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# Star BUSINESS

DHAKA SATURDAY MAY 5, 2001

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## Policy supports for setting up RMG backward linkages demanded UNB, Dhaka

Textile manufacturers have demanded specific guidelines and immediate policy supports from the government to set up backward linkages for survival of RMG sector in post-quota regime beyond 2004.

They said establishment of backward linkage industries is possible within three years if it is made mandatory for banks and financial institutions to channel 30 per cent of their loans for backward linkage.

Leaders of Bangladesh Export Manufacturers and Exporters' Association (BGMEA) and Bangladesh Specialised Textile Mills and Powerloom Association (BSTMPA) at a meeting Thursday made the demand and deplored absence of government's vision on policy for this vital sector.

They apprehended that it would be difficult for garment sector to survive after 2004 if speedy measures are not taken in this regard particularly in knit and weaving sector.

The meeting discussed the possibility of using the local fabric in the export-oriented garments specially the local pocketing cloth.

## Performance Audit Manual launched

The Performance Audit Manual prepared by the Strengthening the Office of the Comptroller and Auditor-General Project (STAG) has been launched, says a press release.

The launching ceremony was held at a city hotel on Wednesday with Syed Yusuf Hossain, Comptroller and Auditor-General presiding.

Sheikh Fazul Karim Selim, Minister for Health and Family Welfare, was the chief guest while Dr. Akbar Ali Khan, Finance Secretary, was special guest on the occasion.

Syed Sajedul Karim, National Project Director of STAG Project, said the introduction of the manual is a significant improvement in audit methodology in the country. He thanked the UNDP for providing financial assistance in preparing the manual.

The Comptroller and Auditor General of Bangladesh said the government audit has recently entered a new phase by introducing audit code and government auditing standards with technical assistance of the development partners.

Dr. Akbar Ali Khan, Finance Secretary, welcomed the introduction of the manual saying wastage is the major problem in the economy of Bangladesh. This manual will help reduce wastage, he expected.

In his speech, the chief guest spoke of the role audit can play in a country and expressed his hope that the officers who are trained in this methodology will contribute to the well-being of the nation.

## New guidelines may dash 25pc cash subsidy on textile exports

UNB, Dhaka

All good intentions of giving 25 per cent cash subsidy on textile exports are likely to be subverted by new guidelines said to be inconsistent with textile-manufacturing processes.

Textile entrepreneurs said the new decision would raise cost of fabric production and frustrate entrepreneurship as well as increase government expenditure for same quantity of fabric exports.

The subsidy was introduced in 1994 for the local textile fabric producers to encourage ready-made garment exporters to use local fabrics for value addition to the export apparels mostly made with imported foreign fabrics.

But Bangladesh Bank issued a circular on March 5 amending the previous guidelines that allowed each of the production chain - spinning, weaving and RMG manufacturing - for the cash incentive.

The amendments aimed at preventing irregularities like submitting fake documents to avail the facilities, a senior official of the central bank told UNB.

However, according to the cir-

cular, the changes were made for optimum utilisation of the state support for value addition to the products of the top export-earning sector.

Fabric manufacturers said they have to make a stock of fabrics of common demand by RMG manufacturers to meet the lead-time, usually very short.

To meet the lead-time demand, they used to produce fabrics of common demand in advance procuring yarn through cash purchase, using pay orders, demand draft, TT and other bankable instruments.

Later, they claimed subsidy on the basis of the amounts paid for purchasing yarn through the instruments.

Now it would be very difficult to meet the timeframe using the payment instrument, back-to-back LC, as production requires yarn procurement, fabric procurement and dyeing, printing and finishing, they pointed out.

As per the new guidelines yarn will have to be procured through back-to-back LC.

"A section of the textile entrepreneurs manipulated the good intentions of providing cash sub-

sidy to make their lot through producing fake instruments," said an official quoting an investigation findings.

However, he said, genuine entrepreneurs are unlikely to face trouble in the new guidelines.

Entrepreneurs said small spinners are hardly interested in back-to-back LC because most of them are bank defaulters. If they use this instrument, their banks deduct some amounts of the LC value to realize the outstanding loans.

Director of Lipika Fabrics Ltd Engr F Hassan Murad said the spinners demand high price for yarn, additional Tk 3-4 per pound, if weavers offer back-to-back letter of credit.

One spinner offered him two separate quotations for supplying yarn - one Tk 52 per pound for cash purchase and the other Tk 56 per pound for LC. The weavers will also have to spend more Tk 1.50 per pound of yarn for opening LC.

"Thus, yarn procurement through LC would raise cost of fabrics to force RMG entrepreneurs to make procurement from outside the country frustrating the fabric entrepreneurs," he said.

The increased cost can be

managed if pay orders, demand drafts and other negotiable bank instruments are allowed in the cash subsidy guidelines for procuring yarn.

However, Murad said mandatory back-to-back LC procedure would not affect those who have all the three production sub-sectors - spinning, weaving and RMG. But there are very few entrepreneurs with the full cycle.

He said only 2-3 weaving mills exported fabrics in 1993-94 which now rose to around 132 to meet about 18 per cent of the required fabrics by the export-oriented RMG industry.

This was possible due to the cash subsidy given since 1994.

Showing another equation, Murad said the new system would increase government expenditure for same quantities of fabric exports while the RMG exporters would face trouble in opening back-to-back LC.

The new guidelines allow RMG export for the subsidy which will be calculated on FOB.

Ready-made garment exporters open back-to-back LC to around 60 per cent of the total LC value for fabric import and other 15 per cent for other accessories.

## Post-MFA apparel industry a major threat to economy

Country document for 3rd UN Confee on LDCs says

STAR BUSINESS REPORT

A major threat to Bangladesh economy is the possible displacement of its apparel industry by competing exporters after phasing out of MFA in 2005, said a report prepared for the 3rd UN Conference on Least Developed Countries (LDCs).

The threat of displacement by competing exporters has become higher due to the recently-enacted US Trade and Development Act 2000 (USTDA).

The USTDA granted 72 countries of the sub-Saharan and Caribbean regions duty and quota-free access to the US apparel market, said the report to be presented at the conference beginning on May 13 in Brussels.

The report has been prepared under the responsibility of the Economic Relations Division (ERD) after consultation with the members of National Preparatory Committee represented by various ministries, Chambers of commerce and industry and non-government organisations in Bangladesh.

"The growth momentum of Bangladesh in economic as well as

social fronts will suffer serious reversal and there will be major dislocations on the economic front, particularly with respect to balance of payments situation, if the industry gets displaced by competing exporters."

Bangladesh urgently needs international support to be able to withstand such exogenous shock, it said.

In the short run, there is a strong case for providing quota and tariff free access to Bangladesh's export by its major trading partners prior to the phasing out of MFA.

In the medium and long run, Bangladesh will need technical and financial supports to diversify its production base and achieve greater competitiveness by relaxing various supply-side bottlenecks, the ERD report mentioned.

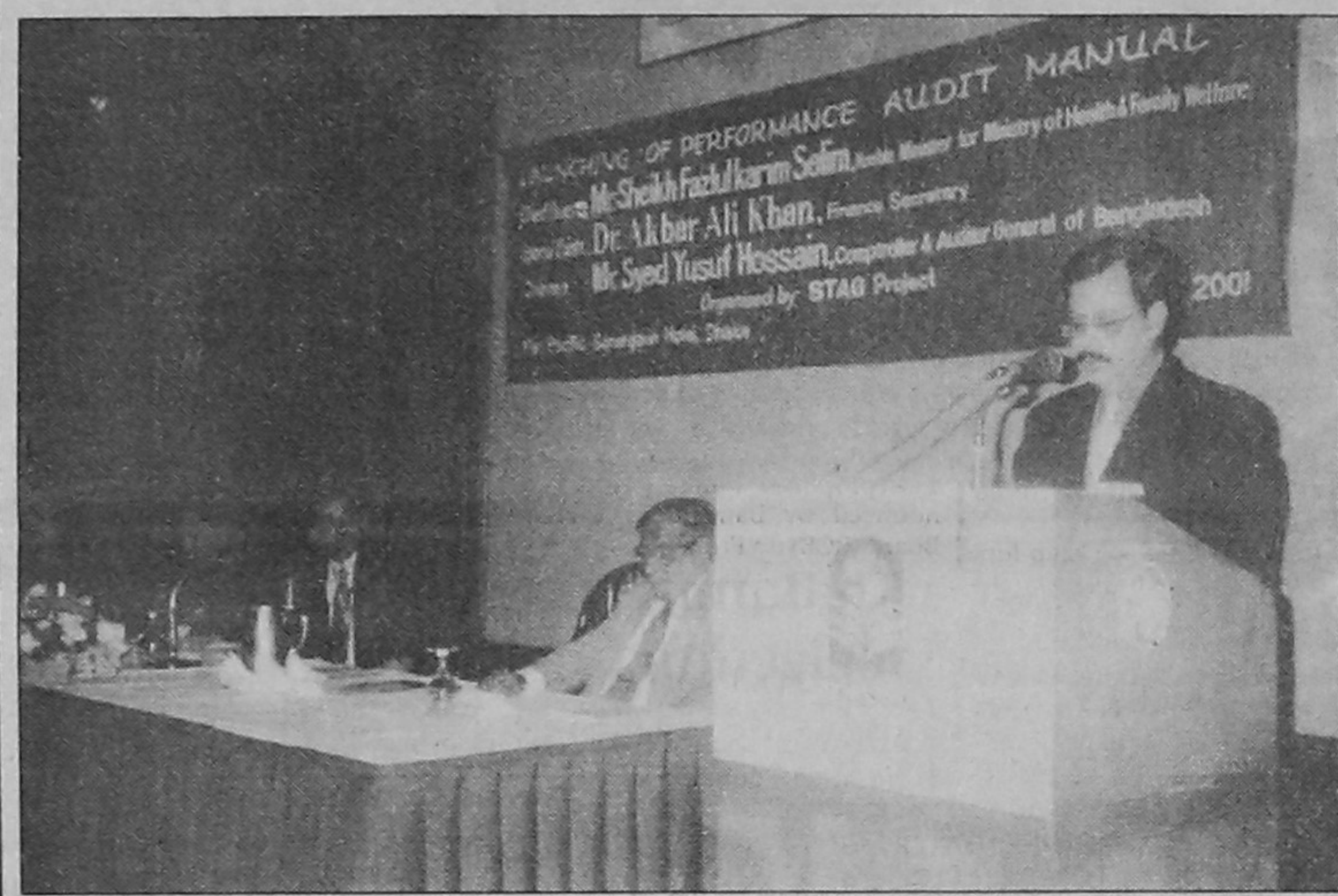
"The degree to which the targets set in the Action Programme 2001-2010 will be realised, will hinge critically on the extent to which the international community leaves up to its commitment with regard to greater market access, increased official development assistance (ODA) support, larger inflow of FDI and enhanced technical assistance".

Under the WTO Agreement on Textiles and Clothing (ATC), the MFA is going to be phased out by 2005. The gradual reduction in the import tariffs on clothing is also going to erode the benefits that Bangladesh enjoys under GSP facilities, it stated.

As a result, Bangladesh will face stiff competition from countries, which until now were restricted because of the quota or the high level of import tariffs, the report said adding Bangladesh will be specially disadvantaged in this competition, as it is dependent on imports for more than 80 per cent of its fabric needs for the apparel industry.

Currently, apparel export accounts for about 75 per cent of the country's gross export earnings, it said stating the industry employs nearly 2 million workers, which constitutes more than 40 per cent of manufacturing employment and of whom nearly 90 per cent is female.

The high rate of employment of women has contributed to their empowerment, increased their mobility and expanded their individual choices, the ERD report said.



Sheikh Fazul Karim Selim, Minister for Health and Family Welfare, speaks at the launching ceremony of Performance Audit Manual, prepared by STAG project, held at a city hotel on Wednesday. Dr. Ali Akbar Khan, Finance Secretary, and Syed Yusuf Hossain, Comptroller and Auditor-General, were also present on the occasion.

## Move to weather fire incidents BGMEA-PDB team to inspect RMG factories

UNB, Dhaka

To check frequent fire incidents in export-oriented garment factories due to electric short circuit, a joint team of BGMEA and PDB will inspect the factories in PDB area to see their power arrangements.

During the inspection, PDB officials and technicians will inform owners of garment factories of the faults in their electric system and suggest measures to check possible accidents.

This was decided in a meeting between a BGMEA delegation led by its president Kutubuddin Ahmed and PDB Chairman Brig MA Malek at the latter's office.

The BGMEA president informed the PDB chairman of power-related problems in the garments sector and sought his

cooperation in this regard.

He requested the PDB chairman to give permission to factory owners to use over 50 kilowatt electricity without setting up a sub-station which, he said, is expensive for the factory owners for shortage of capital.

PDB chairman told the BGMEA delegation to discuss the matter with the concerned ministry.

The BGMEA president also requested the PDB chairman not to make installation of Power Factor Improvement (PFI) compulsory for the garment factory owners as a PFI costs Tk 2 to 2.5 lakh.

He suggested that PDB set up the PFIs in the garment factories and factory owners repay the cost in instalments within two years.

The PDB chairman accepted the proposal and assured immediate steps in this regard.

## G8 works out action plan to narrow digital divide

AFP, Tokyo

Eight of the world's leading countries have worked out an action plan to help narrow the so-called digital divide between industrial and developing nations, a leading business daily reported Friday.

The plan calls for setting up an international organisation by next January to assist developing countries in equipping themselves with information technology (IT) expertise, the Nihon Keizai Shimbun said.

It will be presented to the Group of Eight (G8) summit in July and be reflected in agreements by leaders from Britain, Canada, France, Germany, Italy, Japan, Russia and the United States, the daily said.

The task force, comprising experts from governments, international organisations, businesses and non-profit organisations, will send missions to developing countries for up to six months to advise them on ways to build up IT infrastructure, the report said.

Japan's new Prime Minister Junichiro Koizumi intends to

pledge Japan's financial help for the project. He is also expected to promise to send Japanese experts to the IT task force, the daily said.

The action plan also calls for helping developing nations draw up IT strategies, train specialists and become players in global electronic commerce, the report said.

At its last annual summit in Okinawa, Japan, the G8 agreed to set up a panel of diplomats to discuss ways to narrow the digital divide, the gap between industrial and developing countries in economic benefits generated by IT.

The project has also brought together experts from developing nations, such international organisations as the World Bank, the UN Development Programme (UNDP) and non-profit organisations, the report said.

## Malaysia reviews power firm restructuring after California crisis

AFP, Kuala Lumpur

Malaysia has second thoughts about restructuring state-owned power firm Tenaga Nasional after California's energy crisis, Prime Minister Mahathir Mohamad said Friday.

The premier said the earlier approach was to split up the distribution division from transmission and power generation operations, with Tenaga involved only in distribution.

But California's recent crisis was a "lesson to us," he said.

"We will have to be careful about how we do these things... we cannot follow other peoples' example because they are not infallible, they can make mistakes," he

told reporters.

"If they make mistakes, we will have very serious trouble if we follow them."

The California Public Utilities Commission in March authorized a 40-per cent rate hike after "rolling blackouts" cut power to hundreds of thousands of homes and businesses.

The state's crisis stems from a 1996 deregulation of its energy system where investor-owned utilities gave up control of the transmission grid and were obliged to sell off most of their power generating plants.

## Refineries running dry to meet demand Oil treks higher on US gasoline warning

REUTERS, Singapore

Oil prices trekked steadily higher on Friday to near lofty \$29 levels as a US government warning of tight gasoline supplies this summer spooked the market.

The market continued its climb from Thursday after US Energy Secretary Spencer Abraham warned that gasoline price spikes were likely with US refineries now running flat out to meet consumer demand.

By 0600 GMT, benchmark US New York Mercantile Exchange (NYMEX) futures for June delivery last stood at \$28.69 a barrel, adding another 24 cents to its 65 cents rally on Thursday in New York.

The June contract settled at \$28.45 on Thursday.

NYMEX gasoline futures were

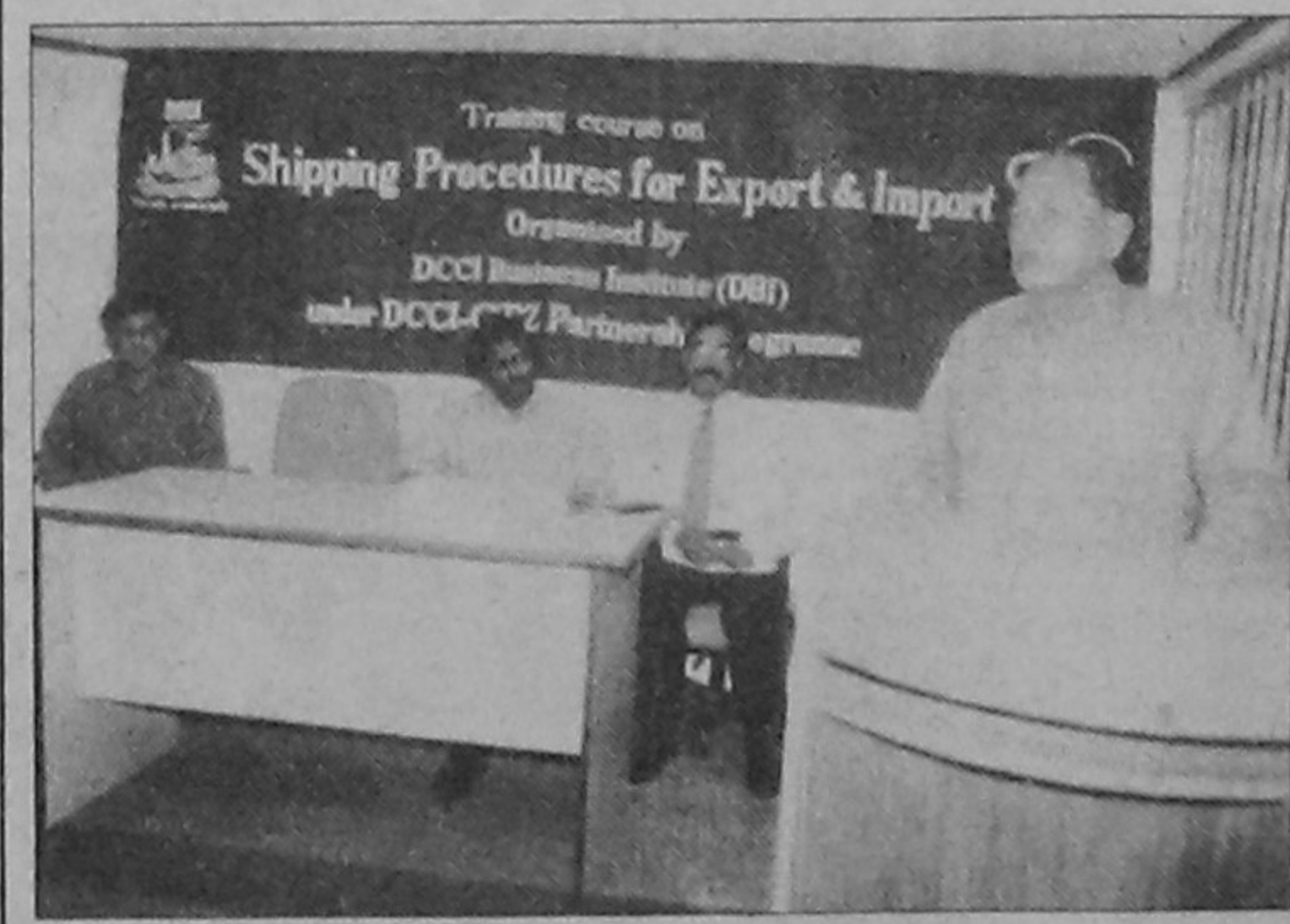
equally buoyant.

Crude's gains reversed part of Wednesday's sharp \$1.14 a barrel fall, when the latest US stocks data pressured prices.

The US Department of Energy (DOE) reported a 5.1 million barrel jump in US gasoline tanks in the week to April 27.

It said crude stocks were also up a sharp 6.3 million barrels, although a smaller rise than the American Petroleum Institute (API) report of 8.3 million.

The market grew sensitive again to lean gasoline supplies, after the US Energy Secretary's comments, as Americans - the world's largest gasoline consumers - were due to hit the road for the summer holidays.



Sayeedur Rahman, Director of DCCI, addresses the participants of the training course on 'Shipping procedures for export and import' held at DCCI Business Institute in the city on Monday. Acting Executive Director of DBI Md Emdadul Haque (middle), Deputy Secretary (Training) Hasanur Rahman Chowdhury (extreme right) and Deputy Secretary (Training) Shahazada Basunia (extreme left) are also seen in the picture.

## Weekly Currency Roundup

April 29-May 3, 2001

Local inter bank market was active and demand for dollar was high throughout the week. Most of the authorised dealers bought dollar to cater to their trade related demands.

Demand for call money was steady throughout the week. Rate for overnight borrowing at call moved between 6 and 8 per cent. Bangladesh Bank accepted treasury bills worth of BDT 11.06 billion.

International foreign exchange markets were subdued throughout the week due to May Day and Golden Week holidays. The stock went by without any major events. The US stock markets showed some signs of recovery, which helped to signal a relatively positive outlook of the nervous US economy. The US Q1, 2001 GDP growth was also reported to be more than expected at 2 per cent. Despite reports of resilience of the US economy, euro and Japanese yen outplayed the US dollar.

The European Single Currency "Euro" gained by a quarter per cent after the European Central Bank (ECB) showed signs to leave the interest rates unchanged on inflation concerns. ECB Vice President Christian Noyer's comment reinforced expectations that the central bank would keep the interest rates unchanged. Currently, the Euro interest rate is a quarter per cent higher than the dollar at 4.75 per cent.

The Japanese yen also gained as the new Prime Minister Koizumi brought in high hopes of reform in the slugging Japanese economy. Nevertheless, the real test for Japanese yen lies ahead and would depend on how the hopes of reforms are turned to reality. If the reform goes ahead effectively then yen may appreciate to 118 Yen to a dollar and if the reforms do not materialise then Yen is at a risk of depreciating to 125 yen against the USD.

At 1800 hours on Thursday, US dollar traded at 121.48 against the yen; euro at 0.8997 against the dollar and pound was at 1.4298 level against the dollar.

Standard Chartered Bank

**Bangladesh Power Development Board**

বিকাশ ঘোষা থেকে রাত ১১টা পর্যন্ত  
বিদ্যুৎ চালিত সোলার পাম বক রানু

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Sealed tenders are hereby invited against tender enquiry No CERS/A-7/2001/482 dated 11-4-2001 from the 'GA' & 'GHA' Class PDB enlisted contractors/bonafide suppliers for the supply of tyre & tube at CERS, PDB, Tongi at an estimated cost of Tk 32,760/- only. Detailed tender documents/schedules are obtainable from the office of the Superintending Engineer, CERS, PDB, Tongi and the office of the Chief Engineer (Services), PDB, Bidyut Bhaban, Dhaka up to 16-5-2001 during office hours at a cost of Tk 50/- per set (non-refundable) only payable in favour of Dy Director, RAO (P&CO), PDB, Dhaka in the shape of Bank Draft/Pay Order. Each tender should accompany an earnest money at the rate of 5% of the quoted amount payable in the shape of Bank Draft/Pay Order in favour of Dy Director, RAO (P&CO), PDB, Dhaka. Tender will be received up to 12.00 Noon on the 17-5-2001 at above-mentioned offices and will be opened on the same date at 12.30 PM in presence of tenderers, if any.

Executive Engineer  
CERS, PDB, Tongi  
Bidyut/Jan-2017(3)/2000-2001  
DFP-10849-24/4  
G-778

Executive Engineer  
Distribution Division  
PDB, Sherpur  
Biddut/Jana-2066(5)/2000-2001  
DFP-11491-29/4  
G-831

**Gas Transmission Company Limited**  
(A Company of Petrobangla)

Planning & Development Department  
House No. 1, Road No. 12, Sector-3,  
Utara Model Town, Dhaka-1230

**Tender Notice**

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কর জাতীয় দায়িত্ব পালন করুন।

Ref No. GTCL/P&D/06/2001

- Name of work: Raising of boundary wall, changing of main gate & construction of two security posts within Ashuganj Gas Manifold Station.
- Price of tender document: Tk 1,000.00 (one thousand) only (non-refundable).
- Estimated cost: Tk 7,24,540.52 (Taka seven lakh twenty-four thousand five hundred forty and fifty-two paisa) only.
- Earnest money: Earnest money at the rate 2.5% of the quoted amount must be deposited through Bank Draft/Pay Order issued by any scheduled bank in Bangladesh in favour of "Gas Transmission Company Ltd."
- Eligibility of contractor: 1<sup>st</sup> class civil contractors of govt/semi-govt/autonomous organisation having past experience of civil construction work worth minimum Tk 5.00 lakh in a single work during the past five years.
- Time limit for completion of work: 120 (one hundred twenty) days from the date of issuing work order.
- Place of selling tender document: Eligible contractors can purchase tender document from Accounts Department, GTCL, House No. 1, Road No. 12, Sector-3, Utara Model Town, Dhaka during office hours on all working days from 09-05-2001 to 23-05-2001. Tenders will be received at GTCL Board Room up to 12-00 Noon of 24-05-2001 and tenders received will be opened at the same place on the same day at 12-30 hours in presence (if any) of the interested tenderers/representatives. No tender will be received after the prescribed date & time.
- Date & time of receiving & opening tender: Tenders will be received at GTCL Board Room up to 12-00 Noon of 24-05-2001 and tenders received will be opened at the same place on the same day at 12-30 hours in presence (if any) of the interested tenderers/representatives. No tender will be received after the prescribed date & time.
- GTCL authority reserves the right to accept/reject any or all tenders without assigning any reason.

GTFR-13/2001  
DFP-11455-29/4

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