

Organic mango farmers overlooked for exports

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THE sweet scent of mango is in the air once again. But, instead of rejoicing, Rajshahi's orchardists are feeling uneasy. And the cause for their concern is the perplexing government attitude towards export of organic mangoes.

The organic mango growers in the region had invested earnestly to improve cultivation methods, prodded by an industry crisis several years ago brought about by excessive chemical use on mango crops.

They introduced the fruit-bagging method, which drastically cuts down the number of times mangoes are sprayed with pesticides before reaching the market.

Bagged mangoes are sprayed with pesticides about three times, in contrast to 62 times under the unethically-grown non-bagging method. Organic mango growers naturally hoped to benefit from increased exports. But the reality has been starkly different.

"They have produced a safe, organic crop but the government is failing to notice it. The farmers are dispirited now," said Md Anwarul Hoque, the convener of the Rajshahi Agro Food Producers' Society, which represents about 300 organic mango producers from Rajshahi and Chapainawabganj.

There is a general concern that the loss-generating disregard for organic mangoes seen last year will prevail in export selection again, he said. Only about three tonnes of organic mangoes were selected for export out of the total export of 324 tonnes in 2017.

This gross disregard cost the organic producers about Tk 50 crore, who had substantially bumped up their production hoping to export 5,000 tonnes of mangoes after moderate success the previous year.

In 2016, 90 percent of the 665 tonnes of mangoes exported were sourced from the Rajshahi region.

On July 10 last year, on behalf of the aggrieved organic mango farmers, Hoque submitted a complaint to the Prime Minister's Office about the Department of Agriculture Extension's export management, especially to the lucrative European Union market. He alleged that some officials in the depart-



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ment's plant quarantine wing were persuaded to unduly favour mangoes produced through non-bagging method for export.

Hoque's allegations were subsequently investigated by a committee led by the chairman of the Bangladesh Food Safety Authority, Mohammad Mahfuzul Haque.

The Daily Star obtained a copy of the probe report, submitted on November 1 last year. The report stated that the DAE's officials did demonstrate 'neglect and apathy' towards organic mangoes. The committee found a lack of coordination between the safe mango producers, the department and its quarantine wing.

Subsequently, the report recommended the promotion of organic mangoes in the coming years in line with the national action plan for safe fruit production.

But the organic growers are yet to see any action by the DAE. "Nobody has made any contact with the organic mango farmers to

discuss exports yet," Hoque said.

For mango exports to the EU, exporters are required to enter into contract arrangements with growers through the DAE in advance, said Mohammad Mohsin, the department's director general.

"It is not the method of cultivation that we foremost consider but whether or not the mango crop can meet the prescribed qualities set by the importing countries."

Mohsin said the probe committee's recommendations were implemented -- including the preference for mangoes produced using the fruit bagging method.

"We arranged contracts with 312 organic mango farmers in the Rajshahi region in November, with the aim of facilitating exports by 28 exporters," he added.

Agriculture department officials in Rajshahi and Chapainawabganj, however, said they are unaware of any such contracts.

WB funds to help microenterprises adopt cleaner technologies

STAR BUSINESS REPORT

The government yesterday struck a financing agreement with World Bank (WB) to help microenterprises adopt cleaner technologies.

The \$110 million Sustainable Enterprise Project will help about 20,000 microenterprises in the manufacturing and agribusiness sectors adopting environment-friendly practices. It will provide loans to microenterprises for innovative and environmentally sustainable technologies and practices.

"Around the globe, we have seen that investing in clean, green, and climate-resilient technologies helps countries reduce poverty and achieve sustainable growth," said Qimiao Fan, country director of the WB, in a statement.

"The project will help Bangladesh create quality jobs, improve competitiveness and boost growth while improving environmental sustainability."

According to the development lender, half of the country's population depend on 7 million existing microenterprises for livelihoods. But 90 percent of these cause a negative impact on the environment.

For example, a 2014 survey shows only 6 percent of microenterprises disposed of solid wastes properly.

The project will promote basic safety standards, certify eco-labeled products and introduce resource-efficient technologies.

"In recent years, the government of Bangladesh has taken concrete steps to promote a greener, cleaner, and more climate-resilient economy," said Kazi Shofiqul Azam, secretary to the Economic Relations Division. "This project will contribute to more sustainable growth."

The credit is from International Development Association, the WB's concessional lending arm, and has a 38-year term, including a six-year grace period and a service charge of 0.75 percent.

Budget allocation sought to tackle climate change

STAR BUSINESS REPORT

Speakers at a workshop demanded an allocation to tackle the impacts of climate change in the upcoming budget to mitigate the losses and damages.

"We need huge amounts of money to mitigate the impacts of climate change," said Ainnun Nishat, professor emeritus of Brac University.

Nishat's comments came at a workshop styled "Climate Budgeting and Accountability in Bangladesh", organised by the International Centre for Climate Change and Development (ICCCAD) at Nascent Gardenia at Baridhara yesterday.

The government will allocate a large chunk of the budget for construction of roads next fiscal year as it is the election year, he said. "But, there is question how the money will be used," he added.

Fahmida Khatun, executive director of the Centre for Policy Dialogue, said the government gives attention to businesspersons before preparing the national budget but not the civil society or others.

"For a long time we have been very vocal about a specific allocation for climate change but there has been no reflection in the budget," she added.

The members of parliament have no idea about climate change, so they do not discuss the important issue in the house during the budget session, said Rashed Al Mahmud Titumir, chairman of Unnayan Onneshan.

He emphasised energy security to face the challenges of climate change.

The government completely failed to become a beneficiary of the \$100 billion-fund committed by the developed countries to combat the effects of climate change, said Saleemul Huq, director of the ICCCAD. He also alleged that the finance ministry was not interested in allocating funds for climate change issue.

Paul Steele, chief economist for International Institute for Environment and Development, urged the media to give more coverage to issues pertaining to climate change to bring them to the government's attention.

Japan's GDP ends best growth run in decades



A shop employee holds a placard to attract customers in Tokyo.

REUTERS, Tokyo

Japan's economy contracted more than expected at the start of this year, suggesting growth has peaked after the best run of expansion in decades, unwelcome news for a government struggling to get traction for its reflationary policies.

The world's third largest economy shrank by 0.6 percent on an annualized basis, a much more severe contraction than the median estimate for an annualised 0.2 percent decline.

The contraction, which was driven by declines in investment and consumption and weaker export growth, comes as Japan Inc frets over the possible effects of U.S. President Donald Trump's protectionist policies on exports.

It also highlights the central bank's vulnerability to an economic or financial shock after five years of heavy monetary stimulus has left it with little ammunition to defend growth.

Economy Minister Toshimitsu Motegi said there was no change to the government's view that the economy was recovering moderately, predicting a resumption in growth to be driven mainly by private consumption and capital expenditure. "But we need to be mindful of the impact of overseas economic uncertainty and market volatility," he added.

External demand - or exports minus imports - added just 0.1 percentage point to first-quarter GDP as imports slowed more than exports.

However, a breakdown of the data shows export growth is losing momentum,

expanding just 0.6 percent in the first quarter after growth of 2.2 percent October-December last year.

Slower export growth reflected a decline in shipments of mobile phone parts and factory equipment in the quarter, a government official said.

This is a concern for Japanese manufacturers because many of these machines and electronic components are sent to China, where they are used to produce goods for export, but this trade is at risk if the Trump administration's threatened tariffs on Chinese exports go ahead.

"Globally, IT-related items have been in an adjustment phase, which weighed down Japan's exports and factory output," said Yoshimasa Maruyama, chief market economist at SMBC Nikko Securities.

Economists say Japan's first-quarter contraction is temporary, but the rebound will not be nearly as strong as previous quarters. "The economy is not headed for a recession," said Hiroshi Miyazaki, senior economist at Mitsubishi UFJ Morgan Stanley Securities. "However, it is clear that in the long term the pace of growth is slowing."

Wednesday's data marked the end to eight straight quarters of economic expansion, which was the longest stretch of growth since a 12-quarter run between April-June 1986 and January-March 1989.

Fourth quarter growth was revised to an annualized 0.6 percent, down from the 1.6 percent estimated earlier.

Capital expenditure fell 0.1 percent, down for the first time in six quarters, suggesting corporate investment is not as strong as many economists had expected.

India's small businesses find credit in short supply after mega-fraud

REUTERS, Mumbai/New Delhi

WHEN a \$2 billion dollar fraud at state-run Punjab National Bank rocked India two months ago, Chetan Hemani and other small business owners could have been forgiven for thinking "what's that got to do with me?"

Confident of his good credit record and long relationship with his bank, Hemani, who is a pharmaceutical machinery manufacturer and exporter, had thought getting approval for a 25 percent overdraft above his 10,000,000 rupee (\$153,330) credit limit would be little more than a formality.

But when Canara Bank, another state-run lender, turned down his request in March, Hemani says he gleaned from conversations with bank officers that he was a collateral casualty in the fallout from India's biggest banking scandal.

"It is suffocating," Hemani said. "When influential people defraud a big bank like PNB and run away, there is nothing they can do. All they do is to squeeze retail borrowers."

The banks' increased rigor risks throttling one of the most vibrant parts of India's economy - the micro, small and medium enterprises (MSME) sector that has been growing at 10 percent annually for several years, according to government figures.

It is also a segment that contributes almost 38 percent of India's gross domestic product, employs some 100 million people, and accounts for 45 percent of India's manufacturing output and 40 percent of its exports.

Two years ago, these vulnerable businesses were stung by Prime Minister Narendra Modi's decision, with no forewarning, to take large denomination bank bills out of circulation overnight in a bid to flush out tax evaders.

They were hit again last year by the chaotic implementation of a nationwide goods and services tax (GST), aimed at replacing various taxes and duties levied by different states.

Canara Bank said it had not changed policy as a result of the PNB fraud.

"We were quite careful in sectional advances, quite cautious earlier also (in extending loans)... as such no effect" on loans extended to small businesses, said Chief Executive Rakesh Sharma.

But data for the sector as a whole does suggest there has been a tightening of credit. PNB disclosed in mid-February it had been the victim of a massive fraud.

For the February to March period lending to small businesses has fallen by 0.2 percent, though overall lending in the economy grew 5.9 percent. Lending to small businesses in the same period a year ago grew 5.8 percent.

At least three managers at branches focused on lending to small businesses all said that they have become much more stringent in



A woman tests LED bulbs after installing them onto a grid to make indicator lights inside an electrical manufacturing unit in Mumbai.

REUTERS

disbursing loans after the PNB scandal.

"Everybody is cautious. We are following the exact rule book so that there's no deviation," said a branch manager of a state-owned bank who did not wish to be named.

"After the PNB scam, vigilance levels are very high and bankers are scared. I had overlooked some rules earlier just to help a business in distress. I cannot do it now," he said.

Bankers, however, also cited other reasons why small businesses were being hit.

In February, the Reserve Bank of India tightened rules in a bid to identify and deal with stressed loans quickly.

Bankers said this meant reporting and classifying loans as low as 50 million rupees (\$744,213) as potential defaults within 30 days of a missed payment, largely impacting small businesses.

Bankers also cited the discontinuation of buyers' credit, or letters of undertaking (LoUs), for importers after the PNB fraud. The form of trade finance, once widely used by small businesses, was allegedly misused to perpetrate the PNB fraud, prompting a regulatory crackdown. The PNB fraud has had a direct impact on trade finance, said, Rupa Rege Nisture, Group Chief Economist of L&T Finance, adding this hurts small businesses involved in labor intensive industries.

The LoU ban has forced many small businesses to seek short-term credit instead, according to another manager of a state-run bank's small business branch, noting these need more approvals and come with higher

interest rates.

Several other small business owners told Reuters they too had struggled to get credit, with banks more wary of taking loan decisions based on past relationships with customers since the PNB fraud.

Inder Preet Anand, who owns a workshop and employs six people assembling strobe lights at a Mumbai industrial estate, told Reuters she was rejected by her bank for an overdraft of 13,000 Indian rupees (\$192.94) in February. "I cannot give loans on relationships, we need to be strict or else after a few years I might be arrested," a branch manager said on condition of anonymity. He said there was "a lot of pressure" from regional head offices to follow rules to the letter.

After the \$2 billion fraud at the country's second biggest state lender, several bank officials were arrested by India's federal police. A first set of formal charges against 22 people, including a dozen bankers, was filed in the case on Monday.

All this had led to fear among bank employees, say several bankers.

"Bankers fear taking commercial decisions that may later on be scrutinized through a law enforcement lens," said the head of one state-run bank, who also asked not to be named.

He also noted that, unlike sizeable syndicated loans to major companies that are approved by a committee of bankers, loans to the MSME segment often only need approval from a branch manager, putting much more scrutiny on an individual if things sour.