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Dhaka to receive Tk 5 cr EU grant for rural development

The European Commission has approved a financing agreement providing for a grant of 980,000 EURO (equivalent to Taka five crore) for a project in Bangladesh, "Rural Towns Development Study" over a period of one year, a press release said here yesterday, reports BSS.

The project aim is to design a programme, which will contribute to the alleviation of the currently skewed urban and economic concentration in Bangladesh.

The major focus of the study will be to assist rural towns in making full use of their potential.

The project will identify key sectors and policy areas for investment in rural towns, in the range of 10,000 to 50,000 inhabitants, for preliminary appraisal.

The project entails defining policies geared towards (I) reducing immigration flows to Dhaka and other important destinations in secondary towns, (II) decentralising added value away from Dhaka and some main secondary towns, and (III) expanding the employment base in rural areas.

The study project will be led by a European Technical Assistance Team with active involvement of the Bangladesh Institute of Development Studies (BIDS), the Bangladesh University of Engineering and Technology (BUET) and the Centre for Urban Studies (CUS), Dhaka University.

The Local Government Engineering Department of the Ministry of Local Government, Rural Development and Cooperatives will provide support and co-ordination in the implementation of the study, the press release added.

The project is fully consistent with the EC strategy of Bangladesh which stresses the importance of improving living conditions in the country, increasing employment and labour productivity, and developing human resources.

Madrid pledges to help Dhaka develop economy

Spanish King Don Juan Carlos-1 has assured of all necessary help and cooperation for socio-economic development of Bangladesh, says UNB.

The assurance came when Bangladesh Ambassador to Spain Shelley S H Zaman presented her credentials to the King at the royal palace in Madrid on Monday.

While accepting the credentials, the King reaffirmed his open invitation to Prime Minister Sheikh Hasina to visit Spain anytime at her convenience.

Foreign Minister of Spain Abel Matutes Juan was present on the occasion.

The Bangladesh's new envoy apprised the King of various development programmes, particularly in the fields of health, education, poverty alleviation, women's emancipation and infrastructure development in Bangladesh.

Seminar on privatisation problems held

Privatisation Board Chairman Kazi Jafarullah has said the sale of SOEs is one of the most sensitive decisions that the government has to make with opposition coming from a section of politicians, bureaucrats and union leaders "with vested interests," reports UNB.

While the privatisation programme has been adopted as a national policy, many of its impediments are generated from the government system, he said adding that bureaucrats should be dynamic and politicians and labour leaders should change their attitude in the greater interest of the country.

The PB Chairman was speaking at the inaugural function of a two-day seminar on "Problems of Privatisation" at the Academy of Planning and Development here yesterday.

Organised by the academy, the inaugural session was presided over by Principal of the academy Arabinda Kar.

He said the government is aware of the impediments to privatisation but it is sincere to remove those to make its privatisation programme a success.

Dhaka to take part in Tehran trade fair

Bangladesh will participate in the Tehran International Trade Fair, beginning on October 1, says UNB.

Twelve local companies representing the sectors like jute and jute goods, tea, readymade garments, toiletries and handicrafts will take part in the 10-day fair.

Export Promotion Bureau is extending allout support to the participating companies in a bid to boost the country's export to Iran.

NCB role in board reduced

CDS starts journey anew with FICCI chief

By M Shamsur Rahman

President of Foreign Investors Chambers of Commerce and Industry (FICCI) AKM Shamsuddin has been elected chairman of the proposed central depository system (CDS).

The decision was taken at a meeting of all the sponsors of the CDS yesterday.

Before Shamsuddin was made the chairman, Amir Khoshru Mahmud Chowdhury, the first chairman of the CDS formally resigned.

A committee was also formed yesterday to look for a managing director. The sponsors will meet on October 12 to discuss the preparation of the Memorandum of Articles and other related issues.

The meeting also decided that the four NCBs who are also participating in the CDS will have only one representative in the board since it will be an institution for the private sector, this will also reduce the government dominance on the company.

The meeting decided to reduce the paid up capital of the company to Tk 20 crore from Tk 25 crore and also the price of every sponsor's share from Tk 25 lakh to Tk 10 lakh.

The sponsors also agreed to include three more participants in the CDS -- Merchant Banks' Association, IFC and ADB.

The CDS was first established in June and Amir Khoshru Mahmud Chowdhury was made its chairman. But the government did not like an opposition MP to head the organisation.

As a result, he was subtly removed from the post in June this year, which was widely criticised by other members of CDS.

Three months later, the government took a fresh initiative on last Thursday to reactivate the institution needed for scripless trading and elimination of fake shares from the market. Chairman of the parliamentary Standing Committee on Ministry of Finance Prof Ali Ashraf, MP, took the leading role in reactivating the depository.

According to meeting sources, Khoshru was overcome with emotions while tendering his resignation.

"I am resigning for the sake of CDS and the share market. I want to see the beginning of this institution. But I strongly feel that this private institution should be free from any government intervention," Khoshru was quoted to have said at the meeting.

The proposed depository will eliminate the necessity of maintaining a full-fledged share division of the listed companies by facilitating share registration services. It would also ensure safe keeping of valuable share certificates on behalf of the local and foreign investors. The CDS will operate in the form of book keeping entry.

The bourses will send all transactions to CDS, which will record the transfer, and the shares will automatically change accounts. And the shareholders will not have to go to the companies to transfer their shares. There will be a fee which will be charged after every transaction and that will be the return for the company, he said.

A Rahim Chowdhury, MD of AB Bank, A Matin Chowdhury, MD of Knit Asia Ltd and CM Alam, MD of IPDC, sign a co-financing contract in the city recently. Also seen in the picture Abu Haniff Khan, DMD of AB Bank.

— AB Bank photo

Govt to offload stakes in Eastern Bank

NCBs show reluctance to buy new bank shares

By Inam Ahmed

The Nationalised Commercial Banks (NCBs) have Refused to purchase shares of the reconstituted Bangladesh Commerce Bank Ltd (BCBL). They are also reluctant to offload their holdings in Eastern Bank Limited (EBL) as part of a government plan.

The NCBs were asked to purchase Tk 10 crore shares of the BCBL's Tk 92 crore share capital at a meeting held on September 19 with Bangladesh Bank Governor Dr M Farashuddin in the chair.

However, none of the NCB chiefs present in the meeting showed any interest to the proposal.

Meanwhile, all preparations have been completed to offload the NCBs and government- held shares in EBL through the stock market.

Following the privatisation policy, the finance ministry has decided to offload half of the EBL shares held by the NCBs and the government.

Of the total Tk 12 crore government shares in EBL, Tk six crore shares will be sold to the public through the Investment Corporation of Bangladesh (ICB). At the same time, three NCBs have Tk 9.75 cr shares in EBL. Of this amount, Tk 3.75 cr will be sold in the stock market.

But, the NCBs are reluctant to let the EBL shares go as they think "it is like selling the family silvers".

"EBL shares are now selling above their face value," said an NCB official. "When our shares will be sold in the market, this may push down the price and the banks will face loss."

NCBs have suggested that the off-loading be carried out in phases so that the share prices are not affected.

However, the greatest risk looming over the prospective EBL share buyers is about Tk 100 crore litigation by BCCI creditors. According to experts, if any of the court judgements goes against EBL, it will have to pay from its balance sheet.

At the same time, the BCCI operating loss reposed in EBL was Tk 313 cr of which Tk 103 cr represent foreign exchange balances held outside Bangladesh. Of this amount, Tk 128 crore was recovered as of December, 1998 leaving Tk 185 crore unrecovered BCCI losses.

Knit Asia to set up Tk 284m project in Gazipur

Star Business Report

Knit Asia Limited will set up an integrated knit fabric, dyeing-finishing and garments industry at a cost of Tk 284 million in Gazipur.

The company will manufacture over 4.50 lakh dozens of various types of knit shirts for 100 per cent export, says a press release.

The company's strategic objective is to expand the country's export business.

Meanwhile as part of their continued support for industrial financing, Arab Bangladesh Bank Limited and Industrial Promotion Development Company Limited (IPDC) are the two co-financiers in the project with their involvement of Tk 124 million and Tk 60 million respectively as long term loan.

AB Bank is also assisting the project in providing the entire working capital loans aggregating total involvement to Tk 252 million for the project.

An agreement was signed in the city recently to formalise the financial arrangements under the Consortium Scheme.

A Rahim Chowdhury, Managing Director of Arab Bangladesh Bank Limited, C M Alam, Managing Director of IPDC and A Matin Chowdhury, Managing Director of Knit Asia Ltd, signed the accord on behalf of their respective institutions.

The signing ceremony was also attended by Abu Haniff Khan, Deputy Managing Director of Arab Bangladesh Bank Limited, Didar A Hussain and AFM Zubair, Directors of Knit Asia Ltd and other senior officials of IPDC.

The promoters have vast and successful track record for more than 20 years in the textile business.

Preparation for next world trade talks

Agri heavyweights meet Oct 1

WASHINGTON, Sept 28: US Agriculture Secretary Dan Glickman will meet on Friday with farm ministers from the European Union, Japan, Canada and Australia in a session that will help prepare for the world trade talks beginning in two months, reports Reuters.

With farm issues expected to dominate the coming negotiations, the so-called Quint meeting provides a chance for the five to exchange views in an informal setting without the expectation of any final agreements, Agriculture Department officials said.

While travel details have not yet been completed, Glickman will arrive in time for a full day of meetings on Friday, a department spokesman said on Monday.

Ministers are expected to hold bilateral meetings on farm trade issues in addition to the five-way talks. The Quint has its origin in the Uruguay Round of trade negotiations, which began in 1986 and continued until an agreement was reached in December 1993.

The group which represents the developed world's biggest agricultural importers and exporters, met periodically during those negotiations to speed progress on farm trade issues.

The Quint fell into disuse after the Uruguay Round until EU Farm Commissioner Franz Fischler suggested reviving it.

Meet on fringes of OECD

The group met in March 1998 on the fringes of a ministerial meeting in Paris of the Organisation for Economic Cooperation and Development and proved useful, a Canadian trade official said.

Canada volunteered to hold the next meeting. It was originally scheduled for this summer in Vancouver but had to be postponed because of scheduling conflicts.

Likely topics for this week's meeting include all the farm issues to be negotiated in the world trade talks that begin on Nov. 30 in Seattle with a meeting of the 134-nation World Trade Organisation.

Those negotiations are expected to pit the United States against the European Union on a number of farm trade issues, such as the elimination of export subsidies and rules governing the approval of new genetically modified crop varieties.

Canada, Australia and Japan, in various forums, have also called for the elimination of agricultural export subsidies.

But depending on the issue, the three countries can fall into either the EU or the US camp.

The EU and Japan, for example, support a "multifunctional" view of government farm programmes to justify policies the United States, Australia and Canada see as trade-distorting.

Japan has also taken steps to required labels on foods containing genetically modified ingredients.

Meanwhile, the UE, Canada and Australia have criticised the Agriculture Department's export credit programmes.

The Dhaka Chamber of Commerce and Industry (DCCI) hosted a farewell lunch in honour of the outgoing Italian Ambassador to Bangladesh Dr Raffaele Miniero (4th-L) at a city hotel on Monday. Commerce Minister Tofail Ahmed (2nd-L), DCCI President MH Rahman (Extreme-L), German Ambassador UWE Schramm (3rd-L), Danish Ambassador Finn Thilsted (5th-L), US Ambassador John C Holzman (6th-L), Swedish Ambassador S Anders Johnson (7th-L) and Industries Secretary KA Ejajul Huq (Extreme-R) are seen in the picture.

— DCCI photo

Japan plans $4b debt relief

WASHINGTON, Sept 28: Japan plans to provide some $4 billion in debt relief through the World Bank if a new scheme to help relieve the debt of the world's poorest countries comes into effect, a senior Japanese finance ministry official said yesterday, reports Reuters.

Haruhiko Kuroda, Vice Finance Minister for International affairs, said in a statement at a meeting of the World Bank/IMF Joint Development Committee that such debt relief from Japan would make it the largest-scale contributor among creditors.

Earlier on Monday, World Bank president James Wolfensohn said that a more generous debt relief scheme for poor nations could go ahead after last minute financing from rich countries fell into place.

After months of negotiations over how to fund the so-called Heavily-Indebted Poor Countries programme, which aims to cut the debts of 33 of the world's poorest nations, Wolfensohn said 11th hour contributions from Europe and Canada had finally brought the debt-relief scheme to life.

Kuroda said that in order to implement the enhanced HIPC initiative, there remain two key issues — financing the enhanced HIPC framework for the World Bank and other multilateral development banks, and linking the HIPC initiative with poverty reduction, Kuroda said.

Among the development banks, the World Bank was expected to finance the needed fund, given the size and the prospects of its net costs, he said.

Bankruptcies down in Japan

TOKYO, Sept28: The number of Japanese firms going bankrupt in August hit a 10-month high, although it was down 8.6 per cent from last year, a private research agency said today, reports AFP.

A total 1,402 firms went under in the month, the largest number since October 1998, Teikoku Databank said.

But the liabilities left behind fell 7.1 per cent from last year to 935.3 billion yen (8.8 billion dollars), the first fall in six months.

The agency said more failures were likely in the coming months, particularly because of a major new bank merger.

The proposed alliance between Fuji Bank Ltd, Dai-Ichi Kangyo Bank Ltd and Industrial Bank of Japan Ltd would mean the banks would have to clear out bad loans.

The number of firms pushed into bankruptcy by recession came to 1,017, or 72.5 per cent of the total, the agency said.

Tobacco firms target younger smokers: Health officials

SINGAPORE, Sept 28: Tobacco companies are attempting to make up the recent shortfall in smokers by trying to attract increasingly younger smokers, health officials said Tuesday, reports AP.

Children in developing countries are particularly vulnerable, said Derek Yach, project manager for the World Health Organisation's tobacco-free initiative. He was speaking in Singapore at an international conference on tobacco and youth.

"There are four million deaths from tobacco every year. This figure will increase to about 10 million by 2030, by which time 70 per cent of the deaths will occur in developing countries," Yach said.

"For the tobacco industry to survive, these deaths and the millions of adults who quit must be made replaced by new smokers: the children and youth of today and tomorrow."

And that was happening among youngsters in countries like China, India, Egypt and Thailand, he said.

About 90 per cent of adult smokers pick up the habit before age 18, Yach said.

In some countries children's rights were being compromised as they worked for the tobacco industry instead of going to school, conference delegates said.

"Although not one of the most widespread forms of child labour, in the major tobacco growing countries (such as Brazil, China, Indonesia, Malawi and Zimbabwe), the involvement of children in the cultivation of tobacco is significant," said Bruce Dick, a senior youth health advisor at UNICEF.

Asian stocks close higher

HONG KONG, Sept 28: Most Asian stock markets rebounded Tuesday on the back of a recovery overnight on Wall Street and on the stronger US dollar, says AP.

The Japanese benchmark 225-issue Nikkei Stock Average rose 504.64 points, or 3.00 per cent, to 17,325.70 Tuesday. On Monday, the average closed down 50.67 points, or 0.30 per cent.

Traders said investors were encouraged by the dollar's gains against the Japanese yen to buy up export-oriented blue-chip shares in particular.

Federal Reserve Board Chairman Alan Greenspan's message overnight from Washington urging Japan to develop more vibrant stock and bond markets also gave Japanese investors an impetus to buy shares.

Overnight gains in US stocks also eased fears of a possible downturn on Wall Street, which could prompt foreign investors to take profits on Japanese stocks.

In New York Monday, the Dow Jones industrial average rose 24.06 points to 10,303.29.

In currency trading, the dollar was quoted at 106.52 yen, up 2.38 yen from late Monday. The dollar gained in part on expectations that the Bank of Japan will ease monetary policy.

In Hong Kong, the blue-chip Hang Seng Index rose 84.47 points, or 0.66 per cent, to close at 12,844.93. On Monday, the index had slumped 271.61 points, or 2.1 per cent.

Brokers said bargain-hunters stepped into the Hong Kong following overnight gains on Wall Street.

Indonesia shares closed sharply higher on a last-minute surge of blue-chip buying by mainly foreign trading houses and a regional lift from stronger major markets across Asia.

The Jakarta Stock Exchange's Composite Index rose 14.154 points.

Bucking the trend was the Taipei exchange, where share prices tumbled for a second straight day amid concerns that high-tech companies will suffer big revenue losses as they scramble to reopen plants shut down by a devastating earthquake.

The Taipei market's key Weighted Stock Price Index fell 182.08, or 2.3 per cent, to close at 7,577.85, adding to its losses of almost 2.7 per cent on Monday.

Elsewhere:

Singapore: Share prices closed higher on a technical rebound following improved regional sentiment. The benchmark Straits Times Index rose 34.06 points, or 1.7 per cent, to 2,024.44.

Wellington: New Zealand share prices closed slightly lower because of concerns over the rate of New Zealand's economic recovery. The benchmark NZSE-40 Capital Index closed 7.49 points, or 0.3 per cent, to 2,015.04.

Manila: Higher gold prices and Wall Street's overnight gains fueled a technical rebound in Philippine shares, with mining stocks leading the way. The Philippine Stock Exchange index of 30 selected companies rose 13.39 points, or 0.7 per cent, to 2,070.43.

Sydney: The Australian stock market closed higher, but brokers said the real focus remained on the gold sector where there was a second day of exceptional gains. The All Ordinaries Index closed at 2920.6, up 9.5 points, or 0.3.

Seoul: Share prices closed slightly lower. The Korea Composite Stock Price Index fell 3.06 points, or 0.3 per cent, to 900.73.

Kuala Lumpur: Malaysian share prices closed generally mixed. The key Composite Index slipped 0.38 point to close at 679.14.

Bangkok: Thai stock prices closed slightly higher in a technical rebound from sharp losses last week. The Stock Exchange of Thailand index rose 3.09 points, or 0.8 per cent, to 385.23.

US investors regaining confidence in Asia

WASHINGTON, Sept 28: US institutional investors are regaining confidence in Asia and Latin America and expect investment in these regions to increase over the next six months, according to a poll released today, reports Reuters.

The survey of 150 commercial and investment bankers, brokers, fund managers and insurers was conducted by market researchers Strategy One for Bank Boston Corp BKB.N.

Compared with a year ago, 48 per cent of those polled were more confident in Latin America as a region for investment, 18 per cent said their confidence level remained the same and 28 per cent were less confident.

In the case of Asia, 72 per cent were more confident, 10 per cent had not changed their view and 12 per cent were less confident about the region's prospects.

Investors are saying they believe emerging markets have pulled out of the storm and deserve their confidence again," Henrique de Campos Meirelles, BankBoston's president and chief operating officer, told a news conference.

"They are clearly more enthusiastic about Asia than Latin America, but have come a long way from the pessimism they were feeling earlier this year about the Latin American market."

The poll found institutional investors expected their growing confidence to translate into an increase in foreign investment in emerging markets over the next six months.

In Latin America, 57 per cent predicted a pickup in investment, while 77 per cent expected an increase in Asia.

Asian and Latin American economies were hit hard by the financial crisis which swept through emerging markets for almost two years from the summer of 1997.

Both regions are showing signs of recovery, but investors continue to believe that different measures are needed to ensure long-term stability in each, the poll found.

"In Asia, improvements in banking supervision and greater transparency of financial institutions are considered the most important reforms needed," Meirelles said. "However, in Latin America, the investment community believes the focus should remain on improved monetary stability and increased fiscal discipline".

Looking ahead, the poll found most institutional investors were unfazed by the threat the Y2K bug might pose to the global economy, with 43 per cent expecting little negative impact.

While 31 per cent see a moderate negative impact from the possible computer glitch, 15 per cent expect no impact and just 8 per cent are bracing for a serious negative impact.

Even so, investors are keeping an eye on Latin America's efforts to fix the problem, with 54 per cent picking it as the region most likely to experience economic difficulties as a result.

The poll was conducted between August 25 and September 13 and has a margin for error of 7.6 percentage points.