

## Energy policy in final phase

Minister for energy and mineral resources Dr. Khan-daker Mosharraf Hossain Monday said the government had already adopted a petroleum policy to reorganise the petroleum and energy sector in the country, reports BSS.

"The overall energy policy is also in its final phase of preparation," he said while inaugurating a day-long workshop on petroleum resources management at hotel Sonargaon here.

He said Bangladesh would witness a new era in the exploration and development of petroleum resources once these policies were adopted and implemented in the concerned sector.

"On this background, it is necessary to foreplan the future petroleum resources management," the minister also said.

The workshop is being organised jointly by Bangladesh Petroleum Institute (BPI) and the Norwegian Agency for Development (NORAD) with the participation of 50 officials of the concerned ministry, BPI, NORAD and the gas sector.

The inaugural function was also addressed, among others, by the Secretary of the Ministry M. Faizur Razzak, Charge d'Affaires of Norwegian Embassy and NORAD repre-

sentative, Torey Toreng, Project Coordinator of NORAD Petroleum Directorate Per Blystard and Director of BPI, M. Badruddeen.

Expressing his satisfaction over the holding of the workshop, the Energy Minister said it would help the participants to acquaint themselves with the Norwegian experience in the North Sea and look for adoption of some of those experiences in Bangladesh.

"Bangladesh has the experience mainly in public sector operation, now it is opening up for private sector operation through the multinational companies under production sharing contract," he said adding that the fundamental system of managing the petroleum resources was inherently identical.

Referring to long exploration history in Bangladesh with activities of multinational companies followed by public sector participation, the Minister said preservation of geologic and geophysical and drilling data were not properly managed.

This was aggravated due to nonavailability of modern facilities at that time, he said and hoped that the participants would gain much from the Norwegian experience on data management from this work-

shop. M. Faizur Razzak said the energy sector had now reached a historical crossroad now and the multinational companies were showing keen interest to invest in this sector.

Earlier, Per Blystard reading out a paper observed that data management was very important in taking good decisions for achievement of desired result in the sector.

He referred to ADB's involvement in the support and development of the petroleum sector in Bangladesh and said a study on the organisation of the petroleum sector with recommendations on possible reorganisation would be financed by the ADB.

"The study will focus mainly on the downstream part of the sector," he said adding that it would be equally important for the Norwegian experience to focus on the upstream part of the sector.

He, however, said Bangladesh was successful in attracting international oil companies and several production sharing contracts were signed last year.

"There will certainly be more to come as private companies are willing to invest money in this sector," he hoped.

## 8pc rise in Malaysian economy likely

KUALA LUMPUR, Jan 17: Malaysia's booming economy will expand more than eight percent for the eighth year running in 1995, but it may have to grapple with an acute skilled-labour crunch, rising wages and inflation, economists said today, says AFP.

Its ability to enjoy robust growth is no longer a debate, what is emerging as a concern is escalating wages and supply constraints generated by the past boom years that may derail future growth, warned an economist with a leading banking group.

Premier Mahathir Mohamad himself rang a warning bell on new year's day that Malaysia's rise in prosperity could end prematurely and its competitiveness in global markets could be eroded if workers kept demanding pay rises.

"Wages should increase with economic growth but not at the same level if we are to avoid inflation," Mahathir said.

Officials said wages in Malaysia, especially for professionals, have spiralled by between 50 and 150 per cent in the past three years, when employers were forced to meet worker demands in a period of full employment.

## Japanese technology transfer to Bangladesh will continue

Japan will continue to evolve and contribute to transferring technology for industrial human resource development of Bangladesh, reports BSS.

This firm pledge was given by the Japanese Ambassador to Bangladesh Shigeo Takenaka and the President of the Association for Overseas Technical Scholarship (AOTS) of Japan Nagaaki Yamamoto while addressing the tenth anniversary celebration of AOTS Dhaka office Sunday evening.

They praised Bangladesh's significant economic development particularly in the field of increasing food production and checking population boom.

Held at a city hotel the colourful ceremony was also addressed by AOTS Dhaka office General Manager and Chairman of the Steering Committee for the celebration Dr. A. K. M. Moazzem Hussain.

He said AOTS Dhaka office has been successful in attracting international oil companies and several production sharing contracts were signed last year.

He appreciated the government's various measures taken to tackle the poverty directly and said to solve the poverty of this magnitude the country has to achieve a sustained economic growth at least 7 to 8 per cent over a period of time.

Takenaka said through expansion of the manufacturing industries the country's economic growth can be attained and for this more technical and managerial skills are needed.

In this connection, he appreciated the members of AOTS alumni societies in Bangladesh who are working as business leaders and industrialists and contributing greatly to the economic progress of Bangladesh.

AOTS President Nagaaki Yamamoto said AOTS aims at promoting industrial development of the developing countries through technical cooperation between those coun-

tries and Japan. He said AOTS Dhaka office will continue its endeavours in transferring technology as well as forging closer ties between the two countries.

Earlier Yamamoto opened the AOTS alumni computer school and also announced the formation of two alumni societies — BAAS and CAAS — as the Bangladesh Federation of AOTS Alumni Societies (BAFAAS) saying these steps will make an epoch-making events to the history of AOTS and will pave the way for its further development activities in Bangladesh.

Since its establishment, AOTS has imparted training to 60,000 persons from over 150 countries and regions of the world for technical and managerial training in Japan, of which 550 from Bangladesh.

Celebration committee chairman Dr. Moazzem Hussain, in his welcome address, said the activities of AOTS Dhaka office has increased manifold with the active support of BAAS and CAAS which have 350 members.

The function was rounded off with a musical soiree and dance.

## IRRI gets permit to use patented bacteria

MANILA, Jan 17: One of the world's foremost rice research institutes has access to genetic material from Switzerland that could allow rice to gain resistance to one of its major pests, says AP.

The International Rice Research Institute, in a statement Friday, said it hopes to use the material from a Swiss-patented bacteria to reduce farmers' reliance on pesticide to get rid of the yellow stem borer.

Rice has little resistance to the pest, the statement said, adding that a protein from the bacteria has been found to be toxic to it.

The synthetic gene, called Bacillus Thuringiensis, is owned by CIBA Seeds, an agriculture company based in Basel, Switzerland.

Under an agreement with CIBA, the rice institute can use the material for free as long as it shares any findings with rice scientists from developing countries.

The International Rice Research Institute, funded mostly by US interests, has a staff of international scientists and is credited with being a major contributor to Asia's green revolution, which greatly increased crop yields.



A Rob Chowdhury (2nd-L), President of the Dhaka Chamber of Commerce & Industry, is seen speaking at a meeting with the Australian Buyers Mission on Sunday at the DCCI auditorium. Mission Manager Peter Hattam (2nd-R), Sajjatuz Jumma (extreme R), Sr. Vice President, DCCI and Md Sirajuddin Malik (L), Vice-President, DCCI are also seen in the picture.

## Aussie traders seek more infrastructural facilities

The 8-member Australian Buyers Mission led by Peter Hattam of the Trade and Investment Promotion Service, Canberra, now in the capital to visit the Dhaka International Trade Fair '95, visited the Dhaka Chamber of Commerce and Industry (DCCI) on Sunday, and exchanged views with DCCI members on matters of mutual interest, says a press release.

Welcoming the mission members to DCCI, A Rob Chowdhury, president of the chamber mentioned the role of DCCI in the country's trade promotion activities. He said we are very keen to further develop the already existing trade relations with Australia. DCCI is ready to extend all sorts of cooperation to the Australian buyers in the mutual interest of the two countries.

DCCI has many active exporters who are keen to expand their markets to Australia, the president added. He requested the members of the mission to establish direct negotiation with the DCCI members for concluding business deals.

Peter Hattam, Mission Manager, said that they are keen to promote their business with Bangladesh. The products of their interest to buy from Bangladesh include — ceramics, leather goods, cosmetics, jute and jute hessian, carpet backing, sea foods, shoes, goat hair, stone-ware, cookware, enamelware, kitchenware, etc. The Mission Manager disclosed.

Some members of the mission said in order to attract more and more foreign investments, infrastructural facilities including tele communication network need to be developed here.

## SOCIAL STAGNATION IN AGRARIAN BANGLADESH: SOME POSSIBILITIES OF CHANGE

ORGANIZED BY: CENTRE FOR DEVELOPMENT RESEARCH BANGLADESH (CDRB)



The American Institute of Bangladesh Studies (AIBS) and Centre for Development Research, Bangladesh (CDRB) jointly organised a seminar on 'Social stagnation in agrarian Bangladesh: Some possibilities of change' in the city on Saturday. Picture shows Bangladesh Ambassador to United States Humayun Kabir (2nd-R) and Dr Mizanur Rahman Shelly (3rd-R), Chairman, CDRB along with Noor M Kamrul Islam (extreme R) and Mohammad Enayet Karim (L).

## Recruiting agents meet Manpower Minister

Labour and Manpower Minister Mir Shaukat Ali called upon the recruiting agents to be generous toward the incumbents in manpower export, reports UNB.

He made the call while officials of Bangladesh Association of International Recruiting Agents called on him at his Secretariat office Monday.

Association officials informed the minister about recent enhancement of visa charge by Saudi Embassy and requested him to look into the matter so that the licence renewal fee and deposit fee could not be increased, said an official handout.

## Two national roads to be reconstructed at Tk 97cr

Two important national highways in the northern part of the country will be reconstructed and rehabilitated at a cost of Taka 97 crore under a World Bank-financed project, reports UNB.

Approval for the projects, the biggest in the country's road communication sector, was given Monday by the Cabinet Committee on purchase in a meeting with Finance Minister M Saifur Rahman in the chair, says an official announcement.

Of the total amount, Tk 60.27 crore will be spent for the 39 km Dashuria-Natore highway and the rest 36.37 crore for 32.5 km-long Rangpur-Syedpur highway. Work on the highways is ex-

pected to be completed within 3 years at the maximum.

The rehabilitation work is part of the second road rehabilitation and maintenance project (RRMP-II), now under implementation with a cost of Tk 1032 crore with the financial assistance of the World Bank.

Another rehabilitation programme on 36.5 km Natore-Rajshahi and 44 km Rajshahi-Nawabganj highways is now at the last stage of final approval.

Two other highways — 6 km Natore bypass and 8 km Syedpur bypass — taken under the rehabilitation programme of the gigantic project will be taken in hand after completion of necessary resettlement.

## US assures help to resolve child labour problem in Bangladesh

US Ambassador David N Merrill Monday assured possible American help in resolving child labour problem, specially in Bangladesh's garments industry, reports UNB.

The assurance came at a meeting with Labour and Manpower Minister Mir Shaukat Ali when the envoy called on him at his office, said an official handout.

The Minister said child labour problem is comparatively less in Bangladesh than in other neighbouring countries. Measures are being taken to mitigate the problem in phases like in other LDCs keeping in view the socio-economic background of the country, he informed the US Ambassador.

The present government is aware of the adverse effects of child labour in Bangladesh and has already made primary education compulsory and laid special emphasis on female education," he said.

Merrill stressed imparting basic education to the children working in the garments factories.

## 50th auction of BB Bill held

Thirteen bids for a total amount of Tk 512 crore were received at the 50th auction of the 91-day Bangladesh Bank Bill held on Sunday, according to a Bangladesh Bank press release, reports BSS.

Four bids were accepted. Face value of the bids accepted was Tk 100 crore. The weighted average price of the accepted bids was Tk 99.71 per 100 Taka, the corresponding yield is 1.17 per cent per annum.

## US retail sales drop in 8 months

WASHINGTON, Jan 17: The first decline in US retail sales in eight months — at the height of the Christmas shopping season — suggests to stunned analysts that Americans spending spree may finally be slowing, reports AP.

Despite the tail-off, sales grew more rapidly for all of 1994 than they had in a decade.

The Commerce Department said Friday that sales dropped 0.1 per cent in December, the first decline since a 1 per cent plunge in April.

Analysts said a long-awaited slowdown in consumer spending may be under way as interest rate increases begin to take a toll. Still, they predicted that an ever-wary Federal Reserve will boost rates at the end of the month for a seventh

time since February to choke off inflation.

The economy may be a lot less robust than prior data had suggested. This is a very shocking development," said economist Elliott Platt of Donaldson, Lufkin and Jenrette Securities Corp in New York City.

The weakness in this report should open up the debate as to whether the Fed has to raise rates at its Jan. 31-Feb. 1 meeting, said his colleague at the securities firm, Marilyn Schaja. "We think that the odds are still in favour of a Fed tightening, but the odds have clearly been lowered."

The Commerce Department also said that November sales were sharply lower than previously thought. They advanced just 0.2 per cent in November,

instead of an earlier estimate of 1.2 per cent.

Still, sales for all of last year were up 7.6 per cent, the strongest showing since they rose 10 per cent in 1984.

Kevin Sigrist of Norwest Corp a Minneapolis bank, said discounts may account for some of the December drop-off. "Consumers may be buying as much but paying less," he said.

He also said the decline will not necessarily lower fourth quarter economic growth figures due to Jan 27 because higher inventories could take up the slack. Analysts project the economy was on target to grow more than 4 per cent last year.

Friday's data triggered a rally on Wall Street.

# Country's private sector banking and sluggish investment trend

The sluggish trend in investment pattern in the country's economy persisting for the last few years shows no sign of improvement despite much efforts.

During the early months of taking over by the present government, the business community was being blamed for not coming forward to cooperate with the government. Finding the investors still non-responsive, the government and some quarters of the business community started blaming banks for alleged high rate of interest on lending, bureaucratic mentality of the bankers and for demanding collateral against any loan proposal. Thus, all other deficiencies of creating congenial investment climate could be masked by exposing the banks as scapegoats.

Let's try to think judiciously as to whether banks can be slated for not extending loans in an economy with ideal investment atmosphere. Commercial banks like other business enterprises sell something to earn economic profit and their saleable things are services and disbursement of loans. It is not thus convincing that in spite of having sufficient liquidity, banks are just not extending loans and forgoing their main source of profit. Also it does not make sense that for earning profit banks

must extend credit even to non-deserving borrowers.

Perhaps there are a quite good number of candidates of bank loan, but their eagerness to borrow and bank's willingness to lend is not intercepting at a point and that is the sole reason for the huge investable surplus of the banks that is being borne by them for the last few years. Banks' clarification in this regard is not refutable.

According to them, those who are eager to avail credit facilities are not acceptable to the banks, on the other hand whom the banks treat credit-worthily are not much keen to borrow considering a lot of factors. In the first group of intending borrowers, there are nouveau borrowers about whom banks do not have any past experience, there are first generation sponsors who do not have sufficient collateral and above all, there are defaulter-borrowers who do not bear good reputation in the matter of monetary transactions. There is another group who possesses collateral, commands reputation and credit worthiness but their credit proposals are not economically viable and as such, not acceptable to the banks.

In the second group, there are successful sponsors who are tested borrowers and in possession of required collat-

eral but are cautious investors. They are not interested to just invest without calculation of lot of factors, and in the long run they are not interested to borrow at the present context of economy despite banks' ever-open door for them.

The analysis may seem to be oversimplified but this is the real scenario of the credit market. In this context, the question of interest rate on lending comes for consideration. There remains a good deal of criticism against banks for the present interest rate structure on loans. Even the government advised the banks on a number of occasions to lower respective rates of interest on loans. However, as per government pressure and/or for other reasons, banks have lowered their rate of interest. But investment has not been increased at the same pace interest rate has been cut. From this fact alone, it can be proved that the rate of interest on loan is not the only factor to investment, nor even it is the main factor.

Recently, a Task Force under the leadership of M. Morshed Khan, Special Envoy to the Prime Minister, has pointed out a total of 14 reasons which are the direct deterrents to foreign investment in the country. Of these reasons, only No. 13 and No. 14 are related to bank. Reason No

## By Faruq Mayceuddin

13 says about lack of efficient and effective investment banking while the 14th and the 15th reason blames high interest rate on lending. From the above it can be said that had the rate of interest been the main impediment to investment, it would have been placed at the top of the list of problems detected by the Task Force. Therefore those who treat the interest rate on lending as the prime factor to investment shall realise their mistake.

From the newspaper reports it is found that the total loan disbursement by different banks are far below the actual sanction position for different reasons. Total industrial loan sanctioned between 1990-91 and 1993-94 period by different banks amount to Tk 2212.37 crore. Out of which only Tk 1368.77 lac has actually been disbursed. As such more than one third amount has not been disbursed although sanctioned.

By another account it is seen that in the FY 1993-94, 560 industrial units were registered with Board of Investment. Of which 45 were either joint venture or under fully foreign sponsorship, total investment of which was estimated at over Tk 2000 crore.

Even then volume of investment has not reached upto the satisfactory level.

The Economic survey 1993/94 has blamed labour unrest, interrupted power supply and such other out of control reasons for deficit in industrial production.

A survey conducted by Dhaka Chamber of Commerce and Industry depicts that most of the investors are more inclined to invest in trade than in industries because of trade liberalisation. This is due to the fact that import business can be conducted without much financial assistance which is not possible in case of establishing industries. Moreover, the inertia and lack of enthusiasm of the policy-makers and other government agencies create hindrances to productive investment. Political unrest also act as a great deterrent to investment. The aforementioned survey of DCCI shows that industrial sector incurs an estimated loss of Tk 1110 crore per year for political disruptions and Tk 1656 crore due to repeated power failure.

The other problems that are deterring foreign investment detected by the Task Force are lack of infrastructural facilities, lack of 'one stop' service for discharging

matters related to investment, disharmony among the government agencies, labour unrest, strike and other political disruptions, complex formalities of customs clearance, shortage of efficient manpower, corruption, negative effect of trade liberalisation on local manufacturing sector etc.

Another negative factor, not included in the total 14 problems, is non-involvement of the local potential investors. It is a genuine question as to why the foreign investors shall come forward to invest in our country if the local sponsors are hesitant to invest. The process of liberalisation, that has been going on for the last one decade, could in no way bring momentum in the wheels of investment. The government has been beating its own drum lauding its efforts for providing incentives and undertaking reform programmes. The claim of such efforts may be partially true, because, had the initiatives been sincere, the growth of investment during the last four years would have been few times higher and the banks would not have to bear the burden of excess liquidity worth Taka 2500 crore. The rate of investment during 1993-94 was 14.5 per cent of GDP as against 13.3 per cent in the previous year which could not help attain required

level to achieve the target rate of growth of the economy. If the existing state of crises and mismanagement persist, the rate of investment shall deteriorate further instead of growth. Whereas it is estimated that for poverty alleviation rate of economic growth should be 7 to 8 per cent to achieve which rate of investment must be 18 per cent of GDP. The problems which have been detected by the Task Force, although meant for foreign investment, are equally applicable to local investment too. And if proper measures are not taken as per suggestions of the report, the overall investment activities will be ineffectual.

The detected problems in the report of the Task Force do not include the over-cautious steps of the banks in investment decisions. There is a strong indication that extreme level of cautiousness of the banks sometimes become tantamount to discouragement which eventually hinders investment zeal. But because of non-cooperation of the defaulter borrowers and the tough rules of loan classification, the provisioning banks have no other alternatives but to be over-cautious. Report published shows that the total outstanding loan of 32 government, semi-government, sector corporation and a min-

istry only in the nationalised commercial banks amount to Taka 3791 crore, out of which 36 per cent i.e. Taka 1364 crore has become overdue (The Sangbad, December 20, 1994). It is thus seen that the government is silent regarding its outstanding in spite of strict rules and monitoring for realisation of classified loans in private sector, which can be treated highly inconsistent.

In such a complex state of national economy, no solution can be expected by making the banks scapegoat to be relieved of ones' own responsibility. The implementation of suggestions of the Task Force in the light of its detected problems may cast some ray of hopes in the enormity of the crises. Perhaps no one will ignore that banks do not have any responsibility in investment decisions, but simultaneously it will also have to be admitted that solving problems only related to banking, ignoring other problems, shall not bring any positive result. Moreover, without solving other problems, expansion of bank credit is hazardous too. Therefore everyone of conscious quarter is looking forward for early solution of the problems of investment so that the economy may move towards progress and prosperity.

(The author is a banker & secretary of a private bank in Dhaka.)