

Top level indecision puts \$ 2.2m export promotion project in jeopardy

A 2.2 million US dollar export promotion project sponsored by International Trade Centre (ITC) and United Nations Development Programme (UNDP) is likely to be abandoned due to indecision of some top administration officials, reports UNB.

Officials told UNB correspondent Yunus Ali Sheikh that if the three-year "MacDonnell Project", scheduled to have started August '91, was not implemented immediately, the second phase of another two-year pro-

gramme from August this year would be cancelled by ITC and UNDP.

The project was aimed at diversifying the country's export with more private sector involvement and suitable restructuring of the Export Promotion Bureau (EPB).

An international consultant Colum MacDonnell who visited Bangladesh in April last year recommended that the board of management of the EPB should be recast by including more private sector exporters as members.

He suggested that necessary

legislation should be enacted to effect changes in the board of management of the EPB which should have at least 50 per cent of the members from the private sector.

MacDonnell also recommended establishment of a marketing organisation, trade promotion offices abroad and adequate funds to finance market exploration abroad by private manufacturers.

EPB should be given funds for a series of programme to extend the buyer-seller interface both in Bangladesh and overseas in such areas as in-

ward buyer visits, trade fairs and group visits by exporters to overseas markets, the MacDonnell report said.

The EPB officials urged the government to implement MacDonnell report immediately for accelerating the pace of export.

They expressed the apprehension that the World Bank may withdraw the 200 million US dollar Industrial Sector Credit, part of which had been earmarked for export promotion if the MacDonnell report is not implemented.

Chiluba calls for debt relief prior to foreign investment

LONDON, Feb 14: Zambian President Frederick Chiluba called for immediate debt relief and said without help from the international community his Southern African country risked a descent into civil strife, reports Reuters.

But Chiluba who arrived today for a two-day official visit, insisted there was no question of Zambia reneging on any of its financial commitments and said his government realised Zambians must first and foremost help themselves.

But he added: "while we await... enhanced local activity and an inflow of foreign investment, we need immediate debt relief."

In a speech to the Royal Commonwealth Society, he said: "unless the international community helps our cash flow while we exert ourselves to the utmost... a young democracy risks decomposing into social strife and fratricidal feuds. Help from the international community is urgently needed."

He said his government had inherited a shattered economy and an enormous debt burden from decades of one-party rule under Kenneth Kaunda, whose United National Independence Party had ruled Zambia since independence from Britain in 1964.

Commentary

HBFC : another losing state-owned organisation

By Abu Ahmed

House Building Finance Corporation (HBFC), a financial institution in the public sector, was founded in 1952 as a Pakistan-wide institution with its headquarter in Dhaka. The purpose was to supply funds to the individuals who wanted to construct their own houses. Since then it poured hundreds of crores taka for this purpose at a very low rate of interest. It was as low as 5 per cent at one time when market rate of interest was almost its double. Over time the interest rate increased but was still much lower than the market rate.

Why was the HBFC set up and why its interest rate was so low? The answer was simple. The government felt that housing construction was not possible or could not be accelerated without such an organisation, and the full cost of borrowing from it could not be borne by the loanees. So the government came forward with subsidised funds to help individuals construct their own houses.

The initial beneficiaries of these funds were the civil officials and military personnels who also received land from government at a very low cost. Thus, the earlier government servants got both land and funds for housing construction at a pre-fixed throw-away price. Later, the facility of HBFC funds was extended to other individuals too who had land in the urban areas.

The institution started with a paid-up capital of Tk 5 crores which was supplied entirely by government. It was later raised, and now stands at about Tk 10 crores. The rest of its operating fund came from reserve, tax relief etc but the bulk came from loans in the form of debentures liabilities to different financial institutions including Bangladesh Bank. These HBFC debentures bear about 15 per cent interest which is annually compounded.

HBFC now has assets worth Tk 1400 crores. It includes

loans to its customers but the bulk of it now seems to have turned into bad debt. On the other hand, it is learnt that HBFC's liabilities stands at about Tk 1236 crores, of which Tk 750 crores alone to Bangladesh Bank. When assets are compared to liabilities, it seems that HBFC can still survive on its own, provided it can realise its money back from its customers.

The problem is that there is little hope of getting the loaned-out money back, especially, in the present situation when debtors are becoming increasingly reluctant to pay back over-due loans. They are trying to find fault with the creditor institution for their own default.

Only a quarter of HBFC loanes pays the instalments regularly and a quarter does not pay at all. The non-payers are now persuading others to join them in not paying back HBFC. They have formed a "welfare association" to plead their case of softening the terms and conditions of loan contracts.

This is a crude way of pressuring a state-owned organisation to give in to unjustified demands. It was reported that they invited the Finance Minister to their meeting to present their 'just' claims. Financial institutions like HBFC cannot function properly in a society where defaulters have such big mouth.

The only way out for the HBFC is to file suits against the defaulters but it is learnt the organisation is hesitant about going to the court. Perhaps, the defaulters are too influential to be nailed by any normal means. HBFC did not entertain any new loan applications in the last few years and perhaps it is better that as long as the present tangle about loan non-payment is settled, it should not go for fresh loan sanctions.

HBFC is an organisation which deals with finance but did not go by the basic rules of

fund management. It received funds from Bangladesh Bank and other financial organisations at a compounded interest rate of about 11 per cent p.a. but it lent money to its customers at an average simple interest rate of 13 per cent p.a. The money is given for a long period, perhaps too long a period in our context, for a period of 25 to 30 years. If the interest rate were compounded the actual interest over 25-30 years would have been higher. Thus there is a straight loss for the HBFC.

It is noticeable that the interest rate was of compounded nature before 1972. The rate was revised to a simple one considering the 'hardship' of the people who wanted to construct their houses with money from the HBFC. Any financial institution which does not go by the basic laws of economics is bound to go bankrupt soon and this is exactly what's happening to the HBFC today.

Someone may even ask how this organisation carried on its business until now? The answer is simple: by taking fresh loans again and again against debenture issues. HBFC now collects about Tk 90 crores annually from the loanes, and pays about Tk 108 crores to its creditors. So it is losing about Tk 18 crores per annum because of its wrong interest rate policy. It is irrational to keep the HBFC interest rate simple while all other interest rates in the financial market are compounded.

There is no valid reason for defaulting HBFC loans. The defaulters' houses built by HBFC money certainly did not go 'sick'. The defaulters may argue that they are not getting the expected rent. This is also not a tenable logic to default. If the houses built by HBFC loans are for rental purposes then they are part of business, and in business the entrepreneurs, here the house owners, must take risk.

HBFC has good collateral securities against loans at its disposal and can very easily go to the court to settle claims. There are also relevant laws, for example the PO 7/73, which can be executed through Artha Wrin Adalat.

HBFC does not require anything more than collateral securities and relevant laws to go to the court to recover its money. So this may be a test case of determination for loan recovery.

An organisation like HBFC can never survive and progress on its own unless it is constantly supplied with funds from outside. The HBFC received funds from the government perhaps at the lowest possible cost but it is now in the worst position as far as liquidity and fund position is concerned.

The past government wanted to convert HBFC into a housing bank. The present government postponed the idea but did not come up with any new proposal. But whether the HBFC is converted into a bank or not, no extra fund should be funnelled to it from government because any new fund it receives will simply end being bad-debt again.

Should the HBFC be abandoned altogether? Not a bad idea. At least that will save the government from further involving itself in a process which only soaks the government money, but does not bring any benefit.

The abandon scheme should be taken after taking proper steps to recover the dues. Otherwise, it will set a bad example for future loan administrations.

We do not need a special organisation for house building purposes. The function should be left to the market which is capable of allocating resources much more efficiently.

(The writer is an Associate Professor of Economics at Dhaka University)

Plan to improve river communications with south

The government has taken up a massive programme to improve the river communication between Dhaka and southern districts. Minister of State in charge of Shipping Harunul-Rashid told the Jatiya Sangsad Thursday, reports BSS.

Replying to a call attention notice, moved by Workers Party member Rashed Khan Menon (Bakerganj), the State Minister said, "We have started the work and now many private companies are coming forward for investment to improve the navigation in the country."

Rashed pointed out that the government of President Ziaur Rahman had for the first time started taking measures to improve the river communication in the southern districts. But the last autocratic government of President Ershad had totally neglected

the problem during the last nine years. Moreover, it had allowed breeding of corrupt practices in the shipping sector.

Listing a series of development work so far undertaken in the river communication sector, the State Minister said despite manifold problems, the government was determined to maintain the communication facilities in the river routes.

Earlier Rashed Khan Menon, in his notice, pleaded for allocating fund for the improvement of the river communication with southern districts through repairing the existing vessels and procuring new ones.

At this stage, most members of parliament belonging to southern districts from both the treasury and opposition benches wanted to discuss the river communication issue.

Shipping Intelligence

Chittagong Port

Name of Vessels	Berthed	ETD	Berth	L Port No	L Agent
Safira-e-Ismail-2	06/02	15/02	J/5	Kara	ASLL
S No Sisham Barge	11/02	14/02	J/7	NA	NA
V Pankaj	11/02	16/2	J/8	NA	NA
Songrim	11/02	15/02	J/9	NA	NA
Banglar Kallol	26/01	15/02	J/11	Munda	BSC
Fong Shin	11/02	13/02	J/13	Singapore	BDSHIP
Infinity	09/02	12/02	MPB/1	Singapore	RSL
Kang Dong	18/01	13/02	MPB/2	Singapore	OSA
Endurance Sea	02/02	12/02	CCJ	Aqaba	UMAL
Tubuk	02/02	12/02	TSP	Kand	SEACOAST
Timur Mercury	08/02	11/02	RM/3	Darb	SEACOM
Ronjaly	09/02	22/02	RM/4	Col	PSAL
Banglar Kfon	26/01	13/02	DDJ/2	NA	BSC
Sea Rhapsody	29/01	16/02	RM/8	Padra	HIL
Banglar Swapana	05/02	16/02	RM/9	Dead	BSC

Vessels Ready at Outer Anchorage

Name of Vessels	Ready	L Port	L Agent
Mu Du Dong	12/02	NA	PSAL
Banglar Baari	NA	Mong	SSL
Not Ready			
Ronjaly Victory	10/02	Sing	PSAL
Euroliberty	15/02	Champ	EOSL
Lok Vivek	12/02	Kard	OWSL

Awaiting For Instruction

Maritz Star		Sing	DELMURE
AL Ishrat		Mong	KSL
Banglar Asha			BSC
Banglar Sampad		Mong	BSC
Banglar Jyoti			BSC
Banglar Shourabh			BSC

Not Entering

Alyn		Sing	ALAMIMIN
Red Deer		Sing	OTL
Ryong Gang	20/02		PSAL
Lion of Gulf	11/02	Mong	ENCL
Sea Destiny	15/02	Padra	AML

Vessels Due at Outer Anchorage

Name of Vessels	ETA	L Port Call	L Agent
Chong Chon Gang	10/02/92	Mad	SSL
Laurel Star	11/02/92	Mong	BML
Ngo Ranger	11/02/92	Sing	BDSHIP
Hati Baik	12/02/92		MBL
Al Tajwar	12/02/92	Mong	KSL
Atlantic Clipper	13/02/92	Sing	BDSHIP
Cayppo	13/02/92		PROG
Kota Buana	13/02/92	Sing	CTS
Petr Starostin	14/02/92	Sing	CT
Owardia Ludowa	14/02/92	Mad	BSAL
Tanta	15/02/92	NA	NISHAT
Optima	15/02/92	Col	RSL
Pearl One	15/02/92	NA	CLA
Hang Loy	16/02/92	NA	H&H
New Zenlord	16/02/92	Sing	BDSHIP
Safira-e-Rahmat	16/02/92		ASLL
Sun Flower	17/02/92	Sing	TSLL
Kamaleverett	20/02/92		EBPL
Fong Yun	09/02/92	Sing	BDSHIP
Al Swamruz	20/02/92	NA	ASLL
Eastern Ruby	23/02/92		BBA

Note: Berthed= Vessel At Port Jetty. ETD= Expected Time of Departure. ETA= Expected Time of Arrival. NA= Available. ETB= Expected to Berth. Source: Aquamarine Limited.

Exchange Rates

The following are the Commercial Bank's BIC selling and TT (C). OD transfer buying rates for some selected foreign currencies effective on February 14 and 15. (Figures in Taka)

Currency	SELLING	TT(C)	OD Transfer
US dollar	38.9326	38.7067	38.4481
Pound sterling	69.5852	24.0756	68.8100
DM	24.2299	24.0756	23.9135
FF	7.1110	7.0675	7.0199
S Riyal	10.4106	10.3507	10.2811
D Guilders	21.8252	21.3896	21.2456
S Kroner	6.6495	6.6282	6.5836
Singapore Dollar	23.8733	23.7360	23.5762
UAE Dirham	10.6364	10.5753	10.5041
Kuwaiti Dinar	NA	NA	NA
Indian Rupee (AMU)	1.4931	1.4863	1.4788
Pak. Rupee (AMU)	1.5744	1.5671	1.5693

Authorised dealers will apply TT clean buying rate for purchase of remittances of Bangladeshis working abroad. NOTE: AMU = Asian Monetary Union.

Dhaka Stock Prices

At the close of trading on Feb 6 and 13, 1992

Company	FY/ML*	1991-92			
		February 6	February 13	High	Low
BANKS (10)					
Al Baraka Bank	1000/1	1065.00	1090.00	1200.00	780.00
A.B Bank	100/5	177.90	188.00	188.00	155.00
City Bank	100/5	270.00	270.00	290.00	172.00
IFIC	100/5	178.00	178.00	200.00	170.00
Eastern Bank	1000/1	1840.00	1840.00	1900.00	1100.00
National Bank	105.00	109.00	109.00	118.00	103.00
Pubali Bank	100/5	102.00	102.00	110.00	85.00
Rupali Bank	100/10	90.00	90.00	110.00	68.00
U.C.B.L.	100/5	120.00	120.00	131.00	118.00
Utara Bank	100/5	158.00	158.00	200.00	155.00
INVESTMENT (08)					
LCB	100/5	90.00	90.00	95.00	90.00
1st ICB M.Fund	100/5	340.00	340.00	400.00	340.00
2nd ICB Fund	100/5	153.00	153.00	190.00	150.00
3rd ICB M. Fund	100/5	130.00	130.00	160.00	125.00
4th ICB M. Fund	100/10	127.00	127.00	145.00	120.00
5th ICB M. Fund	100/10	90.00	90.00	128.50	90.00
6th ICB M. Fund	100/10	67.17	65.12	91.50	59.50
Unit Certificate					
Sales Price		116.00	116.00		
Re-purchase		111.00	111.00		
INSURANCE (04)					
BGIC	100/10	1115.00	118.00	121.00	104.50
Green Delta	100/10	123.00	128.00	139.25	106.00
Peoples	100/10	147.00	133.00	150.00	120.00
United	100/10	144.00	145.00	154.00	118.50
ENGINEERING (18)					
Afrah Automobiles	100/5	184.50	184.44	208.00	182.00
Atlas Bangladesh	1050	38.00	38.00	49.97	36.00
Aziz Pipes	100/5	240.00	240.00	300.00	218.00
Bangladesh Autocars	100/5	91.75	90.00	105.00	70.00
Bangladesh Lamps	105/5	230.00	230.00	266.00	230.00
B.Thai Aluminium	100/10	92.00	92.00	110.00	75.00
Bengal Carbide	100/5	220.00	220.00	250.00	220.00
Bengal Steel	10/50	18.00	18.00		
Eastern Cables	100/5	86.00	86.00	100.00	75.00
Howlander PVC	100/10	100.00	109.00	122.00	97.00
Karim Pipe	100/5	128.00	127.00	139.00	112.00
Metalex Corp.	100/5	106.00	106.00	153.07	75.00
Monno Staffers	10/05	200.00	200.00	200.00	200.00
Monno Jute	100/5	223.97	223.97	240.00	210.00
National Tubes	100/10	115.00	113.00	148.46	103.00
Panther Steel	10/50	6.00	6.00		
Quasem Drycells	10/50	7.50	7.56	9.30	7.25
Remwick Jajneswar	100/5	81.50	81.50	100.00	48.00
Singer Bangladesh	100/5	900.00	1041.67	1100.00	700.00
FOOD & ALLIED (23)					
A.B Biscuit	100/5	180.00	180.00	200.00	180.00
Alpha Tobacco	10/50	48.00	48.00	48.00	48.00
Aman Sea Food	100/5	33.00	33.00	40.00	32.00
Apex Food	100/5	560.00	470.00	490.00	270.00
Aroma Tea	100/5	70.00	70.00	85.00	45.00
Bangas	100/5	145.00	145.00	155.00	145.00
Bengal Food	100/5	300.00	300.00	255.00	111.00
B D Plantation	100/5	116.87	116.00	250.00	250.00
B.L.T.C.	100/5	500.00	500.00	500.00	400.00
B.T.C.	10/50	41.00	41.00	83.00	35.00
Cg. Vegetable	100/10	92.00	92.00	117.00	