Public, private collaboration a must now

Finance adviser says

STAR BUSINESS REPORT

Bangladesh cannot make significant progress without the private sector and for this a strong collaboration between the government and private enterprises is a must now, said Finance and Commerce Adviser Salehuddin Ahmed.

He made this comment when a delegation from the Foreign Investors' Chamber of Commerce and Industry (Ficci), led by its President Zaved Akhtar, met with the adviser at his office in Dhaka on Sunday.

At the meeting, the adviser commended Ficci for their support and emphasised the government's commitment to increasing foreign direct investment as a critical driver of economic growth.

The Ficci president presented a comprehensive outline on how the interim government can implement necessary reforms to enhance the business climate.

He recommended practical measures, including reforms in the banking sector and tax-revenue administration as well as maintaining law and order to foster a favourable business environment.

The trade body also proposed leveraging world-class regulatory technology to enhance efficiency and effectiveness, increasing the tax-to-GDP ratio, and easing transaction processes.

Additionally, Akhtar highlighted the need to address the punitive corporate tax, particularly in the banking sector.

The chamber also raised concerns about the additional withholding income tax on interest payments earned by non-resident institutions from foreign currency borrowing, which raises the cost of borrowing for Bangladeshi borrowers.

Furthermore, Ficci emphasised that banks should not bear the responsibility for tax deductions at source for the customers' direct tax payments.

Women separate jute fibres from stalks after they have been loosened through soaking for a period of time in stagnant waterbodies in a process known as retting. Women undertake the task as farmhands when time allows from household chores to make some extra earnings. Each person can separate around 20 to 25 bundles a day. The photo was taken at Birgram village in Narail recently. PHOTO: HABIBUR RAHMAN

Confidence Cement investing Tk 815cr to set up new factory

JAGARAN CHAKMA

Confidence Cement PLC, a cement maker based in Chattogram, is investing Tk 815 crore to set up a new production facility on 10 acres of land in Narsingdi and cater to the future demand.

The move comes at a time when cement sales have nearly halved over the past few months as most private and public construction works have come to a screeching halt following the recent change in government.

Bangladesh has been gripped with economic uncertainty ever since the Sheikh Hasina-led Awami League government was ousted through a mass uprising on August 5, with many development projects now being put on hold or cancelled.

Md Delowar Hossain, company secretary of Confidence Cement, said they are establishing the new unit as their existing facility in Chattogram is only capable of meeting demand in that region.

Once complete, the new unit dubbed "Confidence Cement Dhaka Ltd" will be capable of producing 6,000 tonnes of the key construction material daily, he added.

Hossain also informed that the unit will create an opportunity for the direct employment of about 1,000 people once it begins operations in the first quarter of next year.

"About 80 percent of the construction is complete," he said.

According to Bangladesh Cement Manufacturers Association, there are roughly 30 factories across the country that can collectively churn out about 78 million tonnes of cement each year against a demand for around 40 million tonnes.

Some 13 banks and non-bank financial institutions are financing 70 percent of the total project cost while the rest is being paid from company equity.

Md Shafiqul Islam, vice president and head of debt capital market at Prime Bank PLC, said they and have successfully raised their share of Tk 558 as lead arranger through a syndicated blended credit facility.

Among the contributors, Bangladesh Infrastructure Finance Fund Limited provided support for purchasing energy efficient machinery with a 10-year repayment period.

Meanwhile, the loans from the remaining 10 banks and two non-bank financial institutions have a repayment tenure of up to seven and a half years.

Pointing out how Confidence Cement began operations back in 1994, Islam said the company is a pioneer in the domestic cement manufacturing and distribution business.

"But in the face of higher transportation and distribution costs, it has become difficult for the company to supply its cement products in Dhaka and the surrounding areas," he added.

Much of the demand for cement is Dhaka-centric as most private and public construction works are based in the capital.

Against this backdrop, the financiers of Confidence Cement Dhaka decided to facilitate the construction of a new manufacturing plant with an annual production capacity of 18 lakh tonnes in Palash upazila of Narsingdi, Islam said.

He also informed that the unit will be equipped with energy efficient machinery from Loesche, a leading German manufacturer of cement-making equipment like vertical roller mills.

"We are financing the project as our assessment found it is commercially viable," Islam said.

FBCCI member platforms should hold polls first

Says a reform council

STAR BUSINESS REPORT

Elections must be held for all trade platforms under the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) before one is held for the FBCCI itself to ensure that representatives are free from political influence, a group of businesspeople demanded yesterday.

The businesspeople, under the banner Boishamma Birodhi Songskar Parishad (Anti-Discrimination Reform Council), made the demands during a press conference at the Dhaka Reporters Unity Building in the capital yesterday, according to a press release.

On September 11, the government appointed Md Hafizur Rahman, a member of the Bangladesh Competition Commission and a former additional secretary, as an administrator to the FBCCI following the resignation of its president.

Mahbubul Alam, the immediate past president of the FBCCI, stepped down that same day citing illness amidst protests following a mass uprising that ousted the Sheikh Hasina-led government on August 5.

Contesting from Sammilito Oikko Parishad, Alam had been elected president in August 2023 for the 2023-2025 term.

The commerce ministry has instructed the newly appointed administrator to conduct a fair and neutral election within 120 days.

Over the past 15 years, most business chambers and associations have become embroiled in partisan politics, said Abul Kashem Haider, coordinator of Boishamma Birodhi Songskar Parishad.

Most current leaders are accused in various cases. Many are also absconding, leaving a vacuum of leadership, he said.

Amidst this situation, it is imperative to elect members who are honest, qualified and free from political influence, he added.

In the past 15 years, many incompetent people who are not even involved in business activities were inducted into the FBCCI's board of directors through political influence using a "nominated director" provision, said Giasuddin Chowdhury Khokon, another coordinator.

As such, the provision should be completely abolished, he said.

STOCKS

DSEX ▼	CASPI ▼
0.59% 5,624.50	0.67% 15,659.66

COMMODITIES

Gold ▼	Oil ▼
$2,645.67 (per ounce)	$68.02 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.49% 84,299.78	▼ 4.80% 37,919.55	▼ 0.33% 3,585.29	▲ 8.06% 3,336.50

Britain to end coal power

REUTERS, *London*

Britain will become the first G7 country to end coal-fired power production on Monday with the closure of its last plant, Uniper's Ratcliffe-on-Soar in England's Midlands.

It will end over 140 years of coal power in Britain.

In 2015 Britain announced plans to close coal plants within the next decade as part of wider measures to reach its climate targets. At that time almost 30 percent of the country's electricity came from coal but this had fallen to just over 1 percent last year.

"The UK has proven that it is possible to phase out coal power at unprecedented speed," said Julia Skorupska, Head of the Powering Past Coal Alliance secretariat, a group of around 60 national governments seeking to end coal power.

The drop in coal power has helped cut Britain's greenhouse gas emissions, which have more than halved since 1990.

Britain, which has a target to reach net zero emissions by 2050, also plans to decarbonise the electricity sector by 2030, a move which will require a rapid ramp-up in renewable power such as wind and solar.

"The era of coal might be ending, but a new age of good energy jobs for our country is just beginning," energy minister Michael Shanks said in an emailed statement.

Emissions from energy make up around three quarters of total greenhouse gas emissions and scientists have said that the use of fossil fuels must be curbed to meet goals set under the Paris climate agreement.

In April the G7 major industrialised countries agreed to scrap coal power in the first half of the next decade, but also gave some leeway to economies who are heavily coal-reliant, drawing criticism from green groups.

Debt servicing costs

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The Asian Development Bank (ADB), which provided $117 million, followed closely behind.

However, the ADB, World Bank, Japan and the Asian Infrastructure Investment Bank did not make any further commitments during the period.

On a positive note, Islam said the interim government's focus on transparency and accountability, as demonstrated by recent reform initiatives, meant that development partners are now more willing to provide assistance.

For example, the World Bank has committed to providing an additional $2 billion in loans, while other development partners, including the ADB and the International Monetary Fund (IMF), are also stepping forward with financial and technical support for ongoing reforms, according to Islam.

"These efforts are expected to boost foreign investor confidence, placing Bangladesh in a better position to attract more foreign direct investment, which had stagnated in recent years," Islam said.

He termed the rising debt servicing costs a consequence of indiscriminate borrowing by the previous regime.

Bangladesh's foreign debt servicing costs have been growing steadily, but overall payments have soared since FY23.

The nation paid $3.35 billion in FY24 to service its debts, a 25.73 percent jump compared to the $2.67 billion it had cost the year prior.

"The continued positive trends in remittance inflows, along with renewed support from development partners, could help Bangladesh manage pressure on its foreign exchange reserves," he added.

"This would mitigate potential negative impacts on key macroeconomic indicators such as inflation and GDP growth."

However, if the newly borrowed funds are not utilised properly and a significant portion is lost to corruption, imbalances in the foreign exchange market could deepen, exacerbating inflationary pressures, said Islam.

"Therefore, effective use of these resources is critical for maintaining economic stability."

IMF reaffirms

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The team will submit its report to the IMF management board this month.

Georgieva also said the IMF board could initiate a new lending programme for Bangladesh based on the team's report or could extend the existing loan program.

During their visit to Dhaka, the IMF team met with Finance Adviser Salehuddin Ahmed, Bangladesh Bank Governor Ahsan H Mansur and other senior officials.

They also met with representatives from the private sector, think-tanks, bilateral donors and development partners.

In the statement, the global lender expressed sorrow over the deaths during the student-led mass uprising.

"We are deeply saddened by the loss of lives and injuries during the recent public uprising and stand in solidarity with the people of Bangladesh during these difficult times," it said.

"The timely formation of an interim government has helped stabilise political and security conditions, fostering a gradual return to normalcy in the economy," it added.

Workers

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Bhattacharya, also a distinguished fellow of the Centre for Policy Dialogue, said workers also alleged that there are no proper arrangements for their welfare, pointing to a lack of a provident fund.

He added that workers faced pressure when it came to forming trade unions although the law stipulates that they be allowed to do so without any hindrance.

Labour leaders informed the committee that many industrial units had been closed and no proper initiatives had been taken to reopen them, he added.

In many cases, government regulations are being violated due to the influence of large, vested groups, Bhattacharya said.

Besides, labour leaders demanded to make Bangladesh's labour laws consistent with international laws.

Bhattacharya said the workers' concerns would be considered during the formulation of the white paper.

Automated financial services

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These include an updated iBAS++ website, the A-Chalan portal, a verification app for pensioners, and various online systems for managing leaves from work of government employees.

Ahmed highlighted the need for ongoing system upgrades and skilled personnel to maintain the efficiency of these platforms, as automation reduces direct interaction between service providers and recipients, curbing opportunities for corruption.

Md Nurul Islam, comptroller and auditor general of Bangladesh, and Md Abdur Rahman Khan, secretary to Internal Resources Division, were present at the event, presided over by Finance Secretary Khairuzzaman Majumder.

Too many stockbrokers

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from market listing, he blamed the current IPO pricing method, lack of tax rate differences, easy bank loans and tax evasion culture.

Meanwhile, investors have a fragile trust in mutual funds, leading to a nascent sector despite the increase in asset managers. Total assets under management are only Tk 14,860 crore, which is less than 2 percent of total market capitalisation, according to IDLC data.

By giving licences to many institutions, the number of eligible investors has increased, and many of them have engaged solely in IPO applications and enjoyed quotas, said Shekh Mohammad Rashedul Hasan, managing director and CEO of UCB Asset Management.

"These investors often participate in syndication and disrupt the market."

Regarding the reasons for the nascent mutual fund industry, Hasan cited lower investor literacy, frequent policy changes and an unfriendly tax policy.

On tax policy, he said asset management companies have to cut taxes when they pay dividends, which is an uncommon practice globally.

Due to the large number of intermediaries, competition has turned fierce. So, some merchant banks had to surrender their licences, said Mazeda Khatun, president of the Bangladesh Merchant Bankers Association.

"I doubt whether the regulator conducted any research to assess the necessity of these licences for the economy," she added.

Without ensuring good governance in the market and introducing attractive policies, simply having a large number of merchant banks will do nothing in attracting quality companies. This is also true for other intermediaries, Khatun added.

Compared to its neighbouring countries and other similar-size economies and nations, Bangladesh has a higher concentration of market intermediaries.

Bangladesh also leads in terms of stockbrokerage firms, with 402 brokers serving investors through the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE).

In India, there are 314 brokerage firms, while the numbers are 67 in Nepal, 89 in Vietnam, 204 in Pakistan, 26 in Sri Lanka, 36 in Thailand and 183 in Nigeria.

With 68 merchant banks, Bangladesh ranks second among the eight countries, following India, which has 200 merchant banks. Nepal has 28 merchant banks, while the numbers are 17 in Vietnam, 54 in Pakistan, 21 in Sri Lanka, 50 in Thailand and 32 in Nigeria.

Indian merchant banks managed initial public offerings for 2,183 companies between 2018 and 2022, compared to 50 companies in Bangladesh.

The number of asset management companies is also higher in Bangladesh. The country has 67 asset management companies while India has 44.

DSE Brokers Association President Saiful Islam recommended merging some intermediaries and consolidating the two stock exchanges.

He said the DSE could focus on bond and equity markets while the CSE could specialise in commodity exchanges.

"This will be a win-win situation for both exchanges as the CSE's turnover is very low," he added.

The Daily Star approached former BSEC chairman M Khairul Hossain for comment, but he did not respond to phone calls.

Prof Shibli Rubayat-Ul Islam, the other chairman who led the BSEC during the latter part of the 15-year Awami League regime, was also found unavailable for comment.