

Poor governance, supervision dearth retard capital market

ADB mission observes

NAZMUL AHSAN

Poor corporate governance and lack of supervision are hindering development of financial market in Bangladesh, said the Asian Development Bank (ADB).

It said investors' confidence in the capital market is low due to absence of good governance, weak capacity of major market players and inadequate market infrastructure.

"The stock market is still at an emerging stage and continues to suffer from low investors' confidence," the ADB said in its recent report, prepared on the basis of findings by a mission, who visited Bangladesh between July 11 and 17 this year.

A four-member ADB mission, led by VT Velasco, senior financial

economist of the Bank, visited Bangladesh.

The team advocated strengthening the enforcement capability of the Securities and Exchange Commission (SEC), enabling the watchdog to impose penalties and take administrative measures to address wrongdoing in the financial markets.

Terming Bangladesh's banking system 'weak and ineffective', the report underscored the need for resource mobilisation by non-banking financial institutions and institutional investors.

The capital market lacks investment grade equities and debt instruments. The long-term debt market is underdeveloped, with a non-existent secondary market for debt securities, the report pointed out.

Regarding regulatory role of the SEC, the ADB said the regulators are unable to attract experienced professionals due to its low pay scales.

It recommended establishment of the SEC as an autonomous regulator free from external interference.

"There is a perception that governance structures are inadequate, generally favor majority shareholders and work to the detriment of minority interest," the report said. "Informed market participants point to recurring violations of securities law and regulations, some of which partake of a criminal nature."

The ADB said the loan defaulters continue to have access to the capital market, although they are barred for securing loans from other

banks. It's a practice that allows them to bypass the banking embargo on loan defaulters, the report said.

It said of the 29 merchant banks, licensed by the SEC lack skilled manpower.

On the issue of poor corporate governance in capital market, the report said the Investment Corporation of Bangladesh (ICB) is a prime example of the very low nature of corporate governance in the Bangladesh financial system.

Elaborating, the report said the ICB is owner, operator and regulator -- all rolled into one with inherent conflict of interests.

"Financial disaster as a result of such structure and practices are clear lessons that the government needs to recognise as soon as possible," the ADB underscored.



Commerce Minister Amir Khosru Mahmud Chowdhury accompanied by Barkat Ullah Bulu, advisor to the commerce ministry, and Matsushiro Horiguchi, Japanese Ambassador to Bangladesh, visits a stall after inaugurating the three-day 4th Tex-Tech 2003, international textile machinery and accessory exhibition, yesterday at Sonargaon Hotel.

Dhaka gets giant screen

First LED ad display atop Ananda Cinema

STAR BUSINESS REPORT

It's new in the town. A new medium screening commercials. The giant audio-visual screen installed atop Ananda Cinema building in Dhaka's Farmgate area displays commercials of different companies.

Arkay Multimedia, a new enterprise of Arkay Group, has installed the audio-visual light emitting diode (LED) screen, first of its kind in South Asia.

Minister for Information Tariqul Islam on Thursday formally inaugurated the screen, titled Astrovision, at a function at Hotel Sheraton.

Arkay Multimedia Managing Director Rudess Karim said the giant

screen, developed by Japan's Panasonic, will display advertisements of different companies.

"A significant number of companies has already contacted us to get their products advertised on the screen, which is resistant to sunlight and rain," Karim said.

The managing director said showing advertisements apart, different educational programmes relating to social concerns will also be screened there.

He also said the screen will show commercials from 8 in the morning to midnight everyday.

On future plan, Karim said, "The company has a plan to set up another such screen in Chittagong

within a few days."

He said they are also planning to install few 'videowalls' in Dhaka's different shopping malls for indoor advertisements.

"We will bring few other state-of-the-art technologies in Bangladesh like plasmavision, scrollvision and trivision for outdoor and indoor advertisements," Karim said.

Minister for Disaster Management and Relief Chowdhury Kamal Ibn Yousuf, Arkay Group Chairman Rafiul Karim and Panasonic Singapore Managing Director Eugene Chan were also present at the launching ceremony.

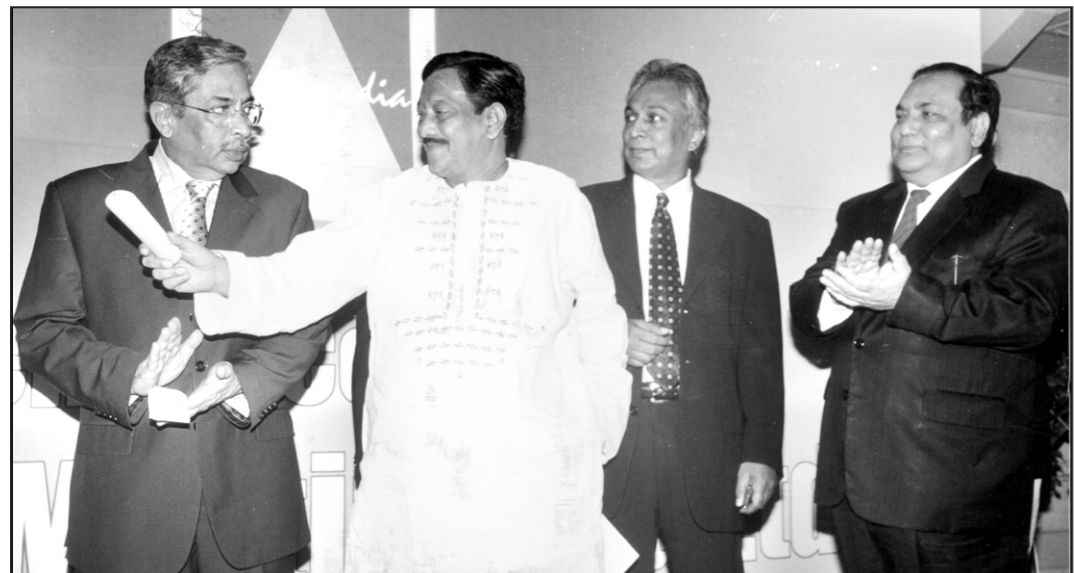


PHOTO: STAR

Minister for Information Tariqul Islam formally inaugurates a giant audio-visual screen, which is installed in Farmgate area, at a function at Hotel Sheraton on Thursday evening as Minister for Disaster Management and Relief Chowdhury Kamal Ibn Yousuf and Arkay Group Chairman Rafiul Karim (R-2) look on.

Oil surges on US gasoline supply crunch

REUTERS, New York

Oil prices surged nearly 3 per cent Thursday as dealers fretted over a gasoline supply crunch in the United States, the world's biggest energy consumer, in the midst of summer driving season.

New York crude futures settled up 84 cents to \$31.88 a barrel, tracking a more than 9 cent spike in gasoline futures to \$1.0993 a gallon, just below a 9-month record hit midday. In London, benchmark Brent crude jumped \$1.09 to \$29.93 a barrel.

The United States faces the lowest gasoline supplies since November less than two weeks ahead of the Labour Day holiday weekend, when a record number of drivers are expected to hit the roads for vacation.

The surge in futures prices is bad news for consumers already suffering fuel lines in Arizona after a pipeline outage, and a spike in pump prices in the Midwest after last week's blackout forced seven refineries in the Midwest and Canada to shut down.

Futures prices began their rally on Wednesday after US government data showed a fall in overall crude stocks and also in gasoline supplies to their lowest levels in nine months.

"The statistics inspired strength, and gasoline seems to be the order of the day," said Tony Machacek of Prudential Bache brokerage.

An official at the Energy Information Administration, the statistics arm of the US Department of Energy, said gasoline demand has been reaching record levels as Americans have continued to avoid flying since the Sept. 11, 2001 attacks.

"People are driving like crazy," the official said.

A record 28.2 million US travellers are expected to motor more than 50 miles by car on the coming Labour Day weekend, up 2.2 per cent from last year, according to a survey by the American Automobile Association.

The price rally gained momentum Thursday as refinery problems in the United States and Europe stoked concerns about low inventory levels.

Last week's massive power outage in North America led production to be halted at seven refineries.

Most of those refineries have since resumed production, but on Thursday traders were concerned about a series of refinery problems in California and an outage in a pipeline supplying gasoline to Phoenix, Arizona.

Overall US crude stocks have

remained below year-ago levels for months following supply disruptions from producer nations Iraq, Venezuela and Nigeria.

Many in the market are resigned to Iraqi oil exports probably not returning to pre-war levels in the near future as attacks on oil pipelines and power lines have hampered efforts to restore supplies.

Traders are also nervous about political tensions in Venezuela, another vital supplier of crude to the United States, where opponents of President Hugo Chavez have called for a referendum on his rule.

Earlier this year, a massive strike launched by opponents of Chavez choked off the country's oil exports, though some analysts say new disruptions to supply from Venezuela are unlikely since thousands of striking oil workers were fired and replaced with Chavez supporters.

Exports from OPEC member nation Nigeria were also disrupted in March by unrest in the country's oil-producing region.

But fears of further interruption of Nigerian supplies subsided after leaders of rival ethnic groups declared a cease-fire in the southern Nigerian oil city of Warri on Wednesday, the local state government said.

New pack of Mobil brand lubricant launched

Mobil Jamuna Lubricants Limited has launched a new pack of its product in the market.

Khonduker Shahidul Islam, chairman of the company and secretary of Energy and Mineral Resources Ministry, inaugurated the ceremony to mark the launching of the product in Dhaka on Wednesday, says a press release.

Azam J Chowdhury, managing director of Mobil Jamuna Lubricants Limited, and Mohammad Ali, general manager of Jamuna Oil Company Ltd, were present.

Faisal A Chowdhury, manager of Marketing of Mobil Jamuna Lubricants Ltd, AM Ziaul Huq, manager of Marketing of Jamuna Oil Company Ltd, and other senior managers were also present.

E Asia plans emergency Rice reserve system

AFP, Kuala Lumpur

East Asian agriculture ministers Friday agreed to speed up plans to set up an emergency rice reserve system to cope with crises and strengthen food security.

A steady supply of rice -- the staple diet in East Asia -- is key to regional food security, ministers from the 10-member Association of Southeast Asian Nations (ASEAN), China, Japan and South Korea said in a joint statement after a two-day meeting here.

"The ministers noted that a management team would be established early next year to carry out the pilot project of the East Asian Emergency Rice Reserve and called for accelerated progress," the statement said.

Azmi Mat Akhir, a director with the Jakarta-based ASEAN secretariat, said East Asian ministers "agreed in principle" to carry out the pilot scheme and implementation would be on a voluntary basis.

Jakarta announces winning bidders for 8 oil, gas blocks

AFP, Jakarta

Indonesia Friday announced winning bidders for eight new oil and gas blocks, involving a total estimated initial investment of 169.85 million dollars.

The winners include Indonesia's Medco Energi Internasional, the Korean National Oil Corp. and Australia's Santos, said Arifin Takhyan, director general for oil and gas in the energy ministry.

He said the winners have seven days to disclose their commitment to sign a contract with the government in early October. Six of the blocks are offshore and two onshore.

The government will open a new tender for 10 more new oil and gas blocks in October, Takhyan said.

Indonesia has projected total government revenue of 41.67 trillion rupiah (4.96 billion dollars) from the oil and gas sector in next year's budget, a decrease of 25.8 per cent on the sum estimated for this year.

3-day int'l textile machinery, accessory exhibition begins

STAR BUSINESS REPORT

With a view to showcasing state-of-the-art technologies for readymade garments and textile industry, a three-day international textile machinery and accessory exhibition began in Dhaka yesterday.

Commerce Minister Amir Khosru Mahmud Chowdhury inaugurated the exhibition titled the 4th Tex-Tech 2003 at Sonargaon Hotel.

Advisor to commerce ministry Barkat Ullah Bulu, Bangladesh Women Chamber of Business and Industry President Selima Ahmed and Japanese Ambassador to Bangladesh Matsushiro Horiguchi were present at the inauguration ceremony.

Khosru said formula for sustaining in the post-multi-fibre arrangement (MFA) era for garment sector lies on adopting modern technologies.

"Many factories have so far taken initiatives to equip their facto-

ries with such technologies," said Khosru.

The commerce minister hoped the exhibition will help garment factories choose state-of-the-art technologies.

Barkat Ullah Bulu said the show will provide a perfect one-stop market place for buyers to evaluate the performance of machinery and technologies that may best suit their requirements.

Companies from the US, Germany, Singapore, India, South Korea, Taiwan, Pakistan, China, Hong Kong, Japan, Italy, Belgium, Spain, Turkey and UK are participating in the show, organised by Conference and Exhibition Management Services (CEMS), an event management company.

Some 80 stalls of 30 organisations put their products on display in the show that concludes tomorrow. The exhibition is open to all from 10am to 8pm everyday.

The products on the display include equipment, machinery for

various textile dyeing, printing, sewing and finishing industries, gas generator, boiler, filtration solutions, textile dyes, chemicals, fusing presses, compressor, power generator, laser making system, automatic wasser-extractor, lace braiding machine, knit textile machinery and various types of yarn.

"We are organising the fair since 2001 to help Bangladeshi garment factory owners derive benefit by receiving information about the latest technology," said CEMS Managing Director Meherun N Islam.

Islam said her company will organise Mega Expo 2003 in September at same venue.

The show will comprise three different events -- ConExpo for showing building materials, real estate companies and furniture; ElecExpo for electronic equipment and ServeExpo for service products, she added.

Pakistan forex reserves jump to \$11.110b

REUTERS, Karachi

Pakistan's foreign exchange reserves rose to \$11.110 billion in the week to August 16, up \$41 million from the previous week, the central bank said yesterday.

The State Bank of Pakistan gave no reason for the rise.

Bankers said it was partly due to higher remittances from expatriate Pakistanis who have been using official channels since a crackdown on money-laundering following the September 11, 2001, terror attacks in the United States.

A rise in exports and capital inflows also helped, they said.

The central bank said in a statement its direct holdings were \$9.83 billion, with those of commercial banks at \$1.27 billion.

The central bank changed its method of calculating foreign reserves last year and now monitors total liquid foreign reserves, including previously undisclosed foreign exchange deposits by banks.

Indian tea body sees 6pc dip in exports

REUTERS, Kolkata

India's tea exports are likely to fall by around six per cent in 2003 to 186 million kg, mainly due to the collapse of the key Iraq market, the country's largest planters' body said Thursday.

India exported 198 million kg (436.5 million lb) tea last year, driven by sales of 40.25 million kg to Iraq, a three-fold jump over 2001.

But overseas sales in the first half of this year fell 28 per cent year on year to 57.15 million kg due to the Iraq war, the India Tea Association (ITA) said.

The ITA, which released its status paper on the "Indian Tea Scenario", said the drop in exports to Iraq would be somewhat offset by a rise in sales to Pakistan and Britain.

"We expect exports to increase to Britain and Pakistan this year, which should offset some of the loss in Iraq," Sujit Patra, Deputy Secretary of the ITA, told Reuters.

India's sluggish tea industry, hit by the US-led war on Iraq, has in recent months focused on Pakistan capitalising on a thaw in ties between the two nuclear-capable rivals which came close to war in 2002 over the disputed Kashmir region.

ROK GDP growth slows to 1.9pc in second quarter

AFP, Seoul

South Korea's growth in the second quarter of this year slowed to 1.9 per cent, the lowest level in four and a half years, showing the economy was in recession, the central bank said Friday.

For the first six months to June, gross domestic product grew 2.7 per cent year-on-year, far lower than the 6.4 per cent recorded a year earlier.

The Bank of Korea (BoK) attributed slow growth to weak consumption and a prolonged crisis over North Korea's nuclear ambitions as well as the negative impact of the SARS epidemic and the war in Iraq.

FBCCI polls

Awal puts accent on facing post-MFA challenges

STAR BUSINESS REPORT

Designing a formula to prepare Bangladesh for the post-multi-fibre arrangement (MFA) era will be his first task if elected, MA Awal, one of the presidential candidates of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) polls, said yesterday.

Awal, also chairman of Prime Group of Industries, said honest and competent leadership is required for the FBCCI to compete after 2004.

"To avoid rivalry and division among businesspeople I have decided not to take part in the election with any panel," said Awal at a pre-election press briefing held at Dhaka Chamber of Commerce and Industry (DCCI) auditorium.

However, Awal hoped qualified directors will come through the

election. He also hoped the government will not make any interference in the FBCCI election.

MA Awal, also president of Bangladesh Textile Mills Association (BTMA), also called for more reform in the electoral process of the FBCCI.

The election to the country's apex trade body will be held on Monday.

IMF sees Indian economy growing, warns on deficit

REUTERS, Washington

The IMF forecast Thursday that India's economy will grow 5.5 per cent in 2003-04 with some upside potential but said the country's fiscal deficit and public debt were an economic burden.

"India's large deficits and public debt are exacting an economic cost in terms of foregone growth," the International Monetary Fund said in an annual review of India's economy, Asia's third largest.

The fund also said it was concerned that growth was still off mid-1990 levels of 6.5 per cent which had implications for reducing poverty in the world's second-most populous nation.

India's fiscal deficit was 5.9 per cent last year, exceeding the initial target of 5.3 per cent. In 2003/04 (April-March) the government aims to keep it at 5.6 per cent.

The fund said the country's

2003-04 budget "makes little headway" in checking the fiscal imbalances.

"The large fiscal imbalances leave little room for maneuver in the face of shocks and have tended to result in ad hoc policy changes, which increase investment uncertainty," the fund said in a statement.

It said India's inflation was expected to moderate to around 4.5 per cent by the end of the 2003-04 fiscal period, with the external current account seen remaining in surplus.

Good monsoon rains were forecast, the fund said, and there was potential for an even stronger rebound in India's key agricultural sector which brightened growth prospects.

India should use the current favourable external and interest rate environment to build political consensus to accelerate fiscal and structural adjustments, the IMF

said. It said India needed a clearer strategy on the future role of development finance institutions, given their overall weak financial condition.

"Owing to the current fiscal situation and need to contain systemic risk, they encouraged the authorities to move away from government-orchestrated rescue packages of these institutions, with little conditionality," it said.

The IMF praised authorities for financial sector reforms but said it needed to broaden the scope of the market for interest rate derivatives and tighten the regulatory treatment of state-government guaranteed loans.

It also called for early action on lifting restrictions on agricultural marketing and trade and reforming the public distribution system, minimum support prices and fertilizer subsidies.