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Improving public spending, revenue collection main challenges

World Bank Country Assistance Strategy says

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Terming Bangladesh's development as a mosaic of achievements and disappointments in the 1990s, the World Bank has said improving the quality of public expenditures and increasing domestic resource mobilisation were the major fiscal management challenges for the country.

"While the level of public spending is not high relative to international norms, the quality of public spending is low and has been deteriorating. The Annual Development Programme (ADP) continues to include projects of questionable rationale and priority," the World Bank said in its new Bangladesh country assistance strategy (CAS) for FY2001-03.

Country Director of the World Bank Frederick T Temple placed the CAS at a press conference in the city yesterday.

The multilateral donor agency also said the share of interest payments in recurrent expenditures has also increased rapidly and the continued accumulated losses of the state-owned enterprises markedly increased the quasi-fiscal deficit.

"Contingent liabilities have also risen sharply due to government-guaranteed power purchase agreements negotiated with foreign investors and because of greater reliance on suppliers' credit – up by nearly one per cent in FY00."

The Bank also observed that the country's revenue collection, one of the lowest in the world at about nine per cent of GDP, also slipped further during the last two years against ambitious targets. "Improving revenue collection, historically a priority, has now assumed greater urgency," the World Bank said.

About the government's borrowing from the banking system for financing the deficit, the bank said broad money growth accelerated to 19 per cent in FY00 from 13 per cent in FY99. But bumper harvests, slack non-agricultural activities and delays in adjusting artificially low administered prices and taka's real appreciation so far kept inflation low, the Bank said.

Continued monetisation of fiscal deficit as well as increases in administered energy prices and the rise in international oil prices, however, will inevitably create inflationary pressures, the Bank predicted.

Despite these concerns, the Bank viewed the country's economic performance relatively strong in the nineties, particularly in the recent past with average GDP growth of 5 per cent.

It said that the manufacturing and construction were main sources of growth in the first half of the 1990s and agriculture and trade services in the second half of the decade. The agricultural growth in the second half helped attain near self-sufficiency in food production, but failed to accelerate rural growth due to an absence of coordinated approach, the Bank said.

"Although agricultural output, especially food grain production, expanded rapidly during the last half of the 1990s, the lack of a coordinated approach to rural development has resulted in lost opportunities in accelerating growth of the rural economy through greater diversification and faster growth of non-farm activity," the Bank said.

It also observed that the rural growth had been slower than it could have been and reduced the rate of rural poverty alleviation.

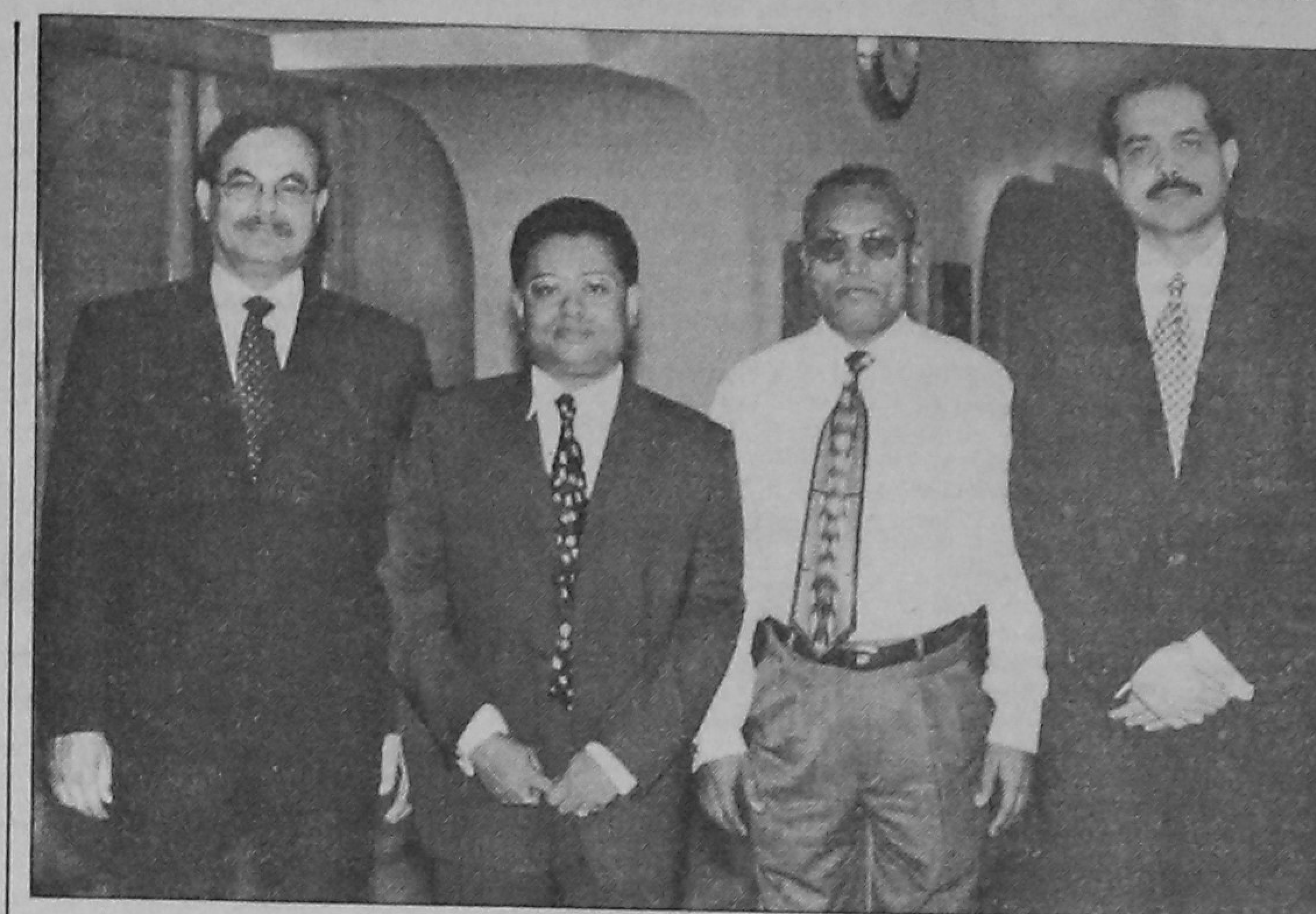

PHOTO: BGMEA

The 18th Annual General Meeting of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) was held at a city hotel on Monday with the outgoing President of the Association, Anisur Rahman Sinha, in the chair. All the office-bearers, directors and members of both the outgoing and newly-elected committees were present. Picture shows (from left) Second Vice-President Kazi Moniruzzaman, President Kutubuddin Ahmed, First Vice-President Ershadullah and Vice-President Atiqul Islam. At the meeting, the newly-elected president took over the charge.

Hyundai Cement achieves historic production success

Hyundai Cement (Bangladesh), the Group Company of Holders Bank Switzerland, has achieved historic production milestone, says a press release.

In yet another clear indication of its rapid growth and operational excellence, the company has crossed one million tons production /dispatch level. The company has become one of the largest manufacturers of high-performance cement in the country.

In a market characterised by a rapid proliferation of cement brands with wide variances in supply, fluctuating prices and inconsistent quality, Hyundai cement has risen to become the leading brand in the market by being the only multi-national cement manufacturer producing locally, and consistently delivering high quality, high performance, fresh cement to the market.

And the company continues to fulfill its reputation as a world-class corporation by adhering to strict international production and quality control standards, dynamic human resource development policies, a clear commitment to environmentally friendly practices, and effective socio-economic development programmes.

Aside from continuing to command the leading market share in the domestic cement industry, with its popularity and demand soaring, the Hyundai Cement brand is also clearly emerging as the 'brand of choice' for large scale private and public sector infrastructural projects.

One of the greatest testimonies to Hyundai Cement's success in the Bangladeshi market is the fact that the company can still lay claim to having been the main cement brand to be used for building one of the country's largest ever infrastructural projects, the Bangabandhu/Jamuna Bridge.

In addition, Hyundai Cement has also been exclusively selected for usage in another massive infrastructural project, the Bhairab bridge in Brahmanbaria district.

Ailing power sector now needs external help for capacity building

E7 Network-DESCO workshop told in city

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The country's power sector now in a precarious condition needs external expert assistance to increase its institutional capacity, said Md Sharfuzzaman Bhuiyan, Chairman of DESA and DESCO.

"The present electricity demand is almost 3,500 MW while the Power Development Board (PDB) generates between 2,600MW and 2,700MW," he said while inaugurating a workshop jointly organised by Canada-based E7 Network and Dhaka Electricity Supply Company Ltd (DESCO) at Sonargaon Hotel in the city yesterday.

The workshop on 'E7 DESCO Electricity Distribution' has been designed to strengthen DESCO's management efficiency and improve the distribution system under its jurisdiction in Mirpur area.

The member countries of E7 Network are the USA, Canada, the UK, Germany, France, Italy and Japan.

The function of E7 Network is to coordinate non-commercial projects and act as an advisory group on electricity, energy and environmental issues.

The E7 Network will provide assistance to DESCO under a framework of sustainable energy development. Five experts from the E7 are attending the 5-day workshop.

On invitation by the Asian Development Bank (ADB), the E7 Network has conducted two missions in Bangladesh in 1998 and 1999 to assess the power sector assistance needs.

Managing Director of DESCO Brig General M Mofizur Rahman (Rtd) said the revenue earning in the DESCO designated area has increased to Tk 10 crore which was Tk three crore earlier. The power system loss in the area has also reduced to 29.7 per cent from the earlier 48 per cent.

He mentioned that the number of subscribers in DESCO area is increasing at a rate of 15 per cent.

E7 expert Takao Shiraishi of Kansai Electric Power Company in Japan said E7 is a group of power companies from the G7 countries which cooperate with governments on electricity-related issues with an emphasis on the global environment and sustainable energy development.

Meet to discuss 10 study findings

Three-day SAPRI confce begins in city today

UNB, *Dhaka*

A 3-day conference begins in the city today to present findings of 10 studies on the impact of World Bank-sponsored Structural Adjustment Policies on Bangladesh economy.

Structural Adjustment Participatory Review Initiative (SAPRI) in Bangladesh will present the findings to its Second National Forum at CIRDAP auditorium to discuss and debate among civil society, World Bank and government.

Finance Minister Shah A M S Kibria is expected to inaugurate the Forum to be participated by ministers, former ministers, MPs, civil society representatives, officials, academics, business leaders and politicians.

Director (Research) of SAPRI Bangladesh, Dr Debapriya Bhattacharya, announced the programme of the Second National Forum at a press conference at the Centre for Policy Dialogue office.

SAPRI Bangladesh conducted the studies during 1999-2000 period to assess the impact of structural adjustment on agriculture, trade and environment, financial sector and corruption, poverty and gender issues.

The issues were identified at the First National Forum of SAPRI Bangladesh in October 1998.

Eminent economist Prof Rehman Sobhan heads the Bangladesh SAPRI Steering Committee while Prof Wahiduddin Mahmud is the convener of the Bangladesh SAPRI Technical Committee.

The platform was formally launched at the first global forum held at the World Bank Headquarters in Washington, USA, in July 1997.

Dr Debapriya said the initiative was taken following repercussions in many countries about the impact of the donor-prescribed structural adjustment policies.

Bangladesh is one of the eight countries where this initiative was launched. Other countries include Equador, Uganda, Ghana and Hungary.

Course for Jiban Bima officers starts at BIA today

A one-and-half-week long training course on "Basic Course for Life Insurance Executive" arranged by Bangladesh Insurance Academy will start today at Bangladesh Insurance Academy Bhaban in the city, says a press release.

More than 20 officers from Jiban Bima Corporation will attend this course, which concludes on March 27.

The course will be inaugurated by K M Mortuza Ali, ACII, Director, Bangladesh Insurance Academy.

Financial Times report says

Mastercard, Europay planning merger

AFP, *London*

Mastercard and Europay, the privately-owned credit and debit card networks, have agreed the outlines of a merger designed to bolster Mastercard's position against arch-rival Visa, the Financial Times reported Monday.

Under the all-share proposal, the European banks that control Europay are expected to be offered new shares representing between a quarter and a third of Mastercard, which will remain based in Purchase, New York, the report said.

If the deal is approved by shareholders it will create the world's largest debit card network and be second to Visa in credit cards.

The two boards believe a merger would help cut costs and align European and US strategies, the Financial Times said, adding that negotiations have been going on since early last year, when Europay considered several possible deals to form a global group.

The paper said the directors of Europay were confident that shareholders will back the deal which it said would give Europe's banks a handful of guaranteed seats on the board of Mastercard.

But the two groups are not planning to announce the agreement for some time, with one option being to wait for the biannual members' get-together in Munich in June, the report added.

Mastercard and Europay provide the processing platforms for card brands such as Mastercard, Maestro and Eurocheque, set the rules under which banks may issue the cards and run expensive marketing and advertising operations.

Both are run as not-for-profit businesses designed to benefit the banks that control them.

PHOTO: BKB

Finance Minister Shah A M S Kibria inaugurates the Teliapara Branch (871st) of Bangladesh Krishi Bank under Madhabpur upazila of Habiganj district. Enamul Haque Mostafa Shaheed, MP, Chairman, Parliamentary Committee on the Ministry of Planning, Murshid Kuli Khan, Managing Director, BKB, MG Mohiuddin Ahmed, General Manager (CC), Sylhet Division, and Deputy Commissioner of Habiganj were also present on the occasion.

Indian software sector shrugs off global IT jitters

AFP, *Bangalore, India*

India's software sector is shrugging off the global infotech malaise, predicting continued growth and seeing opportunities amid the storm clouds over Europe and the United States.

While stressing that IT firms here could not afford to be complacent, Dewang Mehta -- head of the trade body National Association of Software and Service Companies (Nasscom) -- was relatively upbeat about the future.

"We must be smart enough to strategise and convert the current slowdown in the US economy to our advantage as we have low cost labour," Mehta told AFP on the sidelines of a conference on the future of technology in Asia.

He said the cut in global IT spending due to the US economic slowdown would not affect the Indian software industry as a whole, although it would have "some impact" on certain firms.

"As an industry we will achieve the 6.24 billion dollar target set for the current fiscal year. Some companies will be hit but at the same time some will maintain their growth rates and some will do better," Mehta said.

Indian software firm NIIT has already issued a lower earnings warning.

"This is the time to build," said V. Shankar, Bank of America's managing director for Asia.

"The slowdown will affect only those companies which are into one product or solution. For the majority of the Indian IT firms that is not the case."

Shankar said India had garnered only five per cent of software revenues from the global market estimated at 140 billion dollars.

"So there is very little impact that Indian IT firms can have. India may not lose out," he said.

Nasscom's Mehta said the low cost labour opportunity could translate into more orders for Indian IT firms from the global market during recessionary periods.

He said revenues from Europe were slated to increase from 23 per cent of software export revenues to 25 per cent this year.

Bowman Cutter, Managing Director of Warburg Pincus, echoed Mehta's views and ruled out a major impact of the US slowdown on Indian firms.

"It will not have a big numerical effect. India has relatively low trade and its proportion to global trade is significantly low. So when a problem affects the global economy the effect here will be minimal," Cutter said.

Nasscom said of the 185 Fortune 500 companies which outsource to Indian IT firms, 73 have said there will be no cut in the outsourcing work.

G10 bankers see world economy recovering in second half

AFP, *Basel*

The world economy should recover in the second half of the year but caution is the watchword for G10 central bankers, the governor of the Bank of England, Eddie George, said here on Monday.

But George observed that they were facing a bumpy landing in the first half of this year, and he said that the Japanese economy would continue to grow at a very moderate rate.

George, who is spokesman for central bankers from the Group of 10 most industrialised countries, said that the bankers expected growth in the European Union to continue this year at a rate of about 3.0 per cent from growth of 3.4 per cent in 2000.

The latest indicators on the state of the US economy were better than had been expected in January, but it was too soon to cry victory on the economic situation in the United States, George said after a meeting of the central bankers at the headquarters of the Bank for International Settlements, the so-called central bankers' central bank.

The data on US growth and on unemployment were better than had been expected in January, he said. Thus the central bankers still expected growth to recover in the second half after a bumpy landing in the first and second quarters.

The G10 bankers had foreseen this when they met in January.

Japanese emergency package gets thumbs down on markets

AFP, *Tokyo*

A controversial package of proposals put forward by Japan's ruling coalition parties to revitalise the economy and breathe new life into the bourse got the thumbs-down on financial markets Monday.

The Nikkei-225 share index plumbed its worst close since April 1985 with investors spooked by a Nasdaq slump, unimpressed with the package unveiled by the Liberal Democratic Party (LDP) and its two coalition partners on Friday.

A contentious proposal for the government to lead a takeover of banks' shareholdings formed the cornerstone of the package presented to beleaguered Prime Minister Yoshiro Mori.

The slump on the bourse is destroying the unrealised gains held by banks on their vast equity holdings, sparking fears of a new financial-sector crisis in Japan with the economy showing little sign of life.

But stock analysts gave the package short shrift, which they said failed to explore the structural reforms that many claim are really needed to revitalise the world's second-biggest economy.

"The package may look attractive at first sight but the market feels it is just lip service," said BNP Paribas Securities (Japan) equity trading manager Kazuhiro Nomura. "The market has no trust in the LDP at all."

Political uncertainty surrounding Mori, who is widely expected to resign soon, could also undermine the prospects of the proposals finding their way to the statute books.

"It could be a good plan, but they have no concrete deadlines to achieve those goals," said Hiroichi Nishi, general manager of products at Nikko Securities.

"Unless the proposal comes with more details, it probably won't help the market much."

The plan proposed the creation of a private fund to take over the banks' share holdings. It also included tax breaks on stock and property transactions, and an appeal to the Bank of Japan to relax interest rates further.

The LDP was trying to throw the spotlight back on the central bank instead of addressing structural reforms, said Robert Feldman, chief economist with Morgan Stanley Dean Witter in Tokyo.

"The devil is in the details," he added of the bank share buy-back scheme.

"Will the funds be able to buy the stocks at a special price, who is going to pay in case there are losses, what will happen with the voting rights?

"If the voting rights stay with the banks, it is meaningless," Feldman said, adding the "key issue is who controls the corporate governance?"

The Japanese yen failed to derive any benefit from the proposals, slumping through 120 against the dollar in line with the weaker Nikkei.

"The market came to the conclusion that the coalition parties' stock market stabilisation package cannot work as a quick fix," ABN Amro foreign exchange assistant manager Shuji Takano said.

But Chuo Securities equities general manager Akira Nakamura was more positive, saying it would take time for investors to fully digest all the suggestions in the package.

"Fundamentally, the proposal itself is positive for the market," he said.

S'pore denies job-snatching criticism of imported workers

AFP, *Singapore*

Singapore Monday ruled out easing the tiny republic's aggressive foreign recruitment policy, rejecting criticism that imported talent robbed young Singaporeans of job opportunities.

Minister of State David Lim accepted the policy was not popular but said Singapore's leaders were prepared "to take the heat" to convince the population that it was the right move.

Singapore's targeting of foreign workers has seen the number of non-Singaporeans in the city-state leap from 14 per cent to 25 per cent of the four-million population in the past decade.

Speaking as the government opened a new phase in foreign talent by lifting the ceiling on overseas law granduates, Lim said Singapore needed foreign talent investment now just as in the 1960s it needed foreign capital investment.

"We welcome (foreign talents) and go around the world recruiting them," he told the opening of a leadership development seminar.

"We need foreign talent because global competitiveness is based on better ideas and breakthrough innovations. And ideas are carried out in the heads of people," he said.

"If we build barriers to keep talents out, we lose out on the fuel that drives the global economy, just as we would have lost out if we had kept foreign investments out of Singapore in the 1960s."

The government had been accused of "selling out" Singaporean workers, while foreign workers were said to be "disrupting our way of life, making us work harder and longer hours to compete with them," Lim said in detailing the criticisms of imported talent.

"This is not popular policy, just as promoting foreign investors was not at one time in our history."

By the 1980s, when most of Southeast Asia and many developing countries around the world realised the importance of foreign investment, Singapore had a 15-20 year head start, he said.

Last week, the government took steps to plug holes in the legal profession that included raising the limit on overseas graduates from 50 to 90 over the next four years.

A lawyer squeeze has developed because of a growing demand from foreign firms tying up with Singapore companies, and the trend for corporations and other organisations to employ their own in-house legal counsel.