Revenue, job creation dismal despite high GDP growth

A government report finds

Star Business Report

Though the economy has been growing at a healthy pace in recent years, it has failed to raise revenue collection and private investment and create jobs as planned, according to a new government report.

COLLECTED

***From right*, Shamsul Alam, member of General Economics Division; Salman F Rahman, prime minister's adviser for private industry and investment; MA Mannan, planning minister, and HT Imam, prime minister's political affairs adviser, unveil a report -- Implementation Review of the Perspective Plan (2010 to 2021) -- at the National Economic Council in Dhaka yesterday.**

"Considerable success was achieved on structural transformation," according to the implementation review of the Perspective Plan 2010-2021.

It also identified a number of challenges which ought to be addressed in a systematic manner to realise the targets of the Seventh Five-Year Plan.

The General Economics Division (GED) of the planning commission launched the report at the conference room of the National Economic Council in the capital's Sher-e-Bangla Nagar yesterday.

The report found three major disappointments in failure to increase the private sector investment as per target during the period, failure to increase the tax-to-GDP ratio, and slower pace of job creation.

There was also inability to increase allocations for education, health and social protection for the poor and the vulnerable.

"These shortfalls should serve as guidance for revamping of future strategies," the report said, which reviewed the period from 2010-11 to 2017-18.

"While the overall fiscal management was prudent, the biggest disappointment was domestic revenue mobilisation," Prof Shamsul Alam, a member of the GED, said while making a presentation on the report.

In the first three years of the plan, the revenue had shown some significant gains, but the buoyancy in tax revenue disappeared thereafter and recorded a declining trend during the remaining years (FY13-FY17).

"By 2014-15, the tax-to-GDP ratio fell to 8.5 percent, which was well below the FY10 level."

The report credited the initial progress to some minor reforms related to the VAT system and the widening of the base for withholding of VAT and direct taxes at sources.

On the tax administration side, the first five years of the plan saw no systematic improvement due to the National Board of Revenue's inability to automate the business process associated with VAT and direct tax administration.

It also said the VAT law, which was enacted in 2012, could not be implemented until 2017 due to political and business pressure.

Nevertheless, a very large pool of educated youth remained unemployed primarily due to much slower than planned job creation in manufacturing and modern services.

The manufacturing sector expanded at double digit rates but job creation in the sector was not enough to allow more rapid intake from the growing labour force as well as from low-income agriculture and informal services.

The report said the slowdown of employments in the garment sector since 2013 has been particularly problematic.

The situation became more difficult because of the shortage of skilled workforce, adoption of labour-saving technologies and an inevitable consequence of widespread automation in industry.

"The employment challenges require utmost policy attention during the remaining years of the Perspective Plan."

READ MORE ON B3

Sanofi to pay staff gratuity, provident fund before exit

Refayet Ullah Mirdha

Sanofi's top management has agreed to pay service benefits to employees in the form of gratuity and provident fund before selling off its shares in Bangladesh, said some employees.

Abdur Razzaque, president of Sanofi employees' platform Sramik-O-Karmachari Union, confirmed that the top management has provided this assurance to the employees.

However, Sanofi needs to pay compensation as the employees risk losing their jobs once new owners take over the company, he said.

"I hope Sanofi will also agree to pay the compensation to the employees as the negotiation (for change in ownership) is ongoing," Razzaque told The Daily Star over the phone.

"We do not want any third party buyer to pay the service benefits and compensation. We want Sanofi itself to pay it," said an executive of the company asking not to be named.

The employees do not have any confidence on such third party payments as there is a possibility of being cheated of it, he said.

Sanofi Bangladesh Managing Director Muin Uddin Mazumder could not be reached for comment despite several attempts.

So far, names of some domestic companies, especially pharmaceutical ones, such as MGH, ACI, Akij Group and Beximco Pharmaceuticals have surfaced in media reports regarding interest shown for the purchase of Sanofi's shares.

The government has also expressed interest in making the purchase.

Md Abdul Halim, secretary to the industries ministry, said Bangladesh Chemical Industries Corporation (BCIC), which owns over 45 percent of Sanofi Bangladesh's shares, has already expressed interest in buying the rest of the shares.

"Being a partner of Sanofi, the BCIC, a body under the industries ministry, has the priority right to purchase the Sanofi shares," Halim said, adding that he held a meeting in this regard with the Sanofi's top executives in Dhaka on November 20.

READ MORE ON B3

India extends time for mandatory use of jute bags

Pallab Bhattacharya, *New Delhi*

The Indian cabinet yesterday extended the time for mandatory packaging of foodgrains and sugar with jute material for the jute year 2019-20 in order to help the struggling sector in eastern and northeastern states.

The approval was accorded at a cabinet meeting presided over by Indian Prime Minister Narendra Modi.

The decision of the cabinet mandates that 100 percent of the foodgrains and 20 percent of the sugar shall be mandatorily packed in diversified jute bags, according to an official statement.

It said the decision to pack sugar in diversified jute bags will give an impetus to the diversification of the jute industry.

The decision also mandates that initially 10 percent of the indents of jute bags for packing foodgrains would be placed through reverse auction, according to the statement.

The cabinet approval will benefit farmers and workers located in eastern and northeastern regions of the country, particularly in the states of West Bengal, Bihar, Odisha, Assam, Andhra Pradesh, Meghalaya and Tripura.

READ MORE ON B3

NEWS IN brief

Islami Bank's Tk 600cr bond gets nod

The stock market regulator has approved a proposal of Islami Bank to raise Tk 600 crore by issuing mudaraba redeemable non-convertible subordinated bonds.

The bond will have a tenure of seven years and the proceeds will be used to strengthen the bank's tier-2 capital base. The offer price will be Tk 1 crore per unit.

Power Grid to pay off BPDB in shares

The Power Grid Company of Bangladesh is going to pay off one of its shareholders, Bangladesh Power Development Board (BPDB), Tk 251.81 crore in the form of 25.18 crore shares.

The BPDB had made the strategic investment in the listed company in the form of electricity transmission lines and renovations and augmentations of grid substations, vehicles and other transmission infrastructure.

The shares would be locked, meaning those cannot be sold without approval from the Bangladesh Securities and Exchange Commission.

Funds worth $37tr failing to meet climate goals: analysis

AFP, *Reuters*

THE world's largest investment funds -- controling a mammoth $37 trillion in assets -- are failing to bring their portfolios in line with the Paris climate goals, new analysis showed Wednesday.

The funds control portfolios containing a fifth of the total value of world capital markets, yet their investments in sectors such as automobiles and coal puts them "significantly at odds" with the Paris aim of limiting global warming to well below two degrees Celsius (3.6 Farenheit), the Britain-based think tank InfluenceMap said.

Experts analysed 50,000 listed funds controlled by 150 finance giants and found $8.2 trillion of holdings in oil and gas, coal mining, car manufacturing and electric power.

InfluenceMap found that within those sectors the funds were still tending towards investing in companies deploying so-called "brown technologies", and that they were under investing in renewables and other green tech.

"The majority of companies in these sectors are very far from aligning their business models to meet the goals of Paris," it said.

Recent years have seen a global movement calling on shareholders to stop their institutions investing in fossil fuel use and exploration.

According to the climate campaign group 350.org, $11 trillion has already been committed to be divested.

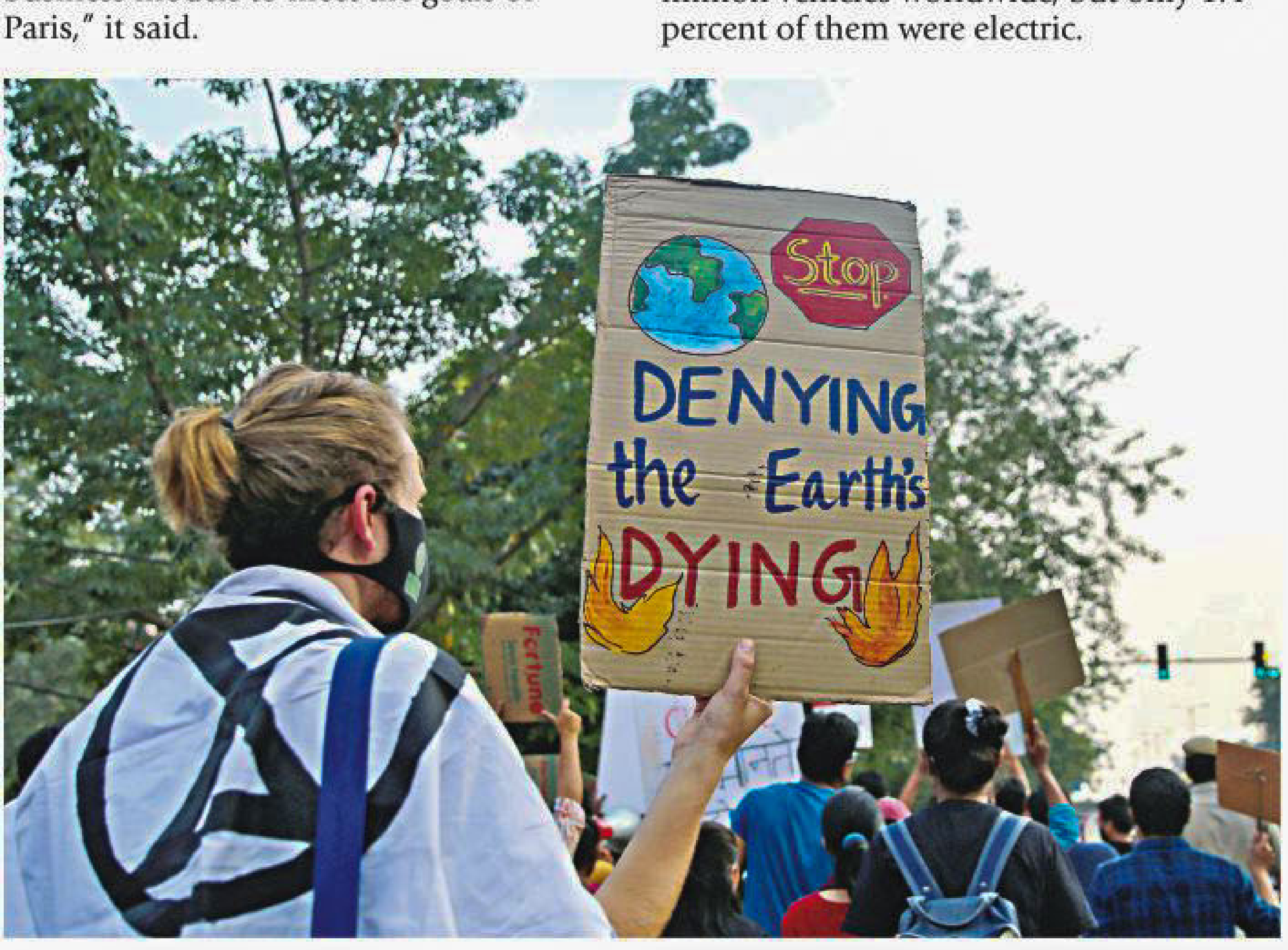
But the industry pushback has been hard, with pension and sovereign wealth funds seeking to draw down their fossil investments challenged by shareholders in companies belonging to their portfolios.

"There's been this big movement in the last decade about sustainable finance being a driver for improving things in the real economy in the absence of strong government action," said InfluenceMap's executive director Dylan Tanner.

"If the finance sector is making broad statements about being in line with the Paris agreements, that would suggest their portfolios should aim for that alignment," he told AFP.

"It's clear that they do not." This was clearest in the automotive sector, where institutional reluctance to green production lines and sophisticated lobbying techniques are holding back progress, the report said.

In 2018, carmakers produced 96 million vehicles worldwide, but only 1.4 percent of them were electric.



REUTERS/FILE

A demonstrator wearing a protective mask holds a placard during a "Fridays for Future" march in New Delhi, India.

Incoming EU chief vows to build green superpower

Reuters, *Strasbourg*

BRUSSELS' next top official Ursula von der Leyen set out an ambitious plan for a green and digital transformation of the EU economy Wednesday, as she urged MEPs to approve her top team.

The 61-year-old conservative takes office with Europe challenged to find its new role in a dangerous world, and with Brussels' power undermined by Franco-German rivalry and Britain's imminent exit.

But, addressing the European Parliament in Strasbourg, the former German defence minister endeavoured to strike an upbeat note, urging lawmakers to approve her 27-strong commission so that she can get to work on December 1.

"I ask for your support to give Europe a new start," she said, in a largely well-received speech attended by the massed ranks of the nominated commissioners and in which she shifted fluently between English, French and German.

"Our union will embark on transformation that will touch every part of our society and economy and we will do it because it will be the right thing to do, not because it will be easy," she said.

Hailing the Dutch vice-president that she was obliged to pick as her deputy by EU member states, socialist Frans Timmermans, as the right man for the dossier, she promised a "European green deal... for the health of our planet, our people and our economy."

- Trade superpower - As well as promising measures to combat climate change, von der Leyen insisted that Europe has the heft to lead the world in a digital economic revolution.

"We are the world's trading superpower," she boasted. "We are the largest source and destination of foreign direct investment anywhere in the world.

"We should harness this twin power of digitalisation and climate transition to boost our industrial base." Von der Leyen can expect to see her commission approved, but her own appointment to succeed Jean-Claude Juncker as president was approved in July with only nine votes more than she needed, a narrow margin in EU politics.

Three of her initial nominees to the commission were rejected during the parliamentary confirmation process -- an unprecedented snub -- weakening her from the outset.

Nevertheless, EU diplomats and parliamentary leaders are cautiously optimistic she will clear Wednesday's hurdle, a public vote of MEPs at 12:30pm (1130 GMT).

"Our priorities are a crucial part of the von der Leyen commission," said Manfred Weber, head of the parliament's centre-right EPP bloc and himself a disappointed former presidential hopeful.

"In 2024 Europe will have the most ambitious and inclusive climate policy in the world, a European border and coast guard, transformed Europol into a European FBI, a master plan to fight cancer and created millions of jobs." The July vote to confirm von der Leyen was conducted by secret ballot, allowing many MEPs to vote against her in protest at the EU leaders' political tactics.

But Wednesday's roll-call to approve the commission as a whole will be conducted openly, helping the main centre-right, social democratic and liberal factions to whip support.

The commission has members from across the political spectrum and 12 out of 27 of the members will be women, not quite the parity that was promised but the highest number ever in the European Commission.

There will nevertheless be opposition. The parliament's eurosceptic, far-left and right-wing populist parties will vote against, and the sceptical Greens have said they will abstain.

REUTERS

European Commission President-elect Ursula von der Leyen addresses the European Parliament in Strasbourg, France, on November 27.

Hong Kong-based investors still show appetite to invest in the city: survey

Reuters, *Hong Kong*

MOST Hong Kong-based investors are maintaining a positive investment appetite for 2020 despite a challenging local market including an economic slowdown and social unrest, property consultant Colliers International said on Wednesday.

In Colliers' latest survey 71 percent of the respondents said they are looking to invest within Hong Kong, while 57 percent said their focus will be on value-add investments, which are generally moderate to high risk.

The survey, conducted between Oct. 15 and Nov. 19, covered a pool of 79 developers, REITS, private funds and family offices based in Hong Kong.

"Whilst the property market enters a consolidation phase, we expect the next 12 months to be a buyers' market in Hong Kong, with investors looking for assets with discounted prices, which will likely have longer negotiation periods," said Rosanna Tang, Colliers' Hong Kong and Southern China head of research, in a statement.

Hong Kong sank into recession for the first time in a decade in the third quarter, as more than five months of political protests plunged the city into its worst crisis since it reverted from British to Chinese rule in 1997.

According to another consultancy Knight Frank, rents of premium office space dropped 11 percent in the past five months.

Colliers added 38 percent of the respondents said they will likely to be "net buyers" in 2020, compared to 17 percent "net sellers", indicating investors have no urgency to sell their assets.

On the other hand, 89 percent investors said they will invest outside of Hong Kong in the next 12 months, with 49 percent expecting to increase their Greater Bay Area investments in the next three years.