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Star BUSINESS

DHAKA FRIDAY APRIL 29, 2016

Sweeping amnesty sought for undeclared funds in real estate

FBCCI makes budget proposals to govt

STAR BUSINESS REPORT

People should be allowed to invest their undeclared income in the real estate sector without disclosing the source of the money to any government agency, the Federation of Bangladesh Chambers of Commerce and Industry said yesterday.

At present, one can invest undisclosed money to construct or purchase a building or an apartment without explaining the source of income to the National Board of Revenue.

The present rules do not guarantee that other government agencies will not raise questions about the source of the funds.

If undisclosed money is allowed for investment in real estate with a broader amnesty for 5 to 10 years, the sector will be able to come out of its current sluggish trend, the FBCCI said in its budget proposal.

As a result, more revenue will be generated, it said.

"If such laws are not re-introduced, a huge amount of money will be siphoned off. Already money is going out of the country through the 'Second Home' programme offered by various countries," the FBCCI said.

The proposals were placed at a pre-budget meeting co-organised by



Finance Minister AMA Muhith speaks at a consultative meeting jointly organised by the FBCCI and the National Board of Revenue at Sonargaon Hotel in Dhaka yesterday.

the apex trade body and the National Board of Revenue at Sonargaon hotel in the capital.

Gulam Dastagir Gazi, a ruling party lawmaker and a businessman, said: "We need to think about the undisclosed money afresh, as money is going out of the country."

Finance Minister AMA Muhith

said the upcoming budget will give emphasis on the health and education sectors. So far, transport and energy have been getting higher allocations in the budget.

FBCCI President Abdul Matlub Ahmad expressed his hope that the finance minister will give a specific guideline and long-term plan in the

upcoming budget.

He proposed 1 percent customs duty on import of capital machinery or basic raw materials, 3 percent for intermediate goods, 10 percent for locally produced intermediate goods and 25 percent for luxury items.

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Foreign aid policy in the works

Govt will discourage offers of foreign assistance if transaction costs are unacceptably high

REJAUUL KARIM BYRON

The finance ministry is set to formulate a foreign assistance policy that will make the government, development partners and NGOs accountable for not making the best use of aid money.

Called the 'National Policy on Development Cooperation', it aims to provide a consolidated framework for mobilising and managing development cooperation in Bangladesh, the Economic Relations Division said in a statement yesterday.

The development partners' commitment and disbursement will be regularly released in the publicly accessible Aid Information Management System, according to the draft policy, which was released yesterday.

On the basis of this, the ERD will publish an annual report on how effectively the flow is being managed by the development partners and the government.

The list of approved foreign-aided projects will be displayed on the ERD website and, where appropriate, on the district websites for public access to project objectives and intended development results, according to the draft.

The ERD, the relevant ministries, the planning ministry and the representative of the development partners will together evaluate the progress in implementation of the foreign-aided projects.

Often, allegations are made that large sums are spent on consultancy and the policy aims to crack down on this practice. The draft policy said the government will

have an active role in all stages of recruitment of consultants and professionals and ensure that they are need-based.

"No consultant and expert shall be recruited without informing the government."

The government will have the right to cancel or recommend cancellation of the contract of any consultant or expert if it deems their service to be beneficial to the implementation of the project or achieving its goals, it said.

The draft policy said the government will attach the highest priority to concessional loans with the least number of conditions, with its preference being that all aid be untied.

Some development partners continue to "tie" their aid, imposing restrictions relating to the source or nature of the goods and the services to be used.

Tied aid is contrary to the spirit of international agreements on development effectiveness and has the well-known consequence of reducing the real value of assistance by limiting competition in bidding and limiting the use of local markets.

Furthermore, in recent times, some bilateral donors bypassed the finance ministry and pursued the line ministries regarding extending loans provided that the equipment will be purchased from the donor's home country or a company of their choice gets the job.

The pricing invariably tends to be much higher on such deals, and the project's evaluation is also not done independently in such cases.

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Half of mobile money accounts inactive

MUHAMMAD ZAHIDUL ISLAM

More than half of mobile money accounts have gone inactive, with the number rising every month, according to data from Bangladesh Bank.

In February, there were 3.39 crore registered MFS accounts, and 59 percent of them were inactive. In the same month last year, 57.18 percent of accounts were inactive.

Banks are unable to attract mobile wallet users. In most cases, the agents open the accounts as they get a commission, but users are not interested in these services, said industry insiders.

Agents usually get Tk 30-50 to open a new MFS account, according to Abul Kashem Md Shirin, deputy managing director of Dutch-Bangla Bank.

"A large number of users think they are not getting enough benefits from this service, and that's why they lost interest," Shirin said.

In Bangladesh, e-commerce and other related services do not have a strong footprint yet, although banks and other service providers are trying to increase the number of active accounts, he said.

By the central bank's definition, if any account does not

register a transaction within 90 days, it will be categorised as inactive.

"The regulator wants to know the causes behind the falling numbers," said Subhankar Saha, executive director of Bangladesh Bank. The MFS sector has been flourishing in the last couple of years, with an increased volume of transactions every day; but the number of inactive accounts is also increasing.

The central bank is now thinking of increasing the limit of inactivity to 180 days from 90 days now, before classifying any account as inactive.

"An account holder may not feel an urgency to make a transaction through MFS in 90 days, but it doesn't mean that the account is inactive," said Saha.

Shirin suggested the regulator should put in place the dormancy policy as practised in the banking sector. If an account holder does not make transactions within one year, it should be classified as dormant.

Transactions through mobile phones rose 51.2 percent year-on-year to Tk 16,568.89 crore in February, on the back of increased economic activity, Bangladesh Bank said in a report. Monthly average transactions against every active account stood at Tk 11,833 in February from Tk 9,894 in the same month last year.

MFS: INACTIVE ACCOUNTS

Figures in crores



SOURCE: BB

Bangladesh emerges as robust market for apples

The country imports about \$100m of apples a year: report

SOHEL PARVEZ

Bangladesh has emerged as a robust market for apple producers due to rising demand for the imported fruit in the absence of local production, said the United States Department of Agriculture.

The country's import of apples was 140,000 tonnes a year on average between 2009 and 2014 and the value grew from \$68.8 million to \$103.5 million, the USDA said.

"While Bangladesh is generally viewed as a price-sensitive market, there are niche segment opportunities. The middle to upper class consumers are gradually demanding more diversified foods, including imported fruits such as fresh apples," the USDA said in a recent report, Robust Apple Export Market: Potential for Growth.

The USDA, citing industry sources, said it took approximately one month to sell 15 to 20 containers of apples in 1991. Today, an estimated 21 containers are sold per day.

The Food and Agriculture Organisation's data also shows a rising trend in apple import by Bangladesh. Import of the fruit grew more than four times to 142,886

BANGLADESH'S APPLE IMPORTS

IN MILLIONS OF \$

SOURCE: FAO



tonnes in 2011 from that in 2001, according to the FAO.

The value of imports rose 13.55 percent to \$114.6 million in 2011 from the previous year, according to data from FAO.

"Demand for fresh apples is robust in both urban and rural markets, especially with the middle and upper income consumers," said the agency. Dhaka is the consumption hub and absorbs around 30 percent of the imported fruit while Chittagong consumes 15 percent.

Modern retail outlets, high-end hotels and restaurants, fuel this rising demand but the unorganised sector, including push carts, street vendors, corner shops and weekly markets, constitutes the majority of food retail sales," it said.

The report pointed out that the top 20 percent of the population in terms of income accounts for 41.4 percent of total consumption.

The USDA said a variety of tropical and sub-tropical fruits are grown in Bangladesh but the country produces no apples.

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First LNG terminal to be ready by next year

STAR BUSINESS REPORT

The construction of the country's first liquefied natural gas (LNG) terminal will be completed by the end of December next year, said Nazimuddin Chowdhury, secretary of the energy division, yesterday.

Nearly 70 percent of the work has been completed so far, he said at the fifth business consultative meeting of the commerce ministry.

Petrobangla and US-based Excelerate Energy are setting up the terminal on the island of Moheshkhali in the Bay of Bengal.

The unit will provide natural gas to Chittagong, which has been facing an acute gas crisis for a long time.

A 90-kilometre pipe of 30-inch diameter will carry the gas from the floating terminal to Anowara to feed the national grid. The LNG will be imported from Qatar.

In 2010, the government took the step to import LNG in the wake of the declining reserves of natural gas.

the local wells," Chowdhury said, adding that a total of 108 wells are currently being explored for gas. The government plans to set up three more LNG terminals.

Chowdhury also hinted at a hike in gas prices for households and automobiles. But the rate for industrial use -- for example, the running of captive power plants -- might not be increased.

At the meeting, Abdul Matlub Ahmad, president of the Federation of Bangladesh Chambers of Commerce and Industry, urged the government to consult with businesses before the enforcement of the new value-added tax law from July this year.

Siddiqur Rahman, president of Bangladesh Garment Manufacturers and Exporters Association, called upon the government to disburse bank loans at 3 percent interest rate from the remediation fund provided by different donor agencies and development partners.

Finance Minister AMA Muhith chaired the meeting, while Commerce Minister Tofail Ahmed also spoke.

Beximco launches satellite TV service

STAR BUSINESS DESK

Beximco Communications has recently launched RealVU, a direct-to-home satellite television service, for the Bangladesh market.

RealVU signal is available everywhere across the country and the product will be available at selected and authorised trade partner locations in Dhaka, Sylhet and Chittagong divisions, the company said in a statement yesterday.

Beximco Communications is working to expand trade partner network from August this year, according to the statement.

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Moody's sees strong growth for Bangladesh

STAR BUSINESS DESK

Moody's Investors Service said Bangladesh's Ba3 government bond rating is supported by the country's stable and strong growth performance and modest debt burden.

However, low per capita income, persistent fiscal deficits and a factious political environment pose credit constraints, the company, a leading provider of credit ratings, research and risk analysis, said in a statement.

Moody's conclusions were reflected in its just-released credit analysis that examines the sovereign in four categories: economic strength, which is assessed as moderate; institutional strength -- very low; fiscal strength -- low; and susceptibility to event risk -- moderate.

investors, and is not a rating action, according to the statement.

Moody's report points out that for the fiscal year ended June 30, 2015, Bangladesh's GDP growth edged higher to 6.5 percent and the government projects a 7.1 percent expansion in fiscal 2016, supported by industrial activity and backed by a track record of macroeconomic stability.

However, weak infrastructure constrains potential growth for the country, it said.

Exports have remained in the positive territory, despite subdued levels of global trade. "But the undiversified nature of the export basket -- skewed towards textiles -- presents risks because Bangladesh could lose its export share to other emerging competitors over time."

As a net oil importer, Bangladesh is a beneficiary of lower oil prices, the

company said.

However, continued contraction in remittance -- due to slowing growth in the Gulf Cooperation Council economies, the primary source of remittances -- is likely to dent the external benefits of lower oil prices.

The government's weak revenue base also represents a credit constraint, resulting in persistent fiscal deficits, according to the statement.

"Such deficits would be higher were it not for Bangladesh's low development spending, which in turn limits the provision of public services."

Fiscal risks are mitigated by government debt ratios that remain modest, with debt primarily from concessional sources, it said.

Moody's assessment of Bangladesh's vulnerability to event risks as 'moderate' is driven by political risks, it added.