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Expenditures to soar, reveals WB study on 1998 flood impact

GDP growth may plunge to 3.3pc

By Inam Ahmed

The devastating flood this year will have a big impact on the government's current expenditures and the food account deficit will increase the overall fiscal deficit, according to the World Bank.

The Bank's preliminary assessment also suggests that GDP growth in FY 99 could decline to 3.3 per cent from 5.6 per cent in FY 98.

It gave a dismal picture for crop, manufacturing and service sector growth.

According to the Bank estimates, the government's total expenditures could overshoot budgeted expenditures by between Tk 700 crore and Tk 500 crore, or between 0.2 and 0.7 per cent of GDP even after allowing for a re-allocation of expenditures.

The WB in its document called "Bangladesh: The Floods of 1998" said an external fi-

ancing gap ranging between \$412 m to \$573m may emerge after taking into account increases in compassionate remittances, food aid and commodity aid.

The report said relief effort, food shortage, repairing damages to public property, and the impact of lower GDP growth could increase the overall budget deficit from four per cent of GDP in 1998 to between 4.9 and 5.3 per cent in FY99.

To check deficit, the WB has suggested for increasing gas prices and fees and user charges on public services, and bringing additional sectors under VAT.

The report specifically named motor vehicle registration fees, renewal fees, license fees in the category for increasing charges on public services and said electricity could be brought under VAT net.

It said the pressure on bal-

ance of payments from food imports alone will be in the range of \$152 m to \$ 535 m, depending upon the assumption made on Aman shortfall and the combination of rice-wheat import.

The Bank projects that trade deficit will widen from the pre-flood estimate of US \$ 2445.9 m to between \$ 3124.9 and \$ 3286.1 this year.

Exports are expected to stagnate at \$ 5420.1 m and imports to shoot up to between \$ 8544 m and \$8706 m from pre-flood estimate of \$ 8070 m.

Talking about the export sector the Bank report said the floods had made both the production and shipment of goods extremely difficult.

While the garments sector is very resilient and can be expected to make up for the previous years when the sector was adversely affected by hartals

and political agitation, it will be difficult for the sector to bounce back immediately after the floods because of production capacity losses.

It will therefore be difficult to sustain the high rates of growth experienced during the last two years, the WB said.

Accordingly, the rate of growth for the garments sector has been revised downward from a pre-flood estimate of 13 per cent to 8.5 per cent. The floods have also adversely affected the jute, leather and frozen foods sector. As a result, it is estimated that total exports will only grow by about five per cent in US dollar terms compared with over 15 per cent growth in the previous two years.

The relief effort, food shortages, repairing damage to public property and the impact of floods on economic growth will

put considerable pressure on both the revenue and expenditure sides of the budget, it said.

The overall budget deficit can be expected to rise from four per cent of GDP in FY98 to between 4.9 per cent and 5.3 per cent in FY99. The resulting fiscal financing gap could range from 0.2 to 0.6 per cent of GDP.

Current expenditures could exceed the budgeted target by as much as Tk 600 crore, the report said. One reason for this will be the increased costs associated with food distribution. The revised FY99 target for food distribution through the Public Food System (PFD) is 2.47 million tonnes, implying that the incremental cost of distributing the food is likely to be about Tk 74.7 crore.

Other costs, which are likely to increase current expenditures, include the need to provide assistance to the manufac-

turing sectors for the purposes of rehabilitation, grants to dislocated people, provision additional fertilizer and inputs to the agricultural sectors, and other increased operations and maintenance expenditures.

Talking about growth, WB said initial estimates indicate that the value added in crops and horticulture could decline between six and 10 per cent.

For this year, three per cent growth is assumed for large scale manufacturing and two per cent for small scale.

Construction value added growth is projected to rise from 6.2 per cent last year to eight per cent this year because of flood related repair works.

Value added in whole sale and retail trade, which grew by 6.2 per cent in FY 98, is also likely to be adversely affected. A five per cent growth is assumed for this sector.

Australian PM says

Liberalisation is long term interest of all

SYDNEY, Nov 15: Australia will urge Pacific rim nations to continue to pursue trade liberalisation goals despite economic difficulties caused by the Asian financial crisis, Prime Minister John Howard said Saturday, reports AP.

In a television interview broadcast on the eve of his departure for the Asia Pacific Economic Cooperation forum meeting in Kuala Lumpur, Howard said it was in the long term interests of countries thrown into recession by the Asian financial crisis to reduce trade barriers.

"Now it is a difficult time and there are pressures for the trade liberalisation process to slow down. We understand the difficulty of the economies that have gone into recession," Howard said.

"On the other hand it's in their interest, both medium and longer term that the trade liberalisation process be maintained and we'll be arguing for that and we'll be arguing for policies that will reignite growth in the region and we'll be putting the case for broader reforms to the international financial architecture."

The United States, Australia and Canada are pushing the summit on Tuesday and Wednesday to finalise a pact to lift tariffs in nine sectors covering \$1.5 trillion in global trade by 2020.

Training course on 'effective writing for business' held

A day-long training course on 'effective writing for business' was held at Dhaka Club recently, says a press release.

The course was conducted by an eminent consultant and Trainer from UK, Sydney, Callis M Mosharaf Hossain, Managing Director of Rapport Bangladesh Limited, inaugurated the course.

About 20 mid level executives participated in the course from Unocal Bangladesh Ltd, BOC Bangladesh Limited, British American Tobacco, Bangladesh, Bangladesh Chemical Industries Corporation, Titas Gas Transmission and Distribution Co Ltd, Cairn Energy Plc, Al-Baraka Bank Bangladesh, Biman Bangladesh Airlines, IPDC and Islami Bank Bangladesh Limited.

T-bills auctioned

The 11th auction of the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year Treasury Bills was held in the Bangladesh Bank yesterday, says UME. Some 72 bids for a total of Tk 965 crore, three bids for Tk 10.5 crore, three bids for Tk 15 crore and 12 bids for Tk 137 crore were offered for the 28-day, 91-day, 364-day and 2-year bills.

Of those, 44 bids for a total of Tk 775 crore of 28-day Bill and two bids for Tk 5.5 crore of 91-day Bill were accepted.

No bid was offered for the 182-day and 5-year Bills while the bids offered for the 364-day and 2-year Bills were not accepted.

A press release of Bangladesh Bank said the weighed average prices against the 28-day and 91-day Bills were Tk 99.38 crore and Tk 97.8 crore per Tk 100 respectively.

The corresponding yields are 8.18 per cent and 9 per cent annum, it added.

Blue chips edge down in NY

NEW YORK, Nov 15: Blue chips edged down slightly after rising for five straight weeks, as traders remained cautious ahead of the US Federal Reserve market committee meeting next week, reports AP.

The Dow Jones Industrial Average ended at 8,919.59 points down 55.87 points, or 0.62 per cent from a week earlier.

The Nasdaq Electronic Exchange, which is weighted in favour of hi-tech issues, fell 0.46 per cent to 1,847.99.

On the bond market, the average yield on the 30-year treasury bond closed at 5.25 per cent Friday against 5.37 per cent one week earlier.

Investors sought refuge in the dollar and the bond markets as the prospect looked of military action aimed at compelling Iraq to cooperate with UN weapons inspectors.

The dollar rose nearly one percent against the German mark.

Share prices, which had slumped through Wednesday, picked up somewhat in the week's last two sessions, particularly on Friday after news of higher US consumer spending pointed to continued good US economic health.

Speculation has since been raging over what, if any, measures will be taken when the Fed monetary committee meets Tuesday with Chairman Alan Greenspan.

Cherly Katz, a senior economist with Merrill Lynch, believes the Fed could again lower the interest rate, after similar measures taken September 29 and again October 15.

"The stronger-than-expected economic data released (Friday) lowers the probability for a Fed ease for next Tuesday," Katz said.

Bankers' team leaves for London

A team of local bankers, comprising top-level executives from commercial banks and the Bangladesh Bank left Dhaka yesterday to attend a five day Correspondent Banking Seminar to be held at Standard Chartered Bank London.

The seminar will focus on Country Risk, Bank Risk, Treasury, Trade Finance, Cash Management, Euro and Correspondent Banking, says a press release.

During the visit, the team will observe Cash Management as well as Institutional Banking and Treasury operations of the Bank.

While addressing the team members, Geoff Williams, Chief Executive Bangladesh for Standard Chartered Bank, said "We are delighted to be able to offer such opportunities for Bangladesh bankers to attend a structured seminar, to help future progress in the local banking industry."

IBBL workshop on investment inaugurated

A workshop on 'General banking, investment and foreign exchange operations' for officers of Islami Bank Bangladesh Limited (IBBL) was inaugurated at the Islami Bank Training and Research Academy (IBTRA) yesterday, says a press release.

M Kamaluddin Chowdhury, Executive President of the bank, was present in the function which was presided over by A S M Fakhrul Ahsan, Director General, IBTRA.

Meanwhile, two training courses on 'Investment operations and management' for officers and foundation training for asstt. officers of the bank were inaugurated recently at the auditorium of IBTRA.

Shah Abdul Hannan, Chairman, Academic Council of the IBTRA and Director of the bank was present as chief guest.

Earlier, the closing ceremony of two workshops on 'Accounting principles and practices' and 'Audit inspection and shariah compliance' for officers of the bank was held at IBTRA.

New executive body of Yarn Merchants' Assoc

Mohammad Badsha Mian, Khabir Ahmed and Mohammad Abdul Hannan have been elected unopposed president, senior vice-president and vice-president of Bangladesh Yarn Merchants' Association respectively at a meeting held in the city on Saturday.

They were elected for the year 1998-2000.

The 15-member executive committee was elected for a five year term through secret ballot held on November 5.

The members of the executive committee are: Foizur Rahman, Azmal Hossain, Ranajit Kumar Das, Hamidul Haq, Mohammad Ayub, Shafiqur Rahman Bhuiya, Saroj Kumar Shaha, Jiban Shankar, Shib Shanker Talukder, Monowar Hossain, Amirul Islam Khan, Aynal Huq, Nanda Dulal Shaha, Abdul Latif and Gunapada Shaha.

Jakarta signs loan accord with IMF

JAKARTA, Nov 15: Indonesia signed a new letter of intent with the International Monetary Fund, paving the way for the release of another one billion dollars in aid, the government said Sunday, reports AP.

IMF officials said that Indonesia has made progress in overcoming its economic crisis but needs to move ahead rapidly with bank restructuring and boosting development spending.

The agreement was prepared before a wave of deadly protests and riots hit the streets of Jakarta late last week. In the deal, the IMF and Indonesia said they expected deflation in November and December and that inflation for 1998 could fall below a previous estimate of 80 per cent.

In 1999, the government and the IMF said they expect inflation to fall towards 10 per cent.

Overall, the IMF has pledged to assist Indonesia with 11.3 billion dollars to help it overcome its financial crisis, as long as Indonesia continues to make progress on economic and structural reforms.

Asia-Pacific meet on civil aviation ends in Nepal

KATHMANDU, Nov 15: A five-day conference on civil aviation in the Asia-Pacific region has ended here with delegates agreeing to proposed measures on flight safety and development of the industry, officials said yesterday, reports AP.

The conference, organised by Nepalese authorities, was attended by 150 civil aviation officials from 34 countries including Canada, India, France, New Zealand, South Korea, Singapore, Thailand and the US.

KL crackdown on illegal immigrants from today

KUALA LUMPUR, Nov 15: The amnesty for illegal immigrants to go home voluntarily was set to end at midnight Sunday, and from Monday a nationwide crackdown against those who stay begins, says AP.

The two-month amnesty was to have ended on October 31, but was extended until November 15 to allow those stranded to leave Malaysia.

The amnesty had caused congestion at ports on the west coast of peninsular Malaysia, as thousands of illegal immigrants converged on them to board ferries to return to Indonesia. That forced the government to extend the grace period by 15 days.

A majority of the illegal

aliens in the country are Indonesians.

The director general of Immigration, Aseh Che Mat, said his department would focus its enforcement raids on employers who still hire illegal immigrants after the end of the amnesty.

From August 31 until October 31, a total of 141,806 illegal immigrants had returned to their country of origin.

Of that number, 123,548 were from Indonesia, 8,937 from Bangladesh, 3,191 from India, 2662 from the Philippines and 1,049 from Myanmar.

Most of the illegal immigrants worked in the plantation and construction sectors.

The Deputy Home Minister, Tajol Rosli, said on October 31 that more than 400,000 immigrants were still in the country, both legally and illegally.

Those without work permits face arrest and deportation. But before they are deported they will be fined 3,000 ringgit (\$75).

During Asia's boom years, Malaysia invited millions of foreign workers to build its modern citiescapes. Now, with rising unemployment and a plunging economy, they're no longer welcome.

At the height of Malaysia's economic prosperity and construction boom, 700 Indonesian workers illegally sneaked in to the country every day.

IMF loan prospects for Pakistan brighten

KARACHI, Nov 15: The US and Japanese move to lift economic sanctions has brightened prospects for Pakistan getting a bailout loan package from the International Monetary Fund (IMF), experts and officials say, reports AP.

Talks are underway here since Wednesday between an IMF mission and Pakistan, which desperately needs five billion dollars to wade through a serious balance of payments crisis.

Latest official figures show the country's forex reserves have further dipped to 423.5 million dollars this week. The reserves were at 1.43 billion dollars before the nuclear tests by the country in May.

Pakistani Finance Minister Ishaq Dar said Thursday the talks with IMF were progressing satisfactorily and expressed the hope that an agreement would be finalised within a week.

The seven-member IMF mission led by Sena Eken will take the agreement to the fund's board for final approval, expected in December.

The proposals envisage the revival of 1.56 billion dollar package that was suspended by the IMF after the United States slapped sanctions on India and Pakistan following their nuclear tests.

Other relief being sought includes loans by the World Bank and the Asian Development Bank (ADB) and rescheduling payments worth billions of dollars due from Pakistan on its 32 billion dollar external debt.

Cash-strapped Pakistan this week paid 44 million dollars to the World Bank and ADB to avert a default on its external debts, Dar said.

Pakistan repaid 25 million dollars to the World Bank and 19 million dollars to the ADB from the country's export proceeds and remittances on

Thursday, he told a local daily The Nation.

"We will not go into default. We will pay all our debt installments before the expiry of grace period," the minister said.

An ADB official visiting Pakistan said on Friday Islamabad still had more than a month to meet its debt obligations.

A deal with IMF is possible now as the international scenario has changed after the withdrawal of nuclear sanctions by the US and Japan, Farukh Khan, a senior executive in a leading securities and corporate financing company said.

Things look positive now as far as the loan package is concerned," he added.

Experts however expressed concern the fund may attach conditions which could be politically unpleasant and difficult for the government to implement.



A presentation was held yesterday at UNICEF to share findings of a study on Bidi Industries in Bangladesh. Participants included representatives from government, NGO, media and UNICEF. Therese Blanchet, eminent anthropologist, presented the findings of the study. — UNICEF photo

270,000 children, women work in bidi factories: Study

A five-month study carried out by Therese Blanchet and her team members, was presented at UNICEF yesterday by the renowned anthropologist.

Among the key findings were estimates that over 270,000 children and women, or three quarters of the total workforce, are working in Bangladesh's bidi industry, although their work does not receive adequate recognition or compensation, says a press release.

At one bidi factory visited for the study, where some 80 per cent of the workers appeared to be aged below 15. The manager

of the factory said, "I don't employ these children. I don't see them. I don't know them. There are no child workers in my factory."

Although the 1965 Factory Act states that the minimum employment age is 14, enforcement of the Act without measures to support children from the consequences of their loss in income will not serve their best interests.

A Child Labour Survey conducted in 1995-1996 found that out of 6.6 million children working in Bangladesh, nearly

70 per cent mentioned their parents' financial problems as the reason for their working. It will only be through constructive partnerships among the industry, government and development organisations, as

was evolved by BGMEA, ILO and UNICEF in the Memorandum of Understanding to eliminate child labour in the garment industry and provide learning opportunities for working children, can a solution be reached.

This current study was supported by World Solidarity Mondiale and Radda Barnen.



An employee of Christie's shows the Imperial Russian ruby and diamond necklace of Maria Alexandrovna, Grand Duchess of Russia, at Geneva, Switzerland, on Friday. The price of the necklace is estimated to fetch two million US dollars at an auction at Geneva on Monday. — AP/UNB photo

ADB anti-corruption policy says Make bribery difficult

In its Anti-Corruption Policy, the Asian Development Bank suggested a balanced approach to combating corruption both in the public and private sectors, and make it more difficult and risky for those giving and receiving bribes, says UNB.

The recently published ADB policy says, the problem of corruption is an ancient one that can be found in every government. It can also be found in the private sector, and in the interactions between the public and private sectors.

It noted that recently, a powerful combination of factors has emerged in donor and recipient countries that is providing momentum to the global anti-corruption effort.

At the same time, the latest empirical analysis is demonstrating that although the effects of corruption are complex and varied, it clearly exerts a negative impact upon development. As a result, the environment in which multilateral development banks (MDBs) operate has changed, the ADB said.

It said: As a major multilateral development institution and one of the leading sources of development funding in the Asian and Pacific region, the ADB welcomes this emphasis on anti-corruption initiatives as part of its broader work on governance issues.

At the broadest level, the Bank's anti-corruption policy is "intended to reduce the burden that widespread, systematic

corruption exerts upon the governments and economies of the region."

More specifically, the ADB's policy is centered upon three objectives:

Supporting competitive markets and efficient, effective, accountable and transparent public administration as part of the Bank's broader work on governance and capacity building.

Supporting promising anti-corruption efforts on a case-by-case basis and improving the quality of the Bank's dialogue with its developing member countries (DMCs) on a range of governance issues, including corruption; and

Ensuring that the Bank's projects and staff adhere to the highest ethical standards.

The ADB policy paper mentions that the bulk of the Bank's effort will be directed toward broader measures to improve the quality of government in the DMCs. This effort will have two components.

The first will seek to reduce the scope of direct government intervention in the economy, in the belief that markets should be efficient, competitive and minimum possible barriers to entry and exit.

The second component will focus upon supporting improvements in public administration and public sector management.

the Bank will introduce a number of concrete measures to operationalise its anti-corruption policy.

In particular, the following changes in ADB's programming and project management will be considered:

Continue to expand the Bank's assistance on issues of governance and capacity building, with particular attention to promoting market liberalisation and public administration reform.

Give increased emphasis to strengthening key institutions for advancing transparency and accountability in the DMCs (such as supreme audit agencies, procurement agencies, regulatory agencies, ombudsman offices etc) as part of the Bank's broader emphasis on governance and capacity building.

Where appropriate support regional initiatives and research on advancing accountability and transparency in the Asian and Pacific Region through TA grants.

Upgrade the quality of supervision during project implementation and strengthen project review missions, with particular emphasis upon those projects most at risk.

Develop a series of training seminars, workshops, etc on the Bank's anti-corruption policy and how staff can best advance integrity within Bank operations and in collaborative work with the DMCs.

An ADB press release said