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IMF draft for next Country Assistance Strategy says

Political affray, uncertainties about reforms raise Bangladesh's risks

By Inam Ahmed

The International Monetary Fund (IMF) has said that the deteriorating political situation and increasing uncertainties about the government's commitments to policy reforms in the run-up to next elections have increased the risks for Bangladesh.

The 1998 floods revealed the vulnerability of Bangladesh's external accounts position and the importance of increased aid flows for maintaining foreign exchange reserves in the face of declining export performance. IMF noted in its draft for the next Country Assistance Strategy (CAS) for Bangladesh, now under preparation.

According to the Bretton

Woods organisation, Bangladesh now represents a low base-case with base-case performance in macroeconomic management and in its social sectors, and a much lower performance in public sector and banking reforms.

Based on the country's performance, the IMF is suggesting a low base-case lending, averaging US\$ 600 million a year over FY 99-01.

Dwelling upon the prevalent political situation, the IMF said, "Bangladesh continues to be mired in political morass. Confrontational politics and street agitation documented a year ago have unfortunately intensified."

Frequent boycotts by the

opposition, which alleges that its representatives are deprived of a fair hearing, have rendered the Parliament virtually ineffective in debating national issues. Not surprisingly, people's confidence in politics and political parties continues to erode.

The present course of politics suggests that confrontation on the streets between the government and the opposition will continue to escalate until the next parliamentary elections, which must be held by 2001 but are widely expected much earlier. Progress on the policy and institutional reforms during the remaining part of the government's tenure may be an inevitable casualty of this political strife.

The Fund has identified five themes of cross-cutting nature for explicit attention in its CAS. The first of these pertains to sharpening the focus of assistance programmes on poverty alleviation. The key issues here would be to assess the impact of interventions on poverty and to think about and act upon poverty reduction programmes in a holistic way.

A second emerging theme concerns the trend towards centralisation of powers and responsibilities to the local level. This would empower local institutions and communities to adopt an integrated approach to poverty reduction and to management resources for local development. "The challenge

ahead is how to adapt our assistance strategy to take advantage of and promote the positive forces of decentralisation while being aware that there are risks of decentralisation as well."

A third theme is better disaster-preparedness of IMF assistance to allow for quick reallocation of resources for flood assistance.

A fourth theme is related to how IMF can assist the government in engaging labour unions in dialogues on reforms since labour resistance is often the single-most difficult obstacle to privatisation.

A fifth theme is improving project implementation to better the impact of programmes on poverty reduction.



The demand and sales of winter clothes have these days registered a sharp rise in the city markets as the winter is progressively casting its chilly hands on the country. This picture, taken from city's Paltan yesterday morning, shows some wool traders getting ready for the day's business. Hand-made woollen winter clothes are still a favourite despite the much availability of readymade products in the market.

— Star photo

DCCI-ERRA seminar in city demands

Update IT curriculum to ensure software industry growth

Information technology (IT) experts and leaders of Dhaka Chamber of Commerce and Industry (DCCI) yesterday urged the authorities to update and streamline the computer education curriculum of different educational institutions to ensure optimum growth of local software industry, reports BSS.

A gulf of difference is observed in the official policy announcement and the existing environment for development of software industries in the country," M.H. Rahman, President of DCCI said.

He further said it is not clear how our neighbour India, being a developing country, is moving ahead with a vision to earn 100 billion US dollars through software exports by 2008 and our unemployed youth are yet to be imparted with effective

training to meet the challenges of the next millennium.

He was addressing a seminar titled "Computer Software and Databases: A high value-added and export-oriented business sector," organised jointly by the DCCI and Economic Reform and Research Advocacy (ERRA) wing of CIPE, an affiliate of the US Chamber of Commerce, Washington, at DCCI auditorium at Motiheel in the city.

Aftabul Islam, DCCI's Coordinating Director of IT, presided over the session while Mohammed Zahid Hussain of Ahsanullah University of Science and Technology presented the theme paper. DCCI executives Mirza A. Matin, A.M. Mubash-Shar, Mohammad Azhar Rahman, Ali Noor Siddiqui and Fazlul Karim, among others, participated in the discussion.

institutions Zahid Hussain said

that private IT training institutions lacked required quality trainers to teach advanced programming languages. He alleged that they (private IT institutions) did not follow any standard course curricula and examination system.

Termining the government vision to create 10,000 programmers annually by the year 2000 an 'unattainable dream,' he said, the number of graduates in computer-related subjects produced by the universities each year is far less than the actual requirements.

Explaining the software markets, he said, popular transactions in the software arena occurs in the fields of data entry/data processing, body shopping, customised software and Y2K compliance

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Pakistan raises oil prices

ISLAMABAD, Dec 12: Pakistan's military government yesterday announced an increase of about 10 per cent in petroleum prices, reports AFP.

A spokesman for ministry of petroleum and natural resources said the decision had been taken due to increases in the international market.

A similar oil prices increase was made in May by former prime Minister Nawaz Sharif's government, which was ousted in a coup by army chief General Pervez Musharraf on October 12.

Musharraf chaired a cabinet meeting Saturday which reviewed the international price trend of petroleum products and the government's commitment with international agencies, the spokesman said.

"It is inevitable to increase the consumer prices of petroleum products," he added. "However, special consideration has been made in reviewing the price of kerosene oil which is a common man fuel, and diesel used in agriculture and transport."

Defending the decision, the spokesman said prices in the international market had increased by over 50 per cent since the petroleum prices were revised in Pakistan in May.

Iraq resumes oil exports between Dec 15-17

BAGHDAD, Dec 12: Iraq will resume UN-authorized oil exports between December 15 and 17, following a suspension of three weeks, an oil ministry official told AFP today.

"We hope to restart loading Iraqi crude on to tankers under the 'oil-for-food' programme between December 15 and 17," the official said, asking not to be named.

He said Iraq had "started to conclude new contracts for oil sales."

The UN Security Council decided on Friday to renew the oil-for-food humanitarian programme for a normal six-month term, after Iraq rejected two short extensions since November 20 and cut off its exports.

3 firms qualify for PSI

Three out of the six agencies have qualified in the technical evaluation of the bids for appointment for Pre-Shipment Inspection (PSI) and audit, says UNB.

The 5-member committee to select the agencies for pre-shipment inspection, headed by member (Customs) of National Board of Revenue, at a meeting yesterday evaluated the technical documents of the bidders.

The authorities have declined to disclose the names of the three technically successful agencies. The six agencies which submitted bids are Control Union, Quantum Inspection, Bureau Veritas, ITS, Inspector Giripid and ICS. Of them, ICS applied for audit only.

The financial part of the bids will be opened during the third week of this month because of the stipulation that fi-

nanacial documents would be evaluated after seven days of the technical evaluation.

Competent sources said the committee has decided to meet on 19th of this month for financial evaluation.

"If the contending companies come out successful in the financial evaluation, they would be appointed immediately," said a member of the committee.

In such an event, the government's effort to start PSI within next January would come into being.

Finance Minister SAMS Kibria, in his budget speech in Parliament on June 10, proposed re-introduction of the PSI system to ensure unhindered imports.

Kibria hoped that the system would also bring discipline in the Customs desks at the ports.

BOI chief leaves for Bangkok to attend FDI roundtable

Executive Chairman of Board of Investment (BOI) M. Mokammel Haque left here yesterday for Bangkok to attend a two-day roundtable on Foreign Direct Investment (FDI) beginning there today, reports BSS.

The main objective of the roundtable is to share experiences of relevant policies and practices that can influence flows of desirable FDI and help realise its potential socio-economic benefits for Asian countries.

Discussion on Sustainable Human Development in Asia: "Past Experience and Future Prospects" organised by FIAS and UNDP will also be held during the roundtable.

The meeting will also discuss the context of sustainable development and FDI attraction, the importance of institutional arrangements and the significant impact of FDI infrastructure on sustainable human development and poverty alleviation.

RAKUB meet reviews Miracle Programme

A conference of the zonal and regional managers of Rajshahi Krishi Unayan Bank (RAKUB) was held on Saturday with AKM Saeedur Rahman, Managing Director of the bank presiding, says a press release.

The conference reviewed the progress of loan disbursement, recovery, deposit and particularly the recovery of classified loans under the Miracle Programme launched recently by the bank.

While addressing the managers, the Managing Director said: "We have to implement the Miracle Programme and recover the huge classified loans under the comprehensive five-year strategic plan."

He stressed the need for quality of loan projects and disbursement in the areas like crop, fishery, live stock, agriculture implements, agro-based industries and poverty alleviation to increase performing asset by 20 per cent every year.

Besides, he advised the field level officials to collect the savings to achieve the deposit target for investment in the rural areas.

Saeedur Rahman urged the bankers to work hard and give sincere efforts to implement the different aspects of the Miracle Programme to recover more classified loans and reduce the losses of the bank.

The bank disbursed Tk 102.8 crore during the last five months of the current fiscal year, which is Tk 9.25 crore higher than the previous year and recovered Tk 100.67 crore during the months.

Wal-Mart, AOL seen nearing marketing pact

NEW YORK, Dec 12: America Online Inc. may be close to a marketing pact with Wal-Mart Stores Inc., a deal that would link the Internet powerhouse with the world's biggest retailer, reports AP.

Speculation of an agreement circulated on Wall Street this week, and one-investment firm said announcement of a deal was imminent. Both companies declined to comment.

Such a partnership would bring together two corporate giants that are both looking to expand their reach on the Internet.

For AOL, aligning with Wal-Mart would step up efforts to grow their subscriber base, already nearly 20 million strong. AOL could tap the tens of millions of customers who shop at Wal-Mart's 3,600-plus stores worldwide.

Wal-Mart would get a well-respected technology partner that could help it build and gain exposure for walmart.com, on Web site expected to be launched early next year.

NEPC gets \$87m loan from Citibank

NEPC Consortium Power Ltd has received 87 million US dollars loan from Citibank NA under US OPIC Facility, says a press release.

The 13-year loan is guaranteed by the overseas Private Investment Corporation (OPIC) and funded by Citibank NA New York.

Citibank NA Dhaka and Citibank NA New York will play the role of onshore collateral agent and security trustee.

NEPC Consortium Power Limited, a joint venture of US-based El Paso Energy International company, Ogden Energy Inc. and Wartsila NSD North America Inc. has constructed a 110-MW barge mounted power plant at Haripur. Commercial operation of the plant started on July 1 this year and since then it has been supplying power to the national grid.

Commenting on the loan, Mahmood Mir, Managing Director of NEPC Consortium, said: "This is an important step for our company. The OPIC/Citibank loan facility provides a sound, cost-effective, long-term financial structure which assists NEPC in providing Bangladesh with a reliable, competitive supply of power."



Chairman of Bangladesh Power Development Board Quamrul Islam Siddique distributes certificates among the participants of a two-week training course on Management Development and Rural Economy organised for the 60 newly-appointed Assistant Engineers of PDB at Comilla-based Bangladesh Academy for Rural Development recently.

— PDB photo

FBCCI drive to revitalise capital market fails

Yet another drive initiated by the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) for revamping the country's moribund capital market ended in failure, reports UNB.

The FBCCI and Dhaka Stock Exchange (DSE) at a joint meeting on September 7 formed a 'task force' to recommended measures to prop up the capital market and develop it as the major source of industrial capital.

The task force, with FBCCI vice president M A Mumin as its chairman and DSE chairman Rakibur Rahman as vice-chairman, was supposed to submit its recommendations to the government 'no later than

September 30'. FBCCI sources said that the task force failed to come up with recommendations due to non-cooperation of the DSE.

Mumin earlier told UNB that they were preparing some recommendations for submission to the government.

The DSE chairman, on the other hand, gave a lukewarm welcome to the 'task force'. He rather pointed to another move taken by four major market player bodies, which he termed more important than the one launched by FBCCI.

Dhaka Stock Exchange, Chittagong Stock Exchange, Merchant Bankers' Association and Bangladesh Association of Publicly Listed Companies

jointly launched a move last month to help activate the stock market.

A committee was formed to prepare a report by December 11, but there was no progress.

FBCCI president Abdul Awal Minto, who chaired the joint meeting, said capital market is the main component of industrialisation. "It is a must for creating employment facilities for more than 3,00,000 youths, who enter the job market each year."

The meeting, attended by chamber leaders and capital market operators, viewed that loans from commercial banks alone could not help industrialisation unless capital market was strengthened enough.

India hopes to emerge as IT superpower in next century

NEW DELHI, Dec 12: India nurses the ambition of becoming the information technology superpower of the next century on the strength of its skilled manpower which can rival Silicon Valley, reports AFP.

India launched its answer to Silicon Valley in the 1980s in the southern city of Bangalore, which now ranks among the top five world-class IT centres with the cheapest pool of skilled manpower.

Of the 4,500 enterprises currently in business in Bangalore, over 1,000 have some foreign investment reaching 1.14 billion dollars in 1998.

Silicon Valley millionaire Rohit Chandra, who is of Indian

origin and founded eCode. Com — one of the world's top 100 companies — says Indians have "the spirit of entrepreneurship" to forge ahead.

"The understanding you don't need a tonne of money to build a new product," he said. "I started my company out of the garage and the garage could have been in California or India."

"India can dominate the Internet with its pool of skilled manpower. Enough Indian start-ups have succeeded to motivate others."

Rajendra S. Pawar, chairman of software firm NIIT, says India has the aspiration and strategy to become a global IT superpower.

"The Indian industry aims to have sales of 100 billion dollars in the next ten years. Almost half this sum will come from export earnings and the rest from the Indian market."

"Among the key drivers will be India's skilled manpower, venture capital and a serious commitment on the part of the government to invest in IT."

Indian software exports shot up 56 per cent year-on-year to 2.3 billion dollars in the 12 months to March 1999.

India's 520-member National Association of Software and Service Companies (Nasscom) estimates that exports could touch four billion dollars in the current fiscal year.

Y2K flu infects Asian bourses, but safe havens bring cheers

BANGKOK, Dec 12: Fears about potential millennium bug chaos have exacerbated the annual end-of-year slump on many Asian stock markets, but festive cheer has arrived early for a few Y2K "safe havens," analysts said, reports AFP.

While the Christmas-New Year period is traditionally a slow time, worries about the economic impact of the Y2K computer bug have kept many more investors on the sidelines as the new millennium approaches.

Tonnes of people have raised it with me, they are worried about settlement risk

... delays in manufacturing, delays in air flights and actually losses," said on Bangkok-based dealer.

It is feared some computer networks could crash when clocks tick over into the new millennium, because their two digit dating systems may confuse the year 2000 with 1900.

"I have people raise the issue with me all the time," said Jeff Earhart, senior analyst with Seamco Securities here.

"People worry if they put their money in Thai banks or companies come December 31 they might be hit by the Y2K glitch and their funds will just

disappear into thin air," he said, adding that he believed the fears were "overblown."

Philippines, Indonesia and the Philippines are all in the same boat because they are not as advanced technologically as Singapore or Hong Kong," Earhart added.

Taiwan share prices, hit hard by Y2K fears, dropped 2.5 per cent over the past week and are expected to extend their losses as the new millennium approaches.

"Fund managers would be forced to sell stocks for cash to cope with mounting redemption pressure due to Y2K fears,"

said Douglas Wang, an analyst with Jardine Fleming Taiwan Securities.

While most Asian exchanges have not suffered a serious drop in point values, Y2K is taking a major toll on daily trading volumes.

In Indonesia and Thailand trading volumes are well down, while Yu Yin-kai of Grand Cathay Securities in Taiwan expects foreign investors to virtually stop trading mid-month.

"Local investors are likely to follow suit by withdrawing from the market until the Y2K concerns are removed," said Yu.

bourse were also down, but dealers attributed that to political uncertainty and a lack of foreign participation due to capital controls, rather than millennium bug jitters.

In Australia Y2K fears were blamed for the early and sharper than usual seasonal decline.

"It's quite paradoxical as it should really be a safe haven," said Commonwealth Bank of Australia economist Michael Blythe, adding Australia was among the countries best prepared for the Y2K bug.

The "safe haven" image has delivered early festive cheer to

bourses in Hong Kong, Singapore and Japan.

In the week ending December 3, average daily turnover on the booming Tokyo exchange was 629.1 million first section shares, compared to 356.4 million at the same time last year.

Nikko Securities broker Kazuo Mayazumi said investors "were rather buying computer, telecoms and high tech stocks ... If trading has slowed recently it should be linked to Christmas holidays and Japan's weak GDP."

An inflow of foreign funds looking for a safe port has sent Hong Kong's Hang Seng index to

its higher point since the Asian financial crisis erupted in 1997, while Singapore share prices are expected to breach new highs in the coming week.

India's main bourse, the Bombay Stock Exchange, has also shrugged off millennium bug fears.

"Y2K concerns have not slowed down December trading in either the Bombay Stock Exchange or the National Stock Exchange, in fact there have been record volumes traded at both exchanges," said Arjun Kapur, managing director of ARK Securities.