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# ESAF hangs in balance due to govt-IMF dispute

By Govinda Shil

Jan Bove, IMF chief in Dhaka, speaking at the press conference. — Star photo

The government is yet to decide the fate of a proposed IMF programme, Enhanced Structural Adjustment Facility, designed to strengthen Bangladesh's balance of payment situation.

Bangladesh has currently US$ 1.7 billion in its reserves which the government considers is not enough to maintain a sound international trading and domestic inflation level.

Both IMF and government officials would not say much about the ESAF, but finance ministry officials feel Bangladesh needs it to stabilise its external trade regime.

"We need the fund but there is no urgency so that we need it within a day or two," Finance Secretary Dr. Akbar Ali Khan told The Daily Star yesterday.

He said some of the IMF conditionalities were really critical of any political government. "We are continuing dialogue," he said, without giving details.

Asked about the status of the proposed ESAF programme in Bangladesh, Jan Bove, the IMF Chief in Dhaka, did not say anything but added that the government and the IMF agreed on the need for further structural reforms.

IMF Chief, however, appreciated the government's ongoing reform programmes and emphasised trade liberalisation and structural reforms.

"The reforms are on the right track," he told a press conference yesterday.

"Alignment of prices of fertiliser and petroleum went in the right direction," he said, while adding that overall pace of reforms, like fiscal reforms, banking supervision and loan recovery needed more attention. He also put emphasis on "good governance".

Bove said macroeconomic stability and structural reforms sometimes were not enough for a good economic growth and egalitarian distribution of the national income.

But the finance minister said IMF tried to impose all conditionalities on the government some of which were even borrowed from other donor agencies. "You will find World Bank and Asian Development Bank's unfulfilled conditions are put into the IMF conditionalities," the finance secretary said.

Bove told newsmen that the upcoming meeting of the IMF Board of Governors, scheduled to begin from September 23 in Hong Kong, carries an immense importance to its 181 member countries and IMF officials since the discussions, among other things, would focus on the issues of globalisation, capital movement and world economic outlook.

Finance Minister S A M S Kibria, Finance Secretary Dr. Akbar Ali Khan, Bangladesh Bank Governor Lutfar Rahman Sarkar and Economic Relations Division Secretary Mashiur Rahman will attend the meet.

IMF Chief told journalists that a team of experts would be in Bangladesh soon to appraise the IMF-sponsored ESAF during 1990-93. The team will look into the government expenditure pattern — whether it was biased to social sectors — and helped an even economic growth.

The findings of the study will be placed to the IMF Board of Directors at the end of this year, he said.

The study is a part of ESAF's self-evaluation and IMF's efforts to increase its transparency, Bove added.

# Agrani Bank to loan Tk 210 cr in rural areas

Agrani Bank has set a target to disburse Tk 210.00 crore loan in rural/agri sectors for current fiscal year, says a press release.

Out of the total targeted amount, Tk 77.00 crore and Tk 75.00 crore have been allocated for granting the crop loans and loan schemes for poverty alleviation respectively.

In 1996-97 fiscal year, the bank disbursed Tk 120.33 crore on priority basis in agri/rural and agri based programmes.

Besides, the bank will disburse additional Tk 15.00 crore with the assistance of IFAD for poverty alleviation sector.

The bank is extending loans and advancing with its various schemes as there is no liquidity crisis.

# Dhaka to receive $33m soft loan from Korea

Bangladesh and the Export-Import Bank of Korea, the official Korean agency of Economic Development Co-operation Fund (EDCF), have signed a soft loan agreement here Tuesday, an official handout said yesterday, reports BSS.

Under the agreement Bangladesh will get an EDCF loan worth 33 million US dollar which is equivalent to approximately Taka 138.60 crore for purchasing 19 diesel-electric locomotives for Bangladesh Railway.

Dr Mashiur Rahman, secretary of ERD and Sun-Ho Lee, Deputy President of the Korea Export-Import Bank signed the agreement.

South Korea is becoming one of the important bilateral development partners of Bangladesh both in public and private sectors. The country has already provided a loan of 14.00 million US dollars which is being used for implementation of a power project.

Besides, it provided about 4.00 million US dollars as grant under which, among other things, a hospital is being constructed at Savar.

# WB sees basic change in world economy

WASHINGTON, Sept 10: The world economy will change fundamentally over the next 25 years as Brazil, China, India, Indonesia and Russia assume more central roles in the global marketplace, the World Bank said on Tuesday, reports Reuter.

The international lending agency said in a report that the so-called "big five" developing economies, which currently account for less than a tenth of global output and trade, could double their share of the world market and surpass the European Union by 2020.

"We stand at a unique moment in history," said Joseph Stiglitz, World Bank chief economist.

The bank said growth by developing countries averaged only 1.0 per cent a year between 1920 and 1950, about half the rate of many high-income countries.

But over the past decade, developing countries, led by the so-called "tiger economies" of South East Asia, grew at a somewhat healthier average rate of 2.6 per cent a year.

In its report, "global economic prospects and the developing countries," the bank said the outlook for emerging economies was far more favourable over the next 10 to 25 years.

"The next 25 years could witness an unprecedented increase in the weight of developing countries in the world economy," Milan Brahmbhatt, principal author of the report, told a news conference. "This change would be unprecedented in both its size and speed."

The bank said growth by developing countries should jump to 5.4 per cent from 1997 to 2006, over the next 25 years, developing countries could grow at an average rate of between 5.0 per cent and 6.0 per cent a year, it said.

But growth will not be restricted to the big five.

The banks said output could double in the rest of Latin America, Sub-Saharan Africa, the Middle East and North Africa.

In the formerly communist economies of central and Eastern Europe, better conditions in export markets and continued strength in investment should fuel a rebound in growth to four per cent or 4.5 per cent a year over the next 10 years, the report said.

It said there was a risk of backtracking in some regions of the former Soviet Union, but economies there were stabilizing, and growth could reach 5.0 per cent to 6.0 per cent by the year 2000.

The World Bank warned that strong growth by industrial countries over the next year could lead to higher interest rates, which may slow growth in private capital flows to developing nations from the rapid pace of the last two years.

# IMF cautions against fiscal deficit in India

NEW DELHI, Sept 10: The International Monetary Fund (IMF) on Wednesday praised India's economic progress but cautioned against a large fiscal deficit, creaking infrastructure and inflationary potentials, reports Reuter.

"The high fiscal deficit continued to put upward pressure on interest rates. Infrastructure constraints were taking their toll: Inflation was beginning to pick up," the IMF said in its annual report for the financial year ended on April 30.

India must accelerate the pace of reduction of fiscal deficit than currently envisaged by the authorities, the report said.

India aims to reduce fiscal deficit to 4.5 per cent of Gross Domestic Product (GDP) in 1997/98 (April-March) compared with 5.0 a year earlier.

The IMF report came when the government also on Tuesday said in a statement that accelerated money supply meant inflation could be mounting and that investment activity was not buoyant.

The government also expressed concern over the continuing high fiscal deficit which can exert upward pressure on interest rates and crowd out productive investment.

IMF patted the government for its commitment to economic reforms but urged it to take bolder steps to step up economic growth.

India's GDP grew by 6.8 per cent in 1996/97 and averaged about seven per cent over the past three fiscal years.

The IMF urged India to clear the remaining hurdles to both foreign direct and portfolio investment and speed up trade reforms including early phasing of controls on consumer goods.

The IMF said the government must allow the exchange rate to respond to market signals and said its interventions should not rely on indicators like real exchange rate.

The Reserve Bank of India (RBI) intervenes regularly to smooth any fluctuations in the foreign exchange market.

An IMF official, who asked not to be identified, told reporters in New Delhi that India must move in a phased manner towards full rupee convertibility.

He said state-owned banks must be restructured before moving towards capital account convertibility, "there are many weak banks and it is difficult to see how they survive under competition," he said.

The IMF said the government's monetary policy should focus on inflation and warned against any easing of monetary conditions.

The RBI aims to contain money supply growth within a target band of 15 to 15.5 per cent in 1997/98 (April-March) to keep a tight leash on inflation.

### Finance Minister frightened

Another report says: India's fiscal deficit is under severe pressure, Finance Minister P Chidambaram said today.

"This year we hope for a further fiscal correction but I am afraid there are severe pressures," Chidambaram told reporters.

Chidambaram said that the government had estimated 1996/97 fiscal deficit at 5.0 per cent of gross domestic product (GDP) but added: "It may end up at 5.1 per cent."

"I think it still has not been inscribed on the consciousness of the Indian political and economic leadership that fiscal correction is the single most important goal we must pursue," Chidambaram said.

On Tuesday the International Monetary Fund (IMF) in its annual report urged India to aim for an accelerated reduction in its large fiscal deficit, warning that a delay in fiscal adjustment would leave the economy vulnerable to adverse external developments.

# S Asia to get special attention at WB-IMF meets

By Ela Dutt

WASHINGTON, Sept 10: South Asia will compete with China to attract liberalisation at the annual World Bank and International Monetary Fund (IMF) meetings to be held in Hong Kong next week.

"The days when these (South Asian) economies were stuck in the 'Hindu rate of growth' are over," asserted World Bank spokesman David Theis. A series of seminars on South Asia will be held at Hong Kong, he said.

"South Asia is growing faster than all regions except East Asia," he said.

Holding this year's annual meetings in the "heart" of Asia was a "historic event," according to Thies, because the Bank had a long history with Asia which contained its largest borrowers. The meetings "also symbolise the new China," he said.

According to the programme for the meetings, discussions focusing on China take up a whole day (Sept 22) whereas there is only one seminar exclusively on India to be chaired by Finance Minister P. Chidambaram and titled "India: Expanding Investment Opportunities."

The China seminar looks at the country's role in the 21st Century as one of the world's biggest markets, the potential for dramatic reduction in poverty if growth rates are maintained, infrastructure problems and the environmental implications of a surging economy.

However, several seminars on Asia and one titled "South Asia: The Next Miracle?" hint at more attention to India. Organised by World Bank Chief Economist for South Asia John Williamson, participants include Surjit Bhalla, President of OXUS Research and Investment, India; Lal Jayawardena, Economic Advisor to the President of Sri Lanka.

— India Abroad News Service

## Tofael at seminar on ISO-9000

# Steps underway to ensure high quality of products

Minister for Industries and Commerce Tofael Ahmed yesterday said Bangladesh had accepted the challenge to produce quality goods for competing in the international market and realistic steps are being taken in this regard, reports BSS.

He said quality of products has become a weapon for competition in the global market where cost-effective price depends on quality of products.

The minister was speaking as the chief guest at the inaugural session of a seminar on ISO-9000 organised by the Bangladesh Standards and Testing Institution (BSTI) here.

He said the entrepreneurs should realise that it was essential to ensure the high quality of the products for their existence, both in internal and external markets, in the context of open market economy.

He said the business community and the industrialists should also realise that continuous high quality, reduction of production cost and success in the competitive market are the three basic requirements to exist in the present market.

Vice Chancellor of Dhaka University Prof Dr AK Azad Chowdhury, Industries Secretary M Akhtar Ali and BSTI Director M Hasan also spoke on the occasion while director general of BSTI Dr Golam Mowla presided.

Tofael said every export-oriented industry should set up Total Quality Management (TQM) department to create quality awareness and earn ISO-9000 certificate which provides guidelines for their selection and use.

He said ISO 9001 covers product design, development, production, installation and servicing, ISO 9002 covers production and installation and ISO 9003 covers final inspection and testing whereas ISO 9004 includes all elements of standards 9001 to 9003.

International Organisation for Standardisation (ISO) is a worldwide federation of national bodies endeavouring to bring the world trade under a single and uniform standard system which is a delicate and responsible task to be completed through mutual understanding and recognition. BSTI is a full member of ISO.

Tofael expressed the hope that if the plan of action for duty-free access of the products of least developed countries (LDCs) is implemented, opportunities for export would increase by many times for which Bangladesh should prepare itself for quality production by creating TQM department and engaging quality professionals in every manufacturing industry.

Referring to modernisation of BSTI, the Industries Minister assured it of government support and said that the business community also should play its role in this regard and make every entrepreneur quality conscious.

Dr. A K Azad Chowdhury said the quality of pharmaceutical products in Bangladesh was better than many neighbouring and third world countries as the industries use quality raw materials imported from the developed countries, maintain quality procedure and engage proper professionals in the respective areas.

M. Akhtar Ali said Bangladesh was far behind in the context of ISO 9000 and BSTI could play an important role in this regard.

# New GM of Am-Ex Bank

John A Smetanka has recently joined American Express Bank in Bangladesh as Senior Director and General Manager, says a press release.

His experience includes various positions with Bank of America in Hong Kong and the former Security Pacific National Bank in Hong Kong and the United States.

Smetanka obtained his BA from the University of Chicago and his MA and Ph.D from Harvard University.

# New MD of HRC Group

Mirza Ejaz Ahmed has joined HRC Group as Managing Director, says a press releases yesterday.

Ahmed graduated in International Relations and completed his MBA Programme with major in Marketing.

Sayeed H Chowdhury, founder and out-going Managing Director of HRC Group will take over as the Group Chairman.

# Australia freezes tariff cut on textile, footwear items

SYDNEY, Sept 10: Prime Minister John Howard announced a new regime for tariff protection of the textile, clothing and footwear (TCF) industries Wednesday, including a freeze on tariff reductions between 2000 and 2005, reports AP.

Howard ignored recommendations of his government's own advisory body and gave in to industry and union pressure to impose the tariff freeze, which aims to protect an estimated 100,000 jobs in the three struggling manufacturing industries.

Howard said a review of the new regime in 2005 would take account of Australia's commitments to the Asia-Pacific Economic forum (APEC), to pursue free trade between developed member economies by 2010.

The decision on tariffs follows warnings from the government's Industry Commission in June that a freeze on tariff reductions in the TCF industries would "send a bad policy signal to (Australia's) trading partners."

In a report handed to the government Tuesday, the commission argued that tariff protection had done nothing to protect TCF jobs, with employment falling consistently during the past 20 years. It backed a steady reduction in tariff levels by 2008.

Under the new regime, import tariffs will be cut gradually from 34 per cent to 25 per cent in the clothing industry, and from 25 per cent to 15 per cent in the footwear and textile industries, until 2005.

From January 1, 2005, the tariffs on clothing will be cut to 17.5 per cent and on footwear and textiles to about 10 per cent, Howard said.

The new regime includes plans for more than 7.4 million US dollars (10 million Australian dollars) in new spending on training and market development programme and to formulate strategies aimed at boosting export capabilities.

Howard said the tariff freeze would provide job security and stimulate new investment in the TCF sector, struggling to compete against far lower production costs in Asia and the Pacific.

# Lexco declares 18pc dividend

Star Business Report

Lexco Ltd has declared 18 per cent dividend at the 17th annual general meeting held at a local community centre yesterday.

The meeting adopted the minutes of the 16th AGM held last year, directors' report and audited accounts for the year ended on 31st December 1996, elected directors and appointed auditors and fixed their remuneration.

The post-tax profit of the company stood at Tk 69.92 lakh.

# *Coca Cola Co withdraws cans in Germany*

ESSEN, Germany, Sept 10: The Coca Cola Company has withdrawn thousands of cans from stores in northern Germany after customers complained of a bizarre taste and traces of a chemical substance were found, a company spokesman and officials said yesterday, reports AFP.

The company moved after clients complained of a "funny taste" and "funny smell" when opening cans.

Shareholders try to make a point at the AGM — Star photo

# New Delhi to phase out 'dangerous' private buses

NEW DELHI, Sept 10: Authorities in the Indian capital have decided to do away with the city's notoriously dangerous private bus service, an official said yesterday, reports AFP.

New Delhi Transport Minister Rajendra Gupta said that at least 4,000 private buses would be asked to stop driving their routes in 35 to 40 days and ordered to join the state-run transport network.

The private fleet, notorious for reckless driving, have killed about 1,400 people and injured hundreds more on New Delhi's chaotic roads since it was launched in 1992.

"This is in line with a government proposal to check the terror unleashed by these buses," Gupta said.

When the private buses were first introduced. They were painted red.

# ROK mapping revision of laws on foreign labour

SEOUL, Sept 10: The South Korean government has begun mapping a revision of laws that would allow foreign labourers here the same rights as local workers, news reports said today, reports AFP.

Yonhap news agency said the first steps towards the revision were taken at a meeting of economy-related ministers Tuesday, at which it was decided to set up a committee on policy towards foreign workers.

More than 200,000 foreigners, mostly from poorer Asian countries such as the Philippines, Bangladesh and Nepal, are currently working in South Korea in menial and sweatshop jobs shunned by more affluent South Koreans.

But less than a third of the number are here legally as "trainees" brought in under a government programme while the others are illegals who overstayed their visas or slipped into the country.

Foreign workers are currently denied the rights to organize, bargain collectively or to strike, but in a landmark ruling last month a court said an illegal worker with a valid contract was entitled to severance pay.

Yonhap said that one proposal at Wednesday's meeting was that foreign workers must complete two years as an industrial trainee before being eligible for full workers' rights.

# Strong demand marked at Ctg tea auction

CHITTAGONG, Sept 10: The weekly tea sale held here on Tuesday met a strong demand with higher rates for all medium or smaller brokens and fannings as Pakistan and Afghanistan buyers operated in much greater strength, reports UNB.

Internal buyers including Blenders were also quite active and the Polish buyers operated in good strength with fairly good support from Russia.

**CTC BROKENS:** Large and bold brokens were once again a strong market selling at around last levels but with the progress of sale prices tended dearers and were often up to Tk one per kg, higher to the close.

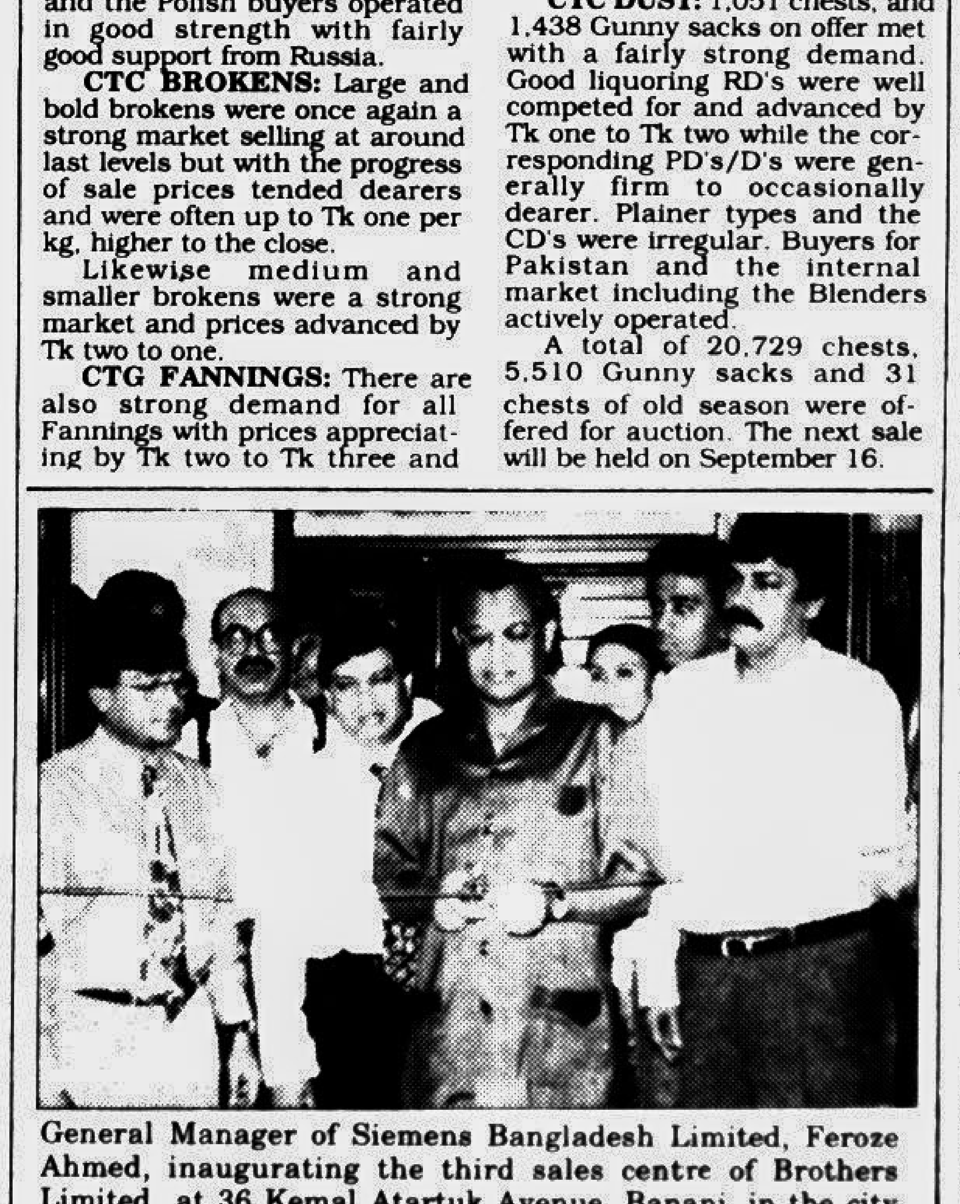
Likewise medium and smaller brokens were a strong market and prices advanced by Tk two to one.

**CTG FANNINGS:** There are also strong demand for all Fannings with prices appreciating by Tk two to Tk three and often more for the good liquoring types following competition.

**GREEN TEA:** Two hundred chest on offer continued to sell well. FYH sold between Tk 125 and Tk 127, YH sold between Tk 127 and Tk 129, and HYSON sold between Tk 115 and Tk 117.

**CTC DUST:** 1,051 chests, and 1,438 Gunny sacks on offer met with a fairly strong demand. Good liquoring RD's were well competed for and advanced by Tk one to Tk two while the corresponding PD's/D's were generally firm to occasionally dearer. Plainer types and the CD's were irregular. Buyers for Pakistan and the internal market including the Blenders actively operated.

A total of 20,729 chests, 5,510 Gunny sacks and 31 chests of old season were offered for auction. The next sale will be held on September 16.



General Manager of Siemens Bangladesh Limited, Feroze Ahmed, inaugurating the third sales centre of Brothers Limited at 36 Kemal Atartuk Avenue, Banani, in the city yesterday.

## Exchange Rates

The following are the **Janata Bank**'s dealing rates (BD Tk for one unit of Foreign Currency) to public as 10/09/97.

**Buying**

| Name of Currency | TT Clean | OD Sight Export Bills | OD Transfer |
|---|---|---|---|
| US Dlr | 44.4200 | 44.2493 | 44.1334 |
| GB Pound | 70.2143 | 69.9284 | 69.7452 |
| D Mark | 24.3286 | 24.2296 | 24.1661 |
| F Franc | 7.2376 | 7.2081 | 7.1892 |
| JP Yen | 0.3698 | 0.3683 | 0.3673 |
| C.Dlr | 31.9206 | 31.7906 | 31.7073 |
| S Franc | 29.6552 | 29.5345 | 29.4571 |

**Selling**

| Name of Currency | T.T.& O.D. | B.C. |
|---|---|---|
| US Dollar | 44.7115 | 44.7510 |
| GB Pound | 71.2055 | 71.2850 |
| D.Mark | 24.7330 | 24.7605 |
| F. Franc | 7.3574 | 7.3656 |
| JP. Yen | 0.3784 | 0.3788 |
| C.Dollar | 32.4449 | 32.4810 |
| S. Franc | 30.1517 | 30.1853 |

Janata Bank's selling and buying rates in cash currency for public:

| | Selling | Buying |
|---|---|---|
| US Dlr | 45.0000 | 44.5000 |
| GBP | 70.2100 | 68.2100 |
| S Riyal | 11.9000 | 11.5500 |

The following are the **Sonali Bank**'s dealing rates (BD Tk for one unit of Foreign Currency) to public as on 10th Sept '97.

**Buying**

| | TT Clean | OD Sight Export Bills | OD Transfer |
|---|---|---|---|
| US Dlr | 44.4200 | 44.2545 | 44.1580 |
| GB Pound | 70.2216 | 69.9600 | 69.8074 |
| D Mark | 24.3327 | 24.2420 | 24.1892 |
| F Franc | 7.2358 | 7.2089 | 7.1931 |
| C Dlr | 31.9118 | 31.7929 | 31.7236 |
| S Franc | 29.6471 | 29.5366 | 29.4722 |
| JP Yen | 0.3682 | 0.3669 | 0.3661 |

**Selling**

| Name of Currency | T T & O D | B C |
|---|---|---|
| US Dollar | 44.7105 | 44.7505 |
| GB Pound | 71.2360 | 71.2998 |
| D Mark | 24.7420 | 24.7642 |
| F Franc | 7.3600 | 7.3665 |
| C Dollar | 32.4551 | 32.4841 |
| S Franc | 30.1611 | 30.1881 |
| JP Yen | 0.3783 | 0.3786 |