Star BUSINESS

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WB to finance corporatisation of NCBs

UNB, *Dhaka*

The World Bank will finance corporatisation of nationalised commercial banks (NCBs) under an Enterprise Growth and Bank Modernization Project (EGBMP) of Bangladesh.

"The privatisation of Rupali Bank Limited is at the final stage now, and the government has already decided to corporatise the other three NCBs -- Sonali, Janata and Agrani Banks," said a World Bank information note released yesterday.

After slow progress, it said, the bank modernisation component of the project is finally catching up under the new NCB-restructuring plan of the government.

It said the government initiative to create jobs through private sector enterprise growth and promote speedy reforms within State-owned Enterprises (SoEs) and the Nationalised Commercial Banks (NCBs) is moving ahead.

The EGBMP, supported by the World Bank with a commitment of US$ 257.63 million, is helping the private sector to create more jobs through its efficient financial sector performance.

Since the start of this initiative in 2004, a Small Enterprise Fund (SEF) was set up to promote private sector small enterprise growth and it has so far disbursed more than one billion taka to 1,337 small enterprises, creating additional jobs for 2,527 people.

72 land customs stations to be closed down this year

JASIM UDDIN KHAN

The tax administration has decided to close down 72 land customs stations out of the all 179 such stations across the country, as those, according to official sources, were set up on political considerations.

The decision came yesterday at a meeting of the National Board of Revenue (NBR) in Dhaka with different customs commissioners attending it.

Widespread border smuggling that resulted from these 'virtually inoperative' land customs stations has also prompted the NBR to reach a decision to close down those, the meeting sources said.

The government will issue a statutory regulatory order (SRO) to this end in the coming budget.

"Only 31 customs stations are now operational for export-import trade with India, whereas 179 such stations exist all over the country. Most of the inoperative customs stations were established on political consideration," Rashid-ul-Ahsan Chowdhury, NBR member (customs), told The Daily Star.

He said some of the land customs have some physical infrastructure as well as manpower, although no trade is conducted through these stations.

On review of the Indian request for making operational the 11 specific land customs stations--3 in Sylhet, 2 in Rajshahi, 4 in Chittagong and the remaining 2 in Jessore--, the NBR decided on only four of the stations, as the rest have no infrastructure on the Indian side.

Allowing import of all products through these stations is another request the Indian government has placed to its Bangladesh counterpart.

Rashid ul Ahsan Chowdhury said,"We found that all products are not imported through all the land customs stations, so we would allow only those products which are usually imported through such stations."

He, however, said a study on the items entering through the stations would be carried out before allowing imports of those.

The NBR is learnt to have decided to convene a joint meeting with the Indian tax administration soon to request them to develop infrastructure facilities of the land customs houses on their side.

India will also be requested to lift the non-tariff and para-tariff barriers Bangladeshi exporters face in exporting different goods through the land customs.

Hilsha fish, Jamdhani saree, cosmetics and melamine products are some products that face such barriers from India, broadening trade gap between Bangladesh and India.

Nokia launches three high-end handsets

STAR BUSINESS REPORT

Nokia, one of the leading mobile handset makers, yesterday launched three high-end handsets in Dhaka.

The new sets -- Nokia N95, Nokia 5700 Xpress Music and Nokia 8800 Sirocco Gold -- will be available in the local market from Wednesday.

Company officials said the features of Nokia N95 include integrated GPS (global positioning system) functionality, a 5 mega pixel camera and high speed mobile network.

The Nokia N95 set offers multimedia features, making it an excellent multimedia computer, said Prem Chand, general manager of Emerging Asia of Nokia.

The set also offers mini maps of 100 cities of the world. The price of the set is Tk 55,000.

Nokia 5700 Xpress Music is designed specially for youths offering music players, 2 mega pixel camera and video call. The price of the set is Tk 24,500.

About the Nokia 8800 Sirocco Gold set, the officials said dressed in a luxurious 18-carat gold plating, the set is has scratch-resistant display. The cost of the set is Tk 80,000.

Exports grow 21.13pc in eight months

STAR BUSINESS REPORT

The country's export earnings grew by 21.13 percent to $8023.87 million in the first eight months of the current fiscal year (2006-07) compared to $6624.21 million of the corresponding period of the last fiscal.

EPB officials said the considerable export growth was mainly due to the technical support provided for export diversification and cash incentives offered to the exporters. The EPB has fixed the total export target at $12,500 million for the current fiscal.

According to Export Promotion Bureau (EPB) figures released yesterday, exports fetched $8023.87million in the July-February period, registering a surplus of $53.87 million against the target of $7970 million fixed for the period.

Earning from woven garments was $3113.83 million during the period against $2615.48 million of the corresponding period of the last financial year, showing a 19.05 percent export growth. The earning was 5.03 percent up over the target.

However, knitwear sector fetched $2980.01 million against the target of $3089.81 million during the eight-month period, leaving a shortfall of 3.55 percent. Fazlul Haque, president of Bangladesh Knitwear Manufacturers and Exporters Association, attributed this shortfall to the labour unrest in garment factories in May last year.

Woven garments apart, earnings from frozen foods, home textiles, footwear, petroleum byproducts, ceramics, handicrafts, cut flowers, agro-processed goods and engineering products also registered significant rise, contributing to the overall export growth. All these products also exceeded the export target set for the period.

On the other hand, leather, tobacco and vegetables failed to achieve the export target during the period, but performed better compared to the corresponding period of the previous fiscal.

Earnings from jute goods, chemical fertiliser, textile fabric, bicycle, raw jute, tea and electronics saw a downtrend over the last fiscal's corresponding period, and also failed to meet the export target fixed for the eight-month period of this fiscal.

PHOTO: STAR

Models show off three high-end handsets of Nokia at a launching function in Dhaka yesterday.

2-day int'l confce on cotton, textile begins today

A two-day international convention on cotton and textile begins in Dhaka today under the theme of 'Opportunities for Increased Trade in Cotton Textiles'.

Textile Adviser Geeteara Safiya Choudhury is scheduled to inaugurate the event titled 'Bangladesh Cotton and Textile Convention 2006' at Dhaka Sheraton Hotel, says a press release.

Cotton Bangladesh, a Dhaka-based international magazine, and International Cotton Advisory Committee (ICAC), Washington DC, USA in cooperation with Bangladesh Textile Mills Association, Bangladesh Garment Manufacturers and Exporters Association, Bangladesh Knitwear Manufacturers and Exporters Association, Bangladesh Cotton Association, and Globecot of USA are organising the convention.

The conference will focus on the potential of growth in the world cotton and textile trade and investment opportunities.

It will also address regional trade flows in cotton and textile products and strategies to cope with increasing competition in a globalised economic environment, the release added.

SEC's first-ever punitive measure against audit firm

STAR BUSINESS REPORT

The Securities and Exchange Commission (SEC) for the first time has fined an audit firm, NN Islam, on charges of concealing financial information while carrying out audit of Rose Heaven Ball Pen Ltd.

The Rose Heaven will also be fined for concealing information.

According to a SEC directive issued on March 29, NN Islam and Company and Rose Heaven were fined Tk100,000 each. The directive was issued to Mohammad Nurul Islam of NN Islam and Company and Shafiqur Rahman Chowdhury, managing director of Rose Heaven Ball.

The payments will have to be made to the stock market regulator by bank draft or pay order within the next 15 days.

If the companies fail to comply with the SEC regulations, the commission will slap an additional fine of Tk10,000 for each day on both the company and audit firm from the date of issuing the directives, sources said.

"For the first time the SEC has taken disciplinary action against a auditing firm for hiding information on its annual audit report about a company. And it was done so that the auditing firms follow the securities laws properly," said a high official of SEC.

The official said, "The irregularities of hiding information might be done in a nexus of both the firms."

According to the SEC directive, it was found that N N Islam and Company issued the annual audit report on Rose Heaven in June 2004 on the basis of fact finding.

After then, the SEC through a newspaper advertisement published in May 2005 came to know that Rose Heaven Ltd owed Tk1.9crore to Exim Bank Ltd and the bank advertised to sell the company's mortgage property to recover its money. But the audit report on Rose Heaven by the N N Islam concealed it on its audit report.

Following the irregularities, the SEC sent a showcase notice to the auditing firm in September 2006 and fixed a hearing on October 2006. But the auditing firm appealed to the commission to shift the date of hearing.

However, after extending time for hearing several times, the auditing firm did not respond to the SEC. As a result, according to the Section 22 of SEC Ordinance, 1969, the failure of giving any explanation to the SEC is granted as punishable offence.

Govt to offload its shares in companies after budget

UNB, *Dhaka*

Finance Adviser Dr Mirza Azizul Islam yesterday said he would take measures to off-load government shares in different companies after the national budget for fiscal 2007-08.

The adviser apprised a CSE delegation of the plan when members of the Board of Directors of Chittagong Stock Exchange led by its president MKM Mohiuddin met him at his office.

The CSE team put forward a set of recommendations.

Dr Aziz assured the delegation of considering its recommendations on other issues relating to the budget, said a meeting source.

CSE recommended taking early steps to off-load government shares in various companies and institutions. "Capital market needs and wait for welcoming such shares," said the stock exchange in its written recommendation to the adviser.

It said mobilising funds from local sources in this way would help industrialisation and development activities. "This will also reduce dependence on foreign aid."

The CSE urged the adviser to consider widening the tax gap between the listed companies and non-listed companies by at least 15 percent to encourage non-listed companies to come to the capital market.

For budgetary consideration, it suggested not to increase tax on dividend income from 10 percent, tax on interest earnings should not be more than 10 percent and individual tax exemption limit might be increased to Tk 2,00,000.

It urged introduction of derivative products as well as portion of pension, provident and gratuity funds in the capital market, development of a bond market, and review of the existing rules and regulations to make them consistent with the demand of time.They demanded declaring Sunday as the weekly holiday, setting up of a securities training institute, waiving multimetering billing system by BTTB to facilitate the CSE expand its network across the country, simplifying investment procedure by NRBs and allocation of a piece of land in Dhaka at a concession rate to construct the CSE Tower.

Local manufacturers should enhance competitiveness

Bangladesh representative to WTO says

STAR BUSINESS REPORT

Local manufacturers should enhance their competitiveness to face competition in the world market, the permanent representative of Bangladesh to the WTO has said.

"The manufacturers should not wait for quota or other facilities rather they have to increase productivity as well as competitiveness to win the race," Ambassador Dr Toufiq Ali said at a discussion at the BKMEA conference room in Dhaka yesterday.

Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) organised the discussion on WTO's Doha Development Round.

When asked about how Bangladesh will gain from the proposed Aid for Trade, Ali said no country can gain from only aid. "Bangladesh should not look for Aid for Trade to develop its trade capacity," he added.

Ali called the exporters to form a unified position for which Bangladesh can fight in the coming trade talks.

"If all the manufacturers and exporters can find common position of interest it will be helpful for the government to go for bargaining," he said.

Fixing our ports and beyond

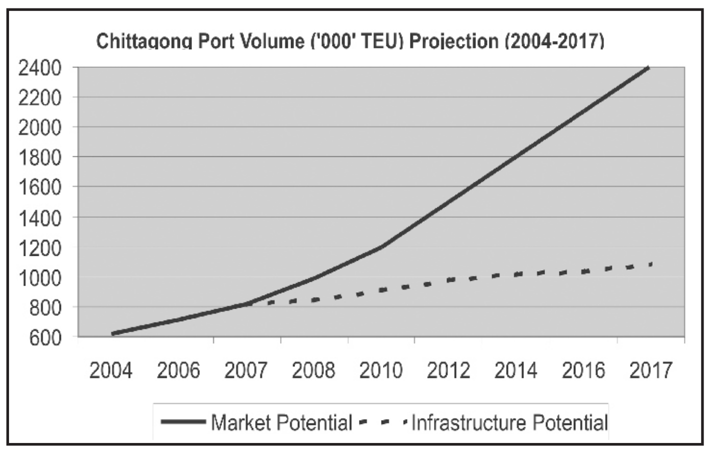
MAMUN RASHID

In today's world of globalisation and phenomenal cross-border trade, a country's economic prospect is as good as its ports. Apart from international trade, inefficient ports can also easily make the foreign investors shy away from a country.

What the port users want in a port are fast transfer of cargo, transparency, adherence to rules and regulation, safe and secure environment, cheap handling, reliability, easy access to cargo, access to modern technology, clear process understanding and lastly and most importantly, no corruption. Some aspects that will put off the users include slowness, bureaucracy, changing rules, theft, high costs, strikes and congestion. Unfortunately, our ports lack on both ends.

The overall objective of the drive to fix the ports should therefore be to:

- Be a significant part in the quest to create (global) competitive transportation cost for all users of the port
- Create a port that for the customers overseas make Bangladesh the most reliable place for sourcing
- Create a port that for the domestic customers secure a steady flow of raw-material (reduce warehouse capacity, avoid shortage leading to higher profit margin on products)
- Create a port with high through-put (productivity) and low turn-time (efficient) with a superior service (innovation)
- Prompt and promote Bangladeshi export in the quest to eliminate poverty through commerce



Given the strategic location of the Chittagong port, there remains a tremendous market potential for this port. As shown in the following graph, though the cargo volume handled in 2006 was roughly 710 thousand TEU(Twenty Equivalent Unit)s, this will grow by an annual average rate of 20 percent to 2,411 thousand TEUs in 2017. On the other hand, the prevailing infrastructure (as shown by the dotted line) can only take us forward by only 5 percent.

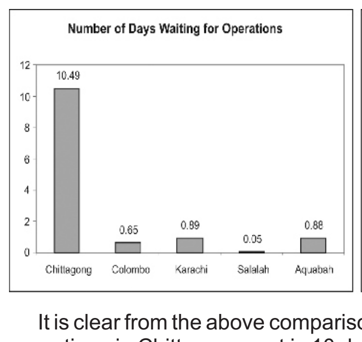
It is clear that unless we fix our ports on an urgent basis, we will miss out of the tremendous potential offered by the international trade market and will also not be able to write the much needed growth Cheque for this emerging trading nation- Bangladesh.

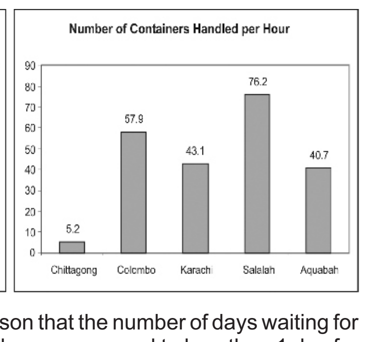
Where does the shoe pinch?

What are the essential qualities of a good port? Simply put, the best ports are those that can handle required quantity of cargo through a lever of efficiency that creates competitive advantages for international traders, or at least does not create competitive disadvantages. Efficiency here is measured in terms of time and cost. Our ports are not able to handle the quantity as demanded by a growing economy now and in future, they operate in an expensive way and timeliness is a far-cry. These ports are a source of competitive disadvantages for our international trade and a long term deterrent for FDI.

Bangladesh's 2 key ports -- the Chittagong Port and the Mongla Port -- together account for 87 percent of imports, with the Chittagong port solely handling 85 percent of the country's trade. Chittagong port, which plays an instrumental role in Bangladesh's export competitiveness, suffers from low productivity, labour reforms, and weak management thus being tagged with labels like "most expensive port in the region". Along with cost aspect, lack of dredging also makes it one of the more hazardous ports. Bureaucracy and administrative red tape only adds to this. Additionally, the lack of synchronisation between the different government bodies, for e.g. customs and the port authority creates a time lag hence leading the economic cycle to further distraught.

A fundamental source of high costs at the Chittagong port is container yard congestion due partly to paper-based terminal management and document processing and limited road access. Studies show that the congestion caused by the large number of containers in the quay area could be quickly reduced by increasing tariffs for container storage, preventing unloading inside the port, reducing the number of containers opened by Customs, halving the steps required for Customs clearance, and setting up a system fully in sync with the custom's office for speedy storage, clearance and delivery of goods. In short, the shoe pinches in respect of congestion and efficiency. The following two comparative graphs will clarify this issue:





It is clear from the above comparison that the number of days waiting for operations in Chittagong port is 10 days as opposed to less than 1 day for all other comparable country ports. Similarly, Chittagong port significantly lacks efficiency in container handling e.g. it handles 5.2 container per hour whereas other comparable ports handle 40-76 containers per hour. (Source: Internet)

Possible way out

A prudent strategy for fixing the major ports will entail a three-pronged strategy involving capacity balancing, optimisation and expansion. The fourth option, which is building new ports, we believe could only be considered if demand exists in future after the above three options have been executed right. Balancing between the over-utilised Chittagong port and under-utilised Mongla port could provide some kind of immediate relieve to the congestion. Container handling, manpower training, equipment modernisation could optimise the ports, creating further efficiency and effectiveness. Given the geographic contour, our existing ports could be expanded as well without breaking the bank. Without exploring these more efficient solutions, jumping into hasty and expensive propositions such as deep sea ports could be detrimental to the national interest.

As much-needed milestone is the corporatisation of the Chittagong Port Authority (CPA), which can pave the way for investment in infrastructure development through private public participation. There needs to be a clear profit-making motive coordinated by the regulatory authority. Encouraging private sector operators with reputation and track record in the construction, management and operation of facilities related to the interface between maritime port development and inland transport to facilitate bulk movement of cargos is likely to have far reaching results. Development of road - rail link between Dhaka and Chittagong, a separate track for container movement, opening out of inland ports, riverine container terminals and other allied facilities can be facilitated by involving private investors on BOT (Build, Own & Transfer) basis. The naval establishment within the vicinity of the port could be considered to be relocated away from the vessel movement zone and we should try to bring an improvement in the navigational aid in the channel to allow day and night navigation. Increasing the capacity of the container terminal at the Chittagong port will enable Bangladesh to meet international port security and environmental standards. We need to improve and maintain all seaport channels and the main inland navigation channels while developing the two existing seaports together with a network of the main river ports, jetties and inland container ports and depots. The Mongla port, which remains inactive for a greater part of the year, as well as Chittaong port, should be dredged continuously so they can stay navigable for the larger vessels and thus cater to an increased volume of trade and gradual improvement in turnaround time, as the container traffic will be distributed. This is likely to lower shipping and port charges, which will foster more international trade.

Setting up a third seaport, perhaps a mega seaport is another impending and much talked about topic. While the development of ports at various coastal points in the country is strategic and long overdue, the establishment of a deep seaport may be premature at this point in time. A deep seaport would be feasible under circumstances where per-capita income in the neighbouring countries increases significantly and if Bangladesh, India, Bhutan, Nepal, Myanmar, and China come to a mutual agreement to build and use this port. However, we must continue to remain vigilant in our monitoring of this alternative and bring this to the forefront at an opportune time. Additionally, as more than a third of the nation's economic activity is located within the Dhaka-Chittagong corridor, the freight transportation is handled by road, rail, inland waterways and air. Setting up a second runway at the Zia International Airport, and improving current facilities and standards of the Chittagong airport has become vital for sustaining economic growth. While conversations regarding the deep seaport continue to be a much-contested topic, we need to buy in a general consensus from our regional peers about the viability before we embark on investing in such an expensive and partly viable project.

In any country-trade, which is the mainstay of the economy, is heavily reliant upon a country's infrastructure and power. In this context, the importers and the exporters (single most important stakeholder in international trade) should be the voice of the change that is required to bring about efficiency. If we get caught in the trap of academics only and the people instrumental in stimulating a vibrant trading environment remain unheard, change will continue to remain a concept, rather than a reality. Enhancement of personal skills, modernisation of specific customs procedures, tariff rates revision, anticorruption strategy enforcement (not as an interim measure), and environment management top the chart of many priorities of the efficiency reform plan. It is perhaps time to jumpstart several procedural and operational reforms to realise the full potential of the planned and ongoing investment in infrastructure and thereby pave the way for possible growth for Bangladesh.

The writer is a banker