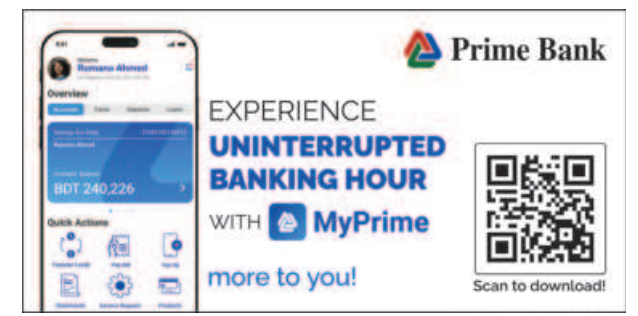


Star BUSINESS



US cotton GSP scheme could be win-win

Economist says

STAR BUSINESS REPORT

Bangladesh's garment exports to the US can increase anywhere from \$400 million to \$800 million annually if the American government offers a "cotton GSP scheme", according to a study.

Adopted by the US in 1974, the generalised system of preferences (GSP) programme sought to promote economic development in beneficiary countries eliminating duties on select products of theirs.

Taking cue from this programme, the study proposed that the US waive duty on Bangladeshi apparel made from American cotton under the "cotton GSP scheme".

This will simultaneously enable the US to export cotton worth \$3 billion to Bangladesh in the next five to six years, said Mohammad Abdur Razzaque, research director of the Policy

Bangladesh has been urging the US to provide a 15.62 percent duty waiver on apparel made with American cotton

Research Institute of Bangladesh, yesterday.

He was presenting this study of his through a keynote paper at a seminar on trade and investment between Bangladesh and the US organised by Economic Reporters' Forum (ERF) on its premises in Dhaka.

The GSP programme expired in December 2020 and the US congress is yet to take up a new scheme.

In recent years, the Bangladesh government and garment manufacturers have been urging the US to provide a 15.62 percent duty waiver on apparel made with American cotton.

The scheme is a "low-hanging fruit", an easy win-win for both countries, said Razzaque, also chairman of the Research and Policy Integration for Development.

Bangladesh also needs to ensure its "fibre security" as it currently produces less than two percent of its requirement for nine million bales of cotton, meaning that almost all of it is imported, he said.

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MAJOR FINDINGS

Despite being introduced 11 years ago, e-tendering covers only 20-35% of govt procurement

Majority of e-procurement contracts (99%) fall within Tk 1cr to Tk 25cr value range

Ten ministries and divisions account for 92% of the total number of works and nearly 97% of e-contract value

Top 5% of contractors control nearly 30% of e-contracts

The total value of single-bid contracts amounted to Tk 60,000cr in 2012-2023

There are 92 procuring entities where a significant 75% of tenders result in single bids



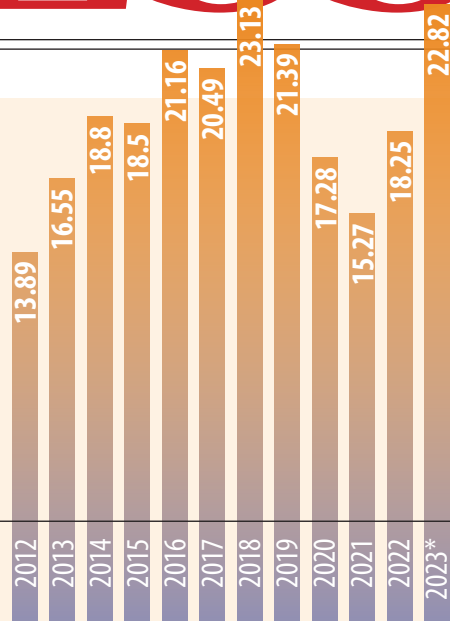
The tender process is being monopolised by collusion among government departments, politically influential groups and contractors.

Iftekharruzzaman
TIB Executive Director

SINGLE BIDDING THRU E-GP

In % of total bidding; *Up to February

SOURCE: TIB



STUDY ON ELECTRONIC GOVT PROCUREMENT

Tk 60,000cr contracts awarded in 11 years based on single bids

STAR BUSINESS REPORT

The electronic procurement, rolled out more than a decade ago to ensure competition and cut the scope of irregularities, still suffers from a lack of competition as public agencies awarded contracts worth Tk 60,069 crore based on single bids, a new study found.

A single bidding scenario occurs when a contract is given out through a tender process with the participation of only one bidder in a competitive market.

One out of five contracts is awarded through a single bid via e-GP and contracts involving Tk 60,069 crore were given out in such a manner, which represents 15 percent of the total e-contract values, according to the study by the Transparency International Bangladesh (TIB).

For example, there are 92 procuring entities where 75 percent of tenders resulted in a single bidding and 416 contractors had a single-bidding ratio of at least 75 percent in the last 11 years.

"It often raises concerns about potential corruption in public procurement as corrupt practices are more likely to emerge and sustain when there is only one

company participating in the bidding process," said TIB.

The TIB yesterday unveiled the findings of the study styled "Government e-procurement in Bangladesh: Monitoring the trend of competitive practices" at its office in Dhaka.

"Such a limited competition can hinder transparency and fairness in procurement, underscoring the importance

of fostering a competitive environment to mitigate corruption risks." The top 5 percent of contractors control nearly 30 percent of e-contracts and their dominance is on the rise, the study said.

"The tender process is being monopolised due to a collusion among government departments, politically influential groups and

competition has not been achieved. "In the government procurement system, capturing markets has become institutionalised."

He added the TIB has exposed many procurement entities and government offices by presenting data and the Anti-Corruption Commission can work on it.

The study, which used the

data from January 2012 to February 2023 on 64 ministries and divisions, was carried out by Mohammad Tauhidul Islam, coordinator for outreach and communication at the TIB, and Rifat Rahman and KM Rafiqul Alam, both researchers.

Since 2012, around 20 to 35 percent of government procurement has been covered through e-tendering. However, nearly all high-value contracts have not been covered by it, said Tauhidul, while presenting the findings.

The value of almost 99 percent of e-procurement contracts is less than Tk 25 crore.

E-procurement has seen an overall increase in the average number of bids, but the open tendering method (OTM) receives only 3.54 bids per tender, while the limited tendering method (LTM) attracts 47.75 bids, said the TIB.

"The 10 percent price cap in the OTM promotes LTM, which requires no prior experience and distorts potential for market competition."

District wise, Feni and Noakhali accounted for half of all contracts awarded through the single bid process, while it

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Govt's electronic fund transfers to save Tk 60,000cr in five years

States finance ministry-WB publication

STAR BUSINESS REPORT

Implementation of an integrated budget and account system (iBAS++) will save Bangladesh an estimated Tk 59,804 crore (\$5.4 billion) in the next five years.

The iBAS++ will enable the savings doing away with wastage and corruption involving processes to avail government services.

The iBAS++ integrated various public financial management by introducing electronic fund transfers for pay fixation, salaries, pensions and social benefits as well as an automated challan system for real-time revenue deposits.

The finance ministry implemented several of such public financial management (PFM) reform programmes with donor support.

It is presently executing a comprehensive initiative called "Strengthening Public Financial Management Program to Enable Service Delivery" with financial backing from World Bank.

This information was in a handout prepared by the finance ministry and World Bank and shared at a PFM Summit '23 in Pan Pacific Sonargaon Dhaka yesterday.

The government is providing social safety net allowances and stipends to 3 crore beneficiaries through the automated system

Under the reforms, 8.40 lakh pensioners receive payments promptly through iBAS++, saving on bank service charges of Tk 400 crore to Tk 500 crore annually, travel costs, and non-authentic expenses, read the document.

The government is providing social safety net allowances and stipends to 3 crore beneficiaries through the automated system, it said.

Through automation of transactions of national savings schemes, the government is going to save Tk 25,000 crore by the enforcement of purchase ceilings and rationalisation of interest rates, it added.

Some 39.31 lakh national savings scheme beneficiaries are getting income automatically, said the handout.

The reforms encompass 3.71 crore beneficiaries,

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STOCKS	
DSEX ▲	CASPI ▼
0.02%	0.08%
6,282.77	18,580.27

COMMODITIES	
Gold ▼	Oil ▲
\$1,922.08	\$90.38
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.02%	▲ 0.85%	▲ 0.33%	▼ 1.54%
66,025.16	32,678.62	3,215.40	3,115.61



PHOTO: STAR/FILE

A view of Chattogram port which accounts for more than 90 percent of Bangladesh's total seaborne export and import. A senior official of a leading commodity importer said that the latest BB decision on forward contract would create panic in the foreign exchange market.

BB fixes forward forex rate for first time

It will be Tk 123.91 per dollar; move creates mixed reactions

STAR BUSINESS REPORT

For the first time, the Bangladesh Bank has decided to determine the rate of foreign exchange, namely the US dollar, to be delivered in future, widely known as forward contract -- a move that has created mixed reactions among businesses.

The forward exchange rate is the rate at which a bank agrees to exchange one currency for another at a future date when it enters into a forward contract with an investor.

The development comes amidst the backdrop of the forex crisis, with banks charging different rates to firms for forward purchase of dollars.

The central bank on Sunday issued a notice, saying the forward premium would not exceed SMART plus 5 percent per annum, with declared spot rates for forward dealings with customers.

The six-month moving average rate of the treasury bill (SMART) is a new system of the central bank, which is applicable for fixing the lending rate. In September, the SMART stood at 7.14 percent.

The USD is currently trading at Tk 110.50.

As a result, if customers collect US dollars through forward purchases, they will have to pay Tk 123.91 per dollar in future.

Before fixing the rate, banks were imposing different rates for forward selling of US dollars, causing volatility in the foreign exchange market, a senior official of the central bank said.

A private banker said the additional cost of foreign currencies was a sort of insurance premium. A buyer who buys a dollar at the forward rate now will get the currency at this specified rate in future, regardless of the exchange rate that will prevail at that time.

However, a senior official of a commodity importer and processor says this may create panic in the foreign exchange market.

He said that the central bank was indirectly raising the US dollar rate.

"We were collecting the US dollars through forward purchase at different rates. Sometimes, we manage the American greenback at a lower rate depending on the relationship."

The forward trading of US dollars in Bangladesh is not new.

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