

EU poised to unveil green-friendly investment list

AFP, Brussels

The European Commission will next week present the first part of a "green taxonomy" list of energy sources and technology to be labelled as sustainable investments, but a question mark hangs over the inclusion of natural gas.

The classification system, to be published on Wednesday, is mandated under a 2019 agreement between member states and the European Parliament meant to define durable economic activities and green finance.

It seeks to define what the EU would deem as sustainable as it moves towards a goal of Europe becoming carbon-neutral by 2050, with criteria focusing on mitigating climate change or preparing for it.

A second commission proposal is to follow later this year covering four other subjects -- protection of water and marine resources, the circular economy, preventing pollution and biodiversity -- all part of the EU's "Green Deal" to reach that ambition.

For an investment to be considered "green" it has to meet one of these objectives without hurting any of the others.

The proposal is to become a "delegated act", meaning it becomes law unless member states or the European Parliament reject it. But a leak of the commission's taxonomy list last month raised an outcry from NGOs, experts and MEPs, in particular over the inclusion of gas as a partially



European Union flags flutter outside the EU Commission headquarters in Brussels, Belgium.

sustainable energy source.

Nine experts the commission consulted threatened to break off cooperation over the perceived "greenwashing", according to a letter sent to the commission and seen by AFP.

The commission plan, according to the leak, is to have gas-fuelled power stations labelled as "green" as transitional facilities

up to 2025 where they replace ones using coal.

One of the experts signing the letter, Sebastien Godinot, economist at the environmental protection NGO WWF, said that would give a "blank cheque" to gas operators and risk a long-term dependence on fossil fuels. "This proposal could potentially create a direct incentive to build

even more gas co-generation plants than already planned", Godinot warned.

A Green MEP from the Netherlands, Bas Eickhout said: "A gas-fired power plant built now is there to stay for 40 years. So brings you way over the 2050 deadline. "As a result, "we are going to object" to the commission proposal, based on the version leaked in March, Eickhout said.

Several sources said that the governments of Austria, Denmark, Ireland, Luxembourg and Spain had written a joint letter to the commission to voice their objection to including gas in the taxonomy.

Godinot noted that, while natural gas releases less carbon dioxide than coal, it also emits methane, considered a worse greenhouse emission. Other points of discord are the commission's approach to forestry and logging, seen by some as not rigorous enough, and it automatically classifying bioenergy as durable even when the biomass it uses comes from dedicated farmland.

A French news website, Contexte, said on Thursday that the commission has been forced to revise its document and could revert to an ordinary legislative process that would be much longer.

The commission did not confirm that. An EU source said the text it is to present is "still in development" and stressed how technical it was. "Right now, we're talking about a general approach to gas. Further analyses are needed," the source said.

AFP

The three million African farmers who supply most of the world's cashew nuts aren't cashing in on the booming demand due to a lack of processing facilities, a UN body said on Friday.

World production and trade in raw cashew nuts have more than doubled since 2000 with African producers, led by Ivory Coast, accounting for almost two-thirds of the growth.

But the continent's farmers and exporters get only a fraction of the final retail price, according to a new report by the United Nations Conference on Trade and Development (UNCTAD). "Countries that grow cashews but don't process them at a significant scale retain only a small share of the value created as the nut travels from the farm to store," said Miho Shirotori, who leads UNCTAD's work on trade negotiations and commercial diplomacy.

"African farmers, exporters and workers are missing out on a wealth of opportunities," she added.

Cashews thrive in the tropical climates of 20 western and eastern African nations, where about 90 percent of the raw cashew nuts traded in the global market are grown. Behind Ivory Coast the main producers are Tanzania, Nigeria, Benin, Guinea-Bissau, Mozambique and Ghana, according to UNCTAD.

Emerging central banks hike rates in March

REUTERS, London

Emerging market central banks delivered five net interest rate hikes in March, marking the end of an easing cycle which started in 2019 as central banks in the developing world grapple with rising inflation pressures.

Across a group of 37 central banks in developing economies, policy makers in Ukraine, Georgia, Brazil, Turkey and Russia raised interest rates, many delivering bigger hikes than expected. This follows a total of two net interest rate cuts in February.

Analysts said the recent rise in global bond yields had pushed some central banks into normalising record-low interest rates.

"We expect several LatAm (Latin American) economies to start to tighten as well," said S&P Global Ratings analysts in their monthly report.

"Curves are pricing in hikes over the next 12 months in several other countries, including Colombia, Chile, Mexico, and the Philippines (and more hikes in Brazil and Russia)."

The tally between rate cuts and hikes across the group of 37 according to Reuters calculations has been negative or zero since February 2019. This has been the longest easing cycle since the 2008 financial crisis and the 2010 euro crisis.

At the peak of the easing cycle in March last year, 27 of the 37 central banks cut interest rates, trying to protect their economies as the fallout from the coronavirus pandemic rippled through markets around the world.

3 lakh paddy growers in distress

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Similar assistance may be provided to the farmers if they become affected while cultivating Aus or Aman paddy. Some affected farmers may be given cash incentives, they said. Md Asadullah, director of the field services wing of the DAE, said the agency had sent a primary proposal to the agriculture ministry.

"The ministry will decide on the matter soon." According to DAE officials, crops worth Tk 5 crore might have been damaged.

"There have been some damages. But it will have no impact on our food security," said Asadullah.

"Farmers have grown Boro paddy on 56,000 hectares more land than our target this year."

Another hike in edible oil prices

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Similarly, palm oil prices grew by 8per cent to Tk 4,100 per maund yesterday from Tk 3,800 on April 14.

"Prices are increasing as the supply of oil is falling short of the market demand," said Abdur Rahman, a wholesale trader in Khatunganj market.

Abul Hashem, general secretary of Bangladesh Edible Oil Wholesalers Association, echoed the same.

Importers and traders said that the local edible oil market has once again become unstable as prices in the international market have risen over the last few days.

Besides, the ongoing coronavirus pandemic and recent surge in infections has also affected supply from major edible oil exporters.

Moreover, the supply chain is being disrupted due to the countrywide lockdown, they added.

Biswajit Saha, director for corporate and regulatory affairs at City Group, said the bulk of Bangladesh's soybean and soybean oil demand is imported from Brazil and Argentina. However, production and supply has been hampered in those countries due to the resurgence of Covid-19, he added.

Saha went on to say that the price of soybean may increase further in the international market, which will have another impact on the local market.

Abdur Rashid, a wholesaler at Khatunganj market in Chattogram, said the supply of edible oil has not increased in line with the higher demand during Ramadan.

Bangladesh consumes roughly 20 lakh tonnes of edible oil annually and the fasting month of Ramadan accounts for 10 per cent of that yearly requirement, data from the Department of Agricultural Marketing shows.

Rashid blamed millers for the reduced supply, citing that he did not receive the delivery of edible oil consignments against orders made two weeks ago.

Automation could have boosted tax receipts: NBR

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Regarding the tax on foreign nationals working in Bangladesh, he suggested offering exemptions for stipulated periods.

Some countries offer exemptions for five years, he said, adding that Bangladesh can introduce such a policy which would force them to leave Bangladesh afterwards.

Experts at the conference also suggested that the NBR conduct research and take strategic decisions on allowing exemptions to increase revenue collection from the private sector.

Suggesting that the NBR timely publish annual reports, they said market trends were rapidly changing and timely availability of

information would benefit potential investors, policymakers, economists and organisations in assessing the economy, performance and taking decisions.

Hossain of the NBR said they would try to incorporate some of the proposals within the current fiscal year and some would be incorporated focusing the upcoming budget, especially during the formulation of the new income tax law.

He informed that the new law, which was now being reviewed for a third time, would be sent to the cabinet after the end of the financial year.

Addressing as chief guest, Planning Minister Muhammad Abdul Mannan hoped that the discussion would help

remove complexities in application of tax laws and increase transparency.

He said the ICAB's web-based document verification system would enhance transparency of financial information which ultimately would reduce tendencies of tax evasion.

ICAB President Mahmudul Hasan Khusrul said the country's tax to GDP ratio was exceptionally low compared to that of other countries in the region, which indicated that there must be some incompatibilities.

He said the country's tax system was gradually improving, raising more revenue and reducing dependency on aid. Former ICAB president Md Humayun Kabir was in the chair while NBR members Syed Golam Kibria and Masud Sadik also spoke.

Attracting FDI more crucial than ever: experts

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He urged government officials to create a more business-friendly environment and asked investors to push the concerned government offices to complete their work on time.

"Since the investors are free, they can create pressure on the government in this regard."

Nihad Kabir, president of the Metropolitan Chamber of Commerce and Industry, said: "If we want to bring FDI, we have to cooperate with the Bida and the country's businessmen. That way, both sides will be able to identify weaknesses to attract FDI."

She went on to say that the business community in Bangladesh was not given the proper recognition, and the media solely focused on the negatives, which is another obstacle to attracting FDI. Kabir also said that both Bida and the National Board of Revenue did not have any research on local businesses.

There are even excellent officials in both offices that have no idea about business, she added.

Rizwan Rahman, president of the Dhaka Chamber of Commerce and Industry, urged the government to nurture non-readymade garment sectors to double export earnings.

Lockdown deals fresh blow to poultry farmers

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During the fasting month, the demand for eggs usually drops at bakeries and confectionaries. So, the price of eggs has declined. Egg sales also decreased due to the restriction, said Shimul Haque Rana, a poultry farmer.

"Farmers are incurring a loss of Tk 3 per piece of white egg. If the situation persists, the poultry sector will see the devastation," said Rana.

According to the Bangladesh Poultry Khamar Rokhha Jatiya Parishad (BPKRJP), there are about 98,000 poultry farmers. Of them, 28 per cent shut down their farms during the pandemic.

The poultry business has different segments -- egg and meat production and hatching. Large farms operate in all segments, while small and medium farmers focus on one or two segments.

Mohatab Ali Mondol has a hatchery business in Panchibi in the northern Joypurhat district.

He bought fertile eggs of Sonalika chicken at Tk 18 for hatching. The cost of hatching is Tk 5.

He thought of selling day-old chick at Tk 25 or above. But after the restriction was imposed, the price of the one-day chick has dropped to Tk 8 to Tk 9. He lost about Tk 2 lakh after hatching just one batch.

"I have a capacity of hatching 16 batches. But after the price dropped, I stopped hatching," said Mohatab, who has been involved in the poultry business for a decade.

Many other farmers went through similar experiences last year. As a precaution, poultry farmers hatched chicken on a limited scale last year.

Mohammad Suruz Sheikh is involved in the egg business.

The proprietor of Satata Poultry Khamar in Bogura has about 20,000 laying hens on his farm.

He said the price of chicks had dropped significantly.

"If the price of chicken shoots up by

10 per cent at the retail market, the price of chicks goes up by almost 50 per cent," he said. Apart from the Covid-19 impact, seasonal disease and feed price hike have increased the loss, hurting small and medium poultry farmers.

Mohatab lost another Tk 12 lakh in seasonal disease last month.

"I had a coop of 6,000 chickens. Suddenly, three or four of them died. Before it spread further, I sold all my chickens immediately at a loss," he said.

Khondaker Mohsin, the general secretary of the BPKRJP, apprehends that many farmers would not be able to cope up with the recurrent loss and would wind up poultry farms.

Apart from restriction, the feed price hike intensified the loss. Mohsin said a good amount of feed could not be released from Chattogram Port because of the absence of the testing kit.

"Feeds are tested before release, but due to a lack of kit these could not be tested for the last four to five months."

The freight charge has almost doubled to \$4,200 per container, Mohsin said.

Moshiur Rahman, president of the Bangladesh Poultry Industries Central Council, said poultry farmers had been on a path to recovery after last year's shock and were making a profit.

"Because of the new lockdown, they have again started incurring losses. There are instances that the businessmen pulled out from Dhaka's market due to the lower prices. It will be a matter of concern for poultry businessmen if the current situation prolongs."

Since February, about 70 per cent of poultry farmers have received Tk 10,000 to Tk 22,000 cash incentives from the government. The incentive aims at helping poultry farmers who had suffered financial losses due to the pandemic.

"The incentive will heal the wound to some extent. But if the Covid-19 situation keeps worsening, there will be a disaster in the poultry sector," Mohsin said.

Saving index from fall does little good

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If strong fundamentals and good governance prevails in the stock market, the index will surely bounce back because some people will attempt at making investments if they see that the index is at a low level, he said.

"They have no right to deter brokers from selling shares," he said.

Moreover, the BSEC should keep an eye out over whether sponsors of listed companies are reducing their stakes without making declarations, he said.

They should bring good companies to the market instead of taking up any endeavour to intervene in the market, said Ahmed, who is a former chairman of the economics department of the University of Dhaka. The BSEC intervened in 2011 in a bid to prevent stock brokers and merchant banks from going for forced sale.

It came about after most stock brokers and merchant bankers provided margin loans to general investors to buy stocks while the market was bullish in 2010.

When the market started to plunge, the brokers and merchant bankers started to sell stocks from investors' accounts to adjust the credit, as the borrowers had failed to repay the loans. The practice is called forced sale.

Almost all the general investors along with the regulator stopped the lenders from doing so, assuming that the action would expedite the slump and investors would incur losses.

"The consequences of deterring the forced sale were so devastating that we were scared to execute forced sales," said a merchant banker, adding that nonetheless the regulator could not prevent the index from falling.

As the shares bought with margin loans were not sold and the prices collapsed, most investors did not get a single penny in return from their investment, he said.

Brokers and merchant bankers continue to suffer from the losses stemming from the margin loans, although a decade has passed, he said.

The loss from the margin loans amounted to more than Tk 11,100 crore. Some brokers and merchant bankers booked their losses and some others are yet to follow suit.

The institutional investors still cannot invest in the market because of the losses, said the merchant banker.

The BSEC set the floor price of all stocks on March 19, 2020 with a view to stopping the index from plummeting further amidst the pandemic, bypassing the market forces.

The floor price was calculated based on the average price of the preceding five days.

For the instillation of the floor price, the BSEC's status at the International Organization of Securities Commissions came under threat, the resultant of which could be a big blow for the Bangladesh market.

In the meantime, the regulator decided to relieve 66 companies of the floor price in the first phase.

"When you obstruct the free movement of the stock price determined by the market forces, the market would definitely go down," said the stock broker.

Just as the floor price was lifted for the 66, almost all the companies plunged, according to Dhaka Stock Exchange.

"It was seriously eroding the confidence of foreign investors because they always prefer a market kept uninterrupted," he said.

It creates a psychological barrier for the foreign investors, he added.

"It is proven that the BSEC's mechanism to save the index is not effective for the long term," said an asset manager.

"Our market remains in a bullish trend for a long time due to such steps from the regulator," he said.

"You can't keep a stock price at a certain level artificially. If you try to do so, it would spook investors' confidence and sow the seed for a market crash," he said.

Markets have been falling around the world due to the pandemic and this is normal as the profits of listed companies of most sectors are set to decline in the current year because of a collapse in demand.

"However, the index will rebound on its own when the index falls to its lowest level. So, the regulator's intervention in the pricing mechanism is totally unexpected," he said.

"Our investors need to realise that an artificial pricing cannot make their pocket healthy. It only results in an overvalued portfolio," he said.

In 2018, another step was taken by the BSEC in the name of saving the index from a fall. It had provided fund managers a 10-year tenure extension of their closed-end mutual funds.

At a time when investors were waiting for the funds to mature within a few months and yield a lump sum profit, they were told the terms had been changed, that too without their consent.

Closed-end mutual funds are investment funds that gather a fixed amount of money, normally for a decade, from a number of investors and reinvest them into stocks, bonds and other assets.

A foreign investor filed a lawsuit against the BSEC, questioning

how it could take such decisions regarding mutual funds that were set up specifically with investors' money.

However, these changes were made based on an extremely fragile logic—it was claimed that the sale of shares in the liquidation process of the mutual funds would have a negative impact on the market, said another asset manager.

"Now the question is, when these shares are sold 10 years later, will the market not feel the same negative impacts?" he asked.

Moreover, if investments in the capital market do yield profits, it is extremely rare for that profit to be taken out of the market and used up, he said.

Instead, investors tend to reinvest that money into the market again, he added.

"We have started to run in the direction opposite to that which was followed previously on the market intervention strategy," said BSEC Chairman Prof Shibli Rubayat Ul Islam.

Now the BSEC is working towards the creation of a healthy market free from interruption and manipulation, for which the floor price of some has been lifted in the first phase, he said.

"To do so, a healthy environment is needed, so we are strengthening the IT base in the market," he said.

"We are working to ensure secondary trading of bond and eradicating the bad players and anomalies from the stock market," he added. "For a healthy environment in the market, we have taken many steps regarding the junk stocks too," he said.

"We hope people will soon get a market of their expectations because most of our tasks have already been completed," the BSEC chairman added.