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# Star BUSINESS

DHAKA FRIDAY MAY 11, 2001

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## Banks to achieve int'l standard thru' close BB supervision

Offending directors cling to post by court orders, Kibria says

**UNB, Dhaka**

Finance Minister Shah AMS Kibria Wednesday said banks in Bangladesh will be able to achieve international standards and classified loans tamed if close supervision of the central bank continues.

He painted a grim picture of banking sector in the past decades when "military rulers played foul with depositors' money and a section of directors of private banks pocketed crores of taka."

Some directors, stripped of their posts in respective banks by the central bank for criminal offences, even held their positions with the help of 'stay orders' from higher courts, Kibria said, speaking at the publication ceremony of "Three Decades of Banking in Bangladesh," authored by journalist Ajay Das Gupta.

He referred to some reforms

initiated by the government to restore discipline in the banking sector.

Bangladesh Bank Governor Dr Mohammad Farashuddin and Janata Bank Chairman Dr Atiur Rahman also spoke at the function, chaired by daily Sangbad Editor Bazlur Rahman, at the Liberation War Museum at Segunbagicha.

Dr Farashuddin said agriculture shares only 15 per cent of total credit, and private and foreign banks do not lend money to the agriculture sector.

Even big NGOs, who claim 75 per cent of their credit goes to rural borrowers, never take the risk of financing the crop sector, he said.

Krishik Bank and Rajshahi Krishi Unnayan Bank then remained the lone sources for loans for farmers, while some NCBs were forced to

lend some money to agriculture, the Bangladesh Bank governor said.

Dr Atiur Rahman said it was the military autocrats, who did the most harm to the banking sector.

Now some sort of discipline has been restored in the banking sector, may be for close monitoring of Bangladesh Bank, or for seriousness of the bank administration, or for public awareness, he said.

The economist felt the need for "domestic reforms" to yield more effective results in the banking sector.

In a preface of his 126-page book, Ajay Das Gupta said there is no dearth of deposit and investible funds in banks, although the private sector people cry for money.

Referring to disparity in credit disbursement, he said agriculture and allied sectors only share 14

per cent of total bank loans.

Private and foreign banks, which command 37-38 per cent of total deposits, do not pay a single taka to agriculture.

Industrial sector shares 40 per cent of bank loans, but there is any need to assess the outcome, he added.

The author said compared to NCBs, private banks pay lower interest for deposits and claim higher interest for loans. Interestingly, trade leaders, many of whom are in the boards of private banks, often call for reducing bank interest rate.

The central bank governor, however, defended higher interest in private banks saying these banks lend money against small equity. Besides, low interest is not always followed by better production, the argued, citing examples in South Korea and Japan.

## FBCCI proposes lifting of blanket supplementary duty application

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) has proposed withdrawal of blanket application of supplementary duty on raw materials.

"Wholesale application of supplementary duty on raw materials should be withdrawn since it is against the concept of VAT and industrial policy," said the FBCCI in its budget proposal.

The Federation has also demanded reduction of value added

tax to 10 per cent from the current 15 per cent.

When VAT was introduced in 1991, its net was very small. But now the net has widened significantly and it should be brought down to 10 per cent, it argued.

As VAT is an indirect tax, a consumer has to pay it on import and supplementary duties, surcharge, bank interest and profit, the Federation said, adding that the consumers are losing purchasing capacity due to higher VAT rate.

A middle or lower-income person does not have the capacity

to pay the present VAT rate, the FBCCI said.

"Higher VAT rate encourages tax evasion and corruption. So, if the rate is reduced to 10 per cent it will help minimise tax evasion and corruption and the government will get more revenue."

The Federation said VAT should be withdrawn at the wholesale level. Earlier, VAT was 10 per cent at the wholesale level and 15 per cent at the retail level on the basis of value addition, it said. "But now VAT is 2 per cent on base price of 13.35 per cent at

both levels."

VAT should be realised on the basis of actual sales value recovered from customers, a practice followed worldwide, the Federation stated.

Presently, VAT is realised on the basis of sales price approved by the authorities irrespective of price recovered from customers. This violates the principle of value addition, FBCCI said. "This is not only unfair, but at times, it creates conflicts between the manufacturers and the VAT authorities when prices are fixed arbitrarily."

## Hyundai Cement holds flag-off ceremony at newly acquired United Cement plant

Hyundai Cement (Bangladesh), Group Company of "Holderbank" Switzerland, recently conducted a flag-off ceremony at the United Cement Plant to commemorate its first-ever truck dispatch of premium cement from the newly acquired United plant, says a press release.

Hyundai Cement Managing Director, Paul Hugentobler, and Chief Executive Officer, Ramit Budhraj, conducted the flag-off ceremony.

With commissioning and subsequent production levels reaching 100 per cent at the United plant, Hyundai Cement has effectively more than doubled its supply of premium cement to the Dhaka market.

It is estimated that by the middle of this year, the combined capacity of all the "Holderbank" subsidiaries in the country will make the Group the largest cement producer in Bangladesh, with over 1.1 million tons of the same high performance, high quality premium Hyundai cement being supplied to the market.

It is believed that the acquisition of the newly built United Plant, with its ideal location in Meghnaghat will provide Hyundai Cement with a clear competitive edge in logistics and customer service, by allowing easier more efficient vessel delivery systems to large customer points within the city.

The acquisition will also go a long way in complementing existing supply capabilities of Hyundai Cement, and allow for new market development and market share expansion nationwide.



Photo shows Paul Hugentobler, Managing Director of Hyundai Cement, and Ramit Budhraj, Chief Executive Officer of the company, with other employees at the flag-off ceremony held recently to mark its first-ever truck dispatch.

## US business forecasters say recession unlikely

**REUTERS, New York**

Business economists believe a US recession is unlikely thanks to a policy of "aggressive" rate cuts by the Federal Reserve, according to a survey conducted during the last two weeks of April by the National Association for Business Economists.

The survey results reflect the consensus of macroeconomic forecasts from a panel of 27 professional forecasters who are members of the NABE.

The survey was taken before the US Labour Department released the April US employment report, which showed big downturns in total and manufacturing

payroll jobs and hours worked during the month.

Richard B. Berner, NABE president and chief US economist at Morgan Stanley, said that while the business outlook was cloudy and profits were under severe pressure, NABE panelists have remained "steadfast" in their belief that a recession is unlikely.

"Panelists believe that an aggressive Fed will sustain modest economic growth for the balance of the year and into 2002," he said.

The Fed has aggressively slashed short-term borrowing costs by 2.00 percentage points so far this year to 4.5 per cent in its ongoing campaign to revive the sluggish economy.

The NABE panelists left their 2.0 per cent 2001 growth forecast for real GDP intact, but the mix for 2001 is more downbeat than in the February survey.

Panelists lowered their sights on 2002 real GDP growth to 3.1 per cent from 3.5 per cent.

The panel assessed the chances of a US recession at 35 per cent in 2001 and 25 per cent in 2002, odds that were only modestly higher than three months ago, NABE said.

A full 78 per cent claimed that a recession that began in 2001 would be "milder than the usual post-WWII recession," while 7 per cent said it would be "deeper."

## India opens its doors to FDI Bid to attract bigger fund flows

**REUTERS, New Delhi**

The Indian government yesterday threw open a slew of sectors ranging from drugs and pharmaceuticals to the sheltered defence equipment industry to foreign investors in a bid to attract greater inflows.

Cabinet spokesman Pramod Mahajan told reporters the government had decided to allow 100 per cent foreign investment in drugs and pharmaceuticals, airports, hotels, tourism, Internet services, banking, real estate, courier services and mass rapid transport systems in all metropolitan cities.

He said 100 per cent foreign investment would be allowed in drugs and pharmaceuticals through the automatic route without any condition to offload a portion of the investment in the

domestic market.

But drugs and pharmaceuticals that are licensed and bulk drugs produced by recombinant DNA technology and cell/tissue formulations would still need government approval.

The government also allowed 100 per cent private Indian investment in the crucial defence production sector with a foreign direct investment limit of 26 per cent subject to licences.

"Earlier the defence sector was reserved for the public sector (state-run companies) but now it shall be transferred to the licensable sector," Mahajan said.

Previously, no investment was allowed in the defence production sector.

"Much would depend on the implementation of the decision, given the limited role of the private sector so far. We will have to

see who is interested in investing," C Uday Bhaskar, a defence analyst with the New Delhi-based Institute of Defence Studies and Analysis, told Reuters.

**Banking sector opened up**

The government also increased the foreign investment limit in the banking sector from all sources to 49 per cent subject to Reserve Bank of India guidelines. Earlier investment by expatriate Indians was limited to 40 per cent and direct foreign investment to 20 per cent.

The move to increase FDI limits is aimed at boosting foreign investment flows to India and achieve the government's target of drawing \$10 billion annually.

India attracted just \$2.6 billion in direct foreign investment last

year while China comparable in population and an economy twice the size of India's attracted 20 times more.

Industry associations cheered the government's move saying it would definitely boost foreign investment flows.

"We think this will bring in changes in investment patterns and encourage higher foreign investment inflows," said Jayant Bhuiyan, secretary general of the Associated Chambers of Commerce and Industry of India (ASSOCHAM), a leading industry body. India has been unable to gather large chunks of FDI due to bureaucratic delays in approving new projects and policy flip-flops by the government.

FDI inflows into India fell by 26 per cent in 1998, and by another 17.7 per cent the following year.

## Move to address financial crises ADB think-tank for regional lender of last resort

**AFP, Honolulu, Hawaii**

An Asian Development Bank (ADB) think tank is making a fresh push to set up a lender of last resort for Asia to address grave financial crises of the type that sent the region to its knees in 1997.

The ADB Institute paper contends that the International Monetary Fund (IMF) had flunked this role four years ago.

While the United States shot down a 100-billion-dollar proposal to set up such an Asian Monetary Fund (AMF) in 1997, ADB Institute fellows Masaru Yoshitomi and Sayuri Shirai argued that a similar institution should provide "timely response" next time around.

Their paper was circulated at the annual ADB meeting which began here Wednesday.

The IMF led multi-billion-dollar rescue packages for Indone-

sia, South Korea and Thailand in 1997.

But what solved the Seoul crisis was not the IMF-led 57 billion-dollar rescue package, in which the ADB also pitched in, but rather the US Federal Reserve Board's effort to engineer a rollover of short-term debts, the paper argued.

The packages provided less financing than expected because IMF financial support was "generally phased and conditional" to counter a "moral hazard" by ensuring the borrowers adopt policies to cure what ails them.

"Such a middle-ground approach hampered the affected Asian countries from promptly stabilising market confidence and prolonged the crisis, leading to contagion."

They said the IMF's usable resources, including newly developed facilities added up to a mere 145 billion dollars.

"Whether this amount was sufficient to deal with the Asian-type crisis is still debatable."

While the new and bigger IMF facilities such as the so-called Contingent Credit Line and the

Supplementary Reserve Facility - the one given to Brazil in 1998 - are welcome, "setting criteria or requirements that apply to all member countries may increase the risk of a delayed response and inadequate policy prescriptions," they said.

And while the IMF can mobilize resources by borrowing from member countries in case of a foreign reserves shortage, "such an arrangement may not generate quick collective action unless institutionalized."

The paper said there was growing demand in Asia, particularly from the 10-member Association of Southeast Asian Nations (ASEAN), for a "regional financial arrangement" (RFA) that would boost regional cooperation towards maintaining financial stability.

ASEAN, China, Japan and South Korea endorsed an initiative in Chiang Mai, Thailand last year to set up a network of bilateral swap arrangements that would link the reserves of the 13 countries as a defense against future financial crises.

## New Mortein King mat, machine launched

Reckitt Benckiser Bangladesh Limited has recently introduced its Mortein King mats and machines that can guard against mosquitoes for upto 12 hours.

The launch ceremony of the product was held in Dhaka on Tuesday, says a press release.

Mortein King Mat is one of Reckitt Benckiser's most successful innovations and has been well-received in countries like China and India.

Mortein King mats are strengthened by the power of prallethrin, which vaporizes into the air and keeps mosquitoes away.

It is also easy to use - all it just calls for is insertion of a mat into the machine plugging it in and switching it on for at least 12 hours.

Mortein King Mats are reasonably-priced - a packet of 30 mats cost Tk 90, which means 12 hours of protection for only Tk 3.

Reckitt Benckiser Bangladesh Limited is also marketing the new and long-lasting Mortein King Mat machines, which have been specially imported from Spain and are available for Tk 110 each.

বাংলাদেশ উন্মুক্ত বিশ্ববিদ্যালয়  
প্রকাশনা, মুদ্রণ ও বিতরণ বিভাগ

Bangladesh Open University Publishing, Printing & Distribution Division

বর্তমান/পরিচালক: এম. বি. এ. প্রোগ্রামার বই ক্রয়ের দরপত্র বিজ্ঞপ্তি-১১/২০০১ তারিখ: ০৮ মে, ২০০১

**বাউবি'র স্কুল অব বিজনেস-এর এম.বি.এ প্রোগ্রামার বই ক্রয়ের দরপত্র বিজ্ঞপ্তি**

বাংলাদেশ উন্মুক্ত বিশ্ববিদ্যালয়ের স্কুল অব বিজনেস-এর এম.বি.এ. প্রোগ্রামার বই (বইয়ের বিস্তারিত বিবরণ দরপত্রের সিডিউলে উল্লেখ আছে) সরবরাহের জন্য প্রকৃত পুস্তক সরবরাহকারী প্রতিষ্ঠান/ এজেন্ট/ আমদানিকারক/মূল প্রকাশক/পরিবেশক থেকে বাউবির প্রকাশনা, মুদ্রণ ও বিতরণ (পিপিডি) বিভাগের পরিচালক-এর দপ্তরে সীলমোহরকৃত দরপত্র আহবান করা যাচ্ছে।

আগামী ১৫/০৫/২০০১ বিকেল ৪:৩০ (সাতটা) পর্যন্ত বাংলাদেশ উন্মুক্ত বিশ্ববিদ্যালয়ের গাজীপুরস্থ অর্থ ও হিসাব বিভাগ, বোর্ড বাজার, গাজীপুর থেকে অফেরতযোগ্য নগদ ২০০/- (দুইশ) টাকার বিনিময়ে দরপত্রের সিডিউল ও শর্তাবলী সংগ্রহ করা যাবে। বাউবির গাজীপুরস্থ ক্যাম্পাসে পিপিডি বিভাগে রক্ষিত টেন্ডার বাস্তব দরপত্র দাখিল করতে হবে। আগামী ১৬/০৫/২০০১ তারিখ বেলা ১:০০ (একটা) পর্যন্ত দরপত্রসমূহ গ্রহণ করা হবে এবং একই দিন বেলা ১:৩০ (দেড়) টায় দরদাতাদের সম্মুখে (যদি কেহ উপস্থিত থাকেন) দরপত্রসমূহ খোলা হবে। দরপত্র খোলার দিন কোন সিডিউল বিক্রয় করা হবে না। উল্লিখিত বইয়ের নমুনা বাউবির স্কুল অব বিজনেস থেকে দেখে নেয়া যাবে। দরপত্রের সাথে দরদাতা প্রতিষ্ঠানের ট্রেড লাইসেন্স, আয়কর পরিবেশের সার্টিফিকেট, ব্যাংক সলভেন্সি সার্টিফিকেট, ভ্যাট রেজিস্ট্রেশন সার্টিফিকেট, আমদানি রেজিস্ট্রেশন সার্টিফিকেট, আমদানিকর প্রদান রশিদ, মূল প্রকাশকের পরিবেশক হিসেবে সার্টিফিকেট চেম্বার অব কমার্স অথবা খ্যাতনামা কোন ব্যবসায়িক এসোসিয়েশনের সদস্য ও খ্যাতনামা প্রতিষ্ঠান/বিশ্ববিদ্যালয়ের পুস্তক সরবরাহ দিয়েছে এই মর্মে সার্টিফিকেট সংযুক্ত করতে হবে। দরপত্রের সাথে মোট উদ্ধৃত দরের ২.৫% হারে বায়নার টাকা বাংলাদেশ উন্মুক্ত বিশ্ববিদ্যালয়ের বরাবরে যে কোন সিডিউলড ব্যাংক থেকে পেমেন্ট/ডিডি আকারে অবশ্যই জমা দিতে হবে।

দরপত্র গ্রহণ বা বাতিলের ক্ষমতা বাউবি কর্তৃপক্ষ সংরক্ষণ করেন।

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পরিচালক (পিপিডি)

জিডি-৪৪৩

## Annual meet starts with optimism ADB president steps into street to meet protesters

**REUTERS, Honolulu**

The head of the Asian Development Bank stepped into the hot streets of Honolulu yesterday to meet protesters gathered outside the bank's annual meeting and tell them their criticism of controversial funding projects in the region had been heard.

It marked the first time the bank's senior representative has met with demonstrators that have dogged its recent meetings and represented a carefully planned gesture intended to ease tensions after a week of heightened security here.

At the end of their nearly five-minute-long exchange, which was swarmed by media and police and conducted on a city street that had been blocked to traffic, protest leaders emerged to say the ADB President Tadao Chino had not promised the reforms they had sought.

"It's good that he came down, we have been long waiting," said Walden Bello, a Sociology Professor at the University of the Philippines and the head of the protest delegation. "But he never made any commitment to end projects that are controversial."

As the crowd chanted and

jeered, ADB president Tadao Chino left the glass-walled Hawaii Convention Center to accept a written petition from three representatives of a motley coalition united in their opposition to the multilateral bank's development policies.

"We welcome different views and we will give careful consideration to your comments and concerns," Chino told the protest delegation.

In their written demands, the protest groups called on the ADB to suspend its funding for a plant in the Thai province of Samut Prakan designed to treat wastewater from Bangkok and an agricultural programme in the Cordillera highlands of the Philippines.

The petition also asked the ADB to stop funding projects that create local "development refugees" and compensate those in Asia who have been displaced by past bank-funded infrastructure projects.

Chino, a former high-ranking Japanese finance official, had declined to meet protest leaders at the bank's meeting last year in the Thai city of Chiang Mai, prompting angry criticism.

**Office of the Executive Engineer**  
Operation & Maintenance Division, Baridhara, DESA  
Road No. 1/A, House No. 2/A, Block-J  
Baridhara, Dhaka

**Tender Notice**

Sealed tender vide this office Memo No. O&M/Bari/2001/411 dt. 23.04.2001 are invited in Form No. T-1 from Dhaka Electric Supply Authority's (DESA) enlisted "A", "B" & "C" Class electrical contractors having past experience of such work for the undermentioned works.

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(1) General Manager, Consumer Services, North, DESA, Dhaka, (2) Superintending Engineer, Consumer Services, Gulshan Circle, DESA, Dhaka, (3) Secretary, DESA, 1, Abdul Gani Road, Dhaka, (4) Executive Engineer, O&M Division, Baridhara, DESA, Dhaka, (5) Janata Bank, Gulshan-2, Dhaka.

Tender will be received by the above mentioned offices up to 12.00 Noon on 15.05.2001 (except Janata Bank, Gulshan-2, Dhaka). No tender will be accepted beyond this time. Tender will be opened at 12.30 PM on the same day in presence of the tenderers, if any. The authority reserves the right to accept or reject any or all the tenders without assigning any reason thereof. No tender will be received by post. Tender not complying with the stipulated conditions shall be treated as non-responsive and will be summarily rejected.

**Executive Engineer**  
O&M Division, Baridhara, DESA,  
Road No. 1/A, House No. 2/A, Block-J  
Baridhara, Dhaka

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