

\$300m WB fund to empower local government bodies

STAR BUSINESS DESK

The government yesterday signed a \$300 million financing agreement with the World Bank to strengthen local governments by establishing national budget transfers for all 4,550 union parishads, the lowest tier of local government.

Built on the success of two predecessor projects, the Local Governance Support Project-3 (LGSP3) will mainstream the annual financial audits of the union parishads and will benefit over 115 million people across the country.

The project will also pilot a fiscal transfer system for 16 municipalities in eight divisions, the multilateral lender said in a statement yesterday.

The eligible municipalities will receive expanded block grants to give them access to greater resources to respond to local service delivery priorities, it said.

"Over the past decade, the World Bank has been supporting the govern-

ment's vision of a stronger and more accountable local governance system," said Qimiao Fan, World Bank country director for Bangladesh, Bhutan and Nepal.

"Started in 2006, the LGSP was the first nationwide programme to provide block grants to union parishads to spend at their own discretion."

"With consecutive projects, fiscal transfer to union parishads for discretionary spending has increased 11-fold to Tk 2.23 million per union parishad in fiscal year 2016 from Tk 0.2 million in fiscal year 2007," Fan said.

"LGSP3 will continue the momentum, and the enhanced discretionary resources will enable local governments respond to local needs more effectively."

Since 2006, the World Bank has been financing the union parishad block grants. From the fourth year of the LGSP3 project, the government will fully finance the union parishad block grants out of national budgetary allocations with all the principal

features. LGSP3 will fully functionalise the web-based monitoring of union parishads functions developed under the predecessor project.

"Bangladesh has made significant progress in moving forward the decentralisation agenda as stated in the Seventh Five Year Plan," said Kazi Azam, secretary-in-charge of the Economic Relations Division.

LGSP3 will also continue community-based initiatives and strengthen women's role in decision-making. At least 30 percent of the grants will continue to be earmarked for schemes prioritised by women.

Azam and Fan signed the financing agreement on behalf of the government and the World Bank, at the ERD.

The zero-interest credit from the International Development Association, the World Bank's concessional arm, has a maturity of 38 years, including a 6-year grace period; and carries a service charge of 0.75 percent.

New VAT law to help businesses: ICAB

STAR BUSINESS REPORT

Doing business will be easier after the new VAT law takes effect, said Institute of Chartered Accountants of Bangladesh (ICAB).

But there are some challenges in the Value Added Tax Act 2012 which need to be addressed, said ICAB President Adeb Hossain Khan.

He made the comments at a seminar on 'New VAT Act 2012 and Rules 2016' at the ICAB auditorium in Dhaka

on Sunday, according to a statement.

Under the law, firms will have to register for VAT or sign up for turnover tax once their annual turnover touches Tk 80 lakh and Tk 30 lakh respectively, according to a paper presented by Muhammad Mehedi Hasan, a chartered accountant, at the programme.

He said taxpayers are required to deposit VAT to the state coffers and maintain a positive balance in their accounts under the existing VAT system. "Such advance payment of VAT will not be

required under the new law," he said.

Jahangir Hossain, member for VAT policy of the National Board of Revenue, said the current accounts of firms will no longer exist after the new law comes into effect on July 1 this year. He said the implementation of the law will reduce taxpayers' hassles.

AK Chowdhury, a former president of the ICAB, said the new VAT law has some complex features. "We have to learn more about the law because it will affect everybody's life."



Md Nurul Islam, president of American Chamber of Commerce in Bangladesh; AB Mirza Md Azizul Islam, former caretaker government adviser; Farooq Sobhan, former foreign secretary, and Muhammad Zamir, former foreign secretary, attend the monthly luncheon meeting of the trade body at the Westin Dhaka hotel yesterday.



Managing Director of Star Ceramics Ltd Syed AK Anwaruzzaman poses at an annual awards presentation ceremony to honour the company's partners, at Sonargaon Hotel in Dhaka on March 5.



Mosleh Uddin Ahmed, additional managing director of NCC Bank; Khaled Afzal Rahim, head of cards, and Shamim Hasan, head of sales and marketing at Best Western Plus Heritage, attend a deal-signing ceremony. The bank's credit cardholders will get up to 55 percent discounts on room tariff at the hotel in Cox's Bazar.



Md Arfan Ali, president and managing director of Bank Asia, cuts a cake to launch the third phase of online banking service of the "One House One Farm Project" of the government, at a ceremony at the bank's corporate office in Dhaka yesterday.

Norwegian fund's investment in Dhaka bourse rises six-fold

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The total market value of investments done by the fund is close to \$900 billion.

The fund was established in 1990 and is built up by revenues from oil and gas activities on the Norwegian continental shelf. The fund is managed by an entity under the National Bank of Norway.

The fund said it is saving for the future generations of Norway. One day the oil will run out, but the return on the fund will continue to benefit the Norwegian population.

The fund owns stocks in 9,000 companies in 77 countries. In total, it holds 1.3 percent of all public listed shares worldwide. To avoid pressure on the domestic economy all investments by the fund are made outside the country. The fund gained \$53 billion last year.

Apart from the Norwegian fund, several global investment banks such as Morgan Stanley, JPMorgan and Goldman Sachs as well as asset management firms such as BlackRock have presence in the capital market of Bangladesh.

However, foreign investment, also known as portfolio investment, accounts for only 1 percent of the premier bourse's total market capitalisation, which stood at Tk 372,662 crore at the close of trade yesterday.

Net foreign investment was Tk 1,340 crore in 2016, up from Tk 185 crore in the previous year.

Employees concerned as Chevron plans to sell assets in Bangladesh

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The government of Bangladesh is also interested to buy the assets of Chevron in the country.

Chevron operates the Bibiyana, Jalalabad and Moulvibazar gas fields and sells all the production to state oil company Petrobangla.

Its net daily production was more than 1,500 million cubic feet of natural gas in 2014-15, according to the annual report of Petrobangla. This accounted for more than half of the total national production.

Besides, it also produced more than 10,000 barrels of natural gasoline in the same fiscal year.

Union President Nazim Ahmed also spoke at the media briefing.

Regulator to revise SME loan guideline

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He emphasised creating new entrepreneurs instead of creating post for employment. "New entrepreneurs will generate employment automatically."

SK Sur Chowdhury, deputy governor of Bangladesh Bank, asked the banks to give more focus on small and medium enterprises and extend financial support to them.

Deutsche Bank to raise 8b euro, overhaul strategy

AFP, Frankfurt Am Main, Germany

Troubled German banking behemoth Deutsche Bank revealed Sunday a major shift in strategy, saying it plans to increase capital by issuing shares and renew its focus on its home market.

The Frankfurt-based bank will issue almost 690 million new shares in early April, with subscription rights for existing shareholders, to raise about 8.0 billion euros (\$8.5 billion), chief executive John Cryan said during a conference call.

Deutsche Bank had signalled such a move on Friday, but it is still a significant about-face for Cryan, who insisted until recently that the bank did not need to raise capital.

Office space owners at BGMEA building worried about relocation

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Md Nazrul Islam Mazumder, chairman of Exim Bank that also has floor space in the building, said they will sit with BGMEA leaders soon to reach an amicable solution.

"I hope there will not be a misunderstanding between BGMEA and Exim Bank in this regard," said Mazumder, who is also a leading garment exporter.

Siddiqur Rahman, president of BGMEA, said the trade body will act according to the court's verdict, but it will take a bit of time. "Some companies leased space from the building earlier. We will sit soon to finalise the issues."

On the decision to purchase land in Uttara for the office, Rahman said noting has been finalised yet. "We are looking for a good place in Uttara for the BGMEA building."

Earlier in 1998, then prime minister Sheikh Hasina laid the foundation stone of the BGMEA Building and former prime minister Khaleda Zia inaugurated the structure in October 2006.

The BGMEA building, constructed on two bighas of land, has a total space of 2.66 lakh square feet; the association owns 1.40 lakh square feet of this space. The rest was sold, leased or rented out to different individuals or companies.

The main building has different amenities like a restaurant, gymnasium, swimming pool, conference rooms and two-storey basement car parking. The total value of the building is more than Tk 300 crore, according to BGMEA.

Out of the building's 266,000 square feet area, BGMEA sold 125,000 square feet to different companies, including apparel manufacturers and exporters and two commercial banks. According to buyers of the space, BGMEA sold per square foot at Tk 5,000 a decade ago. So the price of the sold space (125,000 square feet) stood at Tk 62.5 crore at that time.

Revenue collection rises 18pc in Jul-Oct

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"Rather, it is regrettable that the reform agenda is not moving forward. The disagreements regarding implementation of the new VAT and SD Act must be resolved soon. It is blocking the progress in other reform agendas, including customs duty and direct tax. There has to be a concrete timeline to implement these reforms," said Khan.

Meanwhile, NBR chairman Rahman yesterday directed their field offices to organise income tax camps to provide better services to taxpayers, said a press release.

"Initially, income tax camps will be organised in all tax zones in Dhaka. Later, it will be organised throughout the country from time to time," said Rahman.



Additional Managing Director of United Commercial Bank Mirza Mahmud Rafiqur Rahman and Acting Managing Director of LankaBangla Finance Khwaja Shahriar attend a deal-signing ceremony at the corporate office of the bank. The cardholders of LankaBangla will be able to pay their monthly outstanding through UCash.