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# The Daily Star BUSINESS

DHAKA, TUESDAY, FEBRUARY 29, 2000

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## New EU food aid strategy offers more flexibility in choice

A new EU food-aid strategy, now in the making with emphasis shifted on cash from food, will provide greater flexibility in choice for Bangladesh and eventually be more beneficial for poverty alleviation, says UNB.

Ambassador Antonio de Souza Menezes, Head of EC Delegation in Bangladesh, came up with the view while addressing the inaugural session of a seminar 'Integration of the Cash Payment Systems in Food Security Programmes of Bangladesh' in the city on Sunday.

The seminar has been organised by RESAL Bangladesh in association with the Food Security Office of the European Commission.

It is being held to discuss the modalities on which this new strategy will be implemented, prior to preparing a memorandum of understanding for the EC and the Bangladesh government.

The EC Ambassador expressed his appreciation of government's willingness to consider the new strategy with an open mind.

EC will act in close cooperation with the government on its implementation," he said.

Explaining the policy Ambassador Menezes mentioned that the new policy includes support to programmes aiming not only at an improved and sustainable food production, but also projects that will ensure increase in levels of the income for the poorest and the most vulnerable.

## Virgin in 1.5 L PET packs SOON

Global Beverage Company Ltd. is about to launch 'Virgin' soft drinks in 1.5 L PET packages in Bangladesh, says a press release.

Virgin is the world-famous fastest-growing carbonated beverage.

At a meeting with the distributor held at IDB Bhaban in the city on Saturday, Feroz Alam, Managing Director of Global Beverage, said that the company's efforts would continue to delight the consumer by offering innovative, quality products at an affordable price so that the consumers can enjoy world-standard premium beverage products.

Global Beverage Company Ltd. under a franchise agreement with Virgin Cola Manufacturing Partnership of JK, launched Virgin brand CSD in 250 ml disposable cans for the first time in Bangladesh.

Virgin has three flavours — cola, lemon and orange. Other than this, Virgin has diet cola; another variant of the cola flavour for the health-conscious consumers. Lemon and orange flavours contain fresh fruit juice which is not being used by other soft drinks of the country.

Abul Quasem Haider, Chairman, Rezaul Haider, Mostanser Billa and Anis S. Ahmad, Directors, Sayef U. Nasir, GM Tariquzzaman, DGM Mizanur Rahman, RSM and Quamrul Hassan, Brand Manager of GBCL, were present at the meeting.

## 3-day workshop on shipping begins Mar 29

Shippers' Council of Bangladesh (SCB) will hold a three-day workshop on 'shipping and export formalities under modern multi-modal transport system' at a local hotel from March 29, reports BSS.

Experts from banks, insurance companies, customs and two SCB resource persons will conduct the workshop to equip the executives of different organisations with modern import, export activities and system and shipping-related rules.

Intending participants from export and import organisations, garments factories, shipping lines, freight forwarders, shipping agents, transport operators, port authorities, governmental bodies connected with international trade have been requested to take part in the workshop.

## Japan parliament to vote on 2000 budget today

TOKYO, Feb 28: Japan's parliament was to vote Tuesday on the fiscal year 2000 budget aimed at bolstering the nation's recovery from its worst economic slump in decades, says AP.

The House of Representatives steering committee decided to put the record-breaking 84.99 trillion yen (\$72.6 billion) budget to a vote after budget committee hearings ended Tuesday afternoon, said a parliamentary spokesman, who declined to be named.

The budget was expected to win easy approval because the ruling coalition has a majority in both chambers of parliament.

The draft budget marks a 3.8 per cent increase over the initial 81.9 trillion yen (\$74.5 billion) budget for fiscal 1999. It would take effect on April 1.

# Transcom taking over Pepsi

## ANZ Grindlays arranges Tk 75cr acquisition finance

Star Business Report

Transcom Beverages Limited (TBL) is acquiring the assets related to Pepsi franchise business in Bangladesh and has signed a syndicated term loan agreement of Tk 500 million and working capital agreement of Tk 250 million with the syndicates of top financial institutions in Bangladesh on Thursday. Specialist Finance and Advisory Services Unit of ANZ Grindlays Bank was appointed Arranger and Adviser for the acquisition finance and fund raising programme.

The participants of the programme are: ANZ Grindlays Bank, Arab Bangladesh Bank.

Credit Agricole Indosuez, National Bank and Southeast Bank.

Muhammad A Ali, General Manager and Country Head of ANZ Grindlays, wishing great success to the new Pepsi franchisee, thanked all the banks concerned for joining their hands in financing this milestone acquisition in Bangladesh.

Latifur Rahman, Chairman and Managing Director of TBL, also conveyed his appreciation to the financial institutions for their great speed and efficiency in responding to this syndication for financing the acquisition.

Amongst others, the signing ceremony was represented by Francis Dubus, Country Manager of Credit Agricole Indosuez, Shah Md Nurul Alam, Deputy Managing Director of Southeast Bank, Abu Haniff Khan, Deputy Managing Director of Arab Bangladesh Bank, Solaiman Khan Mojlish, Managing Director (Current Charge) of National Bank and K M Sattar, Head of Corporate Financial Services of ANZ Grindlays Bank.

The signing ceremony was conducted by Abrar A Anwar, Head of Specialist Finance and Advisory Services of ANZ Grindlays Bank.

TBL has already been awarded the Letter of Intent by PepsiCo Inc, USA, for exclusive bottling and marketing of Pepsi products (Pepsi-Cola, Mirinda Orange, Mirinda Lemon, 7-Up, Slice and Soda) in Bangladesh and they are in the process of acquiring assets from the current franchisees and bottlers.

It may be mentioned that IPDC of Bangladesh is the institutional equity investor in the company while Transcom Limited is the major shareholder.

The company is expected to start commercial production immediately with transfer of the assets by the end of this month.



The syndicated loan signing ceremony between Transcom Beverages Ltd (TBL) and a consortium of banks led by ANZ Grindlays for arranging acquisition finance for TBL's bid for Pepsi was held Thursday. Latifur Rahman, Chairman and MD of TBL, Muhammad A Ali, GM and Country Head of ANZ Grindlays, and Francis Dubus, Country Manager of Credit Agricole Indosuez, are seen, among others, in the picture.

## Enforcement of regulations and overseeing produres

# Political influence erodes moral strength of bank authorities

Star Business Report

Bangladesh Economic Association President and former Chairman of the Banks Reform Committee Dr Wahiduddin Mahmud has said that the financial authorities fall short of moral strength to enforce regulations and supervision even if a minute fraction of their decisions are politically influenced.

"Experiences in other countries show that it is extremely difficult to avoid using the state-owned financial institutions as a vehicle for distributing political spoils," Dr Mahmud said. "Even if the govt is determined to insulate the public banks from political influences, it is not an easy task. The government is after all not an individual entity and there are many centres of political power in a competitive democracy."

He was speaking at a discussion on the banking sector reform organised by the Bankers Club Ltd in the city Sunday.

"The government may give statements saying it has the best policy regarding these NCBs and its intentions may be good too. But there's always the risk of interference from other sectors," Mahmud said.

He said that given the dominance of the NCBs in the banking sector, the improvement of the private commercial banks alone would not ensure necessary efficiency and competition in the banking sector.

Dr Mahmud said that excepting the foreign banks, the overall indicators of the banking sector continue to deteriorate although there has been some recent improvements in the loan portfolio of local private banks.

He said that in the last two years, NCBs' classified amounts increased while those of the private banks decreased.

Huge loan default is the main problem facing the banking sector and there are many reasons for it including high interest rates and uncertain economic environment. But corruption and lack of morality are perhaps the prime causes.

"There are no instances of taking legal actions against such financial frauds although such actions are quite common in countries with more solid financial systems. It is not even clear which agency of the government will launch such criminal actions," said Dr Mahmud.

Looking back, it now appears that it is not wise to allow private banks without confirming regulatory supervision for ensuring that the sponsor-directors won't take illegal advantage from their own banks, he said.

The Bangladesh Bank is in a dilemma regarding the extent of the regulation it should enforce on private banks. Too much

control may lead to bureaucratic delays and even create scope for corruption. But these are necessary given the present lack of discipline in the banks. In future, these regulations may be phased out as the culture of genuine entrepreneurship develops among the sponsor-directors of banks, he said.

Dr Mahmud said that one has to be pragmatic in taking actions in this regard so that public confidence in the banking sector is not adversely affected. But selective measures need to be taken to transmit the correct signal for the future.

"There are corruption and forgery all around, and the central bank alone is not enough to deal with all these problems. The judiciary and other concerned forces should come forward to address to these problems."

Bangladesh Bank Governor Dr M Farashuddin said there are many other important factors like pension and insurance funds, bond market and mutual fund which contribute to the development of the economy.

He said that the central bank appears to be engaging itself with the day-to-day affairs of the banks.

The governor also said that there were certain provisions of the law which he personally did not prefer like section 27 of the Bank Company Act, which says

any loan exceeding 15 per cent of the paid-up capital has to be approved by the central bank.

"I don't like the provision and have proposed its withdrawal. Banks should be allowed to decide on their own loans," Dr Farashuddin observed.

Speaking on the occasion, the Bankers Club Chairman Kazi Abdul Mazid said that a vibrant banking sector was sine qua non for development and progress.

"The importance of banks is premised on the ground that banks are the main channel of savings and credit in an economy. The efficiency of the banks, therefore, has an impact on the financial system and the entire economy," Mazid said.

So, failures of the banks can take toll on public wealth and confidence in the economy. Bank failures or systemic banking crises occur almost invariably due to distorted management incentives, bad governance, weakness in the macroeconomic policies, frail supervision and problems in the real sector, he said.

Mazid said that lack of market discipline, proper regulation and weak legal framework along with their enforcement are the other possible factors contributing to structural weakness in the banking sector.

# Govt to provide spl incentives for agro-based industries

## Tofail seeks Indo-Bangla joint ventures

The government will provide special fiscal incentives for setting up agro-based industries in the country, Industries Minister Tofail Ahmed told the visiting Indian businessmen, reports UNB.

"We are interested to develop this sector with Indian experiences, especially agro-tech development in West Bengal," he said as the delegation apprised the minister of low-cost agro-industrial know-how.

The 19-member delegation of West Bengal-based Federation of Small and Medium Industries (FOSMI) met him at the ministry yesterday.

Led by former President of FOSMI J K Paul, the team informed the minister that they innovated low-cost jute mill to produce ropes and twines from raw jute.

They also explained their low-cost pedal-operated paddy thresher that could be used by farmers for speedy thrashing keeping the quality of paddy intact.

The Indian traders also expressed their interest in sharing their experience in setting up solar-energy projects.

Tofail Ahmed told them to share their experience with Bangladesh entrepreneurs for taking up joint ventures.

He said the government of Prime Minister Sheikh Hasina had identified village as the focal point of all development activities.

To achieve the goal rural infrastructures have been devel-

oped substantially. "Now we are attracting entrepreneurs to set up agro-based small and medium-scale industries in rural areas."

He sought cooperation from entrepreneurs of West Bengal as they have vast experience in this field.

Justifying the trade gap between Bangladesh and India, the minister said importers in many cases prefer to import from India due to proximity and low costs.

He said 90 per cent of woven fabrics for woven garment exports are being imported and exporters prefer to import those fabrics from India for the same reason.

Besides, he said, Bangladesh imports raw cotton, yarn, machinery and raw materials for manufacturing sector. Tofail said these imports are for exports from this country. So, it supplements the economy.

The Industries Minister said during the 1998 floods, the government imported huge rice from India.

Bangladesh also wants to increase its exports to India and for that the country forwarded 25 export items to Indian government for allowing preferential market access which India agreed in principle, Tofail said.

He said Bangladesh has huge reserves of gas with which more electricity and urea are being produced even for export and India could import it due to cost-effectiveness.

"We have trade gap with China, but with USA trade is in our favour, as also with many other countries," the minister told the Indian business delegation.

He said market forces determine trade volume and the government is pursuing with Indian government proposal for opening avenues to generate both-way trade. And time will come when trade will be in favour of Bangladesh.

Regarding investment, the minister urged the FOSMI members to set up more joint venture projects in Bangladesh. "You can also meet the demand of your country through shifting your products by buy-back system which yield benefit to both the countries."

## Two-day FIDP launching workshop begins today

A two-day workshop on launching of the Financial Institutions Development Project (FIDP) begins in the city today, says UNB.

Bangladesh Bank and the International Development Association (IDA) of World Bank jointly organised the workshop, said a press release.

Governor of Bangladesh Bank Dr Farashuddin, will inaugurate the workshop at 11 am at Hotel Purbani.



Picture shows farmers at Chandina in Comilla taking the harvested French beans to the BRAC Centre for selling.

# French beans in European markets make another success story

By Monjur Mahmud, back from Chandina, Comilla

French beans produced by Bangladesh farmers are now selling at different London supermarkets and competing with the produces from other traditional exporters like Kenya, Mali and Ghana.

Introduced only some four years back, the local farmers are already finding it a lucrative crop as it is fetching foreign exchange and employing the rural women in its processing job.

"More than 60 tonnes of French beans have already been exported till now," said Dr. A Quasem, Managing Director of Horticultural Export Development Foundation (Hortex Foundation), which is working to develop, promote and market exportable horticultural products.

Ruhul Amin is one such farmer at Shimantapur village in Chandina thana under Comilla district who has been attracted to the new crop.

He gets Tk 25 per kg for extra-fine French beans and Tk 15 for fine-quality French beans from BRAC.

BRAC engaged some 36 farmers in the bean farming in the 1998 fiscal year, and around 200 farmers got involved in it by the very next year.

The number is still increasing as more and more people are getting attracted to the commodity because of the buy-back arrangement, said Abdul Mannan, Marketing Manager of BRAC.

"We have a good prospect in non-traditional vegetables because these are labour-intensive produces," he added.

Besides farmers, around 128 women were engaged in sorting, grading and cooling the French beans in the village, said another BRAC official.

Hallima Khatun, a worker,

said that she was jobless before the beginning of French bean farming. "Now, I earn Tk 50 every day by processing the crop," she added.

Hortex helped export 27 tonnes of French beans in 1997-98. Later in 1998-99, another 36 tonnes were exported to UK, the Netherlands, France and Belgium.

Extra-fine French beans fetch US\$ 3.21 per kg, which is much higher than the average price of other vegetables.

Apart from the French bean, five metric tonnes of summer crops like bitter melon, yard-long bean, okra, chili and baby pineapple were also exported to UK in 1997-98. In 1998-99, this amounted to six metric tonnes.

# NBR seeks business support in framing fiscal policy

National Board of Revenue (NBR) Chairman Abdul Mueyed Chowdhury sought cooperation from business people to frame next year's fiscal policy that will help industrial growth and government revenue earning, says UNB.

"Revenue income is not the lone purpose of fiscal policy. It also aims at adding dynamism to the economy by allowing smooth growth of industry," NBR Chairman Abdul Mueyed Chowdhury told a meeting with business leaders at FBCCI auditorium Sunday.

Moreover, the fiscal policy should also make way for providing funds for development programme of the government, he added.

He invited the chambers and trade associations to put forward coordinated recommendations through their apex body to help frame next year's budget.

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) organised the

meeting to kick off the pre-budget discussions between the revenue officials and private sector leaders.

FBCCI has already advised its member bodies to send their suggestions for fiscal measures in the next budget.

The meeting, however, dominated mostly on the mandatory pre-shipment inspection (PSI) introduced from February 15 for a period of 3 years as some importers were confused and suggested amendments.

FBCCI president Abdul Awal Mintoosaid the tax structure of the current budget is not, in many cases, fair and it needs to be more transparent and well arranged for the sake of trade and industrial promotion.

He said the whole tax structure, revenue and development expenditures should be set at a level that can be achieved, he added.

The FBCCI president appreciated the practice developed by the present government to en-

sure representation of private sector in making of the budget. He said this type of negotiations would bring the government and private sector closer and help successful implementation of budgetary policy.

The NBR Chairman said the 1999-2000 budget incorporated recommendations, which were agreed in the course of interactions between NBR and chambers and trade bodies.

Separate task forces for VAT, income tax and customs will be formed with representatives from the FBCCI to work out strategies for the 2000-01 budget, he said.

Elaborating the provisions of PSI, he said the system will definitely reduce harassment of importers and save their time as 95 per cent of total consignment will be cleared by PSI certificates without any further query by Customs.

"Through PSI, we're going to start green channel for importers," he said.

## Agrani Bank cuts interest rates

Agrani Bank has again decided to reduce its rate of interest on different loans and advances.

This decision was taken in the meeting of the Board of Directors on Thursday, says a press release.

The bank decided to cut again its rate ranging from 0.50 per cent to 2 per cent depending on the types of loans including industrial credit, all agricultural credits, small loans for entrepreneurs and loans against DPS accounts and various government bonds.

The reduced rate will come into effect on March 1, 2000.

The bank hopes that industrial sector will be inspired and industrialisation accelerated in the country by this step. The small and marginal farmers will be able to avail themselves of the reduced interest rate.

The move is also expected to boost investments in agricultural and industrial sectors and the borrowers will be encouraged to pay their debts in due time besides taking loans under these new regulations.

# Indians seek jt ventures with Bangladeshis

Star Business Report

A West Bengal trade delegation has invited Bangladeshis entrepreneurs to set up joint ventures with their Indian counterparts.

The invitation was made at a meeting between the DCCI members and the 17-member delegation from the Federation of Small and Medium Industries (FOSMI) held at the DCCI auditorium on Sunday.

Aftab-ul-Islam, President of DCCI, chaired the meeting, which was attended, among others, by private sector business leaders of Bangladesh, said the Dhaka Chamber of Commerce and Industry in a press release.

J K Paul, past president and Council Member of FOSMI and the leader of the delegation, said there is a vast potentiality for promoting business between Bangladesh and India.

He urged Bangladeshi entrepreneurs to enter into joint venture with Haldia Petro

Chemical and different other willing business units in India. He opined that there is a vast scope for exchange of technical know-how between the two countries and to explore the potentiality for joint venture on that basis.

He suggested that an EPZ be established at a middle place of Bangladesh and India so that both the countries can benefit from it. To narrow down the business gap between the two countries, a survey should be conducted.

Delegation members, representing different sectors like metal clad switches, locomotives, chemicals, paints, machineries and assembling, jute mill machinery, spares and component of diesel, mono aluminum phosphate, electro chemicals, material handling equipments, had good interaction with the entrepreneurs of Bangladesh.

DCCI President mentioned

that Small and Medium Industries in India has been playing a vital role contributing about 40 per cent of industrial production and 35 per cent of export and creates the highest number of jobs next to agriculture.

He reiterated that SMEs in Bangladesh have also been playing a very important role.

FOSMI, a representative organisation of SMEs, can play a vital role in improving the situation of SMEs. He also informed that about 70 per cent of DCCI are from SME sector. So, both FOSMI and DCCI have some similar feature to extend joint efforts and expand cooperation for this sector.

He mentioned that trade between the two countries did not proceed reciprocally. In the year 1998-99, Bangladesh exported goods worth US\$48 million and imported US\$1221 million, showing a deficit of US\$1173 million.