

# Star BUSINESS

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## India mulls rail link to Nepal

AFP, New Delhi

Indian officials are exploring five options for a railway to neighbouring Nepal, speeding up efforts after China opened its first rail link to Tibet last year, a report said Saturday.

The surveys on the viability of the rail projects have acquired "top priority" in the railway ministry because of concerns over Chinese plans to extend the Tibetan line to the Nepal border, the Indian Express reported.

The Tibet railway, which opened in July, runs 1,142 kilometers (713 miles) from Qinghai province to Lhasa, the capital of Tibet, making it the highest line in the world.

Kathmandu said last year that Beijing was willing to extend the line into Nepal.

"Although the Lhasa-Nepal link may neither be technically feasible nor financially viable, the strategic importance of such a link cannot be undermined," a senior Indian railway official told the newspaper.

China also has plans to build a railway line to the Tibetan town of Chomo near a Himalayan border pass to the Indian state of Sikkim in the next 10 years.

Last year, India and China agreed to open the border pass to revive direct trade. The pass was closed 44 years ago following a brief war between the two nations.

The two Asian giants have also been holding talks to sort out a decades-old border row, though the border has remained largely peaceful since the war.

## Nepal's RMG export to US drops 55pc

XINHUA, Kathmandu

Nepal's readymade garment (RMG) export to the United States slipped by more than half in the first quarter of 2007 due to unrest in southern Nepal's Terai region, labour stir and eroding competitiveness, a report from Garment Association Nepal (GAN) said Friday.

The export during the first three months of 2007 plunged by a whopping 55 percent to 7.82 million US dollars, compared with 17.56 million US dollars in the same period of 2006 the GAN report said.

The export had dropped more sharply in January and February 2007, with export dropping to 54 and 64 percent respectively.

GAN officials attributed the decline to quickening loss of orders in recent months due mainly to internal problems related to labour and also due to eroding price competitiveness.

"Terai unrest, which paralysed movement of vehicles transporting raw materials and delivering finished products, also took toll of timely delivery of the products, resulting in decline of export," a GAN official told a local media website, eKantipur.com.

The decline in export, meanwhile, has dragged the industry down to the second position from the largest foreign currency earning export of the country.

## China signs new hydropower deal with Myanmar

AFP, Yangon

Military-run Myanmar and China have signed a deal to build a hydropower dam on the Salween River, as yet the longest undammed waterway in southeast Asia, official media said Saturday.

The deal is the fourth hydropower agreement signed with China this year, and came just days after Thailand began work on a six-billion-dollar dam on the Salween to generate electricity that will be carried back to the kingdom.

Activists warn the dams could prove disastrous to the Salween's delicate ecosystem and accuse Myanmar's military junta of using the dams as an excuse to evict thousands of ethnic minority villagers from their land.

Myanmar's Hydropower Implementation Department signed the deal Thursday with the Chinese firms Farsighted Investment Group and Gold Water Resources, the official New Light of Myanmar said.

The dam, which is the fifth planned for the 2,800-kilometre (1,750-mile) river, will have a capacity of 2,400 megawatts, the government mouthpiece said.

The paper gave no other details of the deal, but said the dam would be on the Upper Salween in Myanmar's northern Shan State.

## POVERTY ALLEVIATION

# Economists for restoring five-yearly dev plan

## Revision of fuel price in next budget suggested

### STAR BUSINESS REPORT

Country's prominent economists have asked for restoring the five-yearly development plan in the interest of setting long term economic goals to alleviate poverty instead of the donors' prescribed PRSP (poverty reduction strategy paper).

They said the PRSP has been prepared according to the dictat of donors, which failed to prioritise uplift programmes by which government can control its budgetary expenditure.

They were speaking at the concluding ceremony of a training programme for economic reporters at the Planning and Development Academy in Dhaka yesterday.

Bangladesh Economic Association (BEA) organised the training.

Economist Muzaffer Ahmad said, "The five-year plan reflected government's desire to do development works. But the PRSP is a donors' driven strategy."

Although the PRSP has been

made by a participatory method, I doubt about how much participation of the poor people is reflected in the PRSP," he added.

Dwelling on the next budget, Muzaffer, also chairman of the trustee board of the Transparency International Bangladesh, suggested formation of a local government commission to finance the local body's development activities.

He, however, is doubtful about achieving an economic growth of 7 percent in the following financial year. He said, "There is an inconformity in the demand and supply management."

Voicing his reservation about the PRSP, AMA Muhi, a former finance minister, observed that the paper is insufficient to reduce poverty.

"We should resume our home-based five yearly plan, of which the PRSP could be a part," he said.

Terming the five-year plan a constitutional obligation, Abul Barakat, the BEA general secretary, said PRSP is aimed at appeasing

the donors.

"We should come back to a five yearly development plan, if we really want to do something for the country," he added.

About the next budget he said it should reflect growth with redistribution of justice, ensuring public welfare.

BEA President Qazi Kholiquzzaman Ahmed urged the government to revise the recently hiked fuel price in the next budget.

He said poor people, especially the farmers, would be sufferer due to such hike in price of fuel.

Md Farashuddin, former central bank governor, Professor Ashraf Uddin Chowdhury of Economics Department at the Dhaka University and Professor Muinul Islam of Economics Department at the Chittagong University gave lectures on different economic issues at the day-long training programme.

A total of 40 journalists took part in the programme.



## New chairman of Dhaka Bank

Khondoker Monir Uddin has been made chairman of Dhaka Bank Ltd, says a press release.

A Master in accounting from Dhaka University, Monir Uddin is the managing director of STS Group and Shanta Group of Industries.

He is also a sponsor shareholder of the bank.

## New JBIC chief representative for Bangladesh

BSS, Dhaka

The Japan Bank for International Cooperation (JBIC) Board has appointed Yasuo Fujita as the chief representative of its representative office in Dhaka effective from April.

Fujita, who will assume office today, will replace outgoing chief representative Eiyoshi Amada.

Fujita joined the JBIC in April 1996. He held several senior positions with the JBIC prior to his new assignment in Bangladesh.

As a development partner, the JBIC had been assisting Bangladesh in economic and social development for the past 33 years providing long term low interest loans.

Since 1974, the JBIC extended 73 ODA loans amounting to Japanese Y 600 billion (about US\$ 5 billion) to a wide variety of projects.

# Call to create atmosphere for corporate governance

STAFF CORRESPONDENT, Ctg

Speakers at an orientation session for journalists in Chittagong yesterday called for creating an enabling environment for better corporate governance and practices of corporate social responsibility (CSR) to ensure success and smooth continuity of business.

They also stressed optimising economic results of the business houses with a strong emphasis on shareholders' welfare.

Besides, the resource persons at the programme suggested directing CSR towards fulfilling the social expectations through responding to the needs and welfare of the stakeholders concerned.

They also put emphasis on the role of the media people as catalytic and follow-up agents to create a congenial atmosphere for promoting CSR and corporate governance.

Newspersons should help promote corporate governance and play their due role as watchdog to avert any 'eyewash like activities' carried out by corporate houses in the name of CSR practices, they said.

Management and Resources Development Initiative (MRDI) in collaboration with Manusher Jono Foundation (MJF) organised the session on 'Corporate Governance and CSR' under a project titled 'Bridging Corporate Sector and Media in Promoting Good Governance'.

The MJF is an initiative designed to promote human rights and good governance in Bangladesh.

Sarwar Ahmed, managing director of Syngenta Bangladesh Ltd, Syed Ishtiaque Reza, chief news editor of satellite television channel RTV, and Inam Ahmed, news editor of The Daily Star, were the resource persons at the session

moderated by Hasibur Rahman Mukul, executive director of MRDI.

The speakers said corporate governance not only makes an organisation efficient and successful, but also creates ethos that in a cyclic order help build goodwill and create more business.

They laid emphasis on direct interaction among the board of directors, management and stakeholders in any business houses for bringing in more transparency and accountability.

Referring to the findings of a number of roundtables, the speakers said many businesses do not have clear understanding about corporate governance and CSR practices. Many corporate people consider their philanthropies as CSR practices, they added.

Many of the business houses finish their CSR practices simply by

making donations without conducting any follow-ups that could ensure proper utilisation of the donation and fulfillment of the objectives the CSR meant for, observed the speakers.

They also said many a company practise CSR for an 'eyewash', using the term CSR as a tool for benefiting themselves only.

They called upon the media people for playing their due role to help establish corporate governance and make CSR meaningful through making more objective, follow-up and in-depth reports and practising responsible journalism.

The speakers also felt the necessity of increasing interactions between corporate houses and media people.



Sarwar Ahmed (R), managing director of Syngenta Bangladesh Ltd, speaks at an orientation session for journalists on corporate governance and CSR in Chittagong yesterday. Syed Ishtiaque Reza (L), chief news editor of RTV, and Hasibur Rahman, executive director of MRDI, are also seen.



Director of International Office Machines (IOM) Ltd Rezaul Karim receives on behalf of the company the 'Best IT User Award 2007' of Bangladesh Association of Software and Information Services (BASIS) from Industries Adviser Geeteara Safiya Choudhury at the concluding ceremony of BASIS SoftExpo 2007 recently in Dhaka. The company got the award for best use of customer relationship management solutions.

# Global finance industry sees 'anxiety amidst prosperity'

AFP, Washington

The global banking and finance industry expects robust economic growth in 2007 but also sees "anxiety amidst prosperity" due to financial market turmoil and an uncertain US outlook, a report showed Wednesday.

The Institute of International Finance (IIF), a grouping of major global banks and finance firms, said some of the optimism on the economic outlook is tempered by growing risks.

"Global growth continues to be

strong and is likely to be close to five percent this year," the IIF said in a report delivered to the International Monetary Fund (IMF) and World Bank ahead of their semiannual meetings.

The report said the developing world is sharing in the expansion amid strong investment in these countries. "Net private capital flows to emerging markets are running at a record annual rate of around 500 billion dollars," it added.

But IIF managing director Charles Dallara said his group's research

suggests "growing vulnerabilities to the outlook for global growth."

"Geopolitical developments and persistent global imbalances cloud the future, with the latter raising the prospects of protectionism and disorderly adjustment," he said.

"In financial markets, events earlier this year involving a spike in volatility and downward adjustments in global asset prices reflected in part concerns about the outlook for the US economy, sparked by deterioration in the subprime mortgage sector. These events may also have signaled prospects of a return of risk aversion, particularly as the current high levels of international liquidity recede."

Dallara cited "an unusual sense of unease and anxiety amidst prosperity."

In his letter, he called for the international organizations to "build on current activities and engage more deeply with one another on these issues and for the IMF to reassert the leadership in our collective efforts to underpin global financial stability."

# Can BPC be made profitable?

thirdly, the propensity of smuggling was creating artificial crisis of fuels in the bordering areas. So apart from recovery of product cost, price adjustment was also needed to stop the smuggling. There were always questions like how this adjustment will be done with the dip and rise of fuel price in international market, or how the impact will be allocated among different products (Octane vs. Diesel or Kerosene), etc. or even different interest group in the society.

The BPC used to incur a loss of about BDT 200 crores per month, before the recent price hike of fuel, due to the gap of approximately BDT 8 per litre against the import parity price. The loss is likely to be fully offset due to recent increase in fuel price, mainly due to the increase in Kerosene and Diesel price, these two comprising almost 85 percent of the total fuel consumption. While the country's demand has been estimated to be 106,000 tonnes of Octane, 145,000 tonnes of Petrol, 520,000 tonnes of Kerosene and 2535,000 tonnes of Diesel in the fiscal year 2007, it is expected to be 114,000 tonnes of Octane, 150,000 tonnes of Petrol, 550,000 tonnes of Kerosene and 2,750,000 tonnes of Diesel in FY 2008. Thanks to the continuous conversion of transports to CNG! BPC's loss is expected to be reduced by BDT 2,400 crores on an annualised basis due to the recent fuel price hike by 16 to 21 pct (Kerosene to Octane). Present retail price of fuel is estimated to be higher than its import parity price

but BPC will still continue to make trading loss due to customs duty, VAT, Advance Income Tax (AIT), surcharge etc. (these are being added to the import cost). However, BPC's trading loss will be reduced significantly to BDT 30 crores only from BDT 2700 crores on an annualised basis (in this calculation, import price of February has been considered). However, this calculation does not include financial, transportation and other administrative cost. For example, cost and freight (C&F) cost of kerosene per litre at Chittagong is Tk 32,-/litre taxes (Customs duty/VAT/AIT/surcharges) comes to BDT 11.25, thereby total costs comes to Tk 43.25 per litre, while it will be sold at Tk 40,-, still at a loss of BDT 3.25. This however should be absorbed by higher petrol and octane price and duty paid to the exchequer on a net basis. For greater interest of the sector we need to regularly review and revise retail fuel prices in line with other similar economies.

**Reduction of Product Cost:** Attention also required on the cost side, there should be some ways of reducing cost also. Some of the drivers are as follows:

**More diversified & more competitive sourcing:** Presently, since BPC is procuring fuels through IDB credit, one of the pre-condition of IDB credit is that the procurement should be from IDB members only and this condition restricts the sourcing competitiveness and there must be some cost related to

it. BPC may overcome it through diversifying its financing sources and for this BPC should explore all the ways of financing which in turn may require major financial restructuring/re-engineering.

**Reduction of financial cost:** BPC is suffering from serious financial sickness, its bargaining power is seriously jeopardized and thus we are desperate in procuring fuels on deferred payment. Is there any analysis of financial advantage of opening LC on sight payment or deferred payment? Are the suppliers taking advantage of BPC's bargaining capacity? General sense says NO. Now the question is whether we will improve the BPC's credit standing and take the advantage out of that or we will make it sicker and will continue to pay premium for this?

**Reduction of allowable loss:** BPC and Oil Marketing Companies (OMC) allow some systematic loss of fuel in handling and transporting of fuel at different stages. Reducing these Allowable Losses may reduce product cost. For example, more tighter monitoring and finer triggers may help in reducing loss from temperature differential. Also, more prudent and stricter approach may reduce the pilferage during transport through lightening vessels.

**Backbone pipeline for countrywide distribution:** A backbone pipeline between main installation at Chittagong and the main depots at Dhaka, Khulna and Rajshahi may help reduce the transportation

cost as well as pilferage. Also, it will help in reducing lead-time, which in turn will contribute in saving interest cost. Though there were discussions earlier for making the pipeline, but it was killed at the embryonic stage. Dialogue should start again and the techno-economic feasibility should be carried out by nullifying the pressure from the vested group (lightening vessel owners are powerful and somehow related to the decision makers) and this is the right time to make the decision and start implementation.

**Modernisation and expansion of storage capacity:** Our existing storage tanks are age old and not being serviced properly. More storage capacity should be built to accommodate more stocks so that we can procure more at low price and/or have more buffer time. New tanks may have computerised capability so that stocks can be monitored through automated process which will help in minimizing wastage, pilferage, leakage etc and more accurate data on stock will help in planning.

**Modernisation and increasing refining capacity:** Economic decision should rule over other considerations, there should not be any egoistic approach just to run the 35 years old existing refinery while it is more economic to procure refined gasoline. If local refining is more economic, then we should increase the refining capacity and modernise the existing one. **Better Receivable Management:** BPC has long standing receivables

from Biman and the amount is around Tk 15 billion. We hope that it is recoverable but is Biman paying any interest on its dues to BPC? If yes, at what rate? The debtors should be charged at least at the rate of the cost recovery basis. BPC has lost its credit standing due to Biman non-payment and for this slide in credit grading of BPC, it (BPC) is paying higher to its creditors, what about that? The same approach should be taken in case of other debtors like PDB, Ministry of Defense etc. Inter-ministry coordination is required for better receivable management of BPC, keeping in mind the lessons learnt from Biman.

**Overall Governance:** It is no surprise that BPC may have the inherent inefficiency like other public sector corporations. For example, cost may be saved through shedding-off inefficient manpower, curbing dominance of corruption etc. One thing is observed that sometimes the fuel station owners even threat to stop fuel supply, some dealers get away by doing fraud and forgery with the OMCs and BPC/OMCs cannot take any tough action on them just due to the fact that the fraud committer is very influential by virtue of political linkage. Appropriate action should be taken to prevent all these issues along with drastic improvement in overall governance. Time is possibly nearing to leave the downstream marketing with the reputed distribution and marketing companies like other countries, if not partial or majority privatisation of the OMCs, perhaps also BPC.

The writer is a banker

## US adds 180,000 jobs in March

AFP, Washington

An acceleration in US employment growth in March produced 180,000 new jobs, the government said Friday in a sign that the economy is more robust than some had anticipated.

The increase in nonfarm payrolls, seen as one of the best indicators of economic momentum, was much stronger than the gain of 135,000 expected on Wall Street.

The Labor Department said the unemployment rate, calculated on a separate survey of households, fell to 4.4 percent from 4.5 percent a month earlier. The last time the rate was lower was in May 2001.

Additionally, the agency revised up its estimate for February to show 113,000 new jobs were created instead of 97,000, and for January to 162,000 from 146,000.

"This is a pretty solid report," said Scott Brown, chief economist at Raymond James and Associates.

Brown said the data "provides strong support for consumer spending," which accounts for two-thirds of US economic activity.

The report appears to support the hypothesis of Federal Reserve chief Ben Bernanke that the world's biggest economy is able to weather a slump in housing and will maintain modest growth in 2007.

"It does look like the overall economy is going to improve as the drag from housing wanes," Brown said.