

## Political will needed to cut differences

FROM PAGE 1

political will and statesmanship in the leadership of Saarc to narrow the differences in views and flourish in the future.

"The political will should be supported by the statesmanship of the participating countries in order to rise above narrow national perspective and work out arrangements on give-and-take basis for mutual benefit," he said while talking to The Daily Star yesterday about the future of regional cooperation.

These two elements gave impetus to the integration process in Europe and other parts of the world, Ahmad said.

Ahmad believes the main goal of such cooperation forum should be creating employment opportunities and reducing poverty because around 40 percent of the world's poor population live in this area. He also pointed out that since this region is the home to one-fifth of the world population, the forum can

bring fruitful changes to a lot of lives.

"I support regional co-operation because it brings additional benefits to all member countries, and for the third world nations such forum provides additional strength while bargaining with the developed countries," he observed.

Ahmad, also the chairman of the research organisation Bangladesh Unnayan Parishad (BUP), observed that though the South Asian Association for Regional Cooperation was established around 20 years back the regional co-operation in economic sector or inter-state trade in the region did not expand.

According to him in absence of political will, the South Asia Preferential Trade Arrangement (Sapta) did not succeed earlier. As a result, the intra-regional trade among the Saarc countries is still less than five percent of their total trade.

The member countries, however, signed the South Asia Free Trade Agreement (Safta) in the last summit, but it is uncertain when it would finally come into operation, Ahmad said.

He pointed out that Bangladesh has a trade deficit with all other Saarc member countries. "The trade gap should be minimised through reducing tariff and para-tariff barriers as we do not have enough commodity to export."

For reducing the huge trade gap with India, he suggested joint venture investment in Bangladesh keeping Indian market in the mind. Such investment would also generate employment and help reducing the trade gap, he added.

Ahmad also said the regional cooperation can play an important role in solving the environmental, climatic and hydropower issues. "The Saarc countries are the worst sufferers

of natural disasters, but they lack adequate mechanism to deal with those."

The member countries can cooperate with each other or take a comprehensive approach to such problems, he added.

Also, an unified approach among

India, Bangladesh, Nepal and Bhutan involving the Ganges, Brahmaputra and Meghna, can help meet the power demand in Bangladesh and India, the noted economist observed.

The Saarc can take an initiative to help Nepal and Bhutan in developing power generation capacity. Under the

programme, Nepal and Bhutan will produce hydro-electricity and Bangladesh and India will buy it to meet their power shortages, he explained.

## Polls spend exigency

FROM PAGE 1

governments tend to misusing funds and unnecessary spending before elections," he noted.

According to another source, prior to the November 2 Cabinet meeting on the PPL draft, a 'very senior' minister held a meeting with the secretaries, inquiring about the probable 'pitfalls' of the legislation. The secretaries came up with a number of points that would make procurement 'difficult'.

The senior minister then reportedly assigned Shipping Minister Akbar Hossain with raising hues and cries over the PPL at the Cabinet meeting. Accordingly, Akbar staged a vehement opposition to the law at the meeting, which ended without approving the draft, meeting sources said.

Except for Finance Minister M Saifur Rahman and Education Minister Osman Farruk, all the Cabinet members supported Akbar's views. They posed the question whether the government should allow donors to dictate terms and deprive the public from the 'benefits' of faster procurements'.

The November 2 meeting did take a resolution to have a procurement law but not necessarily the one on the table. It also decided to form a ministerial committee to scrutinise the PPL. "This

means the PPL will have to wait many months before it gets the government's nod," a meeting source quipped.

Afterwards some ministers and bureaucrats interacted with the press, trying to convince them of how the PPL would 'block' the government's development efforts and handling of any emergency situation in the country. There should not be any permanent procurement law but some policy guidelines to follow, they argued.

"If the PPL is passed then it would be very difficult to bring any amendment to it for managing emergency situations," said a senior minister, as bringing any change in any law needs approval of parliament, which is lengthy process.

According to him, though the donors said similar laws are in force in some 50 countries, they did not provide any list of them.

He said a provision of the draft PPL that requires formation of a tender evaluation committee comprising representatives from more than five ministries would also delay the procurement process, because officials of a ministry often show reluctance to participate in meetings at another ministry.

"We have to make several tele-

phone calls to bring representatives from other ministries to a meeting at mine," claimed a senior bureaucrat. So, the tender process would also be delayed in case of absence of proper representations as is demanded by the proposed law, he added.

The government has already suffered a loss to the tune of Tk 600 million because of the PPR, claimed the aforementioned senior minister, adding the ministries of agriculture and food have faced many difficulties in procuring essential items and fertiliser to tackle emergency situations.

However, a number of government officials refuted these claims. "The government loses billions of taka to corruption. We have seen that cost effective projects can be well implemented in a transparent way. The AES Haripur and Meghnaghat projects are two such outstanding examples. Unfortunately, no-one in power is interested to highlight these examples," said one of them.

Bangladesh ranked the most corrupt country in the world for five consecutive years in the annual reports of anti-corruption watchdog Transparency International.

## Gas guarantee, coal mining

FROM PAGE 16

royalty charged by the government from a coal mine developer under its coal mining policy. Tata says royalty for coal production in India is around Tk 250 per tonne. In the light of this, it wants Dhaka's mining policy to be revised, and says it would assist the World Bank in drafting the policy.

On gas price, Tata is looking for a rate of \$ 1.2 per thousand cubic feet (mcf), which is the bulk rate for the Power Development Board (PDB) and fertiliser factories (except Kafco).

On gas reserve data, government negotiators say there is no such practice of providing such data to an investor. This is clumsy and unnecessary. On the other hand, Tata officials say there is international precedence and it is a normal practice in many countries.

On restricting or rationing gas supply to other consumers to ensure its supply to Tata, government officials say this is absurd as the nation must provide equal facilities to all and it cannot retard growth of other consumers. A senior Tata official defended their conditions, saying, "Gas is the main raw material for Tata's investment. Any stoppage will lead to massive losses. When we see that the government is thinking of rationing gas supply, we have come

up with these conditions. We just want an assurance and that is all."

Tata initially sought sovereign guarantee of supply of two trillion cubic feet (tcf) gas. Of this, 88 million cubic feet per day (mmcf) gas was sought for fertiliser (urea and other types) production for 20 years, totalling 0.95 tcf. It sought another 1.05 tcf gas consumable in 25 years at the rate of 160 mmcf for steel production.

The government has reservation about a "sovereign" guarantee. "Does it mean that if we run out of gas, we will import gas to feed Tata? Our projections do not allow us to give such a guarantee," noted a top official.

Besides, the fertiliser factory will be entirely export-oriented. Tata will produce fertiliser and export it to India. Bangladesh's energy policy discourages gas-based fertiliser factories, especially after the Kafco experience. The government subsidises gas supply to Kafco and buys its fertiliser at international rate, incurring huge losses.

A senior Tata official explained, "There are two issues for an investor to understand -- capability of gas supplier to fulfil the demand and the volume of gas available. Anyone likes to be safeguarded."

On coal, the government has reservation about dissolving the Barapukuria Coal Mine Company Ltd (BCMCL), which has invested Tk 1,400 crore. "Tata wants to pay off the investment money and dissolve it. But that takes away the opportunity cost. We say why not act as partners here. We also say that Tata can work in the mine as partners from 2011 when the BCMCL's operation and maintenance contract with a Chinese company ends," says a government official.

"But Tata wants Barapukuria either by dissolving the BCMCL or excluding the BCMCL area."

The Tata official pointed out, "We started our proposal based on gas use. The government gave us an option saying why not use coal. We are now conducting studies to see whether use of coal is feasible. We feel there should be open cast mining. In the (present system of) shaft mining, one can produce up to 20 percent of the coal deposit. But the way we are investing, we must go for open cast mining (which can produce more than 90 percent of the deposit)."

"The Barapukuria mine has been leased out (to the BCMCL). How do we operate there? What are the modalities, processes and options. We have only submitted our proposal. There is much to discuss... I am sure we will find a solution here," the Tata official adds.

On the question of six percent royalty, a senior government official says, "This was spelled out in the early nineties in line with international practice. During those times, the price

of petroleum (which is the reference price of all energy related products) hovered around 12 dollars to 25 dollars a barrel. Now petroleum price hovers around 50 dollars to 70 dollars. How can six percent royalty be high? The present international market scenario demands we increase this royalty."

The Tata official says, "Royalty is nation specific. It is designed on the basis of what exists in other countries of similar situations. The government's new coal policy (yet to be finalised) will have various references about royalties."

Tata Group's Resident Director S Manzer Hussain is optimistic about the negotiations, saying Tata perceives the enthusiasm of the government about its investment. Two main issues have remained unresolved till now -- the assurance of gas supply and a package of financial incentive for Tata. The other unresolved issues are power purchase deal, land acquisition and coal mining area. But all of these can be resolved, he adds.

Tata seeks 2,000 acres of land for its steel plant, 350 acres for fertiliser plant, and the coal mine area has not been clearly defined yet. These installations will employ 6,000 to 7,000 people directly, and 23,000 to 24,000 people indirectly, Manzer mentioned.