

# Pursue slow and steady privatisation process

## ADB country director advises govt

### STAR BUSINESS REPORT

Private sector is the key to development of Bangladesh but the country should follow a slow and steady privatisation process, ADB Country Director Hua Du said yesterday.

"Don't privatise the state-owned enterprises altogether at a time or in a hurry. It won't bring any good to the country," Du said while speaking at a discussion titled 'Role of the Asian Development Bank (ADB) in Developing Infrastructure for Bangladesh'.

The American Chamber of Commerce in Bangladesh (AmCham) organised the discussion as part of its monthly luncheon meeting in Dhaka.

When China started privatisation two decades ago, 99 percent organisations were run by the government. Now, 90 percent organisations are owned by the private sector, Du, who hails from China, cited an example.

During the period the government and the private investors from home and abroad financed largely in infrastructure development of China, she noted.

Private sector involvement in every sphere is needed to reduce poverty and achieve the millenium development goals (MDGs) for Bangladesh, she pointed out.

Moreover, limited policy and institutional reforms have slowed down infrastructure development, Du went on.

"Unless infrastructure development is accelerated, it will be difficult for Bangladesh to boost global competitiveness and attract the much-needed foreign investment,"



PHOTO: AMCHAM

Asian Development Bank Country Director Hua Du (3-L) speaks at a monthly luncheon meeting of the American Chamber of Commerce in Bangladesh (AmCham) yesterday in Dhaka.

Du said adding that such development also helps establish regional trade linkages and diversify new sources of growth.

The ADB is committed to developing the infrastructure of the Asian countries including Bangladesh, she added.

"Infrastructure development is a priority area of ADB's assistance programme in Bangladesh. As of 2004, the share of ADB's public sector lending to energy sector of Bangladesh is 34 percent. Transport and communications accounted for another 25 percent," Du said.

Bangladesh needs extensive infrastructure financing. For example, the power sector alone requires investments of about \$15 billion by 2020. Investment requirements in sectors such as port, roads, railways, gas, ICT and water supply and sanitation,

mainly in Dhaka and Chittagong area, are also high, she continued.

"ADB is interested to work with the government in these sectors," she added.

Addressing the function, AmCham President Aftab-ul Islam said poor quality and poorly managed infrastructure increase cost of doing business in Bangladesh, especially for the private sector. Weak law and order situation is another barrier, he added.

Judith Chammas, charg   d'affaires of American Embassy in Dhaka, Andrew Fawthrop, vice president, A Gafur, executive director of AmCham, and Beth Paige, acting director of USAID, also spoke at the function.

# BB profit posts 100pc increase

### STAR BUSINESS REPORT

Bangladesh Bank saw a whopping 100 percent rise in its profit with a total profit of Tk 1,891 crore in the last fiscal year.

The central bank made a profit of Tk 939 crore in 2003-04 fiscal year. A BB source has attributed the profit growth to swelling income both in foreign and local sources as well as significant cut in expenditure.

In 2004-05 fiscal year, BB's total income rose by Tk 392 crore taking the total income to Tk 2,492 crore. Income from foreign source was Tk 1,708 crore.

Sources said the BB deposited its foreign currencies with different international banks and it is the interest from this deposit that contributed to BB's high income.

Throughout last year the BB was able to maintain around \$ 3 billion foreign exchange reserves.

BB earned Tk 784 crore from local sources against the previous year's Tk 614 crore. Commercial banks in the second half of the last fiscal year suffered from liquidity crisis. To tackle the problem, these banks took loans from the BB by depositing treasury bills through reverse repo, which significantly helped to make BB's coffer heavier.

Besides, the BB had also been able to cut its expenditure by a sizable amount of Tk 560 crore in the last fiscal year. It was possible due to non-requirement of provision for loan losses.

From the last year's profit the BB will give Tk 760 crore to the government while it gave away Tk 602 crore in the previous year.

# Dealers to stop fuel sale from Sept 28

### STAR BUSINESS REPORT

Petrol pump owners and dealers yesterday again issued a threat to stop selling petroleum fuel from September 28 if their 12-point demand is not met.

The threat was carried out for the second time in a month by the association of the petrol pump owners. Previously they issued the threat on August 17 with an ultimatum of 11 days, which ended on August 28. However, the threat was not translated into action at that time.

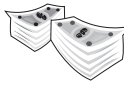
Leaders of the Bangladesh Petrol Pump Owners Association at a press conference in Dhaka yesterday said they will stop trading of fuels across the country if the government does not fulfil their

demands, which include hike in sales commission and compensation for operational loss caused by storage leakage and evaporation.

The petrol pump owners demanded to raise their commission to eight percent including three percent compensation for operational loss. "Presently we get only 2.06 percent commission for diesel and 1.96 percent for octane and petrol," said Mohammad Nazmul Haque, president of the association.

The other demands of the association include setting up testing laboratory in depots and establishing joint monitoring committee to stop fuel adulteration, formulating a specific guidelines to set up petrol pumps and CNG stations and issuing arms licence to pump owners.

## OIL SHOCKS AND ECONOMY



The Daily Star has started running a series of interviews with the country's leading entrepreneurs, bankers and economists about the state of economy in the face of soaring oil prices in the international market. The series starts with Managing Director of Pubali Bank Limited Khondkar Ibrahim Khaled, whose banking career spans over 30 years. Khaled is widely respected for his expertise in banking, foreign exchange and foreign trade. Following is the excerpt:

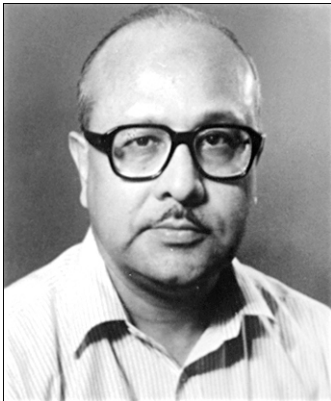
# Austerity measures key to offsetting high oil prices

### JASIM UDDIN KHAN

**DS:** The government is receiving mixed reaction regarding the recent domestic fuel price hike following the increase in fuel prices internationally. What impact do you think this hike is going to have on Bangladesh economy, which is seemingly sensitive to oil price movement? What measures do you think Bangladesh should adopt to mitigate any negative impact on the economy?

**IK:** Ameliorating measures include two aspects 1) curtailing consumption of petrol and 2) increasing fuel price to offset rise in price in the international market. Consumption of petrol may be reduced by 1) observing 2-day weekly holiday, 2) converting all the vehicles of govt /semi govt organisations to CNG-run ones. 3) closing city markets/shops after 8pm and lastly 4) encouraging private vehicles for conversion into CNG-run ones. In the second part, increase in fuel prices may be kept at a minimum level by cross-subsidising with compressed natural gas price.

**DS:** The government's recent contractionary monetary policy is being driven by the intent to increase the lending rate in the financial market. How do you think this is going to impact the invest-



Khondkar Ibrahim Khaled

ment scenario of the country?

**IK:** Contractionary monetary policy is intended to cut down the banks' lending portfolio, consequently reducing investment. In my opinion, contractionary measures should be modest so that productive investment is not visibly discouraged.

**DS:** There are widespread apprehensions regarding the recent domestic political developments and FDI scenario. Do you think the unrest is going to have any serious impact on the FDI inflow in the country?

**IK:** Near-simultaneous bomb blast in 63 districts indeed is a bad signal. It has created psychological panic and a sense of uncertainty. Much will depend on the success of

the government efforts to punish the masterminds behind it. Any delay, confusion and failure will jeopardise the FDI scenario.

**DS:** The recent drastic devaluation of taka against US dollar has been a major concern and has also spurred a lot of debate. As a senior banker please express your views on this.

**IK:** Taka lost its face value long back. The government tried to holdback the value of taka by forcing dollar conversion rate at a low level at the NCB counters. Such artificial measures only prolonged the conversion pain. Finally, Bangladesh Foreign Exchange Dealers Association tried to stabilise the value of taka, which ultimately failed. This was a dangerous move. 'Motivated bankers group' spokesman said on a TV interview, "We are the dollar seller banks- we are united. Where will the purchaser banks go, if they do not come to our terms?" How outrageous such group is. I hope, authorities as well as banks will have vision for far-reaching consequence. Finally, taka/dollar conversion rate has been steady for the last one month. Then, why such mockery is done with market economy norms.