The Daily Star
BUSINESS
DHAKA, TUESDAY, OCTOBER 27, 1998

Collateral-free SB microcredit for women from Nov

Sonali Bank will introduce collateral-free microcredit scheme to support the self-employment initiatives of the urban middle class women entrepreneurs.

The credit programme, ranging from Tk 10,000 to Tk 200,000 for an entrepreneur, is expected to begin from middle of next month, a senior official of the largest state-owned commercial bank told UNB yesterday.

Prime Minister Sheikh Hasina is likely to inaugurate the programme, to be initiated first in the capital and then gradually taken to divisional and district headquarters.

The Bank has a branch for women in each divisional and district headquarters.

Initially some 100 women will get the credit support from each women's branch for self-employment projects like fast food, stationary, dress shops, advertising firms, handicrafts, bakery, poultry farms and tailoring shops.

The programme will begin from the bank's Dhanmondi women's branch in the city. MIDAS, a non-government micro-credit organisation, will provide technical assistance to the bank.

"An educated woman, aged between 18 and 60 years, who has an experience about her proposed project, is eligible for the credit," said the bank official.

She must not be a recipient of any other institutional loan, or guarantor against any other loan, he added.

The loan is repayable in three and a half years with 14 per cent interest rate. In case of timely repayment of the loan, one will be offered special subsidy on interest.

UK ready to host G7 summit on financial reform

POERTSCHACH, Austria, Oct 26: Prime Minister Tony Blair said on Sunday that Britain was ready to host a summit of the Group of Seven on global financial reform and he believed there was an emerging consensus on the steps it should take, says Reuters.

Blair told a news conference that as current chairman of the G7 he remained "ready and willing" to host a summit an idea he first proposed in September in a speech in New York.

"There has to be a substantial measure of agreement to come to of such a summit, there is no point in having one for the sake of it there has to be substantial progress made, he told a news conference after an informal summit of European Union leaders.

Five banks to disburse Tk 57cr agri loans in Mymensingh

MYMENSINGH, Oct 26: A massive scheme has been taken up by five banks to disburse Tk 56.79 crore as loan under agriculture rehabilitation programme in the 12 thanas of the district through their 94 branches during the current fiscal year, reports BSS.

The banks are: Bangladesh Krishi Bank (BKB), Agrani Bank, Sonali Bank, Janata Bank and Rupali Bank.

The amount allotted as loan for the current fiscal year is almost double the amount allotted in the last fiscal.

Of the total allocation, Tk 14.14 crore have already been disbursed for cultivation of transplanted *aman* and other crops.

The loan disbursement will continue up to June next.

Bid to weather financial crises

Asian regional groupings seek ways to work more closely

KATHMANDU, Oct 26: Executives from regional groupings within Asia and a UN agency met today in the Nepalese capital Kathmandu to discuss ways of working together more closely amid global economic uncertainty, reports AFP.

Taking part are the Secretary Generals of the Association of Southeast Asian Nations (ASEAN) and of the South Asian Association for Regional Cooperation (SAARC).

Also represented are the Tehran-based Economic Cooperation Organisation (ECO) and the secretariat of the UN's Economic and Social Commission for Asia and the Pacific (ESCAP).

Nepal Prime Minister Girija Prasad Koirala, who opened the two-day meeting, said such consultations were especially important during the East Asian economic crisis.

"While we work hand in hand towards a larger goal, this consultation could focus on vital issues such as promotion of inter-sub-regional trade and investment, poverty eradication, human resources development and substantive areas of cooperation," he said.

SAARC groups Bangladesh, Bhutan, India, Pakistan, the Maldives, Nepal and Sri Lanka. ASEAN Links Brunei, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Organisers said the meeting would review progress in cooperating in such areas as trade, investment, infrastructure development, poverty eradication and skills development.

ESCAP Executive Secretary Adrianus Mooy said the economic crisis, which started in Asia, had now assumed global proportions.

"Living through current events, one experiences a time warp, a throwback to 1968 when East Asia was the world's prime crisis area.

"It is hard to imagine that this is the same region that was being touted as recently as 13 months ago as being the engine of growth for the world economy far into the 21st century," he said.

Mooy said estimates of GDP growth this year in worst affected countries including Indonesia, South Korea and Thailand ranged between minus three and minus fifteen per cent.

"One estimate conservatively puts the loss of wealth in these three countries and Malaysia and the Philippines at over 600 billion US dollars or about 60 per cent of their combined pre-crisis GDP," he said.

"Prior to this crisis, Asia grew at an annual average rate of ten per cent over a fifteen-year period, overwhelming its infrastructure, largely unprepared for such explosive growth."

Power generation to hit 2,400 MW

6th unit of Ghorashal plant starts late November

With switching on of the 6th unit of the Ghorashal Power Plant by the end of November, the country's power generation capacity will go up to 2,400 megawatt as against the actual demand of 2,325 megawatt, reports UNB.

Procured from Russia on suppliers' credit, the 210-megawatt thermal plant was scheduled to be installed in September, 1997, but was delayed due to inefficiency of the Power Development Board (PDB) and the local contractors, officials said.

The delayed order for the rotor, a vital component of the unit, is likely to reach the port on Friday.

"Everything is ready now. We are waiting for the rotor and start the generator," said an official.

He said inordinate delay in bringing the 6th unit into operation was caused by inefficiency by the local contractors at the initial stage, labour unrest and shifting of the rotor to the 3rd unit of the Ghorashal power plant.

"PDB's delay in placing order for the rotor for the 6th unit also caused delay," added the official.

The rotor of the 6th unit was installed in the 3rd unit during the last World Cup Football to ensure electricity supply.

PDB officials said the delay in setting up the unit was also due to the break-up of the Soviet Union. The machinery and equipment were produced in Ukraine while Russia is controlling the deal.

The work order for the 6th unit was given in February 1995 and work of the project began just after one year in 1996.

Operation of the 5th unit has to be suspended for a day for installation of the rotor in the 6th unit.

Pabna Sugar Mill may continue to incur loss this yr

PABNA, Oct 26: Pabna Sugar Mill is likely to incur loss this year also due to the recent prolonged flood and widespread pest attack on its mill zone sugarcanes, reports UNB.

Mill sources said the mill during its first crushing season in 1997 incurred a loss to the tune of Tk 11 crore.

Meanwhile, the mill authority to overcome the loss took a massive programme to bring 13,800 acres of land under the sugarcane cultivation and disbursed over Tk 3 crore loan among the growers of its eight different zones in the current financial year.

The target of sugar production was fixed at 12,480 metric tons by crushing 1,56,000 metric tons of sugarcanes.

But about 25 per cent sugarcane was damaged due to the flood another five per cent due to the pest attack.

Meanwhile, the growers have started early harvesting of the sugarcanes due to the pest invasion and supplying the same to the molasses crushers violating the contract with the mill.

As a result, the mill authority apprehended that they will have to incur a huge loss during the current fiscal year.

BRDB undertakes Tk 550 cr credit programme

BARISAL, Oct 26: Bangladesh Rural Development Board (BRDB) has taken up a Tk 550 crore post-flood development programme under which cooperative farmers will get micro-credit facilities, reports APB.

Sources said the programme is featured by a plan for disbursement of Tk 100 crore as credit-support to the agriculture sector and Tk 300 crore for non-farm activities under the poverty-alleviation programme.

BRDB has also earmarked Tk 150 crore for post-flood agricultural rehabilitation activities.

Work under these programmes are already underway, according to official sources.

So far, 17 lakh members of some 39,00209 cooperative societies under 349 thanas of 50 districts have been listed as flood-affected.

According to a BRDB survey, 250 thana office buildings, 121 godowns and stores at the thana level, 20 thana training units, 10 thana workshops, 1,007 low-cost houses, 8,524 deep tubewells and pump-houses, 12,310 shallow tubewells and 132 power pumps were damaged during the recent floods.

G-7 plans debt-purchase to rescue ailing Asian firms

TOKYO, Oct 26: The Group of Seven (G7) industrialised nations plan to establish an international debt-purchase organisation to rescue crisis-hit Asian firms, a newspaper said yesterday, reports AFP.

The G7 nations expect to announce the scheme in time for this years summit of the Asia-Pacific Economic Cooperation (APEC) forum in mid-November in Kuala Lumpur, the Nihon Keizai Shimbun said.

Under the plan the organisation is to buy up debts issued by overseas creditors to private firms in Asia at a discount of 20 to 30 per cent, the business daily said.

As a major creditor, the organisation will be then involved in rehabilitation programmes for the debtor firms.

Indonesia is likely to be the first nation applying for the scheme, the daily said. Indonesia's private-sector debt stood at 65 billion dollars, accounting for half of the nation's total debts.

The scheme is aimed at speeding up disposal of bad debts in Asia, which have rapidly expanded since a financial crisis hit the region last year.

The daily said the organisation would be financed mainly by both creditor and debtor nations.

Some G7 nations proposed to use Japan's 30 billion dollar rescue package finance minister Kiichi Miyazawa announced in early October to help salvage Asian nations.

G7 groups Britain, Canada, France, Germany, Italy, Japan and the United States.

When the organisation needs to issue bonds to raise capital, international financial institutions, such as World Bank and Asian Development Bank, as well as government banks of Japan and the United States, would be asked to offer credit guarantee to ensure repayment, it said.

The United States has already started negotiations with Japan over cooperation in the scheme, Nihon Keizai said.

Washington is planning that the new scheme would be based on resolution trust cooperation, which was established in 1989 to bail out troubled savings and loan industry in the country, it said.

BTTLMEA AGM held

The 5th Annual General Meeting of Bangladesh Terry Towel and Linen Manufacturers and Exporters Association (BTTLMEA) was held at a city hotel recently, says a press release.

Md Shafiqul Islam, Chairman of BTTLMEA presided over the meeting.

The meeting confirmed the minutes of the 4th AGM held in July last year, adopted annual report for 1997, accepted audited accounts of 1997 and appointed the auditor for 1998.

Aptech Computer Education recently celebrated its one year of successful operation in Bangladesh along with its business partner Axiom Technologies Ltd. The anniversary was celebrated with an excellent get-together at which all the business partners reiterated their commitment to providing international quality IT education throughout Bangladesh. Since its official launch in October 1997, Aptech has witnessed tremendous growth.

—Aptech photo

Deficit financing

Filipino govt to borrow $ 1.7b before 2000

MANILA, Oct 26: The Philippines government plans to borrow 1.7 billion dollars from bilateral and multilateral sources before 2000 to finance the budget deficit, an official said today, reports AFP.

Finance Undersecretary Solomon Cua said Manila will borrow 1,475 billion dollars from the Asian Development Bank (ADB), the World Bank and the Japan Export-Import Bank in 1999 and 2000.

The government will be drawing another 225 million dollars from ADB and World Bank programme loans, he told reporters.

The government will be relaying more on foreign loans, Cua said.

Budget Secretary Benjamin Diokon however said the Philippines was unlikely to tap the international bond market within the next six months due to the increased premium on emerging market issues.

"We don't intend to tap the global bonds within this year, not even in the first quarter next year," he told reporters.

"It's not advisable anyway," he said, referring to increased spreads over the US benchmark treasury bonds following Russia's default on its sovereign bond obligations.

Filipino House approves $13.8b budget for '99

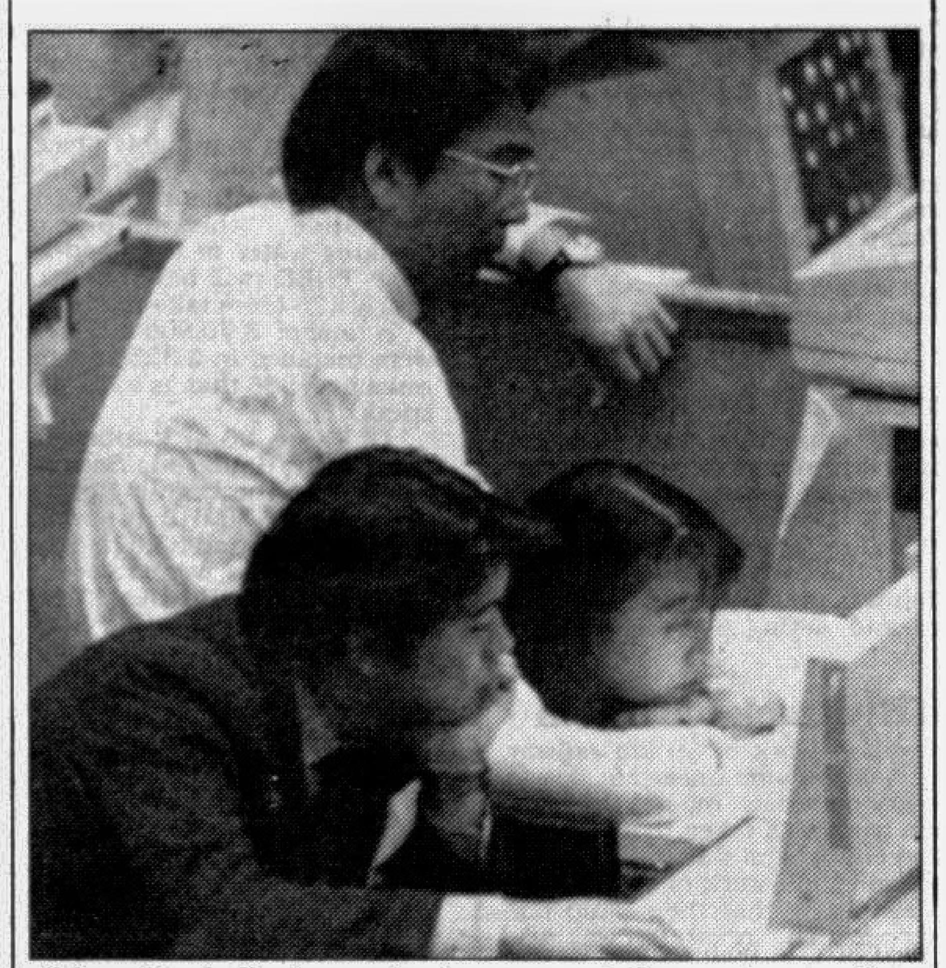
MANILA, Oct 26: the Philippines' House of Representatives passed on second reading Monday a 579 billion peso (13.8 billion dollar) national budget for 1999, reports AP.

House Speaker Manuel Villar described the budget as "pro-poor," noting that basic services were given substantial allotments.

The Education Department received the biggest slice of the budget, at around 81 billion pesos (1.9 billion dollar), or 14 per cent of the total budget.

The Defence Department and the Public Works Department took the next biggest allocations, at around 52 billion pesos (1.2 billion dollars) and 37 billion pesos (880 million dollars) respectively.

The budget will have to go through a third and final reading before it is considered formally adopted by the lower chamber. However, the third reading is usually a formality, and the budget is likely to be passed by the House as it was presented in the second reading, a spokesman said.



Tokyo Stock Exchange traders gaze at share price monitor screens Monday morning, while Tokyo Stocks fell in sparse trading as investors took profits following last week's gains. The benchmark 225-Issue Nikkei Stock Average tumbled 243.49 points to 13,901.21 at the end of the morning session. — AP/UNB photo

Japanese economy to pick up 'in a few months'

TOKYO, Oct 26: Japan's economic planning chief said yesterday the economy had been hitting bottom and would pick up 'in a few months' as the nation enacted its crucial banking reform law, reports AFP.

"The Japanese economy is experiencing the darkest time right now," Taichi Sakaiya, Director-General of the Economic Planning Agency, said in a television interview.

"Elements that make the economy worse are disappearing," Sakaiya said, adding that he is optimistic about the recovery of the financial sector after banking reform laws went into effect Friday.

"The economy will improve in a few months."

The Japanese government agreed Friday to take over the ailing long-term Credit Bank of Japan Ltd and clean up its 4,620 billion yen (34.0 billion dollars) in bad and risky loans.

LTCB filed its request to be taken over under a string of bank reform laws which came into effect Friday to deal with the banking crisis that has suffocated the world's second largest economy.

Prime Minister Keizo Obuchi said last week the country's economy was at the crossroads, saying: "Whether we can put the (economy) on a sustainable path will depend on our policies."

Japan's economy is forecast to shrink 1.8 per cent in the year to next March, contracting for the second straight year.

Recovery prospects remain bleak

Japan's prospects for economic recovery remain bleak, and bad debts at financial institutions threaten further harm to employment and incomes, Japan's central bank chief said Monday, says AP.

Bank of Japan Gov. Masaru Hayami told a meeting of the central bank's branch managers that an immediate return to economic growth in Japan is 'difficult.'

He said the mountain of bad loans at banks is stifling lending and causing companies to reduce investment, putting downward pressure on incomes and employment.

Diwali a boost to Dubai gold re-exports to India

DUBAI, Oct 26: The Indian festival season has helped push Dubai's gold re-exports up slightly but trade remained well below last year's levels, traders said yesterday, reports Reuters.

Last week's Hindu holiday of Diwali helped re-exports to India from the Gulf trading hub and sales could get a further lift from the November-December marriage season, they said.

But the traders said re-exports from Dubai, traditionally India's biggest gold supplier, were depressed compared to a year ago adding that this could threaten some smaller trading houses.

Dubai has been hit by India's decision to liberalise its import policies allowing buyers to deal directly with refining sources, bypassing the United Arab Emirates Commercial Centre.

One trader has said imports from Dubai have dropped as much as 60 per cent this year. Last year, Dubai re-exported 660 tonnes to India, which consumed 737 tonnes in the year.

Indian economic recovery still remains elusive

By K S Nayar

NEW DELHI, Oct 26: The economic recovery that Indian Finance Minister Yashwant Sinha has been expecting from September remains elusive amid reports of an all-time drop in business confidence and projections of a lower rate of economic growth.

This week the international credit rating agency Standard & Poor (S&P) downgraded by one notch the country's foreign currency sovereign credit rating reflecting fading prospects for meaningful fiscal adjustment, weakening the sustainability of recent economic growth rates and potentially further raising the country's already high external debt burden.

The stock market, which reflects the nation's economic sentiment, saw $3 billion getting wiped off the Bombay Stock Exchange on October 20, the first day of normal trading of the new Samvat 2005, the traditional Indian calendar that starts on Diwali.

With no signs of economic recovery, the "feel good factor" that Sinha has been talking about is missing. But Sinha said S&P has "erred on the side of caution" and denied that there is a deterioration in fiscal deficit. "The deficit will remain within the budgetary estimates," he declared.

He said the Resurgent India Bond issue, which followed the two-notch downgrade by Moody's in June, has been a success when $4.16 billion was collected from non-resident Indians. Chief Economic Adviser Shankar Acharya said "there is no additional dimension to the fact (of downgrade) and the markets have discounted this already," he was quoted by the Press Trust of India as saying.

He, however, found a positive side to the downgrading as S&P in cutting India's sovereign rating by just one notch assigned it a "stable outlook". S&P had lowered India's long-term currency sovereign credit rating to double B from double B-Plus.

There is continuing pessimism in various industry segments, which were polled by two premier chambers to measure their business confidence. They do not expect an immediate recovery. The announcement last week by the Finance Ministry that it is working on a package to revive the capital market has not helped remove the gloom in the bourses because the fundamental problems confronting the economy have not been addressed vigorously so far, analysts said.

The surveys by the Confederation of Indian Industry (CII) and the Federation of Indian Chambers of Commerce and Industry (FICCI) have revealed that business confidence has taken a beating. While the CII survey put business confidence at a two year low, the FICCI poll showed that it would take six months to one year for the economic turnaround. In the CII survey 47 per cent said that they are less optimistic about business outlook.

Industry analysts do not share Prime Minister Atal Behari Vajpayee's optimism of a turnaround although at his first meeting with his Economic Advisory Council on October 15 he scaled down the gross domestic product (GDP) projection from 6.5 per cent to 6.3 per cent.

The independent forecaster, the Centre for Monitoring Indian Economy (CMIE), has projected that the economy is unlikely to come out of the present sluggishness in 1998-99 because there is no sign of recovery. It pared down its forecast to 4.5 per cent against its own earlier assessment of 4.5-5 per cent.

The Mumbai-based economic think-tank said, "With some data for the first quarter now available and the monsoon behind us, we have reason to believe that our earlier forecast was a trifle optimistic. The economy is in the throes of a major slowdown and it is likely to grow by no more than 4.5 per cent in 1998-99."

A poll among investment bankers carried out by the London-based Economist has also forecast the GDP to grow by 4.5 per cent in 1998 and 4.9 per cent in 1999. Comparing India's growth performances to China's, the poll showed that the latter's growth rates are expected to be at least 2.5 percentage points above India's in the near-term. It said even if India manages to have a five percent growth rate in the near-term, this would still be below the 6.8 percent average growth recorded in the Eighth Five Year Plan (1992-1997) and six percent during the Seventh Plan (1985-1990).

The government's Economic Survey, presented before the Union budget, has traced this to a combination of supply factors which included the cost of basic infrastructure services such as power and surface transport and temporary demand factors including a sharp deceleration in exports since 1996-97, uncertainty in domestic and international environment and tightening of money-credit policies. This scenario has not changed since its publication.

Vajpayee in his first meeting with his Economic Council had said the concerns before him included reduction of the fiscal deficit, cutting expenditure, improving revenue collection, public sector restructuring, monetary and balance of payment management, export growth and increase in foreign direct investment. The Council promised to come up with its recommendations next month.

It will definitely be looking at the demands of the industry which are generally pessimistic of an immediate recovery. The CII's 50th Business Outlook Survey, which covered 524 members representing a wide range of industry in the public and private sectors, covered the actual performance of the industry during April-September 1998 and the forecast for October-March 1998-99.

Industrial production in 38 per cent of the organisations varied from zero to five per cent as against 25 per cent in the previous Survey with 21 per cent foreseeing production growth to be between five to ten per cent as against 30 per cent in the last survey. The respondents forecasting negative growth in production during 1998-99 have increased to 24 per cent from five per cent in the previous survey. The Survey shows that the major infrastructure bottlenecks to industrial growth included power (26 per cent), roads (25 per cent), port (21 per cent), railroad services (13 per cent) and telecommunication (eight per cent).

The FICCI's half yearly survey of 342 corporates has come out with almost similar responses. The major reasons for the relative economic slowdown, its survey revealed, are a lack of effective demand, infrastructure bottlenecks, low public expenditure, high interest rate and non availability of credit.

The CII Survey has shown that the percentage of corporates expecting to authorize higher capital expenditure has dipped to 45 per cent from the previous survey's 63 per cent indicating that they are putting on hold their expansion, modernisation and diversification plans. A majority of the respondents to the FICCI poll felt that fiscal deficit would be inflationary. But they said there is a need to increase public expenditure for infrastructure development as it would improve chances of economic recovery.

Latest figures on industrial production substantially backs up the findings of these surveys. Industrial production crawled to grow by a mere 2.4 per cent in August and during the first five months it was 3.5 per cent, the latest Central Statistical Organization figures have shown. In comparison the growth rate in August last year was 5.2 per cent.

While Vajpayee's Economic Council is debating ways to kickstart the economy, the government has announced measures to slash non-plan spending by ten per cent as announced in the Budget.

His Ministry is also working on a package to revive the stock market which is expected to include fiscal incentives and direct intervention in the secondary market by various financial institutions. It is believed that the revival of the market would ease the present problems faced by the Unit Trust of India (UTI), the country's largest mutual fund.

Reports have said foreign institutional investors (FII) signalled a lack of interest in the market and have pulled out a net $52.8 million during the week ended October 16 and the week before that $78.3 million following the negative sentiments. The Securities and Exchange Board of India (SEBI), the market regulator, said the cumulative net investment by FIIs in the Indian market stood at $8.658 billion till the week ended October 16.

Analysts such as Sunil Seth of Indo-Suez W.I. Carr Securities were reported as saying that the delay by the government in disinvestment in state-owned enterprises, low business confidence and a lack of liquidity have impacted the economic outlook. It projected a negative picture in a six-12 month timeframe for the Indian economy.

Another securities firm ICICI Securities and Finance Company in a report said that a slowdown in industrial growth, poor export performance and feeble indirect tax collections would put pressure on the economy. It forecast industrial growth will average 4.5-5 per cent in 1998-99.

— India Abroad News Service