructure will be in railway projects (\$5.1 billion); this is followed by ports (\$2.3 billion) and highways (\$986 million).

The estimated potential benefit of reduced transport costs between the two regions ranges from \$89 billion to \$358 billion over the next decade.

"This conservative estimate shows how investment in infrastructure can pay huge dividends in the medium and long term."

The ADB said financing infrastructure to promote integration in the region is not easy and public-private partnership (PPP) has an important part to play. "Improving political risk guarantees, transparency, regulatory frameworks, coordination, support, and project governance will all help boost PPPs."

Multilateral and regional financiers like the ADB can play a useful role as honest brokers in coordinating regional projects as well as in providing finance and technical expertise, it said.

Coordinating regional infrastructure connectivity can be improved by reducing duplication by overlapping organisations. New institutions may be needed to facilitate and maintain regional economic links. Existing institutions may need to rethink their approach to connectivity.

Linking South Asia and Southeast Asia would create a regional market of 2.3 billion people, many with increasing purchasing power. This would be a key driver for the next phase of Asian growth and rising prosperity, according to the bank.

It said there is a historic opportunity to link South Asia and Southeast Asia through transport infrastructure with an Asean Economic Community, an integrated market and production base among its 10 members, expected by the end of 2015.

A pro-business Indian government is hastening domestic reforms and prioritising cross-border infrastructure and trade, and the opening up of Myanmar now meaning closer infrastructure-led connectivity can become a reality.

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Business leaders led by FBCCI President Abdul Matlub Ahmad felicitate Prime Minister Sheikh Hasina for winning the Champions of the Earth Award and the ICT Sustainable Development Award, at a programme at Bangabandhu International Conference Centre in Dhaka yesterday.

Banks donate Tk 25.8cr to PM's fund

STAR BUSINESS REPORT

Local private commercial banks donated Tk 25.80 crore to the Prime Minister's Relief Fund on Monday, said Nazrul Islam Mazumder, chairman of the Bangladesh Association of Banks or BAB.

As a platform of private banks' directors, BAB asked its members to donate the money. A total of 35 banks responded to the request.

The chairmen and managing directors of the respective banks handed over the cheques to Prime Minister Sheikh Hasina.

Islami Bank Bangladesh gave the highest amount: Tk 2 crore.

First Security Islami Bank, Dhaka Bank, EXIM Bank, Shahjalal Bank, Standard Bank, Prime Bank, NRB Commercial Bank, Social Islami Bank and United Commercial Bank donated Tk 1 crore each.

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Development spending lowest in four years

REJAUL KARIM BYRON

Development spending in the first quarter was the lowest in four years, even though the government has taken on a bigger budget for the purpose in fiscal 2015-16.

Between July and September, Tk 6,502 crore has been spent from the budget for the Annual Development Programme, down 7.43 percent year-on-year.

Some Tk 97,000 crore has been allocated for ADP this year.

Of the sum, 73 percent was allocated to ten ministries and divisions including the power ministry, and the bridges, and road transport and highways divisions.

The allocation for the bridges division this fiscal year is Tk 8,961 crore and a large chunk of the amount is for the Padma bridge -- the country's largest infrastructure project, which happens to be funded solely by the government.

In the first quarter, the bridges division spent Tk 390 crore, which is just 4 percent of the total allocation.

The spending in the same period last fiscal year was Tk 799 crore, which was 10 percent of the total outlay in fiscal 2014-15.

Shafiqul Islam, the Padma bridge project director, said the implementation in the first six months of the fiscal year tends to be slow due to the monsoon rains. For instance, the earth work cannot be done amid the rain,

which was the case this year too.

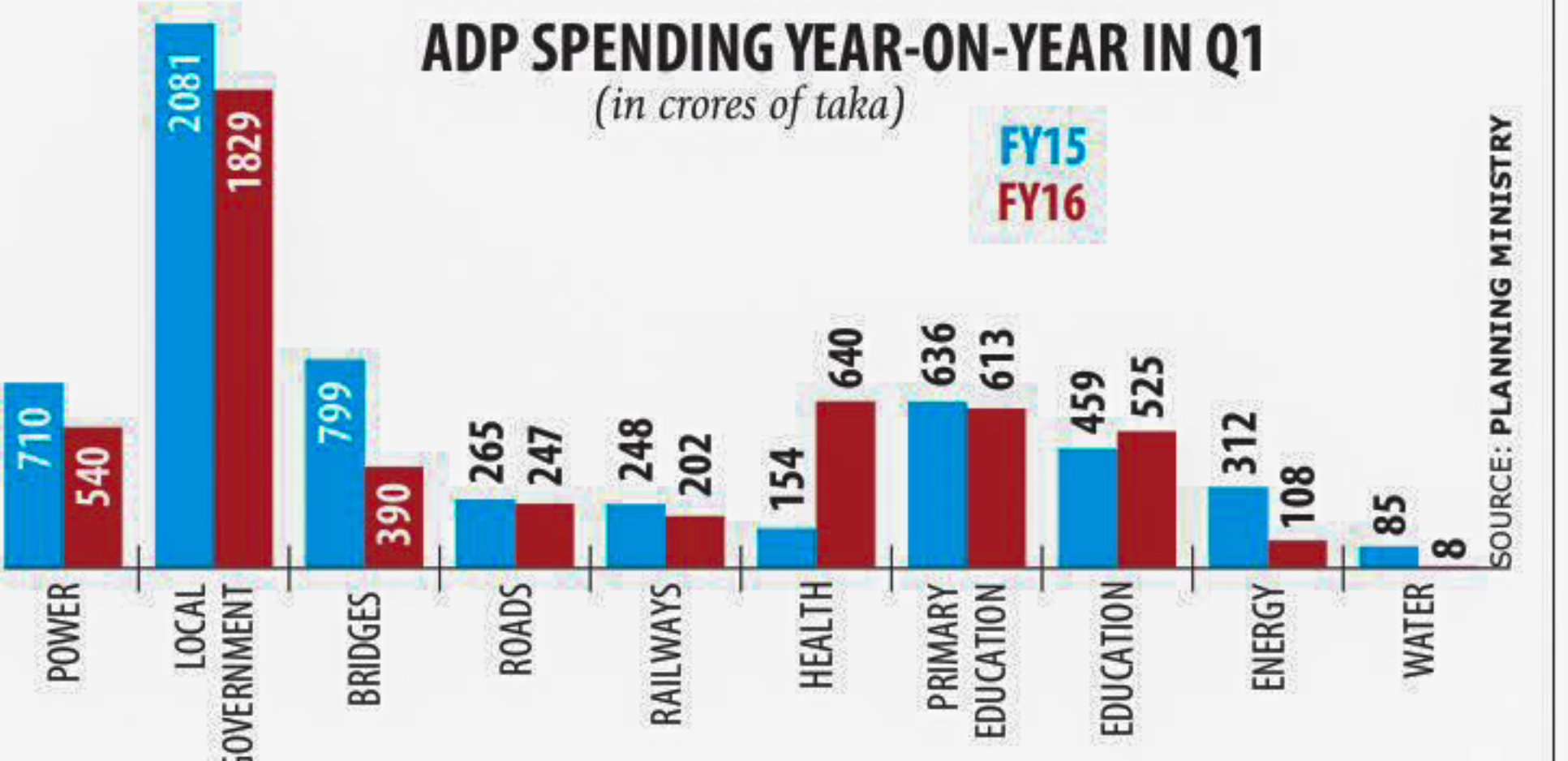
The pace of work picks up in the second half of the fiscal year, he said, adding that the Padma bridge project is progressing as per the plan.

Not only had the bridges division, spending by the power division too dropped -- 31 percent year-on-year -- in the first quarter.

months of fiscal 2015-16. Last fiscal year, it exhausted 6 percent of its allocation in the first three months.

An official of the division blamed the low spending on the higher rainfall this year.

The railways ministry spent 3.73 percent, the energy and mineral resources division 3 percent and the water resources ministry 0.3



It spent Tk 540 crore, which is only 3 percent of its total allocation for the fiscal year.

In the same way, the road transport and highways division, which invariably asks for more allocation at the end of fiscal year, used up just 4 percent of its total allocation.

It spent Tk 247 crore in the first three

percent of their allocations between the months of July and September.

The local government division spent 11 percent, health ministry 12 percent, primary and mass education ministry 12 percent, and education ministry 13 percent, during the period.

Govt working to help private sector flourish

Hasina tells FBCCI reception

BSS, Dhaka

Prime Minister Sheikh Hasina yesterday said her government has taken various steps to help the private sector flourish.

The government has allowed the private sector to set up banks, insurance companies and television channels, she said.

The premier said her government always worked to brighten the image of the country and to attract more foreign investments.

"My only aim is to make our independence meaningful by establishing a hunger- and poverty-free Sonar Bangla as dreamt by Bangabandhu."

The prime minister also vowed to establish Bangladesh as a middle-income country by 2021 and a developed one by 2041. She sought cooperation of all, including the businesspeople, to reach the goal.

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Withdraw VAT on internet prices

ISPs urge govt to reduce transmission costs

MUHAMMAD ZAHIDUL ISLAM

Internet service providers have called for withdrawing VAT on internet prices and reducing transmission costs, saying the moves will bring down expenses of end-users.

The Internet Service Providers Association Bangladesh (ISPAB) also thinks more licences should be given to operate the National Telecommunication Transmission Network (NTTN).

The platform urged the government to merge international internet gateway (IIG) operators with ISPs, to reduce operational costs.

They will soon put forward the recommendations to policymakers to help cut internet prices and increase bandwidth consumption, said MA Hakim, president of the trade body. In the last couple of years, the government cut bandwidth prices significantly, but end-users did not see a fall in internet prices, he said.

"We cannot reduce internet prices if transmission costs and taxes are not brought down."

Imdadul Haque, general secretary of ISPAB, said: "We pay 15 percent VAT when we buy bandwidth from the IIGs, and our customers pay another 15 percent VAT on bills. This fuels internet prices."

IIGs have to share 10 percent of their gross revenue with the government, which also leaves an impact on the charges at the user level, Haque said.

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Bourses can hold up to 70pc in new settlement company

SARWAR A CHOWDHURY

The twin bourses together can hold 70 percent stakes at most in the proposed clearing and settlement company that will ensure smooth settlement of share and cash transactions from one place.

A clearing company is a financial institution that provides clearing and settlement services for financial, commodities derivatives and securities transactions. The company will replace the existing system.

At present, the clearing and settlement activities are done by the bourses with the help of the Central Depository of Bangladesh Limited, which operates the central depository system for electronic share transaction.

Neither of the stock exchanges can individually own more than 49 percent stakes in the new company, the paid-up capital of which will be Tk 500 crore, according to a draft law approved by Bangladesh Securities and Exchange Commission on October 6.

The stockmarket regulator has sent the draft law to other market stakeholders, including the Dhaka and Chittagong bourses, for their opinions, which may be considered before finalisation of the act.

Apart from the stock exchanges, the Central Depository of Bangladesh Limited (CDBL), banks, financial institutions, insurance companies and strategic investors can also be stakeholders in the settlement company.

Among them, the CDBL and strategic investors individually or jointly will be allowed to hold a maximum of 10 percent shares each.

The other stakeholders from the bank, financial institution and insurance company category can own a maximum of 10 percent shares jointly. No single entity will be allowed to hold more than 2 percent.

The capital market-related diversified products, including derivatives, futures and options, can also be introduced once the clearing company is in place.

As per the draft act, the board of directors of the proposed company will consist of 11 members, six of which will be independent directors.

Of the remaining five, two will come from the stock exchanges'

board of directors, two from other stakeholders. The managing director of the company will act as an ex-officio director, which is he/she will have no voting power.

The BSEC can inspect the clearing and settlement company or investigate allegations against its directors, employees and depository participants and take action against them.

The punishment will be five-year imprisonment or Tk 5 lakh fine or both, according to the draft.

The BSEC can take over the clearing and settlement company and operate it if the regulator finds that it has failed to protect investor interest, was involved in controlling the capital market or anti-state activities.

Two years earlier, the Dhaka and Chittagong bourses had submitted a proposal to the BSEC to set up a clearing company jointly for smooth settlement of share and cash transactions from a single place.

The Asian Development Bank, as part of its Bangladesh capital market development programme, has long been advising the government and the stockmarket regulator to set up a separate clearing corporation.

Bangladesh to set up textile park in Gujarat

STAR BUSINESS REPORT

After China, Bangladesh has also jumped on to Gujarat's textile park bandwagon. Bangladesh, which heavily relies on Indian cotton for its garment industry, proposes to set up a textile park in the state.

Bangladesh has zeroed in on Kadi near Ahmedabad for the project which involves an initial investment of Rs 240-300 crore, The Times of India said in a report yesterday.

The park will have spinning units with cumulative capacity of 1 lakh spindles. Bangladesh has sought around 100 acres of land from the state government for the project.

Last month, a high level trade delegation comprising representatives of the Federation of Bangladesh Chambers of Commerce and Industry, Bangladesh Cotton Association and Bangladesh Garment Manufacturers and Exporters Association visited Gujarat.

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