

EU too lenient on budget rules: auditor

AFP, Brussels
The European Commission is too lenient in applying its own budget rules to over-spending member states such as France and Italy, the EU's official auditor said on Tuesday.

The commission, the EU's executive arm, is empowered to apply strict limits on public deficit and debt levels in the European Union, but the auditors said Brussels went to easy on offenders.

The commission "must be more strict," Milan Martin Cvikl, the member of the Court of Auditors responsible for the report, said in a press statement.

"It is not sufficiently aware of what is happening on the ground and it is not applying the rules consistently," he said.

Since the debt crisis, the EU has been empowered to slap penalties on countries that violate pre-agreed deficit or debt targets, but the commission has yet to apply these newly-acquired measures to the rule breakers.

The 120-page report said that even though "detailed procedures and guidelines" on budgetary discipline exist, "there are problems with the commission's implementation of these tasks."

"This is because the Commission did not make full use of its powers to enforce"

compliance by member states in applying the rules.

The report also cites a lack of resources and "poor record-keeping" from the commission's teams.

The report was based on studies of the work between 2009 and 2015 with six EU countries: Italy, France, Germany, Czech Republic, Cyprus and Malta.

Italy and France have consistently come in the cross-hairs of the European Commission for repeated violation of public spending targets.

But the countries, two of the most powerful members of the EU, have eluded punitive measures by the commission, which has drawn criticism that Brussels will not dare challenge governments on so sensitive an issue.

As an example, the auditors said last year's recommendation to grant France another reprieve "did not contain data in support of the baseline scenario ... or any detail of additional discretionary revenue measures" France had promised in return for the delay.

At a news briefing, Commission spokeswoman Annika Breidhardt said the EU welcomed the court's work, "which can contribute positively to our own continuous effort to improve the functioning of the ... process".



Gerald K Adams, chairman of Berger Paints Bangladesh Ltd, presides over the 43rd annual general meeting of the company at International Convention City Bashundhara in Dhaka on Monday. Final dividend of Tk 27 per ordinary share of Tk 10 was declared for 2015 in the meeting. With the interim dividend of Tk 10 per share, the total dividend for 2015 now stands at Tk 37 per share. Managing Director Rupali Chowdhury along with directors Anil Bhalla, Jean-Claude Loutreuil, Anis A Khan, Rishma Kaur and Abdul Khalek also attended the AGM.

Saudi bourse targets small, medium enterprises

AFP, Riyadh
Saudi Arabia's bourse said on Monday it plans a market for small and medium-sized enterprises (SMEs) next year, under a push for SME development in a restructured economy.

"This initiative comes in view of the importance of the role of this segment in supporting the national economy and accelerating develop-

ment," the Tadawul bourse said in a statement.

It "will establish a stock market segment targeting small and medium companies by the beginning of 2017", enabling them to finance their activities.

The exchange, the Arab world's largest, for the first time last year allowed foreign banks, brokerage houses, fund managers and insurance companies to invest directly on

the Tadawul All-Shares Index, provided they meet the requirements.

The global collapse in oil prices over the past two years has intensified efforts by the world's biggest oil exporter to find economic alternatives to its main revenue source.

Among these is a push to promote SMEs.

Saudi Arabia is to announce next Monday its "vision" for future social and economic development,

Deputy Crown Prince Mohammed bin Salman told Bloomberg News.

Part of that plan, the National Transformation Programme, will be unveiled in subsequent weeks, to detail the economic changes in a country that still relies on oil for more than 70 percent of its revenue.

Oil prices have fallen by more than half from above \$100 a barrel in early 2014 to around \$40 on Monday.



Finance Minister AMA Muhith, Education Minister Nurul Islam Nahid and Chairman of NRB Commercial Bank Farasath Ali attend the third anniversary celebration programme of the bank at Bangabandhu International Conference Centre in Dhaka on Monday.

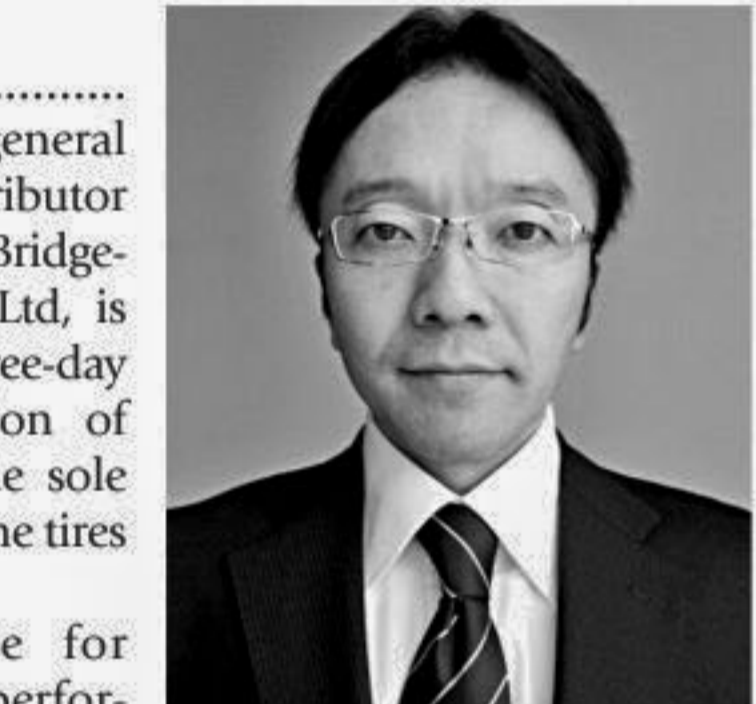


Mohammed Nasir Uddin Chowdhury, managing director of LankaBangla Finance Ltd, launches a mobile app -- FinSmart -- for their customers. The app will help customers place queries and know about various products and services of the company. Khwaja Shahriar, deputy managing director, was also present.

Senior Bridgestone official in town

STAR BUSINESS DESK

Hagiwara Motoshi, general manager of the distributor sales department of Bridgestone Asia Pacific Pte Ltd, is now in Dhaka on a three-day visit upon an invitation of Eastern Motors Ltd, the sole distributor of Bridgestone tires in Bangladesh.



Hagiwara Motoshi

He is responsible for directing strategy and performance of distributors' business in the Asia Pacific region.

Motoshi will meet the top management of Uttara Group and a number of dealers and customers, according to a statement.

Bridgestone Corporation, headquartered in Tokyo, also manufactures industrial rubber, chemical products and sporting goods. Its products are sold in more than 150 nations and territories.

Give zero-duty benefit to all sectors for import of fire safety equipment

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The extent of losses from fire incidents, in the form of lost lives and damaged property, is much higher than the amount of revenue that would come from the imposition, he said.

Rahman said there are risks of fire at any place in the event of earthquake. "So, we want the government to offer the benefit to all," he added.

Early this month, the Metropolitan Chamber of Commerce and Industry, at a pre-budget discussion at its office, also raised the issue of high import duty on fire safety equipment and demanded even treatment for all industries.

The MCCI said safety and compliance is extremely important for all industries.

"Such discriminatory behaviour must be stopped if we want the other sectors to also flourish in our economy. We hope that the budget will reflect this," MCCI President Syed Nasim Manzur had said in the meeting, which was attended by Finance Minister AMA Muhith.

The MCCI also wrote to the revenue authority earlier this year to extend duty exemption for fire safety equipment to other sectors as well.

The issue of compliance in the backward linkage industries of the garment sector is also important, said Rafez Alam Chowdhury, a former president of the

Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association.

"So those industries also need the duty benefit," he added.

At the yesterday's discussion, apparel exporters also demanded a reduced corporate tax rate of 10 percent for the sector.

The BGMEA said garment exporters enjoyed 10 percent corporate tax until June 30, 2014, after which they had to pay 35 percent.

The BGMEA president said the reduced corporate tax rate will facilitate investment, which will be instrumental in achieving the \$50 billion export target by 2021.

"Please give us the breathing space this time," he said.

Garment exporters also demanded a slash in tax at source to 0.30 percent from present 0.60 percent.

At the discussion, NBR Chairman Md Nojibur Rahman said the revenue authority has detected misuse of the bonded warehouse privilege.

"We will sit with you to discuss the contribution of your members to the national coffers," he said, adding that the NBR would also take steps to solve the sector's tax-related problems if there are any.

Denim expo begins April 25

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With an investment of \$834 million in the sub-sector, Bangladesh has about 30 mills which meet half the demand at 60 million yards of fabrics a month, according to Bangladesh Denim Expo, the organiser of the show.

Bangladeshi companies import more than 30 million yards of denim a month at a cost of \$75 million from countries like China, India, Pakistan and Turkey as the demand is on the rise.

Bangladesh exports denim fabrics and garments worth nearly \$2 billion a year to the \$60-billion global market, industry insiders said.

Industry people are hopeful that exports will increase to \$5 billion soon.

Currently, Bangladesh is the third largest denim exporter to the US, after Mexico and China, with an 11.3 percent market share, according to the US Department of Commerce.

Bangladesh exported \$418.42 million worth of denim products to the US in 2014, according to Bangladesh Denim Expo. Bangladesh holds a 22.88 percent market share of denim garments in the EU.

Bangladeshi entrepreneurs supply denim to major retailers and brands, including H&M, Uniqlo, Levis, Nike, Tesco, Wrangler, s.Oliver, Hugo Boss, Walmart and Gap.

Indian firm to work as consultant for Eastern Refinery expansion

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ERL processes crude oil imported by BPC and delivers the finished petroleum products to the companies of BPC for marketing and distribution.

The company produces 16 petroleum products and also processes natural gas condensate to the tune of 100,000 tonnes, according to the company's website.

Robi rolls out free Wi-Fi on buses

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"This is a great initiative to connect more people through the internet," said Tarana Halim, state minister for telecom, at the ceremony.

"I hope the mobile operators will continue to contribute to society in this manner." Chief Executive Officer of Robi Supun Weerasinghe said: "Robi is committed to enabling the government's vision of a Digital Bangladesh, and availability of internet is the prime enabler of this vision."

Matiul Islam Nowshad, chief corporate and people officer at Robi, said Wi-Fi technology provides the ultimate solution to addressing the growing demand for high-speed internet at affordable prices.

Stocks slide for third day

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Turnover, another important indicator of the market, dropped 20.2 percent to Tk 339.95 crore, with 8.29 crore shares and mutual fund units changing hands on the DSE.

Of traded issues, 72 advanced and 216 declined with 33 securities closing unchanged on the premier bourse.

ACI dominated the turnover chart with 3.79 lakh shares worth Tk 22.28 crore changing hands, followed by MJL Bangladesh, Doreen Power Generations and Systems, Ibn Sina and LankaBangla Finance.

Among the major sectors, fuel and power shares declined 1.32 percent in market capitalisation, followed by engineering that lost 1.3 percent, textiles 1.08 percent, general insurance 0.69 percent

and life insurance 0.61 percent. Conversely, miscellaneous and telecom sectors increased 2.21 percent and 0.66 percent respectively in market capitalisation.

Bangladesh Lamps was the day's best performer with 7.76 percent in gains, while United Insurance was the worst loser, shedding 11.52 percent.

Chittagong stocks also fell yesterday with the bourse's benchmark index, CSCX, declining 69.15 points or 0.84 percent to finish the day at 8,145.36 points.

Losers beat gainers as 156 declined and 50 advanced, while 36 finished unchanged on the Chittagong Stock Exchange. The port city bourse traded 72.19 lakh shares and mutual fund units worth Tk 21.28 crore in turnover.



Sultana Shikder Ahona, head of payroll banking at Mutual Trust Bank Ltd, and Aanchal Sharma, regional head of Vibes Healthcare (Bangladesh) Pvt Ltd, exchange documents of an agreement for payroll banking solution for the employees of Vibes Healthcare and value added service proposition for the customers and employees of MTB.

Fitch affirms stable outlook for Bangladesh

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Bangladesh scores poorly on a broad range of structural indicators, including the World Bank's governance indicator (23rd percentile versus the 'BB' median of 45th percentile). The difficult business environment is illustrated by the country's 174th ranking out of 189 countries in the WB's Ease of Doing Business report.

Bangladesh reached the WB's lower middle-income status in July 2015, but GDP per capita of \$1,291 remains well below the 'BB' peer category median of \$4,087.

Government debt of 33.7 percent of GDP in fiscal 2014-15 compares well to the 'BB' median of 42.5 percent.

However, the government's revenue intake of 9.8 percent of GDP is the second lowest of the 113 rated sovereigns after Nigeria, implying limited fiscal space to boost badly needed infrastructure development. The rating agency said the implementation of the new VAT law, planned for mid-2016, is likely to boost revenues. However, the impact will depend on the final tax rate and the degree of tax compliance.

It said the risk of banking sector contingent liabilities crystallising for the sovereign is substantial, although the small size of the banking sector, with loans of just 35.9 percent of GDP, would moderate the impact.

"The sector's health and governance standards are generally weak, particularly in public sector banks." Non-performing loans remained high for the banking sector as a whole at 8.8 percent in the fourth quarter of fiscal 2014-15 and 21.5 percent for public sector banks.

Recent changes in the Bangladesh Bank's leadership after the theft of \$101 million of its foreign reserves may impact banking sector policies. To step up the rating, Bangladesh will have to improve governance, which would strengthen the business climate and could enhance banking sector health, and sustained stronger real GDP growth, which would bring GDP per capita more in line with peers.

This could be, for instance, supported by a political environment that is more conducive for economic activity.

On the other hand, protracted substantial economic disruption from materialising political risk and deterioration in the banking sector's asset quality could trigger negative rating action, according to Fitch.