

## Ensure transparency in budgetary expenditure

### Speakers at seminar urge government

#### STAR BUSINESS REPORT

Speakers at a seminar yesterday said the government should ensure transparency in expenses of the budgetary allocation.

Besides increasing the fund through expanding the tax net, the government should keep an eye on ensuring demand of common people, they observed.

They were speaking at the seminar titled 'National Budget 2003-04: From a Corporate Perspective', jointly organised by Bangladesh MBA Association, IBA Alumni Association of Dhaka University (DU) and MBA Club Limited, held at the Institute of Business Administration (IBA) at DU.

Addressing the seminar, Syed Manzur Elahi, former advisor to the

caretaker government and also chairman of Bangladesh Association of Banks (BAB), said it is the government's duty to ensure secured lives, uninterrupted water and power supply, smooth road transportation and create favourable environment for business.

Elahi, who chaired the seminar, said transparency and accountability should be ensured in the government expenditure.

Every company has to face its shareholders at annual general meeting (AGM) and has to give answers to all inquires, he said. "So, why the government will not face such inquiries as we the citizens are like the shareholders of a company."

Termining annual development programme (ADP) a large black hole, Elahi said government should

ensure transparency in the expenses of the ADP.

He said there are the presence of Tk 60,000 crore black money in the economy where the whole budget is around Tk 50,000 crore.

He said the parliament is the highest place in government level where accountability and transparency should be scrutinised. "But it is a matter of great sorrow that the parliament session is often interrupted because of quorum crisis," he regretted.

He said there is lack of consistency in every year's budget. It is often seen that the governments are not willing to complete projects taken by the previous government.

National Board of Revenue (NBR) Chairman Shoab Ahmed said in order to govern a poor econ-

omy like Bangladesh and reduce dependency on foreign assistance, the government has no other way but to widen the tax net.

Shamsul Islam, professor of Department of Finance and Banking at the Dhaka University, said a permanent institution should be established for reviewing every year's ADP expenditure.

Bangladesh MBA Association President Khondaker Ibrahim Khaled, also the managing director of Pubali Bank, said proposing of such a large budget may increase flow of black money in the economy if transparency cannot be ensured in budget expenditure.

Foreign Investors' Chamber of Commerce and Industry (FICCI) President Waliur Rahman Bhuiyan also spoke at the seminar.

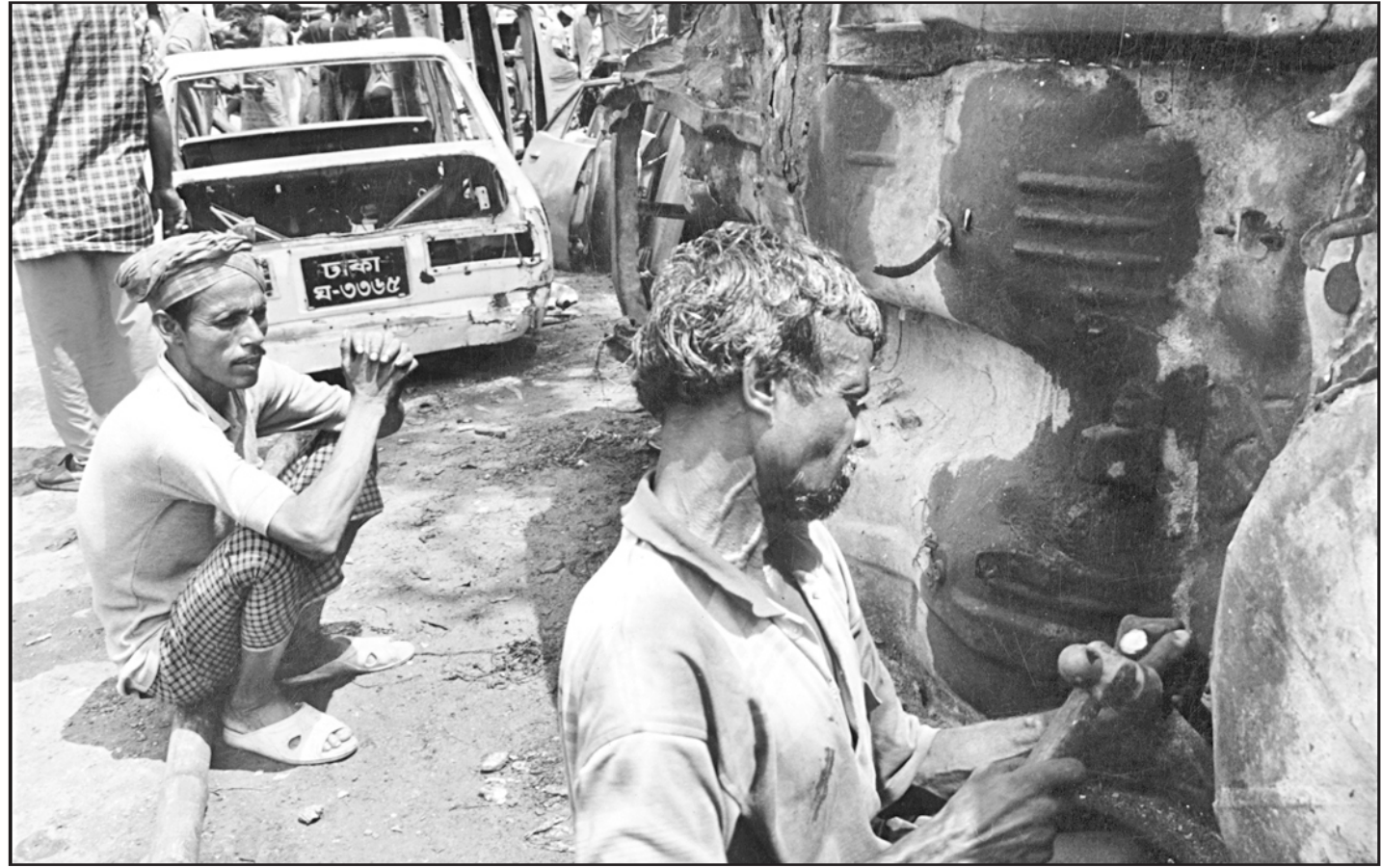


PHOTO: AKM MOHSIN

A worker uses his muscles and conventional tools to break an abandoned motor vehicle in Dholaiakhal area in Dhaka. Traders buy run-down vehicles and dismantle them to sell parts at Dholaiakhal, the popular hub of auto parts and various machinery. Rare spare parts are available in the area.

## Interest rates cannot be cut down forcibly

### NCC Bank MD tells The Daily Star

#### REJAUL KARIM BYRON

Interest rates cannot be cut down forcibly as its an issue that should be addressed through continuous market corrections and reforms, said veteran banker M Aminuzzaman.

"Through continuous reforms market will be corrected and then interest rate will come down to an acceptable level," said Managing Director of National Credit and Commerce Bank Ltd (NCCBL) M Aminuzzaman in an interview with The Daily Star.

The government has been pressing the banks to slash interest rates. But Aminuzzaman said analysis shows total fund cost of the private banks is around 12 per cent and banks charge 13 to 13.5 per cent interests to their prime customers.

"There is very little spread between deposit and loan. But in case of risky lending, the interest rate is naturally higher," asserts Aminuzzaman, who has served as chief executive of several local and foreign banks for a long time before joining the NCCBL.

Aminuzzaman, however, admit-



M Aminuzzaman

ted the deposit interest rate in Bangladesh is much higher than that of other countries.

"As new banks were more committed towards large loans, they are forced to collect deposit at higher interest rates," he elaborated with the observation that the interest rate should not be so high in Bangladesh where inflation is lower.

Commenting on the floating exchange rate, Aminuzzaman said excepting for 'band change', no other change was brought to the market condition while introducing

the new currency exchange system.

In fact, the banks had been unofficially enjoying a freedom in the transaction in the inter-bank market before the introduction of the floating exchange rate system. On the other hand, the Bangladesh Bank (BB) had taken massive preparation. As a result, the introduction of floating exchange rate did not create a volatile situation in Bangladesh like some other countries.

Besides, some of the state-owned banks played very positive roles, the NCCBL chief said.

"The time was also good. The dollar price in the international market was low. The local foreign reserve was good. The Bangladesh Bank picked the right time for this occasion," he said.

Since floating exchange rate was introduced, taka started becoming strong day by day. On this issue, he said, "When local currency becomes strong, exporters incur the loss. But this situation will not last long. In future, there will be ups and downs and during that time, the banks will require more efficiency."

On budget, he noted, "The export sector-- especially the gar-

ment sector-- has got priority. Garment sector is the major contributor in the banking business."

But the performance of the banks also depends on overall investment situations prevailing in the country, he added.

He pointed out law and order is the biggest problem in attracting and ensuring investment. "Governance is the key issue here. These issues cannot be resolved through budget declaration but through continuous administrative efforts," he said.

On banking reforms, Aminuzzaman said such reforms are being implemented for a decade. As a result, a healthy trend has been created in the sector, he added.

"Currently, the private banks are doing well. But the nationalised commercial banks (NCBs) need reforms because they hold the major share of the market," he said.

He added the reforms in the NCBs depend on their owner-- the government. There are some initiatives, and if these are properly implemented, the performance of the NCBs will improve, Aminuzzaman said.

## Planner sees room for farm subsidy hike

#### STAR BUSINESS REPORT

There is a room for the government to increase subsidy in the agriculture sector as the present amount is much below the WTO limit, said Deputy Chairman of Bangladesh Planning Commission at a public lecture in Dhaka yesterday.

The World Trade Organisation (WTO) will not interfere if the amount of subsidy increases, said Professor Nurul Islam.

Professor Nurul Islam was delivering the lecture titled 'Bangladesh in a Globalised World' organised by the Bangladesh Economic Association (BEA) in co-operation with BRAC University at the Planning and Development Academy auditorium.

The lecture, presided over by Qazi Kholiqzaman Ahmad,

president of BEA, was also addressed by Professor Jamilur Reza Choudhury, vice-chancellor of BRAC University, Professor Abul Barkat, general secretary of BEA.

In his lecture, Prof Islam favoured establishment of backward linkage industries, arguing that Bangladesh's readymade garment exporters will face difficulty in fabric imports in the open market regime.

"If the production cost here is 10 per cent higher, transaction, uncertainty and other related problems will cost not less than 25 per cent. So, it is better to have own backward linkages," he observed.

However, he termed the quota systems a discriminatory one, saying that it is not trade liberalisation. "If you distribute quotas among the exporters, it is

highly discriminatory imposed by the developed nations," he said.

Growth of Bangladesh's RMG sector is not due to trade liberalisation, rather it is thanks to quota system, Prof Islam mentioned.

About foreign direct investment (FDI), he said it is very difficult to attract FDI when local entrepreneurs continuously make complaints of poor governance, inadequate infrastructure and poor law and order situation.

About pace of trade liberalisation, he said Bangladesh, on an average, is more open than India and less open than Sri Lanka. Pakistan and India have made significant strides in liberalisation in late 1990s when Bangladesh rate decelerated, he said.

## Oil prices fall as Iraq resumes exports

REUTERS, New York

Oil prices fell Monday as Iraq exported its first oil for more than three months.

One million barrels of crude oil were loaded onto a tanker at the Turkish port of Ceyhan on Sunday, Iraq's first crude shipments since the US-led war.

US crude futures fell 31 cents to \$29.17. International benchmark Brent crude oil dropped 10 cents to \$26.92 per barrel.

Postwar looting and sabotage at Iraqi oil facilities have delayed the country's resumption of oil exports, and two pipeline explosions in three days raised questions about its ability to supply oil to world markets.

Saboteurs blasted a gas pipeline northwest of Baghdad on Saturday, and an explosion hit a stalled oil export pipeline to Syria on Monday.

"People are questioning if Iraq can sustain exports in the foreseeable future unless the security situation improves dramatically," said Steve Turner of investment bank Commerzbank.

## Remittance increases 10pc in 11 months

### Saifur tells parliament

#### UNB, Sangsar Bhaban

The remittance flow increased by 10.09 per cent in 11 months during this fiscal year compared to the same period last year, Finance Minister M Saifur Rahman told Parliament yesterday.

Remittances sent by the expatriates during July 2002-May 2003 stood at US\$ 2787.85 million while the figure was \$ 2264.89 million during the same period last year, he

said, replying to Mohammad Ali Zinnah (BNP-Chittagong).

Saifur Rahman said the government has discouraged money laundering through the Money Laundering Prevention Act. Bank commission has also been reduced enough to encourage the expatriates to send their hard-earned money through legal channel, he said.

Besides, US Dollar Premium

Bond and US Dollar Investment Bond with attractive interest rate have been introduced, he added.

The Finance Minister said steps have been taken to ensure the deposit of remittances within three days to the recipient's account while 20 banks have been allowed to establish drawing system with 85 banks/exchange houses in 15 countries around the world.

## Reckitt Benckiser officials due tomorrow



Colin Day Chander M Sethi

Colin Day, chief financial officer of Reckitt Benckiser (Bangladesh) Limited, and Chander M Sethi, SVP and regional director for South Asia of Reckitt Benckiser, will visit Bangladesh tomorrow.

During his visit, Day will chair the meeting of the board of directors and the annual general meeting (AGM) of the company, which will be held in Dhaka tomorrow, says a press release.

Colin Day and Chander M Sethi will also have discussions with the management of the local subsidiary on future plans of the business and also meet the key customers of local business.

## Indonesia moving to end IMF dependency

#### REUTERS, Tokyo

Indonesia will not ask for more help from the International Monetary Fund and is working on steps needed to reclaim its place among the world's most dynamic economies, the country's economics minister said Monday.

Indonesia's current \$5 billion IMF loan is due to expire at the end of this year, ending a financial lifeline that has been in place since the Asian financial crisis five years ago.

Asked in a Reuters interview if Indonesia was preparing to end the IMF programme, Chief Economics Minister Dorodjatun Kuntoro-Jakti said: "Yes, you're right."

The Asian crisis devastated Indonesia's financial system and resulted in an exodus of the foreign investors who had flocked to the country during its high-growth years in the 1990s.

Rebuilding has progressed under successive IMF loan programmes but recent strong growth, falling inflation and currency stability have convinced the Indonesia government that the country can stand on its own feet. Dorodjatun said that many of the basic laws needed to reform the economy, such as those to speed privatisations, had been passed quicker than he expected, putting the country in a good position.

"This is the reason why for us this is really the best time," he said while visiting Japan as part of the first state visit by Indonesian leaders in 35 years.

High on the visitors' agenda is ensuring continued Japanese support for Indonesia's economy after the IMF cash stops coming.

Dorodjatun said that he wanted Japanese businesses to start investing again in Indonesia, especially in infrastructure projects such as energy and electricity supply, and noted that the government was looking into a possible free trade agreement with Japan.

"We hope for more long-term

commitment from Japan, especially infrastructure projects," he added, declining to give a figure for how much Japanese investment Indonesia would like to see.

Domestically, initiatives to increase taxes would also go ahead with the aim of raising the proportion of taxes in national income to the regional average of 20 per cent from 15 per cent, Dorodjatun said.

One target area will be the proper certification of land ownership for tax purposes, which has proceeded slowly so far.

"Unless we can broaden the tax base we will continue to be badly affected by developments on the expenditure side."

Earlier on Monday, President Megawati Sukarnoputri told a news conference in Tokyo her nation was considering "graduating" from the IMF because the economy had improved.

## STB announces tourism recovery programme

Singapore Tourism Board (STB) recently announced US\$116 million long-term tourism recovery programme.

Named as 'Singapore Roars', the programme was launched at a river party at the newly inaugurated Merlion Park in Singapore, says a press release.

The programme targets attracting four million visitors and generating US\$2.3 billion in tourism revenue till end of this calendar year. The campaign includes some packages with discount in airfare, accommodation, food and entertainment.

The programme was launched as visitors began to return to city state following WHO's dropping of Singapore from its list of SARS affected countries on May 31.



PHOTO: STAR

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) Sangsar Sangram Parishad brings out a procession in Dhaka yesterday demanding direct election to various posts of the apex trade body. Later, the leaders of the FBCCI faction submitted a memorandum to Deputy Speaker Akhter Hamid Siddiqui.