



Holcim Group Chairman arrives Dhaka today

Rolf Soiron, group chairman of Holcim, arrives in Dhaka today on a 10-day visit to Bangladesh. During his visit, Soiron will exchange ideas and views with Holcim Bangladesh high officials and visit Holcim Cement plants. Besides, Soiron is scheduled to meet Grameen Bank Managing Director Muhammad Yunus, also a member of the advisory board of Holcim Foundation for Sustainable Construction, and witness Grameen Bank's activities in rural areas of Bangladesh, says a press release.

China strives to produce 6 MT of cotton in 2006

XINHUA, Beijing
China will strive to produce more than six million tons of ginned cotton in 2006 by expanding the cotton-growing area and raising the per unit yield, according to the Advances on Cotton Production in 2006 issued by the Ministry of Agriculture. The Ministry of Agriculture has outlined an overall target of expanding the cotton-growing area to 80 million mu (5.33 million hectares), raising the per unit yield to 75 kg per mu (0.07 hectares), and producing more than six million tons.

DSE index dips to below 1,400 points

SARWAR A CHOWDHURY

Following bearish trends in the last few months, the Dhaka Stock Exchange (DSE) General Index yesterday dipped to below 1,400 points mark for the first time since January last year. The premier bourse's general index yesterday lost 38.47 points to close at 1379.79 points from Thursday's 1418.26 points. The general index peaked on January 1, 2005 to reach 1999.71 points. Market analysts said the present liquidity crisis in the money market is one of the key reasons for the continuous slide in share prices and indices. They said the banks had raised their interest rates on fixed deposit receipts (FDRs) last year, while the government increased the interest rates on savings schemes by 1.5

percentage points in last December, which encouraged the small investors to invest in such schemes instead of investing in shares. Besides, institutional investors like banks and financial institutions, which play important role in keeping the market vibrant, are less interested in putting money in the market nowadays. Rather, they are withdrawing money from the market by selling shares because of liquidity crisis in the banking sector, they said. The institutional investors are also adjusting the margin accounts of their clients in line with the fall in share prices. The margin accounts are used by share investors to borrow from the institutional investors to purchase shares. Chief Executive Officer of DSE Salahuddin Ahmed Khan said the DSE will urge the finance minister after his return from Jakarta to ease

the monetary policy so that money supply to market can be easier. Earlier on April 5, Khan said the present bearish trend was due to the liquidity crisis in the money market. ICB Managing Director Ziaul Haque Khondker said it can not be said that the downtrend is witnessing only for monetary policy. "There is a need to conduct research to find out whether the market is falling for liquidity crisis or not," he said, adding that there is also need to increase the participation of institutional investors and their investment. A total of 2,328,019 shares of 186 issues worth Tk 14.78 crore changed hands on the DSE yesterday. Of the issues traded, 15 closed in gains, 155 suffered losses and 16 remained unchanged.

Fazlul-led panel sweeps BKMEA election

STAR BUSINESS REPORT

Knit Oikyo Parishad (KOP) led by incumbent president Fazlul Hoque swept Saturday's election to the executive committee of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), bagging 22 out of 27 posts. The first ever biennial election of BKMEA was held at its offices in Narayanganj and Dhaka from 9:00am to 4:00pm. FBCCI Vice-president Muhammad Ali, chairman of the election commission, declared the results in the early hours yesterday. Directors elected from KOP are Fazlul Hoque, MA Rahman, Kashem Jamal, AKM Zahidul Hoque Bhuiyan, GM Haider Ali, Md Mahub Alam, MA Baset, Md Shamsul Hoque, GM Faruk, Dr Bahauddin Mohammad Yousuf, Khaja Rahmatullah, Masuduzzaman, Abdur Rashed, Fazle Shamim Ehsan, Hasan Murad, Sheikh Hayder Ali, Sheikh Abdus Salam, Md Shahanawaz, Md Hasan Mahamud, Feroz Wahid, SK Monowar Hossain and Shawkat Osman. Five other directors elected from Muhammad Hatem-led Sammlito Knit Forum (SKF) are Mohammad Hatem, Shameem Ahmed, Md Suhrwardi, Md Bazlur Rahman and Abdus Sobhan Miah. Out of 1003 BKMEA members, only 613 cast their votes in the polls for electing 27 directors who will later pick up their president, first vice-president, second vice-president, third vice-president and vice-president (finance). Voters from Narayanganj exercised their franchise at BKMEA's Narayanganj office while others cast their votes at its Dhaka office. Fazlul Hoque told reporters that the full-fledged executive committee would be formed today. The new committee will take over on April 16, he added.

IMF asks govt to furnish data before finalising budget

JASIM UDDIN KHAN

International Monetary Fund (IMF) asked the government to provide it with the country's macroeconomic assumption and preliminary budget projection before finalising the annual budget for the year 2006-07. IMF in a letter to the National Board of Revenue (NBR) on Thursday asked the government to provide all necessary data relating to formulation of the country's annual budget by April 26. The multilateral donor agency is seeking the information before the arrival of a high-level team of IMF to monitor the poverty reduction growth facility (PRGF) activities in the country. The team led by Thomas Rumbaugh, adviser to the agency's Asia Pacific Department is due in Dhaka on April 30 and will stay till May 10 to attend the 5th meeting under the PRGF programme. IMF in its letter said, "Please describe the macro economic assumption that will underline the

FY06/7 budget." The donor agency provided a detail questionnaire to NBR seeking information about 24 specific inquiries which include the situation of balance of payment, overall foreign exchange reserve, rate of inflation, volatility of foreign exchange rate, the situation of aid disbursement, the status of non performing loans, provisioning of loans, profitability of banks, and capital adequacy. It also sought information about the findings of the consultants who are working with the state owned Agrani Bank, Janata Bank and Sonali Bank to improve their performance level, and about the prices of oil and the rate of interest. It emphasised to know the level of tax exemptions and tax incentives given by the government for both local and foreign investments. It also asked the government to provide it with the study report on tax exemptions and incentives prepared by NBR by April 15, and to inform it about the status of the implementation of the procurement

act, reforms in the civil services, implementation of the annual development programme, performance of the state owned enterprises, development privatisation process and the readymade garments sector. Some of the country's top economists however said such a practice is not good for a sovereign country. "A donor agency is wanting all macro economic data before finalising the country's annual economic document is not a good practice," a senior economist said preferring anonymity. He said the government signed an agreement three years ago, which is not favourable to the nation. "How could people accept providing a donor agency with a national document before finalising it, specially an agency which is gradually decreasing its amount of aid anyway?" he questioned.



LRGD and Cooperatives Minister Addul Mannan Bhuiyan, Deputy Chief of US Embassy Judith A Chammas, Energy and Mineral Resources Secretary AMM Nasir Uddin, Navana Group Chairman Shafiqul Islam Kamal and Managing Director of Chevron Global Lubricants, Caltex Lubricants Lanka Ltd Kishu Gomes are seen at the launching ceremony of Chevron Texaco's Caltex brand as the company signs a deal with Navana as its local partner to commence operations in Bangladesh recently.

Bangladesh exporting knitwear to China

BDNEWS, Dhaka

Bangladesh has started exporting knitwear products to China. Nasrin Zaman Knitwear Ltd, which got an export order of 50,000 pieces of T-shirts from a Chinese buyer while participating in a trade fair in Kunming last year, made the first shipment late last month. "Bangladeshi products have huge demand in China and the rate

is also pretty good compared to the European markets," M Aminuzzaman, managing director of Nasrin Zaman Knitwear Ltd, told the news agency. T-shirts and some other items for the youths have more demand in China than Germany, the largest buyer of Bangladeshi knit products, he added. Aminuzzaman said a lady's T-shirt, which is sold at \$ 10 in

Europe may be sold at Tk 2,000 in China. When asked, Fazlul Hoque, president of Bangladesh Knitwear Manufacturers and Exporters' Association (BKMEA), said Bangladeshi knitwear items have tremendous demand in China. "But we cannot concentrate on the market because we are already burdened with export orders from Europe and US," he said.

India hopeful of deal with striking bank workers

AFP, New Delhi

India's finance minister said Sunday he hoped an agreement would be reached to end a week-long strike over pensions by employees of the country's largest bank, State Bank of India. "Since the talks had stalled last night (Saturday), the government has called both the management and the unions to New Delhi for talks," Palaniappan Chidambaram said. "It is my hope that the talks will continue and a satisfactory agreement will be reached today (Sunday)," he said promising "sympathetic consideration" to their proposals. There was no immediate reaction from the strikers. More than 200,000 employees of government-owned State Bank

of India have been on strike since Monday demanding a hike in the standard pension rate, which has remained at 4,250 rupees (96 dollars) a month for the past decade. The strike has paralysed the bank's 9,000 branches with government pensioners the worst affected as several state governments operate accounts there. The State Bank of India handles 19 percent of deposits and 30 percent of customers in the banking industry, the Press Trust of India said in New Delhi. The bank, founded in 1806 under British colonial rule, faces tough competition with new Indian and multinational banks that have set up shop since economic reforms began in 1991.



New chairperson of Dhaka Bank

Jasmine Sultana has been elected chairperson of Dhaka Bank Limited. The board of directors of the bank at its 11th annual general meeting in Dhaka recently elected her chairperson, says a press release. Prior to her election, she was a director of the bank.

CORPORATE GOVERNANCE

Bangladesh scenario and the role of Human Resources

MAMUN RASHID

Corporate governance is now a topic of considerable interest to a large and expanding cross-section of the community. Until fairly recently, corporate governance was not a topic that attracted much public attention. However, recent events, such as the Enron scandal and other corporate governance failures, have put corporate governance on the front pages. Corporate governance involves a number of elements, including a clear understanding by directors of their company's strategic objectives, structures to ensure that the objectives are being met, systems to ensure the effective management of risks, and the mechanisms to ensure that the company's obligations are identified and discharged. It is self-evident that sound corporate governance is essential to the wellbeing of an individual company and its stakeholders. Many companies, both at home and abroad, whose financial difficulties and, in some cases, ultimate demise has been substantially attributable to weak corporate governance. But sound corporate governance is not just a vital factor at the level of the individual corporation. It is also a critical ingredient in maintaining a sound financial system and a robust economy. Large incorporated businesses are usually owned by one group of people (the owners or shareholders) whilst being run by another group of people (the management or the directors). This separation of ownership from management creates an issue of trust. The management has to be trusted to run the company in the interest of the shareholders and other stakeholders. If information were available to all stakeholders in the same form at the same time, corporate governance would not be an issue at all. Armed with the same information as managers, shareholders and creditors would not worry about the former wasting their money on useless projects; suppliers would not worry about the customer not fulfilling its

part of a supply agreement; and customers would not worry about a supplier firm not delivering the goods / services agreed. In the real world of imperfect information, each agent will use whatever informational advantage they may have. Looking at conventional firms, management will usually have an informational advantage over other stakeholders and hence the need for corporate governance. Good corporate governance means governing the corporation in such a way that the interests of the shareholders are protected whilst ensuring that the other stakeholders' requirements are fulfilled as far as possible. Corporate governance standards can also have profound impacts on the effectiveness of the global anticorruption campaign. In recent years, some high profile business frauds and questionable business practices in the United Kingdom, the United States and other countries have led to doubt being cast on the integrity of business managers. This has led to scrutiny of corporate governance and a desire for governments to tighten the regulation around corporate governance further. The degree to which corporations observe basic principles of good corporate governance is an increasingly important factor in investment decisions. Of particular relevance are the relationship between corporate governance practices and the increasingly international character of investment. International capital markets enable corporations to access funds from a much larger pool of investors. Countries with high standards of corporate governance practices are more likely to attract international capital. Although there is no single model for good corporate governance, it is affected by the relationships among participants in the governance system. These participants include: shareholders; management; creditors; employees and other stakeholders; and the govern-

ment. Businesses have responsibilities to not only shareholders but also other stakeholders such as creditors, employees, government and society. Regulators therefore need to ensure that companies abide by all relevant laws and regulations including those regarding tax, environmental protection, health and safety. Though the regulatory requirement is necessary to establish good corporate governance, it has certain limitations. The formal enforcement mechanism is often costly, time-consuming and inflexible. Besides it may be met with resistance from the regulated. Thus, we consider the "voluntary approach" a complementary means to promote good governance. The key to the voluntary approach is to change the mindset of the management, shareholders and related parties to be aware of the importance of good corporate governance and perform their duties accordingly. Businesses in particular need to realize their mission is to enhance long-term value to shareholders. To achieve such mission, they have to function in the larger society and thus bear responsibilities to all stakeholders. Private sector needs to realize the benefits that stem from good corporate governance and appreciate merits of regulations in this area. For example, the compliance with regulations such as disclosure standards will enable the market to differentiate a company with good versus bad governance, thereby enhancing the competitiveness of a good company and facilitating easier access to tap funds and resources at lower cost. Furthermore, it helps in the creation of an image of the brand, and attracting intellectual talents. In Bangladesh we have recently started to take "corporate governance" as a considerable issue and furthermore many organizations have started to realize how it plays an important role for a company's long-term sustainability, especially

when companies are increasing their size, presence and diversity. The Securities and Exchange Commission (SEC) have launched corporate governance guidelines for listed companies. Now Companies listed in the capital markets have come under a set of corporate governance guidelines introduced by the Securities and Exchange Commission to ensure corporate accountability and transparency. It will not only help to build investors' confidence in the capital market but will also promote ethical business practices in the country. We can also take example from other countries, why they are flourishing so much because of their corporate governance practices. They are not only held responsible for their activities but they are also held accountable. To date, Bangladesh has not succeeded in attracting a significant international investment in a scale similar to its Asian neighbors due to the fact that international investors perceive Bangladesh poorly in terms of governance and corruption and see the country as too risky. Corporate governance and the ethical business practice are seen as the major impediments towards the growth of the booming Bangladesh economy. Bangladesh is an emerging economy with a huge potential of growth, which is exactly one of the reasons for why it is necessary to enforce key strategies, such as corporate governance and ethical business practices at this juncture of the growth stage to promote investors' confidence, improve investor's perception and reliability on business norms. Such prevalent practices at all levels of organizations shall help in promoting a fairer perception and credibility about the country towards the potential investors to come forward. Many local companies are expanding their businesses both domestically and internationally. Such companies usually seek an international partner with appropri-

ate experience and competencies to build relationship through transfer of technology, resources and core competencies, to a greater extent. Lack of credibility, poor corporate governance and questionable business practices are few of the reasons for many top notched international companies to de-associate itself with local companies due to reputation and franchise risk. As mentioned earlier, only listed companies in the stock exchanges have come under the purview of corporate governance guidelines but it should be expanded to include all the companies. Unethical business practices like insider trading and kickbacks are very prevalent amongst many businesses in the country, and the tendency for local corporates to evade taxes must be stopped; and a true and fair financial information be reflected in the financial statements in an appropriate and timely manner. The local companies have lost their credibility to such an extent that at times even their audited financial statements are doubted. Corporate governance is a precondition for a vibrant and improved capital market and set conditions for the investment climate in the country and thus should incorporate 'comply or explain basis' rules and guidelines aimed to enhance corporate accountability and practices in the country. Apart from the listed once good or better governance can help all the companies to ensure better and consistent control environment, delivery against commitments and moreover trust on 'how the company runs its business'.

Mamun Rashid is a banker.