

Govt to form regulatory body to curb anomalies in customs, utility sector

Subsidy package likely for ceramic factories using furnace oil as prime fuel

STAR BUSINESS REPORT

Finance and Planning Minister M Saifur Rahman yesterday said a regulatory body will soon be formed to ensure good customer service and check anomalies in customs and utility sectors.

The minister made the comment while responding to problems in utility sectors and customs raised by leaders of ceramic factory owners at an inaugural function of the ninth annual conference of Bangladesh Ceramics Society (BCS).

Saifur said the government is considering a subsidy package for ceramic factories, which use furnace oil as prime fuel in the absence of gas. The ceramic entrepreneurs demanded the same subsidised rate for furnace oil that the fertilizer factories and power generating stations get from the government.

The minister assured the business leaders

that all sorts of hurdles in export-oriented industries will be removed.

He urged the entrepreneurs to make investment in the labour-intensive ceramics industry to generate employment for the poor. The industry is a potential sector for investment, which can contribute to diversification of exports, he added.

"As most raw materials are available in the country it will serve better economically than other industries which are dependent on foreign ingredients," the minister said.

Saifur congratulated local investors for earning reputation in foreign countries through exporting quality ceramics.

He said the government is planning to upgrade the Institute of Glass and Ceramic Research and Testing (IGCRT) at the BCSIR for further research.

About bleak economic state of the country,

Saifur said it will take another six months to bring back stability in economy.

Presided over by the association President R Maksud Khan, the conference was also addressed by Harunar Rashid Khan, minister without portfolio, as special guest, Dr Sanowar H Mondal, General Secretary of BCS, Dr Aftabuddin Ahmed, Director-in-Charge- IGCRIT, and Shamsuddin Ahmed and Mainul Ahsan of the BCS.

Speaking on the occasion BCS President R Maksud Khan said seven leading ceramic factories produce around 18,000 tons of ceramics and tableware products annually.

The ceramic export volume rose from about \$ 0.8 million in 1987-88 to approximately \$ 6 million in 1996-97. After commissioning of the first bone china industry in 1997 and increase in capacities of some factories, the export volume increased sharply to about \$ 18 million in 1999-2000, he said.

Maksud Khan said Bangladesh produce around 3 to 4 million sqm tiles products annually. But due to slowdown in construction business, tiles manufacturers are facing severe market constraints. If they are able to get market access to the countries in the region through SAPTA this industry can flourish further, he said.

"This sector uses indigenous raw materials and makes value addition of at least 65 per cent in the process. The industry employs about 15,000 work force. Besides, some five lakh people are indirectly associated with the business," he said.

The total annual turnover of the sector is around Tk 160 crore and its contribution to government exchequer amounts to Tk 75 crore per annum. The industry deserves special rebate of tariff which will increase its competitiveness in export market radically, Maksud Khan said.



British High Commissioner to Bangladesh Dr David Carter inaugurates Priority Centre at the Gulshan cash booth of Standard Chartered Bank in the city yesterday. Mohammad A Ali, Chief Executive Officer-Bangladesh of Standard Chartered Group, was also present.

Invest in telecommunication sector, BOI chief asks foreign investors

STAR BUSINESS REPORT

When the foreign investors were pointing to problems in the country's state-run telecom system, the Board of Investment (BOI) chief asked them to come up with investment in both land and satellite telecommunications systems to infuse competitiveness in the telecom service.

"Why don't you come up with investment proposals to establish completely independent telecom system parallel to the BTB," Mahmudur Rahman, BOI Executive Chairman, told a meeting of foreign investors yesterday.

Mahmudur Rahman was speaking at the monthly luncheon meeting of Foreign Investors' Chamber of Commerce and Industry (FICCI) at Sonargaon Hotel in the city. FICCI President Wali Bhuiyan and its executive committee member Paul Kirkham of British American Tobacco, Bangladesh also spoke on the occasion.

The BOI chief also unveiled the government's massive economic

reform plans and his own plan to revamp the BOI, the organisation that works as the facilitator for the investors.

"I want to assure this audience that this government will not hesitate to take 'hard decisions' to transform Bangladesh into a sustainable and competitive investment destination," he said.

His comments came after the foreign chamber mentioned that good policies in books do not mean anything if they are not properly implemented. The FICCI has long been saying that mismatch between policies and reality made it difficult for the foreign investors to work here.

Appreciating private mobile phone operator GrameenPhone's achievement to reach half million-subscriber mark, he asked the foreign investors to set up cellular telephone set assembly plant in the country for domestic as well as export markets.

He also asked the foreign investors to come up with investment projects in power distribution along

with power projects.

Mahmudur Rahman, a man from the private sector, also mentioned the government is not against the proposed private container terminal. "We have not created this problem, we have inherited this. The previous government could not implement this due to opposition from within."

However, he said it will take some more time to get the job done as the government will go through the whole proposal and if necessary it will renegotiate for making the whole deal transparent.

About his and the government's plan to attract investment, Mahmudur Rahman said the government will assume the role of facilitator. Our vision for BOI is to act as the 'partnership sourcing agent' between local firms and TNCs (transnational companies). "This will be in addition to the traditional role of BOI as normally expected."

He also said he will rename BOI's 'One Stop Service Centre (OSSC)' as Utility Service Centre. "The situation is not that we can

provide all sorts of utility services to the prospective investors at one go. It will take some time. So I have decided to change the name of the OSSC."

Rahman also said he has taken initiative to set up Investment Implementation Monitoring Cell.

The FICCI President Wali Bhuiyan said businesspeople often explain BOI as 'Board of Impediments' for its role for creating 'blockade' for the investors rather than making their works easier.

In this context he said the BOI should have adequate administrative and financial authority "to act promptly in addressing the issues that the investors confront time to time."

Also about the long-standing problem of work permit and multiple visa facing the foreign investors and expatriate workers, the chamber asked the government to follow the policy stipulated in the industrial policy.

FICCI also suggested for undertaking a thorough study to review BOI to see whether a restructured

organisation will ensure effective operation. "It may not be a big surprise to see that a lot of the jobs currently done by BOI could actually be outsourced in a cost effective manner," FICCI President Wali Bhuiyan added.

"We feel, if our proposals are accepted, 90 per cent of the existing problems will be addressed and this will send proper signals to prospective foreign investors," Wali Bhuiyan said with a caution that the other way round would force the foreign investors winding up and go somewhere else.

Talking on the investment needs of the country to effectively address poverty, Bhuiyan, quoting economists, said 2.5 million jobs have to be created every year. "Conservative estimates show that it takes at least fifty thousand taka to create one new job. This means that the annual investment has to be around Tk 12,500 crores, which is about 20 per cent of the GDP.

Canadian team in city to explore pulses market

STAR BUSINESS REPORT

A five-member Canadian trade delegation is in the city to promote its pulses industry.

As part of its programme, the business team made a presentation on the Canadian pulse industry at a seminar yesterday.

David Preston, Canadian High Commissioner in Bangladesh, attended the seminar as chief guest. The seminar on 'Saskatchewan Pulse Crops' was held at Sonargaon Hotel.

Speaking at the seminar, Tim Marshall, STEP's Manager of International Development, said the trade mission will not only create direct sales opportunities but would raise awareness of

Saskatchewan's high quality products in the region.

"The Canadian pulse industry has grown dramatically in recent years and now we are one of the world's largest producers of lentils," he mentioned.

The delegates will have one-to-one meeting with interested Bangladeshi importers today. Bangladesh imported pulse worth more than Tk 130 crore from Canada last year.

Saskatchewan Trade and Export Partnership (STEP), created by Saskatchewan's industry leaders and government, is a non-profit corporation, which provides services to promote Saskatchewan products around the world.

98pc industrial units in Bangladesh SMEs: Study

BSS, Dhaka

As high as 98 per cent of the industrial units are Small and Medium Enterprises (SMEs) providing over 78 per cent of the total industrial employment in Bangladesh, according to a study paper presented in the opening session of a three-day meeting here Sunday.

Minister for Textiles Abdul Matin Chowdhury inaugurated the meeting on "OIC Task Force and Related Seminar" and urged the Islamic Development Bank and other such institutions to explore the possibility of providing funds on appropriate terms for the development of SMEs in Bangladesh. "I also urge them to provide grants wherever possible for building up capacity and technical assistance in this field," he said.

He described the OIC countries as each other's potential markets and asked them to undertake efforts to open up each other's markets for trade and business among the members. He expressed the hope that large skilled and semi-skilled manpower and a determined government of Prime Minister Begum Khaleda Zia would develop SMEs in the country and also trade on SMEs products within the OIC with proper support and assistance.

Chairman of the Privatisation Commission and State Minister Enam Ahmed Chowdhury was the special guest. Industry Secretary Ameen Chowdhury and the ICCI Secretary General Aqeel Al Jassem were the guests of honour. FBCCI Vice-President Mohammad Ali presided over the inaugural session.

FBCCI and Islamic Chamber of Commerce and Industry (ICCI) jointly organised the three-day meeting with nine study reports to be placed for panel discussion till January 29. The study paper placed in the first working session was prepared by MA Rouf Chowdhury of FBCCI and Dr Jahangir H Sardar of Dhaka University.

In their paper on SMEs growth and industrial development in Bangladesh, the authors said the SMEs in Bangladesh were creating over 33 per cent of industrial value added. "Most SMEs in Bangladesh face in their businesses a number of interrelated difficulties including severe shortage of short and long-term finance, marketing problems and lack of development facilities," they said.

FBCCI President Yussuf Abdullah Harun chairing the working session observed that problems faced by the SMEs were mainly caused by internal and external environment elements including lack of capabilities and resources, poor management, lack of modern technology and stiff competition from illegal imports.

Aqeel Al Jassem said ICCI would provide greater support services in various forms including training on management, marketing and quality control system to develop the SMEs in the OIC member countries in general and LDCs in particular. "Besides, ICCI will provide technical advisory services for improving the SMEs production and marketing system," he said.

Bankrupt Kmart launches internal investigation

AFP, TROY, Michigan

Kmart Corporation said Friday it has launched an internal investigation after it received an anonymous letter expressing concern regarding unspecified accounting matters.

The letter, which was addressed to the US Securities and Exchange Commission, Kmart's auditors and board of directors, purports to come from employees of the company, Kmart said in a statement.

The company, which earlier this week filed for bankruptcy protection, said it intends to cooperate fully with the SEC.

The letter has been referred to the Audit Committee of the Board of Directors, which promptly engaged outside counsel and accounting consultants to conduct an independent investigation, the company said.

The firm did not provide details about the contents of the letter.

The SEC declined to confirm whether or not it is investigating the anonymous letter, an SEC spokesman said.

However, other sources said the regulator is examining the allegations in the letter and taking them seriously, especially in the wake of Enron's collapse, which has heightened concerns about corporations' accounting practices.

Procter & Gamble launches Vicks in Bangladesh

Procter & Gamble Bangladesh Ltd launches Vicks cough lozenges in Bangladesh, says a press release.

According to the press release, it relieves sore throats and cough commonly associated with cold. It contains natural ingredients like camphor, mint, and eucalyptus oil flavoured sugar base. It also has breath-refreshing quality.

The medicines are currently available in only the regular flavour at Tk one. This 'Fortune 500' company is also famous for brands like Pantene, Head & Shoulders, Pringles, Old Spice, Oil of Olay, Ariel, Pampers etc.

IT'S BUSINESS.....

Enron debacle: Lessons for corporate houses, audit firms

MAMUN RASHID

Reading the Economist, the Business Week or the Daily Star Business, newspaper readers must be aware of the Enron debacle—the most-talked about corporate failure in recent times. On December 2, 2001 Enron, once the seventh biggest company of the US, filed for bankruptcy. Only days earlier, its bonds had been downgraded to junk and Dinegy, a smaller energy-trading rival, had pulled out of a planned takeover.

Enron is said to be the largest corporate body to go bankrupt. Enron crisis has also created doubts about the existence of top rated audit firm, Arthur Andersen, and more to say, about role and accounting principles followed by audit firms as well as corporate business houses. Enron was in tremendous profit pressure, under pressure to exceed all its peers, jack up the share price and upgrade its corporate positioning. This, however, is not unfamiliar practice in the corporate world. Then, what went wrong? They were running too fast and possibly on a thin rope without building the appropriate capacities as well as fundamentals.

Fast running made them to compromise with their accounting principles, hide losses, overstate the fundamentals to investors and accept unacceptable management standards. Investors did not understand Enron's books due to company's shifting of many debts into off balance sheet vehicles, where the acceptable market practice necessitated debts to be consolidated into the main accounts. It should have also avoided the practice of investing staff retirement funds in company shares. After all, the questions about 'how the business is being run at Enron', 'is money safe there' or 'are the fundamentals with Enron right', Enron revisited their financials from 1997 to 2000 and reported a

downward revision. However, the investors desired that possible merger with Dinegy would have restored confidence and thus halted the unwinding of Enron's book.

However, Dinegy took a closer look at Enron's book and with some surprising findings decided not to proceed, making the bankruptcy inevitable. "It is incredible that they continued in this manner... Enron never understood that business is not just about numbers and the balance sheet: it's about your brand, and the confidence you inspire," said Dinegy's boss. Apart from Enron's tragedy, the whole corporate world was further stunned by the shabby practices followed by one of the world's top five audit firms— Arthur Andersen while representing Enron's books of accounts as well as financial fundamentals. It is said that for partners and professionals at Arthur Andersen, there was one way to move up: figure out new ways to keep Enron happy. More than 100 Andersen staffers were devoted to their Houston office's biggest account, which by Enron's calculation was worth more than USD 50 million a year, enough to keep the mouth of a leading audit firm shut (!!!!), when the question of disclosures come.

Several top Enron executives including its chief accounting officer had come from Andersen. Andersen even out a deal to handle some of the 'internal' auditing work for Enron along with vetting its public reports for the trading firm's audit committee. All these money-making partnership made Andersen blind to everything that happened at Enron. "If they had somebody who said we cannot sign this audit, that person would get fired", said a former Andersen staff. Many may know the auditors have always been in uncomfortable position of having to judge the financial integrity of the companies that pay them. However,

with the emergence of market economies, with intensified pressure to produce ever rising earnings and stock prices, the corporate world, especially the corporate America began to push the accounting boundaries like never before. And auditors were thrust into a new role of enabler, more like a business partner and used to 'clear' corporate failures with 'green pen'. Dan Packman in Forbes wrote, "Salvador Dally may have been a genius, but you don't want him for painting your house".

What did we learn from Enron ? - Hiding debt or financial fundamentals can be suicidal for any company. Questions are being raised about moving financial obligations into off-book vehicles, to inflate profits or jack up share prices. All these are raising doubts about 'fast running corporate culture', without building up the fundamentals and leaving everything to market forces. Investors and bankers may learn not to trust companies that report mysteriously spectacular profit growth; auditors will be careful of bosses' pressure to sign dodgy accounts, understand the difference between balance sheet audits and transactional audit in absence of a proper internal control; rating agencies and regulators may be more nervous about companies that do not come up with clean activities.

For the sake of valued clients auditors often deviate from agreed parameters, regulators get carried away by market reputation, employees want to jack up profit and thereby share price by accounting jugglery. All these created 'scam' in India in early nineties, Nick Leeson's Barings and now Enron. We should accept the established norms of financial analysis, disclosures and corporate practices and the sooner the better.

Emirates signs \$94.2m financing deal for new airliner

Emirates has signed a US\$ 94.2 million financing agreement for the acquisition of a brand new Airbus A330-200 aircraft, says a press release.

Scheduled for delivery at the end of this month, the aircraft is the 20th of 27 on firm order, which are all powered by Rolls Royce Trent 700 Series engines.

Islami Insurance Board meet held

The 18th meeting of the Board of Directors of Islami Insurance Bangladesh Limited was held recently at a local hotel, says a press release.

Chairman of the company presided over the meeting which was attended by the members of the Board and Managing Director A B M Nurul Haq.

The meeting reviewed the overall performance of the company and made some important decisions giving necessary guidelines for the growth and development of its business.

DBBL board recommends 17.50pc cash dividend

The Board of Directors of Dutch-Bangla Bank Limited (DBBL) has recommended a 17.50 per cent cash dividend for the year 2001, says a press release.

The recommendation was made at a two-day meeting of the Board which ended yesterday.

Chairman of the bank Mohammed Sahabuddin Ahmed presided over the meeting.

The proposed dividend subject to the approval of Bangladesh Bank will be placed before the company's sixth annual general meeting scheduled to be held on March 28.

The bank earned after tax profit of Tk 164.72 million during 2001 as against the corresponding figure of Tk 124.06 million of 2000, showing an increase of 32.77 per cent.



The annual managers' conference of Prime Bank Limited was held at BRAC Centre in Rajendrapur on Thursday. Photo shows Mohammad Aminul Haque, Chairman of the Board of Directors of Prime Bank Limited, M A Khaleque, Vice-Chairman of the Board of Directors, other members of the Board Firoja Amin, Md Nader Khan, Md Abul Quasem, Azam J Chowdhury, Managing Director of East Coast Group and Shareholder of the Bank, Syed Naser Bukhtear Ahmed, Managing Director (Current Charge), and M Shahjahan Bhuiyan, Deputy Managing Director of Prime Bank Limited, with the branch managers of the bank.