

**SANYO**

Washing Machine

Sole Distributor in Bangladesh

Transfin Trading Limited

100, Kazi Nazrul Islam Avenue, Dhaka-1215

Telephone: 815306-09, 819625-29, Fax: 813062

# The Daily Star BUSINESS

DHAKA, FRIDAY, NOVEMBER 7, 1997

**HYUNDAI**

CARS THAT MAKE SENSE

## A NEW ERA FOR GROWTH AND INVESTMENT

### Kibria defines policies, asks investors to take the plunge

The events of the past few weeks in international currency and capital markets will naturally be at the back of the mind of many participants here. The volatility we have observed, to the extent that it has an effect on the international trade and payments system and on real variables, is certainly a matter of some concern. I do believe, however, the relatively conservative financial policies pursued by Bangladesh will be better appreciated by many, and that those investors considering broader diversification to reduce risk should actively consider investing in an economy that may be poised for a period of sustained growth. The recent discoveries of substantial natural gas fields should strengthen our case further.

The present government, during its sixteen months in power, has undertaken a number of policy measures to strengthen the economy and lay the foundations for faster sustainable growth. Macroeconomic stability has been a high priority: the pursuit of prudent fiscal and monetary policies has resulted in a been substantial improvement in macro-economic trends. The country achieved a GDP growth rate of 5.7 per cent during the fiscal year 1996-97 and our target will be to reach 7 per cent this growth rate but also raise it to 7 per cent before the end of the century. We have been able to contain inflation below 5 per cent, export growth has been satisfactory and the foreign exchange reserve position remains comfortable. The achievement of macroeconomic stability has allowed us to focus on some long-standing problems and structural impediments to growth.

The government has attached the highest priority to attracting foreign investment, particularly in view of the fact that the availability of aid from donor countries and multilateral agencies has been shrinking worldwide. We have deregulated and opened up our economy for private investment. This government's economic policies are geared towards private-sector-led growth, with much greater levels of foreign direct investment than in the past. We recognise that in the last sixteen months we have not been able to deal with all the long-standing problems of foreign investors in this country. I hope that this conference will provide us with a better understanding of investors' concerns.

We envisage that the public sector will play a more effective supportive role, and that government agencies will come to be viewed as potential facilitators rather than obstacles to new investment. The old mind-set of controls and restrictions will take some time to change, but be

assured that we are working on this. The bureaucratic framework will need to gradually evolve from one which was developed to deal with the simple tasks of colonial rule to one which is capable of dealing with the much more complex tasks of managing a dynamic market-oriented economy.

In line with its policy of creating more room for private sector growth, the government is actively pursuing the policy of privatising the state-owned enterprises. The Privatisation Board has been strengthened to increase its operational efficiency. The Board has already privatised a number of enterprises, a list of 61 more units has been prepared for divestiture.

The government welcomes foreign investment in all sectors except five, relatively small-sensitive areas reserved for the public sector. The government has initiated policy



Shah AMS Kibria

incentives to encourage private sector participation in our infrastructure development. We are attaching very high priority to power generation, oil and gas exploration as well as development of port facilities and roads and bridges. We have received an encouraging response from the leading international companies in the development of our infrastructure sector. To attract foreign investment, the government has allowed the establishment of Export Processing Zones in the private sector. The existing EPZs in the public sector are being expanded and new ones are being planned.

We offer a very attractive package of incentives and facilities for foreign investors. We believe that these incentives compare very favourably with those of other countries in the region. We have also sought to maintain continuity and transparency in the incentive structure as we believe this is an important factor in investment decisions. Some important incentives include:

- foreign ownership without limit;
- generous tax holidays;
- unrestricted repatriation of capital, profits and dividends;
- re-investment of repatri-

able dividends treated as new investment;

- duty-free import of capital machinery and raw materials for export-oriented industries;

- exemption of tax on royalties, technical know-how, technical assistance fees and interest on foreign loans;

- working capital loans as well as term loans from local commercial banks;

- easy availability of work permits and six months' multiple entry visas for foreign investors and technicians;

In the infrastructure sector, we welcome investment in power generation, oil and gas exploration, telecommunication, port development, industrial parks, roads and highways. In the manufacturing sector, areas of great potential appear to be textiles, leather and leather goods, agro-industries, frozen foods, electronics light industries, computer software development, data entry and processing. However, this is only a tentative list, and there may be others yet unidentified which will emerge as growth industries in the next decade. From the government's side, all we seek is to remove distortions in the price system, provide a level playing field, and create an overall policy environment conducive to investment. We have no intention of attempting to override market forces to channel private investment in any particular direction.

A number of administrative and legal reforms have been undertaken by the government to attract foreign investment and to facilitate business transactions. These include: (a) setting up of a Permanent Law Commission; (b) establishment of the Administrative Reforms Commission; (c) enactment of Private Export Processing Zone Act; (d) amendment of the Financial Loan Court; (e) enactment of a Bankruptcy Law; (f) the development of a private power generation policy; (g) and amendment of the Petroleum Act 1974 to allow private participation.

I would like to emphasise here that foreign investment in Bangladesh is legally protected against nationalisation and expropriation under the Foreign Private Investment (Promotion and Protection) Act 1980. We have bilateral agreements with a number of countries for avoidance of double taxation as well as promotion and protection of foreign investment.

In conclusion, I would like to urge you to take advantage of the wide range of facilities offered by the government. I assure you that we shall take due note of your observations and the recommendations of the conference.

This is an abridged version of the text.

### Comteq exposition opens

Telecommunications, Housing and Works Minister Mohammad Nasim inaugurated a three-day Comteq '97, an exposition of computer, telecommunications, office equipment and electronics at Sheraton Hotel here yesterday, reports BSS.

The minister said in the present day world of modern technology and competitiveness, we have to achieve national development by making optimum utilisation of skill, efficiency and talents of our manpower resources.

He noted with happiness that the younger generations were taking great interest in the technological innovations and said the development of the country was solely dependent on the trained manpower and introduction of latest technology in the development efforts.

The minister thanked the organisers for making opportunities for the people to know about the latest technology in computers, telecommunications and other sectors.

Organised by Conference and Exhibition Management Services, 27 organisations have been taking part in the exposition.

### New oil field found in Pakistan

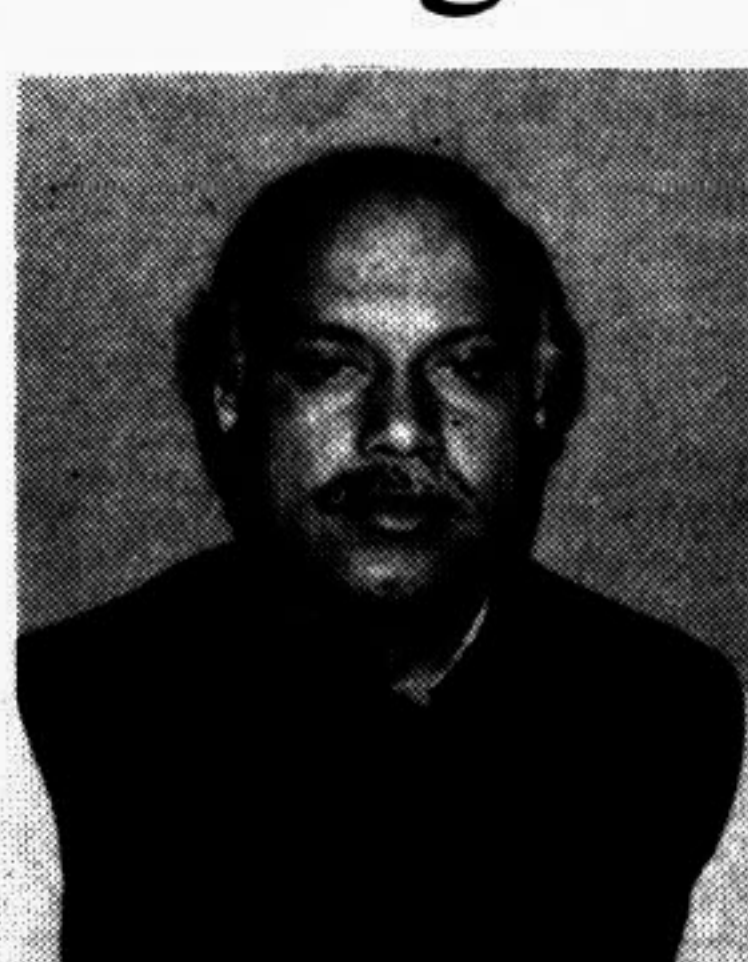
KARACHI, Nov 6: A private Pakistani oil company has struck oil some 89 kilometres (56 miles) south-west of Islamabad, company officials said here, reports AFP.

The Pakistan Oilfield Limited (POL) said the discovery was made with the help of French company CGC.

POL, a subsidiary of Attock Oil Company, said the well has a production capacity of 2,750 barrels per day of oil and 1.7 million square cubic feet per day of natural gas.

Pakistan, which has estimated oil reserves of 209 billion barrels, produces 58,784 barrels per day.

### Government getting telecom policies right: Nasim



Mohammad Nasim

Post and Telecommunications Minister Mohammad Nasim said today that the government is formulating a forward looking national telecommunications policy, reports BSS.

This, he said, being done to develop an efficient and dynamic telecommunication infrastructure to support a fast growing economy and welfare of the country by providing telecommunication facilities on demand, with assurance of satisfactory quality of service and ensuring value to the customers.

Nasim said the main thrust of the government policy is to encourage private sector involvement in telecommunications and to set up an independent telecommunication regulatory board to ensure a level playing field.

Presenting the keynote paper on "developing the telecommunication infrastructure" at the investors forum at a city hotel, the minister said there is a vast potential of investment

opportunities in building up the telecommunications infrastructure in Bangladesh with ensured and quick return on investment.

He said, the strategic vision of the government is to facilitate universal telephone service throughout the country. To achieve this objective, the government's role as a service provider will diminish as the private sector's role increases.

He said his government is fully committed to market-oriented economy and has been pursuing policies through which the private sector would play the dominant role in the country's development efforts.

The minister assured the prospective foreign investors that government's role would be to create a favourable environment to support this new strategy. He said telecommunication in Bangladesh has been characterised by low tele-density. Telephone density per 100 person is only 0.4 in 1997 compared to 0.22 in 1991. The density in rural area is even lower- 0.04 (1996 figure).

The minister said the target of expansion of telephone penetration is fixed at 1,300,000 line units including associated in-land and overseas transmission links and facilities by the year 2000 in order to substantially eliminate the unserved demand and increase the tele-density from 0.4 telephone to 1.0 telephone for every 100 person.

He also mentioned that the government has already achieved success in involving the private sector operators in the telecom sector.

### Saifur sends good signals

## No problems, come and invest in Bangladesh

Star Business Report

Former Finance Minister and BNP leader M Saifur Rahman yesterday strengthened government efforts to bring foreign capital when he told the international investor's conference that there were no differences of opinion among the major political parties on such issues of national interest.

"This is our national issue and we all irrespective of party affiliation welcome foreign investors," he told a session on financial sector reforms which he chaired.

The session was also addressed by Banking Secretary Syed Amirul Mulk. Bangladesh Bank deputy governor Khondker Ibrahim Khaled, Dhaka Stock Exchange Chairman M A Huq Howlader, Chittagong Stock Exchange Chairman Amir Khasru Mahmud Chowdhury MP.

The former finance minister who sought to clear misgivings among foreigners about Bangladesh's financial sector said the situation was "very sound and much better than that of many other countries".

"Everywhere there are some problems regarding finance and banking, and we also have some of them, but that does not mean our economy is not sound," he said.

Rahman said, "The system (banking) is not as bad and sick as is propagated by the World Bank, IMF and other international agencies."

"We have a good banking system. The financial sector in Bangladesh is sound, and is becoming more sound," he said.

Saifur Rahman said "There are very many things that the international institutions say proved to be incorrect."

He said, "Policy stability and will is a must for attracting foreign investment. The investors seek hospitable and sound financial environment before putting their money in any country."

Rahman said, "The politicians are not interested in the long-term benefits, they are more interested in the short-term gains."

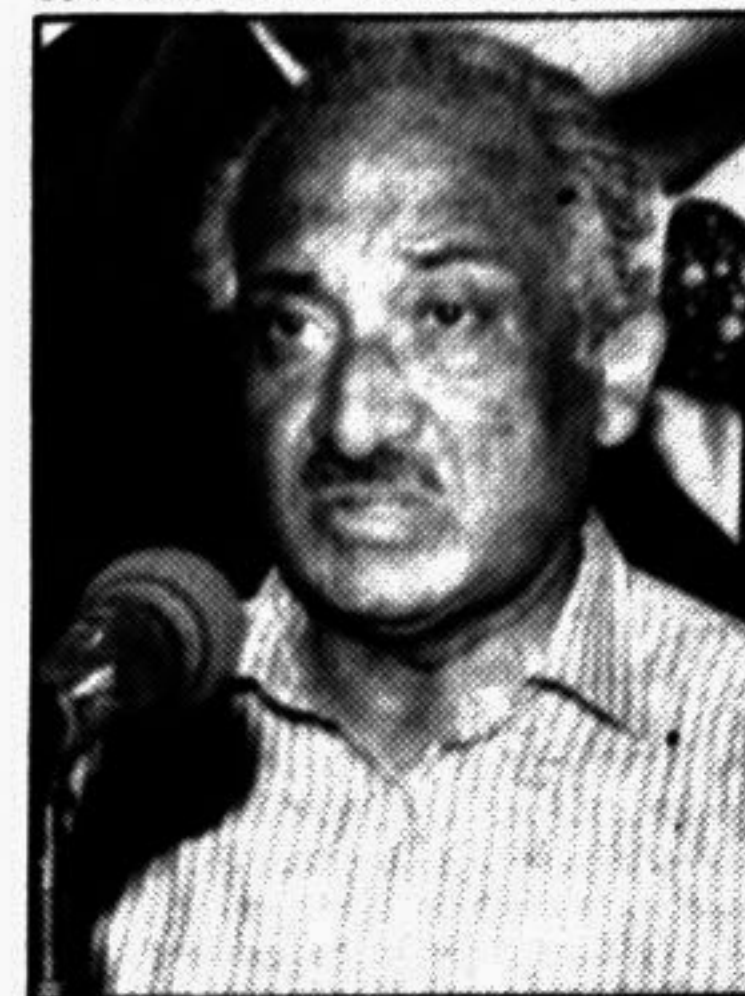
Referring to the accountability of the government, the BNP lawmaker said, "The gov-

ernment whether past, present or future is responsible for fiscal irresponsibility."

He called for a more independent central bank and tighter budgetary provisions so that "the government can not take all money".

"An appropriate legal system must be put in place so that the government cannot borrow from the central bank," he said, which would stem "the crowding out effect of the private sector by public sector".

Referring to various steps taken up over the years to liberalize the country's economy, the former finance minister said that a free market economy had been following for long, currency had been made convertible, and a separate court named Artho Rin Adalat



Saifur Rahman

had been set up to settle financial disputes.

"So if you come here you will be protected through legal framework," he said, assuring the foreign and local investors who were present at the conference.

"There was not even a single instance where any foreign investor was harassed," he said.

Dhaka Stock Exchange Chairman M A Huq Howlader described the scope and advantages of portfolio investment in the country's capital market. He said though the prices of some issues enlisted with the DSE had experienced heavy ups and downs since last year, the

prices of some blue chip issues were still undervalued. The foreign investors had invested Tk 7.77 billion, repatriated Tk 10.69 billion and still holding 20 per cent of their stocks which proved that share business was profitable here.

Amir Khasru Chowdhury said that liberalisation of country's economy and privatisation of a number of state-owned enterprises helped the development of capital market. He stressed the need for government assistance to capital market and introduction of more mutual funds for further improvement of stock business.

Chowdhury said permission to operate merchant and investment banks, discount houses, debt purchase agencies along with proper laws will strengthen the share market in the country.

Syed Amirul Mulk and Khandaker Ibrahim Khaled explained various measures taken up by the government for bringing discipline and transparency in banking sector.

Elaborating the government's banking reform programme, Syed Amirul Mulk said, "The government has undertaken several reform measures including liberalisation of interest rates, development of indirect monetary policy instruments, enactment of Artho Rin Adalat and Bankruptcy acts and introduction of prudent regulations."

The Banking Division Secretary said, "The government is determined to enforce strict financial discipline."

He said the banking sector had been beset with problems like lack of autonomy and accountability, poor management, over staffing, excessive influence of the labour union leadership on the management, weak and lengthy legal system, inadequate capital base and above all an unsustainable burden of classified loan.

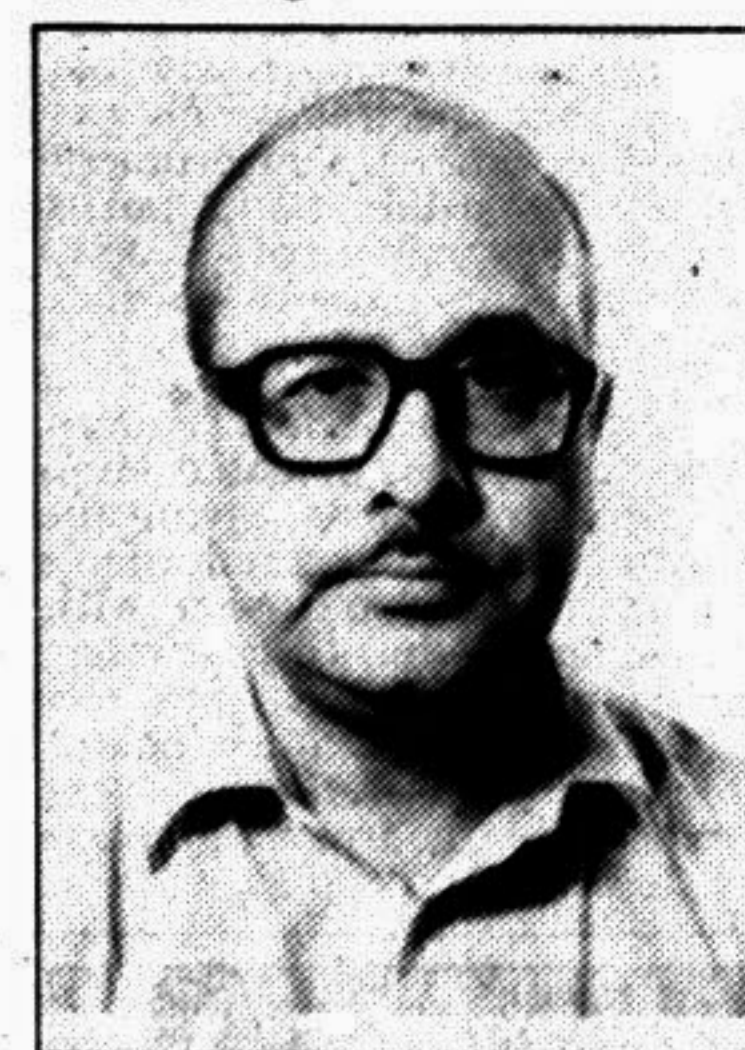
The secretary said, "Corrective measures are underway for tackling the crisis and mending the weaknesses."

He said with assistance from the World Bank the government has taken a "commercial bank restructuring project."

## Reforming banking system remains priority

By Khondkar Ibrahim Khaled

- (i) Introducing objective standard for loan classification and provisioning
- (ii) Recapitalising the banks for strengthening their capital structure
- (iii) Improving "appraisal of loan" proposals by using "Lending Risk Analysis" (LRA) method
- (iv) Reforming central bank supervision by designing and introducing new methods and



Ibrahim Khaled

tools

- (v) Designing Management Information System and expanding computerisation.

New classification standard introduced progressively helped the bank diagnose the malaise in their loan portfolio. Banks are using new classification norms for the last six years and will satisfy rigid international standard in 1998.

Banks were undercapitalised. Process of building up adequate capital started under the Reform Project. The Government injected sizeable amount of money to NCBs to maintain capital requirement of eight per cent of risk-weighted assets.

Loan recovery process was intensified. Simultaneously, Lending Risk Analysis (LRA) was introduced so that new loans do not go bad. Extensive training program was undertaken to transfer risk analysis

skills to 346 loan appraisers of Sonali, Janata, Agrani and Rupali Bank.

Under Technical Assistance of FSRP, 197 computers have been distributed among government owned banks to introduce MIS and improve services. In addition, banks themselves installed 399 computers at branches and controlling offices.

Bangladesh Bank introduced bank supervision system and is using CAMEL (Capital, Assets, Management, Earnings and Liquidity) as a technique for rating of banks and early warning signal.

Reform is a continuous process. The five-year FSRP initiated a change. To strengthen the process, the second phase of reform is about to start. This phase will be known as "Commercial Banking Restructuring Project". Funded by the World Bank.

Restructuring project will concentrate on:

- (i) Framing and implementing appropriate law for expediting recovery of bad debts.
- (ii) Strengthening central bank through autonomy and legal development.

- (iii) Creating responsive environment by restraining improper trade union activities and other interferences.
- (iv) Strengthening management of bank by redefining responsibilities and establishing accountability.

The government has attached high importance to the development of a competitive, efficient and healthy banking sector.

Under Restructuring Project, four accountant firms of international stature have been engaged to undertake portfolio audit of NCBs. The job will be done in a period of six months. Chartered Accountants may start their work in November, 1997.

A few loan courts have been established. Judges are undergoing special training in law and practice of banking at Judicial Administration Training Institute, Dhaka. Exposure to foreign banking situation is also contemplated.

A high-level Task Force has been set up at each of the banks

### 'Go global on gas policy'

A number of foreign investors described the gas market as global and suggested the government of Bangladesh to think globally while retaining the control over the companies, reports BSS.

Addressing the Investors' Forum here yesterday at a city hotel, they said the coming years promise to be exciting in Bangladesh as the exploration efforts will result in major additions to the country's natural gas reserves and the market for gas will grow substantially as power and pipeline facilities expanded in the region.

Richard Heton of oil and gas company Cairn, George N Keeney of Oakland International, Robert H Baldwin of Enron International took part in the discussion while Petrobangla Chairman Mosharraf Hossain made presentation on the new energy era for Bangladesh.

They said Bangladesh is now under tremendous pressure regarding selection of oil and gas companies.

George N Keeney whose com-

pany first expressed its interest in natural gas exploration in Bangladesh four years ago, said when his company came here the country was at the top of its list of prospective countries.

There were no signing bonuses, the fiscal regime was favourable and the success ratio of drilling in previous years was extraordinary. A few countries in the world can boast of a track record that include 14 significant field discoveries with total reserves of over 12 trillion cubic feet from only 56 exploratory wells," he added.

Dr Robert Baldwin said Bangladesh is embarking on an exciting period in its history as it confronts to develop and add value to its extensive reserves of natural resources.

He said Bangladesh must simultaneously build its upstream and downstream infrastructure to tap the substantial opportunity in this sector.

Dr Tawfik Elahi gave an account of the country's energy and mineral resources sector and said Bangladesh now offers the best investment climate.



M Habib Ullah, Deputy Commissioner, opening a Singer show room-cum-sales centre in Patuakhali on Tuesday.

### Singer sales centre opens in Patuakhali

Singer Bangladesh Limited Tuesday opened a new show room-cum-sales centre at Sadar Road in Patuakhali, says a press release.

This brings the total number of Singer centres in the country to 65.

Deputy Commissioner of Patuakhali, M Habib Ullah, inaugurated the centre while Marketing Manager of the company, MA Siddiqui, presided over the function.

Executives of Marketing and Marketing Services Department of the company were present on the occasion.

After the inaugural ceremony, formal selling of Singer products started with fashion-maker dsmatic, straight stitch sewing machine, colour television, refrigerator, fan, air-cooler, and steam iron etc.

### Exchange Rates

The following are the Sonali Bank's dealing rates (BD Tk for one unit of Foreign Currency) to public on 6th, 7th & 8th Nov. '97.

Currency	Buying		
	TT Clean	OD Sight	OD Transfer
US Dlr	44.8400	44.6505	44.5660
GB Pound	74.8207	74.5212	74.3635
D Mark	25.9213	25.8176	25.7629
F Franc	7.7371	7.7061	7.6898
C.Dollar	31.8980	31.7704	31.7031
S Franc	31.7211	31.5942	31.5273
JP Yen	0.3610	0.3596	0.3588

Name of Currency	T.T. & O.D.		B.C.
	Selling	Buying	
US Dollar	45.2090	45.2485	
GB Pound	76.0503	76.1168	
D Mark	26.4127	26.4357	
F Franc	7.8819	7.8888	
C.Dollar	32.4954	32.5238	
S Franc	32.3266	32.3548	
JP Yen	0.3717	0.3720	

A) TT (DOC) US Dollar Spot Buying Tk 44.7502

B) Usance Rate

30 Days 96 120 180

Days Days Days Days

43.75 43.85 43.95 44.05

C) US Dollar sight export bill 3 months forward purchase: Same as OD sight export Bill buying rate.

Indicative Rate

Currency Selling Buying

Saudi Riyal 12.0541 11.8817

UAE Dir 12.3101 12.1331

KUW Dir 149.0669 146.8983

D/Qw Dlr 23.2521 22.9155

S Krona 6.0011 5.9096

Malay Ringgit 13.6860 13.4504

Sing Dollar 28.7589 28.3138

(The article is based on the presentation the central bank deputy governor made at the investors' conference yesterday.)