

Star BUSINESS

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ADB to lend India \$550m for road upgrades

AFP, Manila

The Asian Development Bank (ADB) said Saturday it will extend a finance facility worth 550 million dollars to India to upgrade roads in the state of Uttaranchal.

The ADB program will finance part of the Uttaranchal road development plan, particularly reconstruction of about 10,800 kilometers (670 miles) of state roads, the ADB said in a statement from its headquarters here.

Under the program, a multi-tranche financing facility has been set up for 10 years, with total loans of 550 million dollars.

The first loan, for 50 million dollars, will improve 570 kilometers of roads and initiate a re-engineering of the state government's public works business department, the bank said.

Nepal woos more foreign aid, investment

XINHUA, Kathmandu

The Communist Party of Nepal (CPN) (formerly known as guerilla) has reaffirmed that the party would not raise any objection over foreign aid and investment for the country's economic development of the country.

At a meeting with the representatives of the donor communities here Friday, Dr. Baburam Bhattarai, senior leader of the CPN, underlined the need to attract foreign investment in the country, local newspaper The Rising Nepal reported Saturday.

He urged the donor communities to extend their support in the areas in which Nepal had low resource endowment.

"The hydropower is one of the areas in which we need your support," Bhattarai told the representatives.

Aftab Auto approves 20pc cash dividend

Aftab Automobiles Ltd has approved a 20 percent cash dividend for its shareholders for the year that ended on August 31, 2006.

The dividend was approved at the 26th annual general meeting (AGM) of the company held on Thursday in Dhaka, says a press release.

Chairman of the company Shafiqul Islam presided over the AGM while Director Monwarul Islam, Independent Director Syed Masud Hasan and Managing Director Saiful Islam were present.

Amend anti-money laundering law to curb terrorist financing

Speakers say at seminar

STAR BUSINESS REPORT

As the existing anti-money laundering law does not address terrorist financing, speakers at a seminar yesterday suggested changes to the law to stop such malpractice.

Since money laundering and terrorist financing have some distinct differences, the law requires some additional provisions, they pointed out.

They were speaking at a session titled 'Effective Use of Anti-money Laundering Law in Curbing Terrorism' of the seminar on 'A Strategy for Combating Terrorism in Bangladesh', jointly organised by British high commission in Dhaka and Bangladesh Enterprise Institute (BEI).

Chairing the session, former Bangladesh Bank (BB) governor Fakhruddin Ahmed stressed the

need for coordination between BB and law enforcement departments for smooth implementation of the law.

He also suggested formation of a coordination body, as enforcement is an important issue in preventing money laundering in regards to terrorist financing.

Addressing the function, Chief Executive Officer of Citigroup Bangladesh Mamun Rashid said there has been a need for bringing amendment to the current anti-money laundering law.

He also said provisions relating to terrorist financing should be incorporated in the existing law.

"Similarly a separate regulatory body with required magistracy power is a must for proper implementation of anti-money laundering law," he said.

Presenting the keynote paper on

'Effective Use of Anti-money Laundering Law in Curbing Terrorism', BB Executive Director Nazmul Hasan said there are some loopholes in the anti-money laundering law.

The definition of money laundering in the present law is very broad, he added, saying, "Such broad definition does not help authorities focus on specific targets."

He said the law does not define all the institutions under its jurisdiction.

"Although banks and non-banking financial institutions are defined, it is not clear what institutions are covered by the term 'institutions involved in the financial activities'," he said.

The law lacks a detailed outline of freezing financial assets while the central bank does not have the authority to order temporary freezing of accounts, he pointed out.

ADB lends \$320m to help Pakistan's poor

AFP, Manila

The Asian Development Bank (ADB) said Saturday it was lending 320 million dollars to help the poor in Pakistan obtain access to wider financial services, including microfinance.

The loans would go to developing a legal and regulatory framework and removing bottlenecks that would allow more of the country's poor access to financial networks, the ADB said in a statement from its headquarters in the Philippine capital.

This would include improving technology for delivering financial services more efficiently and at lower cost and expanding the range and quality of financial products and services "including those for the Islamic market", the ADB said.

The bank would also work to set up public-private partnerships, including reliable business and credit information systems as well as improved, reliable and lower-cost remittance services for overseas workers.

"There is a large potential demand for microfinance services among the poorest people in Pakistan, even though the potential market is about 20 million people, the bank added."

Microfinance reaches fewer than a million people in Pakistan, even though the potential market is about 20 million people, the bank added.

Toyota on course to overtake GM in 2007

AFP, Tokyo

Japan's Toyota Motor Corp. is on course to be the world's top automaker in 2007, overtaking ailing General Motors, according to figures released Friday.

Toyota, which has cashed in on strong worldwide demand, especially for its pioneering eco-friendly cars, said production would rise four percent next year to 9.42 million vehicles.

General Motors expects to produce 9.181 million vehicles this year. While it has not released figures for next year, analysts doubt the Detroit giant can significantly boost production in the midst of a painful restructuring drive.

"It is very likely that Toyota will overtake General Motors next year," said Tatsuya Mizuno, an auto analyst at Fitch Ratings.

"But it's only symbolic whether Toyota will overtake General Motors for the place of world's largest automaker," he said. "Looking at its profit and cash flow, Toyota is already surpassing General Motors and is by far the world's number one."



Bangladesh Bank Governor Salehuddin Ahmed and Chairman of Securities and Exchange Commission Faruk Ahmed Siddique, among others, are seen with the winners of the 6th ICAB National Awards for Best Published Accounts and Reports 2005 Competition in Dhaka on Friday.

BB chief urges CAs to up quality of financial reports

13 firms receive ICAB awards

STAR BUSINESS REPORT

Urging chartered accountants to uphold professionalism, Bangladesh Bank Governor Salehuddin Ahmed has said many audited financial reports do not reflect the true picture of companies.

"A good number of financial reports are merely routine jobs and quality of some of the reports is very poor," Ahmed said on Friday when he was speaking at the prize giving ceremony of the 6th ICAB National Awards for Best Published Accounts and Reports 2005 Competition in Dhaka.

Requesting the chartered accountant firms to improve the quality of their reports, the central bank chief said financial statements never disclose any information, which carries bad image of a

company.

"Many companies violate central bank rules and regulations but we never find such disclosures in your reports. We want to see such disclosures in the statements," Salehuddin told the chartered accountants.

Faruk Ahmed Siddique, chairman of Securities and Exchange Commission, urged the chartered accountant firms to improve the quality and standard of financial statements.

The Institute of Chartered Accountants of Bangladesh (ICAB) awarded 13 companies for their best published accounts and reports in 2005 in four categories.

Prime Bank Limited was awarded the first prize in the banking sector category. Dhaka Bank Limited bagged the second prize while Bank Asia Limited and

Mercantile Bank Limited jointly secured the third position. Dutch-Bangla Bank Limited got an appreciation award.

In the non-banking financial sector category, Prime Finance & Investment Limited and Industrial Development Leasing Company of Bangladesh Limited (IDLC) became the first and second.

In the manufacturing sector, GlaxoSmithKline Bangladesh Limited, Berger Paints Bangladesh Limited, and Beximco Pharmaceuticals Limited were adjudged the first, second and third. Singer Bangladesh Limited received the letter of appreciation award.

Besides, in NGOs and micro-finance institutions category, Buro Bangladesh and BRAC were adjudged the first and second.

ASM Nayeem, president of ICAB, also spoke at the function.

Experts criticise 'proselytising' World Bank research

AFP, Washington

Much of the World Bank's voluminous research is of little worth, and relies on questionable evidence to advance its policy goals, according to a hard-hitting evaluation by outside experts.

The study, overseen by four world-leading experts in international development, looked at nearly 4,000 papers, books and reports issued by the World Bank from 1998 to 2005 and found "some outstanding work."

"But the panel had substantial criticisms of the way that this research was used to proselytize on behalf of Bank policy, often without taking a balanced view of the evidence, and without expressing appropriate skepticism."

"Internal research that was favorable to Bank positions was given great prominence, and unfavorable research ignored," said the quartet's report.

The frank critique could fuel criticism of the World Bank's work by many development campaigners, who argue the Washington-based organization is out of touch with the needs of the poorest nations.

The evaluation came to light

Friday after being slipped out on the World Bank's website -- described in the study as "often of poor quality and difficult to use" -- with no publicity.

A spokeswoman, Merrell Tuck, said the report was put online Tuesday "in the interests of transparency" a day after a meeting of the lender's development effectiveness committee.

But the panel's chairman, Princeton University economics professor Angus Deaton, noted that he had delivered the report in September and told AFP: "It's taken so long to make this public that I forgot exactly what's in there."

Bank chief economist Francois Bourguignon, who commissioned the report, said it was a "deep and thoughtful" contribution while stressing its finding that nearly two-thirds of the lender's research ranks as above-average.

"But we recognize the need to maintain effective checks and balances in order to achieve the objective of maintaining a high-quality Bank research program," he said in a written response.

Aside from Deaton, the four experts were Abhijit Banerjee,

professor of economics at the Massachusetts Institute of Technology; Nora Lustig, director of poverty programs at the United Nations Development Program; and Harvard professor Kenneth Rogoff, a former chief economist at the International Monetary Fund.

They argued that the 2.5 percent of its total two-billion-dollar budget that the World Bank spends on research "is surely too low given the multiplicity of tasks that research is expected to fulfill."

"One of the comparisons that we like to make is they spend less than half as much on research than they do on the executive board of the bank," Deaton said.

"The place is supposed to be a knowledge bank."

And the research all too often feeds into pre-existing policy goals rather than driving new thinking, said the report, which highlighted the World Bank's work on pensions reform, and its data collection, for criticism.

"In these cases, we believe that there was a serious failure of the checks and balances that should separate advocacy and research," it argued.

Political scenario and impact on the economy: A wake up call

MAMUN RASHID

Bangladesh's current political turmoil has attracted considerable international attention. We have seen high-powered delegates of several countries, including the USA, UK, Canada, Australia, European Union and respectable institutions such as the United Nations, World Bank and International Monetary Fund are repeatedly appealing on the our political leaders to resolve the crisis.

On the one hand, these countries and institutions are taking an interest in the well-being of this country. On the other hand, they are also taking note of the chaos and potentially forming an impression that is harmful for the country's economy in the long run. This is because these countries and institutions also form bulk of the international investor community, on whom we are critically dependent for our growth capital and economic development.

Publicized political crises considerably tarnish the economic parameters, which may not be as bad as the political situation may suggest. Investors may often take a negatively biased view of all economic data although the underlying fundamentals may not support this. For example, even though Bangladesh's unemployment rate is lower than those in many other neighboring countries such as India, Pakistan etc. and ethnic tension is one of the lowest among many comparable countries, investors may still view them negatively and report a dismal picture. There is a 'recency bias' in the international

investors' minds and once a negative opinion is formed, it stays there for a considerable period of time.

Let us take a look ahead into the immediate future i.e. 2007 and estimate the economic impact of the current political scenario. Real GDP grew by a record 6.7 percent in FY 2006, bolstered by firm external demand and a sustained recovery in the agricultural sector. However, this performance is unlikely to be repeated next year. As the Economist Intelligence Unit reports, in FY 2007 economic growth will be tempered by an economic slowdown in Bangladesh's largest export market, the US, while domestic activity will be disrupted by street protests, which are likely to continue after the January 2007 general election. Owing to the likely scale of such protests, real GDP will likely grow by 6 percent in FY 2007. Real GDP is forecast to slow further down to 5.8 percent in FY 2008.

Bangladesh's fiscal position is expected to deteriorate in the later part of 2007 as the new government would set about implementing its programme of spending measures. The previous coalition government managed to beat its own deficit target of 4.5 percent in 2005/06, but this was primarily owing to the poor implementation of spending under the Annual Development Programme. The budget for 2006/07, unveiled in June, includes a revenue target of Tk 550.5bn, an increase of 16.2 percent on the estimate in the previous year's budget and a deficit target of 3.7 percent of GDP.

A respected international

authority on macro-economics believes that this target will prove difficult to achieve in view of the extra spending needed to maintain law and order in the run-up to the general election and in subsequent months, should the election result be contested and street protests continue. In July-August 2006, net borrowing by the government from banks soared to Tk12.3bn, compared with just Tk5.3bn in the year-earlier period. The budget deficit will likely be around 4.1 percent in 2006/07, and this expected to rise slightly in 2007/08.

The central bank has set an inflation target of 7 percent for 2006/07, unchanged from the previous year. Bangladesh Bank also revealed in its biannual monetary policy statement its intention to maintain a tightening bias. We expect the central bank to tighten monetary policy further in 2007 and 2008 as concerns about upward price pressures and credit growth persist. However, because of the need to ensure that the private sector has access to sufficient liquidity to support economic growth, Bangladesh Bank is likely to maintain a cautious stance, allowing interest rates to rise only gradually during 2007.

The current political scenario will also take a toll on the level of inflation. As political unrests are likely to continue, regardless of which party ascends to the throne, due to pressures on the supply side and communication disruptions. The latest consumer prices data from the Bangladesh Bank show easing price pressures on non-food items. However, price pressures are

expected to persist in 2007, as the government attempts to reduce gradually the subsidy on domestic fuel prices against a backdrop of stubbornly high international oil prices. The annual inflation rate is forecast to average 6.7 percent in 2007. However, this forecast may need to be considerably adjusted upward in the likely event of another prolonged political crisis.

Now let us look at the external sector. On top of domestic political issues, Bangladesh's export sector will face further challenges in the global markets due to factors it does not control. The outlook for Bangladesh's external environment is expected to become slightly less favorable in 2007-08. Exports are expected to lose momentum as world trade growth slows from 9.9 percent in 2006 to 7.5 percent in 2007. Real GDP growth in the US, which absorbs around 24 percent of total Bangladeshi exports, is forecast to slow from 3.2 percent in 2006 to 2 percent in 2007. The slack will not be taken up by the Euro area (which is the destination of more than 30 percent of Bangladeshi exports), as economic growth there is also forecast to slow, from 2.7 percent in 2006 to 2 percent in 2007. In the light of lingering capacity problems, global oil prices are expected to fall only modestly in 2007, to average US\$65/barrel in that year compared with an average of US\$65.8/b in 2006. Given Bangladesh's reliance on imported oil, the trade deficit is therefore expected to widen in 2007-08, which in turn is likely to put downward pressure on the taka.

Following a period of inactivity on the fiscal front, the government that emerges following the January 2007 election, will be keen to put its programme of spending measures in place. No matter which party wins the approaching election, the new government is likely to adopt an expansionary fiscal stance. Bangladesh Bank is expected to tighten monetary policy further in 2007, amid persistent inflationary pressures and strong credit growth. Further increases in administered fuel prices are expected in the forecast period, but domestic prices will remain much lower than international ones, as the government will likely not eliminate fuel subsidies entirely.

As we have seen above, the current political crisis has a far reaching impact on the economy than is immediately apparent. It will negate foreign direct investment for a considerable period of time in the future, denying the country of the much needed foreign growth capital. GDP growth will likely slow down along with expansionary fiscal policy and tightening monetary policy. Inflationary pressure will continue, exacerbated by global fuel prices. Furthermore, export growth may slow down due to a lower demand in the international markets. All together, through our self-generated political crisis, we are cooking up a perfect recipe for a prolonged stagnation. We urge all the brave souls of this country to take notice before it's too late.

The writer is a banker

EU clears way for Tata Steel offer for Corus

AFP, Brussels

The European Commission cleared on Thursday the proposed acquisition by the Indian steel producer Tata Steel of Corus Group, a manufacturer of carbon steel and aluminium products based in Europe.

Tata and Brazilian rival CSN have both put in bids for Corus, and in recent days the Indian suitor has lost ground.

Last week, the board of Corus accepted bids from both Tata and

CSN -- but the Brazilian steelmaker's offer of about 5.8 billion euros (8.6 billion dollars), 11.3 billion dollars) trumped one made just hours earlier by Tata of around 5.6 billion pounds.

Investigation by the EU's executive arm found that "the proposed transaction would not impede effective competition in the European Economic Area (EEA) or any substantial part of it, as the parties activities only overlap to a limited extent," the Commission said in a statement.

Britain's Takeover Panel said on Tuesday it had set Tata and CSN a deadline of January 30 to announce any revised offers for Anglo-Dutch steelmaker Corus.

Both current bids include debt worth about 900 million pounds.

CSN and Tata, steelmakers from two of the world's emerging economic superpowers -- Brazil and India -- are battling for Corus as they seek to gain ground on world number-one steelmaker Arcelor Mittal.



Sajjatuz Jumma, chairman of Shahjalal Islami Bank Ltd, inaugurates the 20th branch of the bank at Joypara Bazar in Dohar upazila, Dhaka on Wednesday. Senior officials of the bank, among others, were present at the inauguration.