

DThe Parily Star DUSINESS

HYUNDAI

CARS THAT MAKE SENSE

to promote tourism

Nepal offered Bangladesh joint collaboration for promot ing tourism between the two neighbouring countries for mutual benefit, reports UNB.

Nepalese Ambassador in Dhaka Lok Bahadur Shrestha made the offer at a press conterence here yesterday afternoon. saying "I feel that there exist good possibilities of fostering bilateral cooperation between Nepal and Bangladesh in fields of tourism promotion ... the two countries are bound to benefit a lot through such coopera-

The envoy said Kathmandu and Dhaka could boost cooperation in the field of package

The exotic Sundarban delta. world's largest seabeach of Cox's Bazar, historical and cultural sites of Bangladesh for attracting international and domestic tourists from Nepal to Bangladesh, he told

State Minister for Jute and

Textiles A K Faezul Hug di-

rected the officials concerned to

ensure fair price of jute during

the purchase from growers, re-

low the instruction strictly, the

minister said no irregularity in

this regard would be tolerated.

Directing the officials to fol-

An official handout said

here yesterday that Faezul Hug

sounded the caution while in-

augurating a jute purchase cen-

tre of People's Jute Mills at Bha-

committed to taking necessary

measures to ensure fair price of

farmers to grow quality jute for

tiapara in Gopalgani district on

He said the government is

The State Minister urged the

ports UNB.

Friday.

Inviting Bangladesh's investment to the tourism industry in Nepal, the Ambassador said: "We firmly believe that given a spirit of genuine cooperation, the SAARC region is bound to benefit from the flow of tourists both within and without in the 21st century.

The press conference was organised by Nepal View Travels Ltd marking the "Visit Nepal

In reply to a question. Shrestha said the question of cooperation between the two countries in tourism was discussed at a joint economic commission (JÉC) meeting but no modus operandi of the proposed cooperation had yet been worked out.

The Nepalese Ambassador said Bangladeshi tourists could provide necessary backgrounds travel Nepal by land route shortly through Burimari Kakarvhitta point as he said the Indian authorities have

Minister directs officials

Ensure fair price of jute

regaining the glory of the

Referring to various prob-

lems facing the local growers of

jute, he assured the farmers of

taking steps to remove those

including Lt Col (retd) M Faruq

Khan, were present on the occa-

News on jute purchase

not correct: BJA

yesterday claimed that jute was

selling in different markets of

the country between Tk 400 and

newspapers during last few days

that jute is selling below Tk 200

per maund is not correct, said

BJA chairman Abdur Razzak

The 12th & 13th Annual General Meeting of shareholders of Pubali Bank Limited held at

its auditorium on Thursday with E A Chaudhury in the chair. All directors and a large

The news published in some

Bangladesh Jute Association

Local Awami Leagur leaders,

golden fibre

problems.

550 per maund.

agreed to provide land route and issue double entry visa for tourists from here.

Describing tourism as an important foreign exchange earner in Nepal, he said the growth rate of tourists arrival in the Himalayan Kingdom is 11 per cent, which is well above the average world growth of 4.6

The motto of 'Visit Nepal Year 1998" is to stimulate the tourism industry in the form of national campaign to ensure both domestic and international participation in its development

The Nepalese government he said, has defined some concrete objectives of "Visit Nepal Year-1998". These include increment of tourist arrival to 350,000 to 500,000 by the year 1998 and augmentation of the current annual income of 88.12 million US dollars from tourism

The association however.

It urged the government to

admitted that the market price

of raw jute is lesser than that of

last year because of lack of ade-

quate capital of the business-

take immediate steps to approve or renew the CC limit of private

jute purchasers and exporters to

help increase price of jute in the

the rule of previous govern-

ments, jute had always been

used as an instrument of serv-

about low market price of jute

create impact on the market

and the buyers become reluc-

tant to procure raw jute at

ing political interest.

higher rate." said BJA.

The BJA alleged that during

"But these baseless reports

market.

Nepal for jt collaboration The cost of doing business: Its effect on foreign, domestic investment By Owaise Saadat

At a time when the level total foreign direct investment (FDI) has surged to a record 315 billion US dollars in 1995, regrettably. Bangladesh and some other developing countries have been marginal recipients of this

According to the World Investment Report, released in Dhaka on Tuesday, Bangladesh received only 125 million US dollar in 1995. In fact, the entire South Asia Region fared badly receiving a modest 2.7 billion US dollars, with the bulk garnered by India.

This article examines some of the key elements which influence the flow of private sector capital into developing countries, particularly countries like Bangladesh which are determined to catch the "third wave" of accelerated development in South-East Asia

The Backdrop to Private Sector Investment Flows

Before addressing the specific conditions affecting a businessman's investment decision, it is important to provide an overall perspective in cluding a global context, in which Bangladesh and other developing country are vying for private sector capital flows. Almost every developing country is vigorously competing for FDI and in attracting securities to its capital market. This ef fort is engendered by two fac tors: the enormous investment needs of these countries, particularly for infrastructure devel opment, and also because the hey days of Official Development Assistance and Grant fi nancing from multilateral and bilateral donors are fast wan

ODA has, for instance, stagnated around 55 billion to 60 billion US dollars annually in recent years, while private investment flows to developing countries has quadrupled to 167 billion US dollars last year from 44 billion US dollars in

The other perspective which countries like Bangladesh need to take account of is the fast integration of global financial markets. In fact, the Mexican graphically demonstrated, amongst other things how fast capital can move across frontiers — reportedly more than one billion US dollars was transferred out of Mexico within six working hours.

The general lesson for regulators in Bangladesh, both in the Securities Exchange Commission and the Bangladesh Bank, is clear: one cannot be

oblivious to the fast changing regulatory environment in competitor countries, thus restrictions like the "lock-in clause" should only be imposed by SEC with adequate knowledge of "market conditions" in competitor countries.

Above all. Bangladesh must strive to be at the cutting edge of the fast changing financial regulatory environment since any negative move would prompt prospective investors to move money to a more friendly destination

Last but not least, an attractive investment feature in Bangladesh is the political consensus on a free market-based private sector-led economic development strategy. In other words, there is no fundamental conflict between the political and economic system of the country and the marketing message now should be like Nike's footwear : JUST DO IT! This strategy requires a concerted effort by policymakers and public sector officials servicing the private sector, to ensure that the "enabling envi ronment", the overall conditions, economic, social and political within which the private sector economic activity takes place is conducive to attracting foreign investment. This will require specific action on both the broader macro/financial level, and at the micro or the businessman's level. These are discussed further in the following section.

The Macro-Financial Environment

A casual observer of the private sector investment market may consider a country's macro-financial aspects of little or no significance to prospective investors, and something which mainly concerns the interest of drawing room economists and theoreticians. This view is quite misplaced since experience around the world confirms that a table macro financial environment is indeed a critical factor in determining the level, terms and nature of private sector invest-

The first thing which an investor considers in making his investment decision, whether a country has its macro economic fundamentals in place. For instance, he would be extremely concerned about the level of domestic inflation which impacts on investment costs. Extremely concerned about the level of domestic inflation which impacts on investment

Similarly, a common investor concern is the level and stability of the foreign exchange reserves as the repatriation of profit is directly linked to this aspect. In the absence of a healthy reserve, even a sovereign guarantee is merely a worthless piece of paper. Again. investors are directly concerned with the country's trade policies since sudden shifts in the tariff structures and quantitative restrictions could bear directly on the overall viability of the investment

Last but not least, in the health of the financial sector and its ability to intermediate different maturities of savings and loans in the economy. A sick banking sector is known to be a major constraint to the local investors collaborating with foreign partners because of its inability to provide long term debt financing.

Before moving to the other aspects of "enabling environment" one can demonstrate the importance of macro-economic stability with an example of differentiated terms for private flows to developing countries in 1995 new bond issues by East Asian borrowers averaged a maturity of nearly 12 years with a spread of 116 basis points over comparable government benchmark issues.

Alternatively, Latin American borrowers, with the less stable macro economic conditions, could only obtain three year maturities, for which they paid a spread of 336 basis points. The message is clear isolationism carries a high cost in terms of foregone finance. inhibited investment and expensive and often misallocated domestic credit.

Removing Business Hassles

Though maintaining macro economic stability is a necessary condition for mobilizing higher levels of investment, i is not a sufficient condition. Macro-stability without an accompanying "trouble free" regulatory environment is like having a "Rolls-Royce" without a road to drive it on - there will be no investors to take advantage of the macro-stability.

Therefore, equal attention must be given to reducing the hassles at the businessman's level, to help him maintain and even improve his cost competitiveness. Experience has shown that in deciding to invest a businessman attaches the highest weight to the day-to-day hassles and associated time and costs. I am afraid that on this count Bangladesh still has a very unsatisfactory record which has been the main reason for the abnormally low level of domestic and foreign investment levels in the coun-

Actually, there are several aspects to this facet of the "enabling environment", but the following three need to be addressed by the government on an emergency basis: (i) removal of regulatory constraints: (ii) strengthening of the legal system; and (iii) relieving severe infrastructure bottlenecks. Above all, there is a need for the bureaucracy to play a pro-active role in promoting and facilitating investment. For this, not only an appropriate system of incentives and accountability has to be introduced, but the political leadership should vigorously enforce a public-private partnership as a key element of its private sector development strategy

spite the laudable achievements in the past five years in deregulating the economy. Bangladesh is still generally perceived as a regulatory nightmare. This is particularly so because of the thicket of "administrative underbrush" and the coercive powers exercised by officials in government monopolies. The problem extends far beyond the sheer volume of regulations and their cost. Some of the worst effects of regulations arise from their often haphazard nature and discretionary application. Moreover, some regulations have just run out their relevance in the modern context.

Regulatory Constraints : De-

This point is illustrated by a seemingly innocuous regulation contained in the Factory Act of 1923, which requires that every factory must provide spittoons and totlets 30 yards away from the work place. This regulation obviously made sense when WCs were primitive but adherence to this rule now could find the "WC seekers" using facilities in an adjoining garment factory. The location notwithstanding such regulations provide the factory inspector an opportunity to extract rents at his discretion.

Strengthening the Legal Framework for Business: The first thing a prospective investor asks is whether he/she can enforce the contracts which its company is entering into The reality is that one cannot conduct business smoothly when most commercial laws in Bangladesh date back to the 19th century and modern legislation such as the Bankruptcy Act does not even exist. Actually again laws on

patents, trade marks, copyrights, post and telegraph and labour laws are a major constraint and add to cost to doing business in Bangladesh. The establishment of the Law Commission by the present government is an excellent initiative. but its highest priority should be the reform of key business

At the same time, the court system has to be strengthened and modernised to ensure the dispensation of quick justice at economical cost. Finally, a poorly functioning judicial process that fails to protect both public and private rights is also symptomatic of a wider breakdown of law and order. Consequently, industrial enterprises are forced at times to pay protection money to mastaans (Local goons), and dalals In addition, at the end of the day the "rent seeking", facilitation payments and protection money all add up to the increasing the investment cost and eroding Bangladesh otherwise competitive edge.

Removing Infrastructure Constraints

poor infrastructure in the form of unreliable power, inefficient cargo handling at the ports and airports, an unreliable telephone system, and inadequate road system impose crushing costs to doing business in Bangladesh. Imagine the effect of a power outage in a polyester plant which would need to be completely shut down, and in the process loses its total batch

Similar in textile production, a less than optimal voltage and/or fluctuations translate in defective or poor quality output. Another glaring example of uneconomic costs is that of container handling - moving a 20 foot container at Chittagong Port cost about 640 dollars compared to 214 dollars in Singapore, 220 dollars in Colombo, 360 dollars in Bangkok and 450 in Bombay. Besides, containers have to be emptied in the port and the cargo transferred to open trucks, thereby defeating the

Jute market sluggish in Netrokona

number of shareholders attended the meeting.

NETROKONA, Sept 28: The jute market is sluggish in the district and growers are at stake with their products in the absence of government jute purchasing centres, says UNB.

Local farmers alleged that due to lack of jute purchasing centres they are being compelled to sell their produce below the production cost to the 'farias' and middlemen.

There were 10 jute purchasing centres in different parts of the district, but those remained closed since 1993 following government's instruction, they

The growers alleged that some jute mills are now purchasing jute from the areas through the 'farias' and middlemen depriving the growers of fair price.

The farmers urged the authorities concerned to open at least two jute purchasing centres in the district to ensure fair price of their products.

Market sources said, good quality jute is being sold between Taka 300 and 400 per maund while low quality as well as common variety between Taka 250 and Taka 300 per maund.

Emirates raises weekly flights to Nairobi, Jakarta

Emirates will increase weekly flights to Nairobi and Jakarta from October 27, when the airline commences its winter schedule, says a press re-

Emirates has been granted approval by the Kenyan Government to launch a third weekly flight between Dubai and Nairobi, and by the Indonesian Government for a fourth weekly flight between Dubai and Jakarta.

Emirates launched flights to Nairobi in October last year and has since witnessed high load factors on its twice weekly service which operates every Monday and Friday with Airbus A310-300 aircraft.

Ghaith Al Ghaith, Emirates' Commercial Operations Director, said: "The flights between Dubai and Nairobi are among Emirates' most successful.

UN seeks \$40m food aid for Iraq

UNITED NATIONS, Sept 28: With an oil-for-food deal on hold, the United Nations appealed Friday to members and donors to contribute some 40 million dollars for emergency food and health aid for Iraqi civilians, reports AP.

The majority of Iraqi civilians are living below the poverty line and malnutrition is rampant, the United Nations said. Fighting in northern Iraq has forced tens of thousands of people to flee their homes.

Iraqi President Saddam Hussein sent his forces into northern Iraq on Aug. 31 to back his Kurdish allies against their rivals.

The United Nations quickly shelved an oil-for-food deal that was about to go into effect. The agreement would have allowed Iraq to sell two billion dollars in oil for 180 days to buy food and medicine. It is not clear when the deal will come

The appeal for 39.9 million dollars would meet emergency needs for three months. Prices of basic food and

health items have soared 50 to 100 per cent since late August, the UN statement said. Some 60,000 people have fled their

ern districts has been declining

by about 4.25 lakh tons every

year due to rise in prices of agri-

cultural implements, with-

drawal of subsidy and adverse

fluctuations in paddy price, re-

Production, however, in-

creased in this area last year

but farmers lost interest be-

cause prices fell below produc-

tion cost. Decline in paddy pro-

duction has been recorded in

the districts of Barisal, Farid-

pur, Madaripur, Gopalganj, Shariatpur, Rajbari, Bhola,

Patuakhali, Jhalakathi,

sources, paddy production de-

clined by about 8.5 lakh tons in

three years between 1989 and

1992 in the 11 districts which

had always been known as sur-

plus areas and called granary of

Bangladesh in the past. The

surplus production used to be

According to official

Borguna and Pirojpur.

ports UNB.

homes in northern Iraq and schools, hospitals and sanitation systems in the north have been looted, it added.

The statement noted that humanitarian aid efforts have been hampered by a lackluster response from donor nations. Only 12 million dollars has been contributed to UN programmes for Iraq despite an

UN sanctions imposed after the Iraq's 1990 invasion of Kuwait bar trade with Iraq.

appeal in May for 80 million

Tk 4.49cr uplift work in Naogaon

NAOGAON, Sept 28: Work on uplift schemes at a coast of Taka 4.49 crore is progressing fast in the district under the Dutch government aided '18district town project', reports

The schemes included construction of two overhead water tanks at a cost of Taka 80 lakh, two water treatment plants costing Taka 1.50 crore and sinking of tubewells at a coast of Taka 57 lakh and construction of toilets at a minimum cost, said an official handout.

The total production of food-

grains in the 11 districts was

about 23.35 lakh metric tons in

1989-90. In 1990-91 total pro-

duction was about 21.27 lakh

mts and in 1991-92 about 15.97

Sikkim budget

for '96-'97

passed

free sikkim budget for 1996-97

was yesterday passed in the

state assembly, reports PTI.

48.20 crore.

journed sine die.

GANGTOK, Sept 28: The tax-

Rise in agri-input prices

Paddy output falls in S-dists

Paddy production in 11 south- requirements of the region,

MADARIPUR. Sept 28: sold outside after meeting the

they said.

lakh mts.

Aman cultivation of fertiliser

SIRAJGANJ, Sept 28: Aman

sources, some 7.429 metric tons of fertilizer is needed each year for aman cultivation on 1.23.820 hectares of land in 12 northern districts. But supply of fertilizer is not adequate enough to meet the requirement.

Local farmers alleged that dealers have created this artificial crisis by hoarding a huge quantity of fertiliser in their godowns. They have been charging higher price from the farmers as government has not fixed up its retail price.

Besides, the dealers accused the BCIC authorities of reducing the fertiliser supply. Moreover, BCIC compels them to take fertiliser from Ghorasal Fertilizer Factory instead of Jamuna Fertiliser Factory which increase transport cost from Taka 60 to 70 per bag, they alleged.

Government has fixed a proson, officials said.

in N-region faces acute shortage

cultivation in northern region of the country is facing series of impediments due to acute shortage of fertiliser, says UNB. According to official

duction target of 2.46 lakh tons of aman paddy from the northern region in the current sea

Half of India's cellular phones

smuggled in'

NEW DELHI, Sept 28: About half the 150,000 cellular phones used in India are smuggled in to feed the overwhelming appetite of the middleclasses, a newspaper said yesterday, reports AFP.

The Business Standard quoted Ronald Thomas, director of US telecoms giant Motorola, as saying that smuggled cellular phones caused a "net loss of 967.5 million rupees (27.5 million dollars) to the exchequer."

Thomas warned that the figure could swell to 6.4 billion rupees by next year if the illegal trade in India's latest fad was not curbed.

The Rs 4.42 crore deficit bud-Thomas said the contraband get showed total revenue retrade flourished, despite a cut in ceipts of Rs 1243.78 crore customs duty on cellular teleagainst disbursements of Rs phones from 72.5 per cent to 51.8 per cent, because there was Later, the house was ada yawning gap between prices of phones sold here and abroad.

WB chief predicts quick action on debt relief

WASHINGTON, Sept 28: World Bank President James Wolfensohn is predicting that relief for some of the world's poorest highly indebted nations could come as soon as the end of the calendar year, reports USIS.

"I think we're very close to reaching a positive and a productive agreement that will allow us to proceed immediately on some specific cases," he told reporters September 27. Wolfensohn spoke amid in-

dications that the Paris Club an informal group of major creditor nations - was near agreement on raising its current ceiling for debt relief from 67 per cent to 80 per cent. The World Bank and Inter-

national Monetary Fund (IMF) had called for the Paris Club to raise its debt-relief ceiling to 90 per cent, but Wolfensohn told reporters it would "certainly not" reach that high. Nevertheless, he described preliminary reports from the

Paris Club meeting as "pretty satisfactory." Wolfensohn indicated that agreement by Club members would open the door to resolving the debt issue during joint World Bank and International Monetary Fund (IMF) meetings to be held September 29 through October

Bank officials have described the \$7,700-million

BB bill auction The 21st auction of the 30-

Day Bangladesh Bank Bill and the 91st auction of the 91-Day Bangladesh Bank Bill were held here yesterday, reports UNB.

Thirty bids for a total of Tk

216.90 crores and twenty bids for a total of Tk 106.00 crores were offered respectively against the 30-Day and 91-Day Of these, nine bids for a total

of Tk 71.30 crores and five bids for a total of Tk 29.00 crores were accepted respectively against the 30-Day and 91-Day

The weighted average prices of the accepted bids of the 30-Day and 91-Day Bills were Tk 99.46 and Tk 98.40 per Tk 100 respectively.

The corresponding yields are 6.50 per cent and 6.51 per cent per annum, said a Bangladesh Bank press release.

debt-relief initiative as requiring a "four-legged stool" of coordinated action by the IMF, World Bank, regional development banks, and Paris Club creditors. As many as 20 countries could be eligible, including Uganda, Nicaragua, Cote d'Ivoire, Burma, Bolivia and Cameroon.

Wolfensohn said agreement among such "independently minded" organizations would represent a "significant achievement."

"My guess is that between now and the end of the year we'll have our first cases." he said. "We will develop a sort of jurisprudence about how this thing is done, on a case-by-case basis, and I am personally very optimistic that we will... bring these countries to sustainabil-

Wolfensohn also said he would ask World Bank directors to approve \$2,000 million for the debt-relief initiative - four times the Bank's original \$500million pledge. "The Bank itself is prepared to play a full part. and is prepared to make a vigorous and proportional" contribution, he said.

children in 1972. DCCI workshop on product design A workshop on "Product De-

was organised at the training centre of Dhaka Chamber of Commerce and Industries in the city yesterday, reports UNB.

jointly organised by the Business Advisory Service (BAS) of DCCI and German Technical Assistance (GTZ). The team leader of BAS project. Michael K. Nathan, also spoke on the occasion.

economy. He thanked GTZ for co-sponsoring the workshop which is expected to benefit the valued members of DCCI.

Michael K. Nathan, gave a resume of the project "Business Advisory Service for Export Oriented Small and Medium Enterprises."

- AFP/UNB photo

PRINTER BERKERS BERKERS BERKERS Bank workers hold hands as they block the entrance to several banks in Rio de Janeiro's

financial district Friday on the second day of their strike. Bank workers are demanding a 27 per cent raise in salary, while bank officials are offering eight per cent.

It is a well-known fact that

production.

purpose of containerisation.

The sum total of such "additional costs" is to erode the country's competitive edge and to discourage the location of foreign investment in Bangladesh.

(The author is Manager, Private Sector Development Finance Department of World Bank Mission in Bangladesh)

Tofael stresses implementation

of uplift programmes BHOLA. Sept 28: Commerce and Industries Minister Tofael

allocated Taka 100 crore in the current fiscal year to implement various poverty alleviation programmes, says UNB. He was addressing at a gathering of the orphans, teachers and employees of Bhola Gov-

Ahmed said the government

ernment Shishu Sadan here on Friday. The minister emphasised on the need for proper planning and efficient administration for the implementation of the

uplift programmes. "Our politics is aimed to serve the people, particularly the orphan, distressed and displaced," the minister said adding, "with this end in view about Taka 400 crore has been allocated in the current fiscal year for the development of rural economy."

Tofael called upon the officials of the orphanage to perform their duties sincerely to enable the orphans to be self-reliant, said an official handout.

The government had established the Sadan to rehabilitate the oppressed women and their

DCCI President Ali Hossain inaugurated the workshop,

The DCCI President said that product development is a prerequisite for getting edge over competitors under free market

Addressing the workshop,