

star BUSINESS

Business environment worsens for sluggish regulatory reforms

Shows Bangladesh Business Climate Index

STAR BUSINESS REPORT

The business environment in the country deteriorated slightly in 2023 compared to a year ago mainly because of sluggish regulatory reforms, weak infrastructure, and difficulty in access to finance, according to the Bangladesh Business Climate Index (BBX).

Measured on a scale of 0-100, the index fell to 58.75 last year from 61.95 in 2022, according to the BBX 2023-24 launched yesterday by the Metropolitan Chamber of Commerce and Industry (MCCI) and the Policy Exchange Bangladesh (PEB). This is the third edition of the BBX.

"Significant reforms are required," said PEB Chairman M Masrur Reaz, while presenting the findings at a programme at the MCCI Gulshan office in Dhaka.

The survey was conducted among 520 small, medium and large enterprises.

Eleven major pillars, namely starting a business, access to land, availability of regulatory information, infrastructure, labour regulation, dispute resolution, trade facilitation, paying taxes, technology adoption, access to finance, and the environment, were considered in the study.

Access to land, trade facilitation, and technology adoption are the only three areas of the investment climate that witnessed improvements. On the other

RECOMMENDATIONS

- Improve access to finance and tax payment environment
- Bring regulatory reforms
- Improve business environment in Chattogram
- Ensure uniform legal enforcement for all companies
- Simplify registration of companies
- Update Companies Act of 1994 and Competition Act of 2012
- Implement national investment climate reforms

hand, seven out of 10 pillars that have been considered in the previous BBX and the BBX 2023-24 suffered deterioration.

"The worst-performing areas are access to finance and the tax payment environment. A drastic reform is required in these areas immediately," Reaz told The Daily Star after the launch of the findings.

Moreover, although there are good laws, the challenge of enforcement remains. And the same law is applied differently to different companies even when the cases are similar, he said.

In Bangladesh, Dhaka and Chattogram are the two main economic growth centres. However, the business climate in Chattogram has got worse in the last three years and

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Buyers shift to Delhi airport as higher expenses make Dhaka unattractive

REFAYET ULLAH MIRDHA and RASHIDUL HASAN

International clothing retailers and brands sourcing from Bangladesh prefer the Delhi airport to Hazrat Shahjalal International Airport (HSIA) to carry goods owing to the lower tariff offered by India.

The tariff at the largest airport in Bangladesh is so high that buyers stay competitive even when their goods travel a distance of nearly 1,900 kilometres in trucks from the country to Delhi via Benapole and Petrapole.

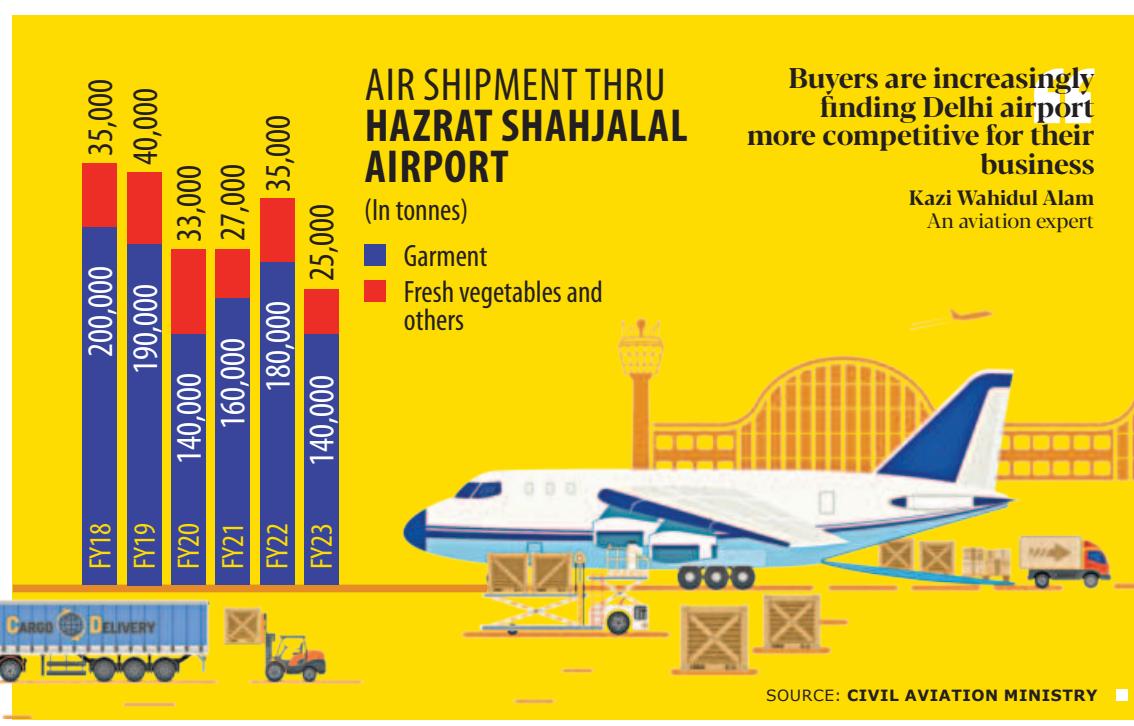
For example, it costs \$3 to transport one kilogramme of garment items from the HSIA to destinations in Europe. The charge is \$1.2 if the goods are sent via Delhi's Indira Gandhi International Airport.

An elevated level of tariffs, value-added tax, and ground handling and service charges at the HSIA are mainly driving users away from Dhaka.

At the airport, a 72 percent surcharge is imposed for ground handling. If the fee is not paid on time, a 60 percent fine is levied.

A total of 1,65,000 tonnes of cargoes were shipped from the HSIA in July-March of the current fiscal year, according to data from the civil aviation and tourism ministry. Of the quantity, 1,34,000 tonnes were garment items and 30,000 tonnes were vegetables, fruits and other items.

In 2022-23, some 1,67,000



Buyers are increasingly finding Delhi airport more competitive for their business

Kazi Wahidul Alam
An aviation expert

SOURCE: CIVIL AVIATION MINISTRY

tonnes of cargoes were sent abroad via the airport. This included 142,000 tonnes of garment products and 24,000 tonnes of fruits, vegetables, and

allied food items.

Kazi Wahidul Alam, an aviation expert, said more than 8,000 tonnes of cargoes, especially those containing garment items, were

diverted from the HSIA to Delhi last year because of higher tariffs.

"The volume is higher this year as buyers are increasingly finding Delhi airport more competitive for their business," he said, adding that 50 tonnes of cargoes are redirected from the HSIA to Delhi every day on average.

Owing to the higher charges, local airlines, freight forwarders, courier companies, ground handlers, and many other related sectors are losing business.

At least eight private airlines that tried to do business on the

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Gas supply falls as Remal damages Summit FSRU

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Gas supply has reduced across the country as one of the two Floating Storage and Regasification Units (FSRU) was damaged during Cyclone Remal.

At present, the supply of liquefied natural gas has declined to less than 700 million cubic feet a day (mmcf/d) compared to the normal supply of around 1,100 mmcf/d.

Yesterday, Summit Group said in a statement that a stray broken floating pontoon hit the FSRU of Summit LNG Terminal Co. (Pvt) Ltd in Cox's Bazar's Moheshkhali during the peak of Cyclone Remal on Monday.

"There was damage to the ballast water tank of the FSRU. As per the standard operational protocol, an expert surveyor is on the way to board the FSRU and assess the damage," the statement said.

It added they would share further details based on the surveyor's report of the situation.

"Summit is in close communications with Rupantarita Prakritik Gas Company Limited (RPGCL) and Petrobangla," the statement added.

- » Normal gas supply until cyclone: 3,000mmcf/d
- » Current gas supply: 2,400mmcf/d
- » Normal LNG supply from FSRUs: 1,100mmcf/d
- » Summit FSRU supplied before cyclone damage: 500mmcf/d
- » LNG supply from Excelerate FSRU: 600mmcf/d
- » Summit started supplying gas from mid-April after maintenance

However, the first brief of the Ministry of Power, Energy and Mineral Resources on Monday evening said that operational activities of the FSRU were normal after Cyclone Remal.

"There is no damage in those establishments. Still the gusty wind, rain and high waves have been ongoing. The supply of LNG had reduced earlier but has now improved to a normal level of 1,100 mmcf/d by today," the statement had said.

There was no mention of any untoward incident in the ministry's later statements.

The FSRU only resumed operations in mid-April after undergoing maintenance in Singapore for two and a half months.

During the maintenance work, the country's industrial and domestic consumers were impacted by a huge gas crisis.

The crisis began in mid-January, when both FSRUs were disconnected from the grid due to technical glitches.

On January 20, the Excelerate FSRU resumed operations but the Summit-run FSRU was sent for maintenance.

After both FSRUs resumed operations in mid-April, the gas supply increased and the power sector also received the required gas, stabilising the power supply situation across the country during the summer.

However, rural areas have been victims of load-shedding every day.

On Monday, the power supply dropped below 4,000 megawatts after Cyclone Remal hit coastal areas.

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Meta to deal directly with advertisers in Bangladesh

MAHMUDUL HASAN

Meta, the parent company of Facebook, plans to stop availing services of Htpool, its authorised sales partner in Bangladesh, from July and shift to a model where it will interact directly with advertisers.

"Meta has recently made the decision to standardise their advertiser service model worldwide," Alok Panikar, regional director for Asia-Pacific at Aleph, the parent company of Htpool, said in a letter to advertisers in Bangladesh recently.

"...and in markets previously covered by an authorised sales partner, Meta will begin working with advertisers directly starting from July 1, 2024," the letter read. "This means that Aleph will no longer be Meta's authorised sales partner."

The development has created panic among businesses as they apprehend difficulties in ensuring compliance with VAT and tax regulations when advertising directly with Meta.

"As a compliant company, we are worried," Fahim Mashroor, CEO of online job portal bdjobs.com, said.

"Advertising on Facebook with Htpool was easy as they took care of VAT and tax issues and we could pay in tax. Now, how Facebook will handle this remains unknown," he said.

Companies in Bangladesh opt to advertise their products with Meta to drive sales growth due to several key factors.

The development has created panic among businesses as they apprehend difficulties in ensuring compliance with VAT and tax regulations

Meta's platforms, including Facebook, WhatsApp, and Instagram, boast a vast user base, offering businesses access to a large and diverse audience.

As of April, there were more than 55.6 million Facebook users in Bangladesh, making the country the eighth-largest in terms of audience, according to global data firm Statista.

"We regularly review and adjust how we service clients. We are focused on making this transition as smooth as possible," a Meta spokesperson said in a statement to The Daily Star.

Aleph, in the letter to the clients, stated that Meta was currently working with it on this transition.

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