

# Star BUSINESS

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## DROP IN REVENUE, FOREIGN AID

# Govt's domestic borrowing rises 127pc in 9 months

MD HASAN

The government's domestic borrowing went up by 127 percent during the first nine months (July-March) of the current fiscal year (2006-2007) due to cutback in revenue and foreign aid.

However, the amount of domestic borrowing will come down by the end of this fiscal as the World Bank at its board meeting on Wednesday approved a \$200 million or Tk1380 crore development support credit.

Finance ministry sources said some other donors have already assured the government of increasing their assistance, and as per the assurance, \$100 million may come from the Poverty Reduction Growth Facility (PRGF) programme of the International Monetary Fund (IMF).

During the July-March period of the current fiscal, the government's domestic borrowing amounted to Tk 7,258 crore, which was Tk 3,201 crore during the corresponding period of the previous financial year (2005-2006).

Of the total domestic borrowing, government borrowing from banking system increased by 411 percent to Tk 4,003 crore against Tk 783 crore during the same period of FY06.

Besides, non-banking borrowing especially through savings instruments went up by around 34 percent to Tk 3,254 crore in the first nine months of FY07. The amount was Tk 2,417 crore during the corresponding period of the last fiscal.

Foreign aid dipped by 4 percent during the July-March period of the

current fiscal, contributing to increased domestic borrowing. The government received only Tk 3,749 crore in foreign aid during the period against Tk 3,911 crore during the same period of the last fiscal.

Explaining the reasons behind reduced flow of foreign aid, Economic Relations Division (ERD) sources said the immediate past 4-party alliance government banked heavily on local financial sources for implementing annual development programme (ADP). Besides, the last year's political deadlock also stood in the way of foreign aid inflow.

However, the present caretaker government has already started strong negotiations with the donors, the sources said, adding that a significant assistance is expected to come from both the multilateral and

bilateral development partners.

According to National Board of Revenue (NBR), the target of revenue collection growth for the current fiscal was set at 21 percent in the national budget.

However, the growth in revenue collection during July-April period of this fiscal was only 9.06 percent, which also contributed to higher domestic borrowing. The revenue collection rate was 12.89 percent during the same period of the last fiscal.

The NBR set the revenue collection target at Tk 41,055 crore for the current fiscal, whereas until April it managed to collect Tk 28,487.63 crore, which is 69 percent of the total target.

## Indian inflation eases to 10 months low

AFP, New Delhi

Wholesale price inflation in India eased to a 10-month low in May led by lower prices for food staples such as cooking oil, official data showed on Friday.

The weekly wholesale price index rose 5.06 percent in the year ended May 19, from 5.27 percent the previous week.

Prices however are still above a central bank target of 4.0 to 4.5 percent for the current year started in April and analysts say the central bank may continue a monetary tightening cycle that began in late 2004 to tame prices further.

Wholesale prices are more closely watched than consumer prices in India which are published monthly for urban consumers, farmers and industrial workers.

On Thursday, India said the economy grew a faster-than-expected 9.4 percent in the year to March, further raising concern that the central bank may tighten monetary policy in the coming months.

## Volkswagen, Proton talks fail: KL

AFP, Kuala Lumpur

Malaysia's Prime Minister Abdullah Ahmad Badawi said talks with Volkswagen to forge a strategic alliance for national carmaker Proton have failed, as the besieged firm posted massive losses.

The government has been in talks with Volkswagen for a partnership seen as vital to Proton's fortunes but Abdullah said the German carmaker had dropped out as an equity partner out after disagreeing with proposals for the tie-up.

"I have decided, since Volkswagen is not interested in the proposal that Proton wants in terms of equity, Proton needs to talk to other people," Abdullah was quoted as saying late Thursday by the state Bernama news agency.

Nearly six months of negotiations with French car giant PSA Peugeot-Citroen for an alliance collapsed in March while talks with Mitsubishi of Japan have also been unsuccessful.

Abdullah had said earlier that Malaysia would talk to US motor firm General Motors if talks with Volkswagen were to fall through.

The news came as Proton posted larger than expected net losses of 591.36 million ringgit (174 million dollars) for the year to March 2007.

The carmaker blamed weak auto sales amid stiff competition and higher production costs for a reversal from the year earlier profit of 46.69 million ringgit.

## Honda to double sale to Europe this year

AFP, Beijing

Japanese car maker Honda Motor Co said Friday that it expected to export 42,000 Jazz model cars made in China to Europe this year, up sharply on last year's shipments of 24,600.

The auto maker said in a statement that one of its local joint ventures, Honda Automobile China Co Ltd, the first producer in China to specialize in supplying vehicles for overseas markets, has produced 50,000 vehicles.

Honda Motor and its Chinese subsidiary own a combined 65 percent stake in the venture, which started producing the Jazz in April 2005, with the remaining stake held by its local partners Guangzhou Auto and Dongfeng Motor Corp.

The joint venture exports Jazz model cars to Australia and European countries including Germany, Britain, Italy, France and Sweden.

## Summit Power okays 20pc stock dividend

Summit Power Ltd, a private power generation company, has approved 20 percent stock dividend for the year 2006, says a press release.

The dividend was approved at the 10th annual general meeting (AGM) of the company held in Dhaka on Thursday.

Chairman of the company Muhammed Aziz Khan presided over the AGM. Directors Anjuman Aziz Khan, Md Farid Khan, Md Latif Khan, Ayesha Aziz Khan, Syed Fazlul Haque, Toppan Krishna Podder, and Helal Uddin Ahmed and Company Secretary Mamunur Rashid were also present.

# Country fails to tap potential of eco-friendly jute in world market

## Speakers tell seminar

STAR BUSINESS REPORT

The country has failed to tap the potential of environment-friendly jute and jute goods in the international market, speakers said at a seminar in Dhaka yesterday.

When jute and jute goods are driving out plastic and synthetic products on environmental grounds, the country's jute industry is on the verge of ruin, they told the seminar titled 'What to Do for Resolving the Problems in Jute and Jute Industry in Bangladesh'.

"The jute industry in neighbouring India is thriving but Bangladesh's jute sector faces ruin due to lack of policy support," Professor Anu Muhammad, member secretary of National Committee to Protect Oil, Gas, Mineral Resources, Power and Port, told the seminar organised by Centre for Law Research and Support (CLRS), a rights group. Justice Golam Rabbani presided over the seminar.

Although Bangladesh enjoys

advantages in production of jute and jute goods, the country is failing to reap the benefits as it follows the suggestions of World Bank and IMF, he said.

Sensing the increasing demand, Indian government in its 2005 jute policy fixed a target to increase the earning from jute sector, said Shah Alam, convener of CLRS.

When Bangladesh government is privatising or shutting down jute mills, the West Bengal government in India has taken up a project to set up three new jute mills by investing Rs 10,000 crore, Shah Alam added.

Qazi Kholiquzzaman Ahmad, president of Bangladesh Economic Association, called for diversifying the country's export basket by reviving the jute industry.

Littérateur Salina Hossain, Engineer Sheikh Muhammad Shahidullah, Professor Mejbah Kamal of Dhaka University, among others, spoke.

# WB okays \$15m for rickshawpullers

UNB, Dhaka

The World Bank Thursday approved additional financing of US\$15 million to support rickshawpullers in Bangladesh, who have been adversely affected by a ban on non-motorised transport (NMT) on certain roads in the capital city.

The additional financing to the Second Poverty Alleviation Microfinance Project, approved by the World Bank in January 2001, will help finance the costs associated with scaling up the urban microcredit component of the project to reach an under-served segment of the urban poor (poor rickshawpullers).

The financing will be passed-on by the government as a grant to the apex microfinance institution, Palli Karma-Sahayak Foundation (PKSF), for activities that will scale up the project's impact and development effectiveness, said a press release.

"This additional financing builds on a highly successful project. It has reached 3.5 million borrowers, including some 335,000 urban poor," said Shamsuddin Ahmad, World Bank senior financial sector specialist and project team leader.

"With the help of the

microfinance services offered to the rickshawpullers affected by the non-motorised transport ban, it is expected that they and their families will be able to restore their livelihoods."

It is expected that about 40,500 of the adversely affected poor rickshaw owners, their family members, and those pullers that would like to give up rickshaw-pulling in favor of a new career, and other poor and vulnerable groups will be provided with microcredit and other services.

As the NMT ban is extended to other roads in Dhaka, more of the affected non-motorised pullers will be covered under the programme.

Apart from direct microcredit loans, the borrowers will also be provided with training in technical skills to facilitate career change.

The credit from the International Development Association (IDA), the World Bank's concessionary arm, has 40 years to maturity with a 10-year grace period with a nominal service charge of 0.75 percent.

# Indian economy crosses trillion dollar mark

PALLAB BHATTACHARYA, New Delhi

Powered by growth in services and manufacturing sectors, coupled with an appreciating rupee, India's economy has swelled to a trillion dollar - making it the 12th nation to reach this milestone.

According to government data released on Thursday, the country's economy at market prices stood at Rs 41,25,724 crore at the end of fiscal 2006-07 -- which equals nearly 1,010 billion dollars at the current foreign exchange rate of the rupee.

However, the rupee's level at the end of last fiscal was near 43 against the greenback, which puts the GDP in dollar terms at 957 billion dollars.

The economy's trillion-dollar milestone comes just three days

after the Indian stocks' combined value crossed this level. The market capitalisation as of March end was 805.2 billion dollars.

India becoming a trillion dollar economy also augurs well for the country's stock market, as a Credit Suisse report said stock markets in eight out of ten countries had risen in the one year after their economies first crossed this mark.

Companies have lined up plans to tap the capital market to raise over Rs 50,000 crore (around 12 billion dollars), which would lift the cumulative market capitalisation at Indian bourses by over 100 billion dollars.

Only the US, Japan, Germany, China, UK, France, Italy, Spain, Canada, Brazil and Russia have breached the trillion-dollar GDP level in the past, according to Credit Suisse.

## SriLankan halts domestic air service

AFP, Colombo

Sri Lanka's national carrier is suspending its domestic air service due to deteriorating security and a drop in foreign visitors, the airline's chief executive said Friday.

SriLankan Airlines will operate the final domestic flight on Tuesday to the eastern town of Ampara leaving the island with no regular internal service.

The company had operated with two planes for just over three years. The military last month banned SriLankan Airlines from landing its eight-seater amphibious Single Otter aircraft in hydro reservoirs.

"This development (landing ban on water) together with the declining number of visitors to Sri Lanka, has meant that the Air Taxi is not sustainable in the foreseeable future," chief executive, Peter Hill, said.

The ban was part of measures by the authorities to deal with the new threat of air attacks by Tamil Tiger rebels who demonstrated their air capability in March by using light aircraft to bomb military and economic targets.

Hill said the air-taxi service was popular among foreign tourists who used it to skip to a golf course and upmarket hill resorts.

Last month, Sri Lanka announced the closure of its only international airport where the check-in counters and the runway now shut for six hours from 10:00 pm (1730 GMT) local time.

The number of holidaymakers visiting the island Lanka fell nearly 20 percent to 167,674 in the first four months of this year as fighting between troops and Tamil rebels escalated, according to tourism authority figures.

## China to allow insurers to invest in overseas equity soon

AFP, Beijing

China will soon give the nod to insurers to invest in overseas equities as part of efforts to channel more excess domestic cash abroad in search for higher returns, state media said Friday.

"The long-awaited new rules on insurers' overseas investment will be issued in one or two months," said Sun Jianyong, an official of the China Insurance Regulatory Commission, the industry watchdog, according to the China Daily.

Sun said at a forum in Beijing that the regulator would initially allow insurers to invest in mature stock markets such as London and New York this year, the report said.

## Canada economy leaps ahead

AFP, Ottawa

The Canadian economy grew 0.9 percent in the first quarter of the year, or at an annualized pace of 3.7 percent, and more than twice the rate of the prior quarter, Statistics Canada said Thursday.

A slight pickup in consumer spending on clothing, household furnishings and leisure items, as well as an inventory buildup resulting from strong production, fueled the advance, the government agency said.

Housing investment also accelerated. But investment in fixed capital and exports eased, largely constrained by declines in forestry products and industrial goods and materials.

## StanChart to give Brac Tk100cr loan for micro-finance activities

Standard Chartered Bank and Brac, one of the largest micro-finance institutions in the world, have entered into an agreement under which the bank will extend Tk 100 crore facility to Brac as a revolving loan.

Brac will use this fund for around six lakh people across Bangladesh through its micro-finance programme, says a press release.

Ahmed A Shah, head of Client Relationships of Standard Chartered Bank, Bangladesh, and SN Kairy, director (Finance) of Brac, signed the deal on behalf of their organisations, while Osman Morad, CEO of Standard Chartered Bank, Bangladesh, and Md Aminul Alam, deputy executive director of Brac, among others, were present at the signing ceremony on Thursday in Dhaka.

Brac has micro-finance operations in Afghanistan, Sri Lanka, Tanzania, Uganda and Pakistan and plans to expand operations in Rwanda, Malawi, Mozambique, Ghana and Nigeria.

### BGMEA-ALICO DEAL

## RMG employees under group insurance

BSS, Dhaka

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and American Life Insurance Company (Alico) have signed an agreement to bring officials and employees of all garment units under group insurance coverage.

President of the BGMEA Anwarul-Ul-Alam Chowdhury and Senior Vice President of the Middle East, Africa and South Asia Region of Alico M Nurul Islam signed the agreement on behalf of their respective organisations on Tuesday in Dhaka, said a press release.

The agreement was effective from May 7.

Under the deal, every injured and dead employee will get Tk 50,000 and Tk 1,00,000 respectively.

So far, Tk 2.70 crore has been distributed as insurance claims among the injured and the dead, the press release added.

The BGMEA chief hoped that under the agreement the affected officials and employees of the garment units of the country would get their insurance claims very quickly.

He assured Alico of all possible cooperation.

Nurul Islam said Alico entered into the agreement with the BGMEA to help poor employees of the largest foreign earner sector of the country.

BGMEA Vice President Ferdous Fervez, Secretary Mohammad Fashihur Rahman, Alico's Chief Operating Officer Akhlakur Rahman and Group Manager M Alamgir Hossain were present at the agreement signing ceremony.



PHOTO: STANDARD CHARTERED

Standard Chartered Bank-Bangladesh and Brac have entered into an agreement under which the bank will extend Tk 100 crore facility to Brac as a revolving loan. Ahmed A Shah, head of Client Relationships of the bank, and SN Kairy, director (Finance) of Brac, signed the deal on Thursday in Dhaka, while Osman Morad, CEO of the bank, and Md Aminul Alam, deputy executive director of Brac, among others, were present at the signing ceremony.

## US NOMINEE FOR WORLD BANK CHIEF

# Zoellick a consensus builder in trade, foreign affairs

AFP, Washington

Robert Zoellick, US President George W Bush's nominee to head the World Bank, is a former top diplomat and trade chief with a reputation for building consensus on issues ranging from German unification and Darfur to China's WTO entry.

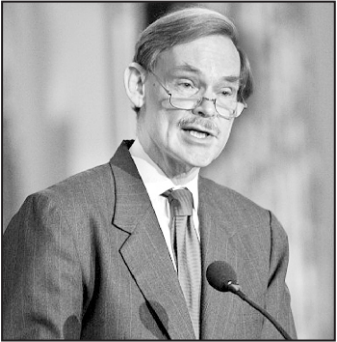
Zoellick, 53, is currently a vice chairman at Wall Street investment bank Goldman Sachs and, if confirmed by the World Bank board of executive directors, he will succeed Paul Wolfowitz who was forced to resign in a favoritism scandal.

By an unwritten agreement, the United States selects the World Bank chief while European countries pick the head of its sister institution, the International Monetary Fund.

Zoellick, in a news briefing Wednesday, focused on the "traumatic period" at the 185-country poverty-fighting bank, without naming Wolfowitz.

"One of the biggest challenges, if not the biggest challenge, is the leadership and management issues that the bank faces today," Zoellick said.

He served four years as the US Trade Representative (2001-2005),



Robert Zoellick

playing a major role in negotiating the entry of China and Taiwan into the World Trade Organization and the launch of the WTO's Doha Round of international trade negotiations.

He also helped forge free-trade agreements with Singapore, Chile, Australia, and Morocco.

Born in Naperville, Illinois, Zoellick graduated with honors from Harvard Law School.

Zoellick began his Washington career in 1985 at the Treasury Department.

A personal representative for H.W. Bush at Group of Seven summits and other key international meetings, Zoellick negotiated the

North American Free Trade Area in the early 1990s. He was named White House deputy chief of staff in 1992.

In 1998 he signed, along with other leading neo-conservatives such as Donald Rumsfeld and Wolfowitz, a letter to Clinton calling on him to oust Iraqi leader Saddam Hussein.

**ZOELICK CHOICE IS 'GROTESQUE': ACTIVIST GROUP** Another report from Paris adds: An international committee seeking an end to debt owed by poor countries on Thursday denounced the US nomination of Robert Zoellick to head the World Bank as "grotesque" and called for the institution's abolition.

In Oslo visiting Chilean President Michelle Bachelet criticized the practice under which the United States in effect selects the World Bank chief from among a list of candidates limited to US citizens.

"We think that multilateral organizations should be rotated from different nations and we should always have the best people," she told a press conference after talks with Norwegian Prime Minister Jens Stoltenberg.



PHOTO: BGMEA

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has entered into an agreement with American Life Insurance Company (Alico) to bring officials and employees of all garment units under the group insurance coverage of Alico. Anwar-Ul-Alam Chowdhury, BGMEA president, and M Nurul Islam, senior vice president (Middle East, Africa and South Asia) of Alico, signed the deal at a function on Tuesday.



PHOTO: SUMMIT POWER

Muhammed Aziz Khan, chairman of Summit Power Ltd, presides over the 10th AGM of the company held in Dhaka on Thursday.