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Regulatory reform hinges on political commitment

Roundtable told

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Political commitment is one of the key factors for regulatory reform, which is needed to improve competitiveness of local industries and remove red tape from the administration, speakers at a roundtable observed yesterday.

They made the observations at the concluding session of a two-day 'South Asia High Level Roundtable on Regulatory Reform' in Dhaka with Mahmudur Rahman, executive chairman of the Board of Investment (BoI), in the chair.

The Foreign Investment Advisory Service (FIAS) and the SouthAsia Enterprise Development Facility (SEDF) organised the roundtable in collaboration with the UK's Department for International Development (DFID).

Speaking at the roundtable, former cabinet secretary Mujibul Huq said regulatory reform needs strong political commitment and it is impossible to implement it without good governance.

James Crittle, South Asia regional programme coordinator of FIAS, stressed the need for reducing cost of doing business.

He said when registering a firm takes only a few days in one country, it is not logical that it will take six months in another country. It proves that there are vested interests involved in the process and regulatory reform is necessary to remove those bottlenecks.

Mahmudur Rahman said industry in Bangladesh is growing at a pace more than that of the agriculture and reducing the business cost is very important in this regard.

The size of the economy of the regional countries varies from less than one billion dollar to over US$600 billion, he said raising the question whether a common formula for regulatory reform can be effective for all the countries in the region.

Referring to complexities in pursuing donor driven programmes, he said it is difficult to implement different reform programmes if there is no ownership.

Citing example of poverty reduction strategy paper (PRSP), he said it has been drafted by Bangladeshi people and goes with the local government institution well.

Anil Sinha, general manager of IFC-SEDF, felt it is necessary for the stakeholders to have a common and clear vision to implement any reform. "Homegrown policy and holistic approach are essential for a regulatory reform."

He said the donor agencies are ready to extend support for implementing the reform programmes.

Following the success of the first two South Asia foreign direct investment (FDI) roundtables held in Bangladesh and the Maldives, this third one specially focused on implementing regulatory reform to promote a competitive investment environment.

High-level public sector representatives and private sector participants from Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka took part in the two-day roundtable.

Islamic finance ministers to meet in KL to boost trade

REUTERS, *Kuala Lumpur*

Finance ministers and central bankers from 55 countries that are members of the Islamic Development Bank (IDB) will meet in Malaysia next week to try to boost trade within the Islamic bloc.

An IDB official said Tuesday the meeting may approve the creation of an international Islamic trade financing firm, with an initial paid-up capital of $1 billion, to spur intra-IDB trade.

Trade within the IDB, which groups nations ranging from Saudi Arabia to Malaysia and Chad, accounts for just 11 percent of global trade, IDB representative for Malaysia Ahmed Hariri said.

"When you see the development needs of 55 countries, what we are doing is just a drop in the ocean," he told reporters ahead of the annual meeting of the IDB Board of Governors on June 23 and 24.

Most of the states will be represented by their finance ministers, Hariri said.

The IDB represents a market of 1.3 billion people, or 21 percent of the world's population.

But trade among the countries of the bloc is small.

Bangladesh moves to launch diamond processing business

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Bangladesh has decided to join the Kimberly Process Certification Scheme (KPCS) to enter a fair trade in diamond processing, said the law, justice and parliamentary affairs minister yesterday.

"We intend to enact relevant laws in this regard to enter the legitimate trade in diamond processing industry," Moudud Ahmed told a seminar titled 'Kimberley Process: What's in it for Bangladesh'.

The trade in conflict diamonds is also responsible for black money, he said, adding that Bangladesh needs to become a KPCS participant to fight money laundering.

KPCS for international trade in rough diamonds was implemented on January 1, 2003. Rough diamonds can now only cross the border with an official certificate. The countries importing the diamonds will check the sealing and the certificates of the packages.

The first meeting held to discuss the trade in conflict diamonds took place in Kimberley, South Africa, in May 2000 at the initiative of African producing countries.

Kimberley Process is an international certification scheme that regulates the trade in rough or conflict diamonds, said Wali-ur-Rahman, director of Bangladesh Institute of Law and International Affairs (Bilia) that organised the seminar in collaboration with the Delegation of the European Commission to Bangladesh.

The trade in conflict diamonds, also known as blood diamond, has contributed to devastating conflicts in diamond-rich African countries such as Angola, Sierra Leone, Democratic Republic of Congo and Liberia.

"Diamonds are meant to be a girl's best friend, not a state's worst enemy," said the Head of EC Delegation Esko Kentrschynskyj quoting an African scholar while presenting his keynote speech.

Conflict diamonds are sources of fund for illegal activities, destabilising society and violation of human rights, said First Secretary of the EC Delegation Anne Marchal.

"Conflict diamonds have to be turned into development diamonds," she said.

India is the largest diamond cutting country that exports processed diamonds worth $11 billion, said former ambassador M Zamir. Bangladesh should exploit the full potential of the industry, he added.

Bangladesh can initiate diamond cutting and polishing industry, said Alexey O Goltyaev, an official of Russian Embassy.

Russia is the largest diamond producing country and currently is the chair of Kimberley Process.

Consumer states urged to build oil refineries

AFP, *Vienna*

Saudi Arabian Oil Minister Ali al-Nuaimi urged consumer countries to build more refineries to put an end to a shortage that is causing oil prices to surge.

"The supply is here, inventories are building, there is certainly no shortage of supply -- so build, build refineries, Nuaimi told reporters.

"Start building refineries and you will solve maybe half of the problem," he added during his traditional morning jog in Vienna, ahead of the Opec meeting due Wednesday.

DSE to discuss ADB proposal on merger of bourses today

BDNEWS, *Dhaka*

The Dhaka Stock Exchange has convened an emergency meeting of its members today to discuss an ADB proposal on merger and demutualisation of the two stock exchanges, sources said.

A DSE official told the news agency that the meeting was called to get the views of the DSE members on the ADB prescription.

The ADB proposed the merger in a preparatory report on the proposed Capital Market Governance Programme, a technical assistance scheme for the troubled share markets. The programme is to start next year.

The preparatory report was circulated among the stakeholders of the capital market, including the Securities and Exchange Commission (SEC), seeking views on the merger.

Sources said the ADB report also recommended separation of the capital market management from the shareholders.

BGMEA renews deal with Jiban Bima

BDNEWS, *Dhaka*

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) yesterday renewed an agreement for three more years with Jiban Bima Corporation (JBC) regarding group insurance for labourers, said a BGMEA press release.

The agreement signing ceremony was held at the BGMEA office at the capital's Karwan Bazar. Annisul Huq, president of the BGMEA, and Sirajul Islam Khan, director of the JBC, signed the document from their respective sides.

According to the agreement, all the BGMEA members will pay a monthly premium of Tk 8,000 to the JBC.

The insurance will cover death of workers and his/her dependants will get Tk 1 lakh in compensation.

Intel to invest $400m in India

AFP, *New Delhi*

The world's largest chipmaker Intel will invest 400 million dollars to set up a chip testing and assembly plant in India, one of several big investments by global firms expected over the next few months, an Indian minister said Tuesday.

Intel has shortlisted Chennai, Bangalore and Noida near New Delhi as possible sites for the plant.

PHOTO: STAR

Lars P Reichelt, chief executive officer of Banglalink, addresses a press conference in Dhaka yesterday. Banglalink announced to hold a six-day mobile phone fair from tomorrow.

Banglalink mobile phone fair starts tomorrow

SIM cards to be sold without new tax

STAR BUSINESS REPORT

Banglalink is going to organise a six-day mobile phone fair from tomorrow at Bashundhara City shopping mall in Dhaka where it will sell mobile phone connections without the newly imposed tax on SIM cards.

"Our distributors will sell SIM (subscriber identity module) cards from their stock they had before the imposition of the SRO (statutory regulatory order)," Lars P Reichelt, chief executive officer of Banglalink, told reporters at a press conference in Dhaka yesterday.

A Banglalink 'mobile to mobile' connection will be sold at Tk200 at the fair with 1,000 free SMS (short message system), he added. A Banglalink standard connection fee will be Tk1,499.

Different mobile handset vendors including Nokia, Panasonic, SonyEricsson, Motorola and Siemens will be there with various types of handsets, he said.

However, handsets will be sold at a reduced price as per the new reduced tax of Tk 300 per handset, he added.

"We strive to understand our customers' needs best and this fair will give us another opportunity to do that through one-to-one interaction with the customers," Reichelt said.

Apart from selling mobile phone connections there will be other attractive services available at the fair such as picture messaging, downloadable ringtones and interactive games, he added.

All the distributors of Banglalink will have their own booths at the fair, which will remain open everyday from 10am to 9pm until June 21 at level seven of Bashundhara City.

Post and Telecommunications Minister Aminul Haque will inaugurate the fair.

In less than four months, Banglalink's subscriber-base has reached over 400,000. Its coverage has also expanded from nine districts to 32 districts throughout the country in this short period.

Regarding imposition of 1,200 tax on mobile phone SIM cards in the proposed budget, the Banglalink CEO said the provision will affect the prospective subscribers of the low-income group.

BB finalises guideline on factoring

BDNEWS, *Dhaka*

Bangladesh Bank has finalised the guidelines on globally acclaimed financial product 'factoring' to boost adequate cash flow to small and medium enterprises.

The 'factoring' will help allow the SME entrepreneurs get credit without collateral.

BB Governor Salehuddin Ahmed will formally announce the guidelines on SMEs financing at a seminar on 'Factoring for SME Financing' today.

The factoring will ensure SME financing, working capital and receivables financing to ensure adequate credit and consistent cash flows to SMEs, said a BB official.

He said: "Initially the BB will introduce domestic factoring. As the developed countries nowadays consider letter of credits (LCs) as an hindering instrument, international factoring will also be introduced. The international introduction will take three to four months."

According to the recently published BB quarterly, factoring reduces administrative costs through providing follow up collection services and sales ledger administration services to the supplier.

It also reduces credit risks as well as allows high-risk suppliers to transfer their credit risk to their high quality borrowers. The suppliers use to get around 75 percent of payments from the 'factors' instantly against their receivables.

Asia's central banks to support growth as inflation checked

Analysts say

REUTERS, *Singapore*

Asian central banks have rarely been so clear about their interest rate intentions.

The central bank chiefs of China, South Korea and India, Asia's three largest economies after Japan, signalled last week that oil-driven inflation was under control, enabling them to keep borrowing costs down to support their slowing economies.

Analysts said the unanimity among the region's policy makers -- with the exception of Thailand, which raised rates last week for the fifth time in a year despite an economic contraction -- indicated broad-based support for easy monetary policy.

"All of them are pointing to the fact that higher inflation was not because of domestic demand but because of supply factors caused by oil," said Song Seng Wun, a regional economist at Singapore-based brokerage GK Goh Securities.

"The balance is towards an accommodative policy stance."

That stance, which reverses a bias towards tightening in the first and second quarters to douse the effects of surging oil prices, reflected a clear deterioration in the outlook for Asian economic growth since the start of the year.

And even if the central bankers are not yet talking about cutting rates further, it seems likely that the ultra-low rates that have buoyed regional financial markets could be maintained into the second half.

China's central bank governor, Zhou Xiaochuan, said he would not raise interest rates in the near future.

Bank of Korea Governor Park Seung, after leaving rates at a record low last week, said it was important to keep rates low for the time being to support economic growth.

Reserve Bank of India Governor Yaga Venugopal Reddy said core inflation was "fairly low" and fears about oil prices had moderated.

Asia's economic prospects looked rosier at the start of the year, after 2004 saw the fastest growth in four years. But oil prices soared and have stuck above $50 per barrel while a drought across Southeast Asia has cut farm output. The two factors have combined to drive transportation and food costs higher and forced governments to cut their growth forecasts.

The outlook was clouded further by a slump in global demand for Asia's electronics exports and led to a return of trade and current account deficits in South Korea, Thailand and India.