

Reduce cost

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formed headed by NBR with delegates representing FBCCI, MCCI, CCCI, customs and port authorities, Health Ministry, BOI, Immigration Department, Environment Ministry, Bangladesh Bank, and the exporters and importers themselves, to help take quick decisions and thus reduce the cost of delays. They want reform of the taxation system, as many tax provisions are not clearly written and can be wrongly interpreted by the tax officials, creating scope for corruption. They believe that the present taxation system provides many loopholes to evade taxes. To face the problem, a tax ombudsman can be given the task to represent taxpayers in the administration and investigate taxpayer complaints.

The business community further observed that although the Board of Investment (BOI) is supposed to be the focal point of the investment process as well as the single point of delivery for all services to investors, it does not meet the satisfaction of investors. BOI is not provided with sufficient power to function with clout, as it cannot overcome the powerful bureaucratic hierarchy. The business community wants industrial parks throughout the country, either under the authority of BOI or that of the private sector with full backing and support of BOI.

There is further good news for the business community of the country. The Bangladesh Investment Development Authority (BIDA) will start functioning in a couple of months to attract foreign and local private



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sector investment in the country. The new powerful body is being created by merging two government offices—the Board of Investment and the Privatisation Commission. BIDA is expected to bring vitality back into the work, as it has the power to overcome bureaucratic bottlenecks in implementing investment-related government decisions. This is predicted to be the much-awaited one-stop service centre to expedite the work of the investors.

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But, the pertinent question is, will

the cost of setting up and doing business in Bangladesh decrease substantially after all these projects begin operation? Will the unnecessary obstacles be removed once and for all so that foreign investors may find a safe haven in Bangladesh to invest money and take back their share of the profit? Unless and until the attitude of the staff members become friendly and stipulated government rules and regulations are simplified, FDI growth will remain dismal.

The bottom line is that we have to reduce the cost of doing business in Bangladesh if we want to reach the middle-income country status any time soon.

The writer is Special Supplement Editor, The Daily Star.

A comeback on the horizon for real estate?

MD FAZLUR RAHMAN

Riding on relative political stability and price corrections, Bangladesh's real estate sector may make a comeback this year after three years of bad luck. Since 2012, the once-burgeoning real estate sector has been in difficult times due to the intermittent political instability, squeezing of bank loans, a bearish stock market, and lack of adequate gas and electricity supply. "Developers really had a bad time the last three years. We are yet to make a recovery, but I can see the signs of a comeback," said Dr. Toufiq M Seraj, Managing Director of Sheltech and former president of REHAB, one of the leading real estate companies of Bangladesh.

With newly found wealth and rising purchasing power, people started to buy plots and apartments in the 2000s, channelling their incomes into the sector. As a result, real estate underwent a boom that reached its peak in 2009-10.

Attracted by the boom, 100 new firms entered the industry and sparked unhealthy competition. Many of these new entrants took up expensive projects, a lot of which were even sold. But the bubble surpassed its sustainable limit, which leads to its inevitable burst come 2012. As a result, sales have dropped by between 30-50% in the last three years. Because of the slowdown, developers have cut down projects and a huge number of apartments have remained unsold.

The number of unsold apartments multiplied by four times, from 3,018 units in 2010 to 12,185 units in 2014, according to the Real Estate & Housing Association of Bangladesh (REHAB), the industry lobby group. At present, the number stands at about 10,000 flats unsold.

The real estate sector remains stagnant although demand is supposed to be on the way up thanks to the rising population of Dhaka city, as well as the rest of the country. As the 11th most populous city in the world, according to a United Nations report published in July 2014, the capital city had a population of 1.7 crore the same year. The World Urbanisation Prospects report of 2014 stated that 2010 to 2015 alone saw a 3.6% annual rise in population in Dhaka. It predicts that Dhaka is set to become the world's 6th most crowded city by 2030, with a population just above 2.7 crore.

"We have already had price corrections," Seraj told The Daily Star in an interview recently, adding that Sheltech itself did not take up any project in 2014-15. As the sector is very big, the recovery will also be slower. "People normally put their entire life's income into property. But they do not want to risk their money when the going is difficult."

Now that the political tension has somewhat decreased, the interest rate has also gone down and the confidence of the people should begin to make a recovery too. The former president of REHAB is optimistic and said his firm will be

taking up new projects. He added that the government should take some policy decisions to revitalise the real estate sector.

One of these policy changes could be that no government agencies will pursue people who are investing their undisclosed money in the sector after fulfilling set conditions. "It should be all-inclusive. Otherwise, people with undisclosed money will not be interested in investing in the real estate sector and will seek ways to transfer

an indemnity.

Realtors also agree that the registration fee needs to go down, as the including value-added tax, advanced income tax and stamp duties eat up about 14% of a property's value. This is much greater than in neighbouring countries. The high cost of registration is one of the factors that have made housing loans so unattractive.

The growth of private real estate sector is further hindered by the incredible increase in land prices.

companies are beginning to spring up. Some Dhaka-based firms have also undertaken projects in the regional growth centres. But while, the apartment purchase rate in Dhaka is still the highest in Bangladesh, Chittagong is close behind. Cox's Bazaar's pricing is also starting to increase because of the area's tourism value.

But the list of predicaments goes on. Realtors are opposed to awarding government plots to individuals at a very low price compared to the



their money abroad illegally," said an owner of a real estate company.

According to a recent report by Global Financial Integrity, a Washington-based research and advisory organisation, illegal capital flight from Bangladesh skyrocketed by 33.78% to USD 9.66 billion in 2013 through trade mis-invoicing and other channels. Realtors agree that the outflow of illicit money could be reduced if the government allows the investment of undisclosed money with

In fact, the government has no control over the increase in the price of land. Sadiq Ahmed, Vice Chairman of the Policy Research Institute of Bangladesh, said that between 1972 and 2010, land prices in Dhaka city grew by an average of 100-125% per year.

In spite of the slowdown in business, the real estate sector is moving away from Dhaka to areas such as Chittagong, Sylhet, Rajshahi, Bogra, Comilla, Mymensingh and Khulna. Regional

market rates. They say these individuals in reality give these plots to real estate companies that develop the property and share the apartments with the owners of the land. In the process, customers who buy from the real estate companies have to pay higher prices for the flats. "If the government gives these plots directly to real estate companies at low prices then the developers will also be able to sell the apartments

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