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Finance minister says at privatisation seminar

SOEs cannot be let to run on humanitarian grounds

Star Business Report

Finance Minister SAMS Kibria yesterday expressed the government's stand on the sick SOEs saying that these inefficient enterprises cannot be permitted to run on humanitarian grounds.

"If we further support inefficiency, the economy would not be able to move forward," he said, while addressing an international seminar on privatisation jointly organised by the Privatisation Board and the World Bank at a local hotel yesterday.

At the same time, Kibria came down heavily on the private sector buyers who purchased the divested SOEs, but did not make their full payments.

"Many of them took advantage of the legal system and resorted to tricks to dodge payments. They have won ownership of many units virtually free of cost, only by paying 15 per cent to 25 per cent of their values," Kibria said.

He said that the SOEs were so far protected by the import substitution policy and high tariff wall, but now these must face the reality of competition.

The inaugural session of the seminar was attended by the finance minister as the chief guest while World Bank Country Director Frederick T. Temple, former FBCCI President Yusuf Abdullah Harun and Chairman of the Privatisation Board Kazi Zafarullah also took part.

Addressing the seminar, Kibria said that Bangladesh must turn its huge manpower into resources by increasing their efficiencies and checking the wastage of national wealth by privatising the ever-weakening SOEs.

The finance minister also said that the proposed privatisation bill was expected to be placed before the parliament soon.

Explaining the unwanted delay in the country's privatisation process, Kibria said that some inherent complexities were making it difficult to quickly offload the units.

Speaking at the function, WB Country Director Frederick T Temple said the SOEs are creating strains on the economy.

In 1997, the gross losses of the SOEs amounted to $423 million, which is about one per cent of GDP, 16 per cent of the Annual Development Programme (ADP) and 27 per cent of disbursed the aid, he added.

"Although the privatisation issue in Bangladesh is compelling, its actual pace has been disappointedly slow."

He said that it was too expensive to maintain the 259,000 employees of the SOEs since each job costs about Tk 175,000 per year, which is eleven times the country's per capita income and twelve times the wage of a rural off-farm labourer, he noted.

The WB Country Chief said the SOE losses are also weakening the country's banking sector.

"The NCBs experience capital inadequacy partially due to the bad SOE loans and eventually the problem has to be corrected by recapitalising the banks."

The SOEs are inefficient and provide poor goods and services to their consumers, Temple said.

Citing an example, he said the contrast between the service standards of Biman and GMG only corroborates the statement.

If privatisation is to gain widespread support and become successful, it is essential to recognise the workers' interests. Workers must be consulted prior to the beginning of the privatisation process of any enterprise and measures be designed to respond to their needs, Temple said.

Former FBCCI President Yusuf Abdullah Harun said that the country was incurring Tk 2,000 crore losses annually due to poor SOE performances.

Blaming lack of political will and bureaucratic dilemma for the slow pace of privatisation, he said the SOEs neither serve the interest of the workers nor the country.

The main impediment to privatisation is political expediency, Harun said, adding that unless there was a political consensus on key economic issues, reform programmes would hardly be successful.

Chairman of the Privatisation Board Kazi Zafarullah said the bureaucrats and SOE managements often play a half-hearted role which make privatisation even more difficult.

"The bureaucracy plays safe and wants to ensure that no blame descends on any civil servant in case anything goes wrong."

Zafarullah said most SOEs identified for privatisation have huge long-term liabilities, which, as per the present policy, have to be borne by the buyers and in many cases, net worth of the units have become negative rendering the SOEs absolutely unattractive to the potential buyers.

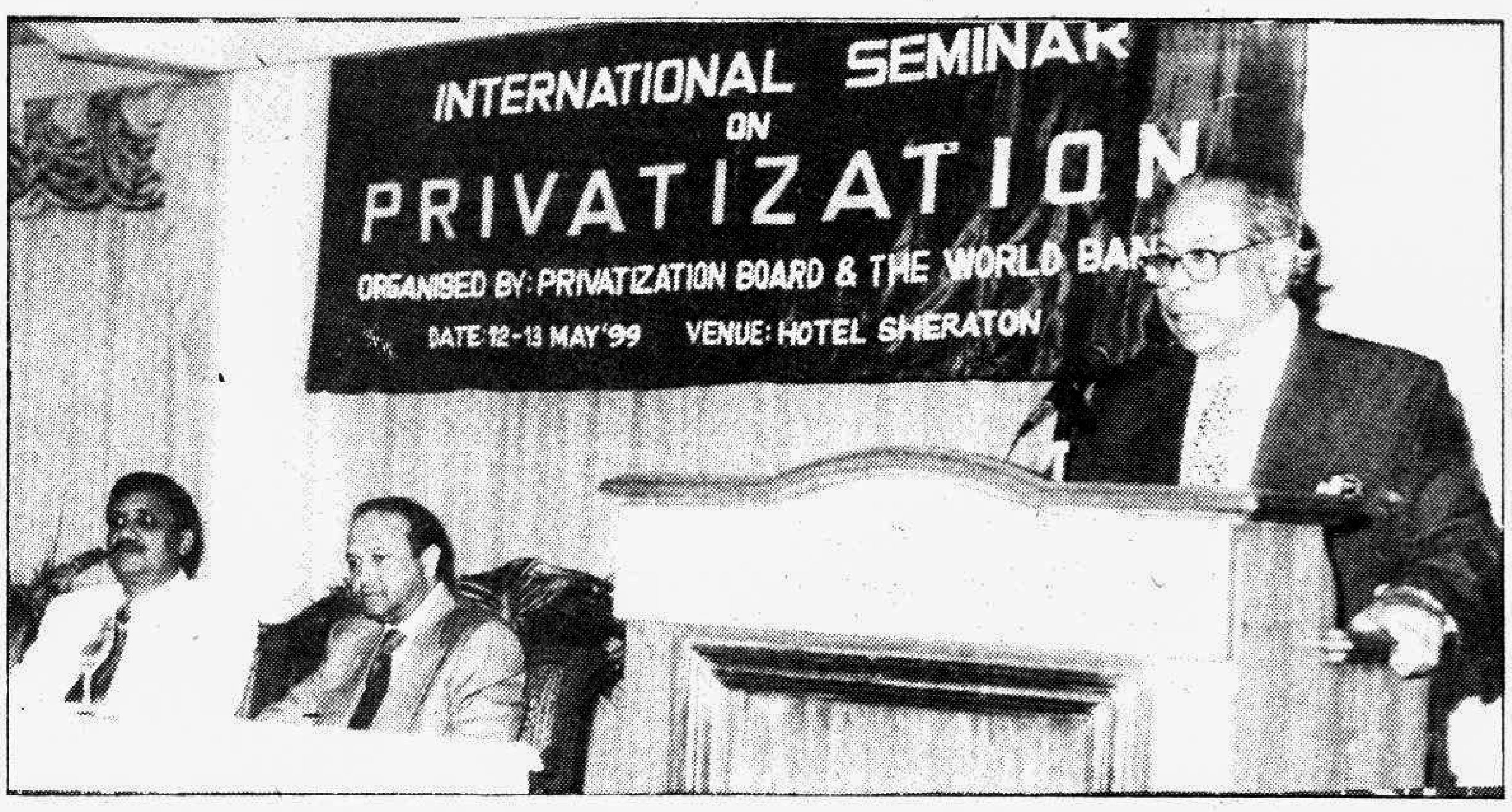
"The most important parts of the process --handing over of SOEs and execution of the sales deeds -- are the responsibilities of the ministries concerned. But the ministries make inordinate delay putting the whole process in jeopardy."

"Privatisation in our country has become all the more difficult due to the inappropriate policy. Without an appropriate policy, privatisation will continue to remain a dream."

Later, chairing a working session, former finance minister Saifur Rahman also blamed the lack of political will for the privatisation programme failure.

Former chairman of the Privatisation Commission of Pakistan Naveed Qamar said that his country had divested about 100 SOEs since 1991 by giving extra benefits to labourers.

Experts from Pakistan, Sri Lanka, Bolivia and the World Bank are participating in the working sessions of the two-day seminar.



Finance Minister Shah AMS Kibria speaks at an international seminar on privatisation jointly organised by the Privatisation Board and World Bank at a city hotel yesterday. —Star photo

IMF resident representative says at CCIFB meet

Economy supine despite modest weathering of flood impacts

Star Business Report

IMF resident representative in Bangladesh Ronald P Hicks yesterday said that the economy was showing a sluggish trend despite its modest recovery from the bad impact of floods.

"All indicators including the industrial output and export growth are too slothful," said Hicks while talking about the macroeconomic stability and structural reforms in Bangladesh at the monthly luncheon meeting of France Bangladesh Chamber of Commerce and Industry (CCIFB) presided over by Francis Dubus, President of the Chamber.

"The government has to take specific measures in the next budget to accelerate the country's output and exports," he said, adding that inflation, which had shot up because of the floods, was now going down.

He maintained that the budget has now to address these two key elements – accelerated growth and controlled inflation.

"The country's export is very narrowly based and its expansion should be planned not on the back of readymade garments, but on an expanded export substructure. Otherwise, the economy will keep on reeling under strains."

He said that the fiscal condition was under stress and the new budget needed to address the excess expenditure pressures.

"The government has to make sure that its expenditures are prioritised. The health and education sectors need greater allocations for the country's human resource development," he said.

On the other hand, the revenue base is extremely cramped and fiscal revenue is less than 10 per cent of the GDP, Hicks mentioned.

A whole lot of efforts have to be made to strengthen revenue performance and the new budget requires to focus on boosting collection, he said.

"The government has to think carefully about subsidies, financing of the uneconomic activities and the operations of state-owned enterprises (SOEs). The size of the civil service is very large," he observed.

"It is not purely the macroeconomic development that is the key focus in the budget, but commitment to reforms is also equally important."

The reform measures including the privatisation process have to be accelerated next year. A considerable chunk of the government's expenditures goes to the SOEs and this has a negative impact on investment efficiency and job-generation, he said.

Hicks said the other important issue to be considered in the budget is how to make the country's industries efficient and competitive in the global context. For this, Bangladesh needs a trade regime to encourage efficiency of industries and allow competition.

About the country's monetary growth, he said this has been contained to around 12-13 per cent.

But the important thing is to make sure that credits by banks are not unduly focused on the government sector. There has been a considerable increase in government borrowings and this should be carefully managed to transfer resources to efficient sectors.

(From L to R) Francis Dubus, President of France-Bangladesh Chamber of Commerce & Industry (CCIFB), Ronald Hicks, IMF Resident Representative, Renee Veyret, Ambassador of France, and Pierre Boedoz, French Trade Commissioner, at a CCIFB luncheon meeting. — CCIFB photo

Sonali Bank to disburse Tk 25cr loan among slum women

Sonali Bank will invest Tk 5 crore among 25 thousand women living in slum areas of Dhaka and Chittagong cities for generating self-employment, a bank official told BSS yesterday.

The loan will be disbursed without taking any collateral security through "Shakti Foundation," a Non-Government Organisation within December this year.

Swiss Agency for Development in co-operation with Swiss government will provide guarantee certificate for financing.

A tri-party MOU has already been signed.

Mahabubur Rahman Khan, managing director of Sonali Bank, Dr Humaira Islam of Shakti Foundation and Philip Benson, resident co-ordinator and councilor of Swiss Agency for Development and Co-operation, signed the MOU.

The maximum loan disbursement would be Tk 20 thousand for rural based production-oriented investment in poultry, cattle, husbandry and small businesses.

'Govt to ensure cost-effective travels'

Communications Minister Anwar Hossain has said that the government is working hard to improve safe and cost-effective journey of the travelling people in the next millennium, reports BSS.

"The ministry has sustainable capacity to plan, manage and deliver its responsibilities in maintaining main roads and bridge networks across the country," the Minister said.

The minister was addressing inaugural session of a day-long seminar titled "Roads in Bangladesh: The next Millennium" jointly organised by the Roads and Highways Department (RHD) and the Bangladesh Road Transport Authority (BRTA) at hotel Sonargaon in the city yesterday.

Communications Secretary Syed Rezaul Hayat presided over the inaugural session.

British High Commissioner to Bangladesh David Critchlow Walker, key-note paper presenter Bill Hodgkinson, Chief Engineer of RHD Mohammad Abdul Wadud, BRTA Chairman Mohammad Humayun Kabir and Project Director of RRMP-3 Mohammad Nurul Azam Khan also addressed the opening session.

The Communication Minister said the Institutional Development Component (IDC-3) would play an important role in helping the ministry to ensure cost-effective travels.

He said for ensuring welfare of the people and economic growth of Bangladesh the roads and railways division of Communications Ministry would dedicate all it endeavours.

Enron ends $1.87b financing of 2nd phase Dabhol project

Enron International, a wholly-owned subsidiary of Enron Corp, announced recently the financial close of the US $1.87 billion second phase of the Dabhol Power project, located in the state of Maharashtra, India, says a press release.

Construction on the 1,624 megawatt (gross) second phase will begin immediately.

"This is a truly remarkable accomplishment," said Joseph W Sutton, Chairman and CEO of Enron International. "We are extremely pleased to complete the largest energy infrastructure project financing in India. This is a complex project and the strong combination of Indian and international financial institutions and project partners clearly demonstrates Enron's and India's ability to complete large infrastructure projects."

The primary construction contractors for the second phase are affiliates of Enron, Bechtel and GE. The second phase will use natural gas with long-term supplies secured from Oman and Abu Dhabi. Commercial operation of the second phase is scheduled commence in late 2001.

"Financial close of the second phase realises Enron's goal of bringing natural gas to the west coast of India," added Sutton. "We are proud to have Dabhol as Enron's flagship project in India and look forward to participating in future integrated energy opportunities in the country."

The US $1.87 billion financing includes five loans totalling US $1.414 billion and an equity investment totalling US $452 million.

Indian financial institutions, with the Industrial Development Bank of India (IDBI) acting as the lead arranger, provided rupee loans equivalent to US $333 million. The participants in the rupee loans are IDBI, ICICI Ltd, State Bank of India (SBI), the Industrial Finance Company of India Ltd and Canara Bank.

Commercial banks, acting as global coordinators for a US $497 million syndicated loan are SBI, ABN AMRO, Credit Suisse First Boston (CSFB), ANZ Investment Bank and Citibank NA Canara Bank, Bank of America, Development Bank of Singapore and Credit Lyonnais acted as senior lead arrangers for this loan. The Overseas Private Investment Corporation (OPIC) also provided US $60 million in project finance loans.

An export credit loan of US $433 million was arranged by the Japanese Export Credit Agency (ECA), providing US $258 million and commercial banks providing US $175 million. The commercial banks are insured by the Japanese Ministry of International Trade and Industry (MITI). Fuji Bank is the agent for the US $433 million loan from the Japanese ECA. In addition, an export credit of US $90.8 million was provided by a syndicate loan of US $90.8 million from commercial banks. This loan is insured by Office Nationale du Ducroire, Belgium (OND), while ABN AMRO is the agent for the commercial banks providing this loan. Both export credits were provided guarantees by Indian financial institutions.

The first phase of the 826 megawatts project, completed its financing in December 1996 and is expected to commence commercial operation in May 1999. A multi-fuel facility, the plant is capable of using either naphtha or distillate in the first phase and will use natural gas once the second phase is complete. Electricity produced will be sold to the Maharashtra State Electricity Board (MSEB) under a 20-year power purchase agreement.

The first phase is a joint venture among affiliates of Enron (50 per cent), MSEB (30 per cent), Bechtel Enterprises Holdings, Inc (10 per cent) and GE Capital Structured Finance Group (10 per cent). Partners in the second phase and their current ownership interests are Enron (80 per cent), Bechtel Enterprises Holdings, Inc (10 per cent), and GE Capital Structured Finance Group (10 per cent). MSEB has the option to acquire 30 per cent of the second phase of the project from Enron's current 80 per cent interest.

Enron is one of the world's leading integrated electricity and natural gas companies. The company, which owns approximately $30 billion in energy related assets, produces electricity and natural gas, develops, constructs and operates energy and water facilities worldwide.

Failure in reaching crushing target

Sugar mills sustain Tk 75 crore loss

NATORE, May 12: The country's 13 sugar mills sustained a loss of over Tk 75 crore due to failure in achieving the crushing target in the current season, reports UNB.

Official sources said the mills have experienced a production shortfall of 75,891 tonnes of sugar after crushing 22,83,489 tonnes of sugarcane up to March 24.

They said these mills produced sugar of 1,50,399 tonnes against the production target of 2,25,290 tonnes.

Of these mills, 11 stopped production within March 24 and the rest later. Sucrose recovery percentage in this season was only 6.60 per cent against the target 7.8 per cent.

Bangladesh Sugar and Food Industries Corporation fixed the target of crushing 27,17,000 tonnes of sugarcane in the 13 mills this season but none of the mills could achieve their respective target.

Production target of Natore Sugar Mills was 18,150 tonnes of sugar but the actual production was 15,272 tonnes while the target of North Bengal Sugar Mills was 19,200 tonnes of sugar and the actual production was 16,093 tonnes.

The Rajshahi Sugar Mills produced only 12,334 tonnes of sugar against the target of 16,800 tonnes, Pabna Sugar Mills 8,652 tonnes against the target of 14,110 tonnes, Rangpur Sugar Mills 10,320 tonnes against the target of 14,950 tonnes, Setabganj Sugar Mills 7,945 tonnes against the target of 11,050 tonnes and Kushtia Sugar Mills 11,124 tonnes against the target of 16,800 tonnes.

The production target in Carew and Company was fixed at 14,400 tonnes against which production was 11,448 tonnes. Zeal Bangla Sugar Mills' production target was 11,050 tonnes but actual production reached to 5,996 tonnes.

Emirates plans multi-language information show on flights

Emirates' passengers will experience the world's first multi-language flight information display system (FIDS) when the airline moves to the new and much bigger departure terminal at the Dubai International Airport, says a press release.

These and other improvements form part of the Dubai Department of Civil Aviation's massive US$540 million airport expansion programme, of which the new terminal is a part.

Emirates will commence operations from this new terminal at 10 am on Friday, starting with EK502 bound for Mumbai.

The new terminal is situated on the upper concourse between the existing departure terminal and the Dubai Duty Free offices and warehouse.

One of the most visible fixtures inside this terminal are the much wider FIDS monitors, each 42 inches across the diagonal (more than double that of existing FIDS monitors) and with much sharper images produced by the unique plasma display technology.

The multi-lingual capability means that for the first time, a single monitor can display flight information in more than one language on the same screen. In the case of Dubai, English and Arabic information can be displayed at the same time over the same monitor.

These improvements are driven by Emirates IT subsidiary, Mercator, which has been contracted to provide the integrated systems network for the entire airport project by the DCA, together with airport operator, Dnata.

Emirates' 42 check-in counters — in smart granite and stainless steel finish — will each have two FIDS monitors mounted above them. There will be dedicated counters for express check in (for passengers with no check-in baggage), special handling, passengers on wait list and staff travel. There will also be a special counter for passengers checking in oversized baggage.

Thai car exports up 84.2 pc in first quarter

BANGKOK, May 12: Exports by Thailand's crisis-hit auto industry surged 84.2 per cent in the first quarter of this year, the Federation of Thai Industries said in a statement received today, reports AFP.

Vehicle exports rose to 20,514 units, with revenues climbing some 44.9 per cent to 7.6 billion baht (207.1 million dollars).

Exports accounted for some 34.6 per cent of all cars assembled here as auto-makers looked to foreign markets to beat a slump in domestic demand, the statement said.

The federation said the total number of vehicles assembled in the first three months soared by 127.7 per cent to 59,380 units.

Pakistan turns to gas to cut its oil import bill

ISLAMABAD, May 12: As a major effort to cut its oil import bill, Pakistan is actively seeking more natural gas supply from sources abroad, reports Xinhua.

A feasibility study has been carried out on a 1,638-kilometer gas pipeline project linking northern Iran and Pakistan, which is capable of transporting natural gas of 1.6 billion cubic feet per day (BCFD) to Pakistan.

The proposed project gained fresh momentum after the two countries discussed related issues in detail in Islamabad last week when a high-level Iranian gas delegation visited here.

Discussion on another gas pipeline are also underway. A tripartite meeting involving Pakistan, Turkmenistan and Afghanistan ended on April 29 here, during which officials and experts from the three sides studied plans to build a pipeline linking Turkmenistan with Pakistan via Afghanistan.

The 1,280-kilometer pipeline has a proposed transportation capacity of two BCFD of gas.

In addition, Pakistan is also negotiating with Qatar on gas imports from the latter. According to Pakistani officials, Qatar is keen to supply gas to Pakistan through a 1,600-kilometer pipeline and the negotiations are progressing well.

Observers here said natural gas is probably to play a spectacular role in Pakistan's energy sector in the backdrop of the country's cash crunch and soaring oil prices in the international market.

With an average balance of trade shortfall of around three billion US dollars a year and an escalating oil import bill, encouragement of usage of natural gas over oil may offer the country a way out to avoid the burgeoning debt trap and overcome a possible energy crisis.

Energy experts suggest that the gradual substitution of natural gas for fuel oil, specially imported oil, has become imperative in view of the erratic frequent upward price revision of oil in the global market.

The oil prices have shot up by 50 per cent since February this year following the Organisation of Petroleum Exporting Countries (OPEC)'s decision to cut their output by 2.1 million barrels a day.

Pakistan on an average imports 350,000 barrels of crude oil and petroleum products a day and its oil demand is steadily growing.

It is estimated, if no measures taken, the demand for imported oil will jump to 500,000 barrels a day in the next three to four years.

In this scenario, Pakistan has no way out but to effectively switch over to maximum gas usage, experts said, adding this would drastically cut its oil import cost apart from reducing dependence on others.

They said gas costs 7.3 dollars per barrel of oil equivalent (BOE) less than fuel oil. Fuel oil import costs 12 dollars per barrel while gas costs 4.7 dollars per BOE.

Pakistan is endowed with proven reserves of 515 million barrels of oil, 20 to 22 trillion cubic feet of gas and three billion tons of coal, and yet it is far away from matching its energy requirement from indigenous resources.

Out of the proven gas reserves around 1.8 BCFD of gas is being produced a day from 35 gas fields, concentrated largely in the two southern provinces of Balochistan and Sindh.

According to experts, not average gas production from the existing fields is projected to peak at 2.3 BCFD in the year 2002, before declining to 2 BCFD by the year 2005, when a sizable gap in demand-supply is anticipated to emerge in the range of 1.2 BCFD, making massive imports of gas inevitable.

An independent study said natural gas consumption in Pakistan, pushed by soaring demand from the power generation and other sectors, is estimated to grow rapidly leading to around 10 BCFD by the year 2010 from the current demand of 1.8 BCFD.

As to the three pipelines, Afghanistan holds the key to the success of all these projects which will pass through the war-ravaged country. The dominant Taliban militia, who control more than 80 per cent of the country, are keen to lay pipelines through the area they control. But international investors are hesitating and may choose to wait until peace is restored in the whole country.

Financial difficulties in Pakistan are also standing in the way of the implementation of the projects, each estimated to cost between 2 and 4 billion dollars, thus entailing a huge investment, both from the private sector and from these government.