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Delay in procurement process hampers timely execution of ADP

Finance adviser says

STAR BUSINESS REPORT

Development projects under the ADP (annual development programme) are not being implemented timely mainly because of delay in public procurement process, the finance adviser said yesterday.

"The delay in implementing the projects deprives the beneficiaries, increases project costs and dents the government's credibility to development partners and people," said Mirza Azizul Islam.

The adviser was addressing an inaugural function of a workshop on 'public procurement for secretaries of different ministries and the Planning Commission' organised by Central Procurement Technical Unit at the NEC conference room in Dhaka.

Mirza Aziz asked the secretaries and heads of different divisions to do 'advance planning' to complete the procurement process in time. "You have to make an advance plan. You should make a list of machinery, goods or services at the beginning of a fiscal year. You should have a clear idea about projects," he said. "Then you go for tender and evaluate the bids before the government's approval for the final work order."

Stressing the need for close monitoring on the projects, the adviser also said, "Based on monitoring you have to take appropriate actions to complete the implementation of the projects on time."

He, however, said unfortunately in public services there is a lack of taking actions by the bosses.

Requesting the bureaucrats to become role models to inspire other colleagues, he said the bosses can motivate others.

Mirza Aziz said there is a tendency of making complaints without offering any suggestions for resolving the issue.

He also urged the secretaries to make review of the Public Procurement Act to find out problems.

Terming the procurement procedure an important tool, Cabinet Secretary Ali Imam Majumder said the brainstorming of the secretaries at the workshop will help improve the Procurement Act, 2006.

He said if there is any need to bring amendments to the procurement act, it should be done.

AKM Motahar Hossain, secretary of Implementation, Monitoring and Evaluation Division of Planning Commission, said the Public Procurement Act 2006 may come into effect next month.

Although the Procurement Act was passed in 2006, it is yet to come into effect since necessary guidelines were not prepared.

US, ROK wrap up additional FTA talks

ANN/ THE KOREA HERALD

South Korean and US negotiators wrapped up their two-day meeting in Seoul on Friday over a free trade deal on a cautious note, Korea's top negotiator said.

"We made it clear to Washington that we will take it slow and steady and not rush this matter to ensure that we fully understand the details and possible impact of Washington's proposals," Kim Jong-hoon, Seoul's chief negotiator for the Korea-US FTA, told reporters after the meeting concluded. "I believe Washington fully understands our position."

Washington had formally asked Seoul last week to hold additional talks on the FTA deal, sealed in April, to reflect the Democratic-led Congress' new trade policies, which call for stronger labour and environmental regulations. Other policy revisions include the areas of pharmaceuticals, government procurement, investment, and port safety.

There are less than 10 days remaining to sign the accord signed. Both countries raced to complete a trade deal by April 1 to meet the June 30 expiration of the Bush administration's trade promotion authority. The fast-track authority gives the White House the right to expedite trade deals so Congress can approve or reject the deal without amendments.

Wendy Cutler, US chief negotiator for the bilateral trade pact, expressed hopes that the deadline would be met.

Endorse BDR draft law to protect consumer rights

CAB urges govt

STAR BUSINESS REPORT

Country's consumer rights body has urged the government to consider enactment of a new draft proposal relating to safeguarding the cause of the consumers now severely hit by price spiral of essentials, instead of the old act of 2006.

The leaders of Consumers Association of Bangladesh (CAB) told a views exchange meeting with media people yesterday that the draft law, National Consumer Protection Act-2007, prepared by the Bangladesh Rifles (BDR) in collaboration of CAB, which has already been sent to the Office of the Chief Adviser for its approval, deserves consideration because it incorporated a clause that proposes formation of a special tribunal empowered with bringing dishonest business people to book.

"The 2006 proposals do not allow consumers to take the dishonest businessmen to court," Kazi Faruk, CAB general secretary, said at the meeting held at the Dhaka Reporters Unity office with its chairman Borhan Ahmed in the chair.

In the draft law, formation of a national consumer rights protection department has also been suggested, under which there might be some branch offices.

The BDR proposal says if any consumer is cheated by any businessman or institution, the former will have the right to sue them and lodge complaints with the director general of the department, the CAB official clarified.

Faruk said, "The old draft namely Consumer Protection Act-2006, also awaits government's nod, will give protection to the vested interest group among the business community, rather than protecting consumer rights."

The BDR proposals have all legal provisions to protect the consumers' rights through fair business activities, he said.

The BNP government initiated drafting of the old law 15 years back to allegedly serve the interests of a syndicate of some top businessmen, the meeting was also told.

This draft law was a focal point on many occasions during the last four-party alliance regime as consumers faced tremendous price hike of essential goods, but it did not come to light due to dilly-dallying policy of that government, the CAB leaders alleged.

They demanded immediate enactment of the BDR-proposed draft law instead of the 'faulty' old one.

Describing the new one as better, they said it proposes that anybody found dishonest will be fined Tk 300,000 or imprisoned for five years or will suffer both.

It also says if anybody tries to make profit by creating artificial crisis through hoarding of commodities it shall be treated as an offence and the persons guilty will be punished.

In this case, the person responsible for the offence will face up to five years in jail or fine of Tk 100,000 or both, it said.

CAB Chairman Borhan Ahmed said the BDR- proposed law can be helpful to keep prices of essential goods at a tolerable level.

Khalilur Rahman Sajal, treasurer and Emdad Hossain, programme officer of CAB, were present at the meeting.

PHOTO: STAR

CAB Chairman Borhan Ahmed exchanges views with journalists at the Dhaka Reporters Unity office yesterday. The association's General Secretary Kazi Faruk (R) is also seen.

Japan plans multibillion-dollar investment for India

AFP, *Tokyo*

Japan is planning to invest billions of dollars in India through private funds and government loans to improve infrastructure in the rapidly growing economy, an official said Friday.

Details will be announced when Japan's Economy, Trade and Industry Minister Akira Amari visits New Delhi and Mumbai from June 30 through July 4, an official at his ministry said.

He will be joined by more than a dozen executives of big Japanese companies, led by Osamu Suzuki, chairman of Suzuki Motor Corp., a top player in India's burgeoning auto market.

"The investment plan is part of India's own project of constructing infrastructure so the precise figure for Japanese investment depends on India," the official said on condition of anonymity.

"But it will total in the billions of dollars."

Japan has been trying to build closer political relations with India, in part to counter frequent rifts with China, but Japan's trade with China far surpasses its investment in South Asia.

The investment plan follows up a general agreement signed in December between Japanese Prime Minister Shinzo Abe and his Indian counterpart Manmohan Singh on working together on a "Delhi-Mumbai Industrial Corridor."

The corridor plan would build a high-speed rail network between India's two largest cities and develop sea ports on the west coast, with infrastructure built along the route.

IFIC Bank launches Visa credit card

IFIC Bank Ltd launched Visa brand credit cards yesterday, says a press release.

The two types of dual-use credit cards -- Gold Card and Classic Card -- can be used at any Visa card accepting POS (point of sale) and ATM (automated teller machine) at home and abroad.

The cardholders will get maximum cash withdrawal facility along with some value added services such as transaction notification by SMS (short message system), e-statement of credit card bill and utility bill payment.

The customers will also enjoy 50-day interest-free period, relatively lower interest rate and the facility of free supplementary card, the release adds.

Vice Chairman of the bank Mohammad Lutfar Rahman, directors, Managing Director Mashiur Rahman and Deputy Managing Director Mohammad Abdullah, among others, were present at the launching ceremony at the bank's head office in Dhaka.

PHOTO: STAR

Senior officials of IFIC Bank Ltd, among others, show off a token Visa brand credit card launched by the bank yesterday in Dhaka.

Oil hits nine-month peak; lead nails all-time high

AFP, *London*

Crude oil prices reached their highest levels for nine months this week, before paring gains on news of rising energy stockpiles in the United States.

Base metal lead enjoyed yet another record peak as traders fretted over low global reserves.

The price of coffee in London, meanwhile, held close to a nine-year peak amid production problems in key exporter Vietnam.

OIL: Oil prices endured a volatile week after shooting to nine-month peaks on Monday, before ending on a mixed note.

The strong gains were won mostly on concerns about tight gasoline supplies in the United States and unrest in Nigeria.

In London, Brent North Sea crude for August delivery reached 72.25 dollars per barrel, a price last seen on August 28, 2006.

New York's main oil futures contract, light sweet crude for delivery in July, soared to 69.05 dollars per barrel -- the highest point since September 5, 2006.

Prices then began to slip on Wednesday after the US Department of Energy (DoE) said that crude oil stockpiles grew by 6.9 million barrels in the week ended on June 15.

As the trading week neared its close, the market became less concerned therefore, despite possible supply disruptions owing to a national strike in Nigeria -- the world's sixth biggest crude exporter.

Nigeria's general strike entered its third day Friday after overnight talks between labour unions and government ended in deadlock.

Brent North Sea crude for August delivery nonetheless slid to 70.96 dollars a barrel on Friday, from 71.84 dollars a barrel a week earlier.

New York's main oil futures contract, light sweet crude for delivery in August, firmed to 69.20 dollars a barrel however, from 67.70 dollars a barrel.

Gold: The price of gold eased, tracking fluctuations in the US dollar. A strengthening dollar makes dollar-denominated commodities, such as gold, more expensive for buyers holding weaker currencies.

On the London Bullion Market, gold dropped to 652.85 dollars an ounce at Friday's late fixing, from 653.10 dollars a week earlier.

Silver: Silver prices advanced. "Silver held comfortably above 13 dollars, despite selling pressure," said James Moore, analyst at specialist metals website TheBullionDesk.com.

On the London Bullion Market, silver gained to 13.15 dollars an ounce at Friday's late fixing, from 13.06 dollars a week earlier.

Palladium And Platinum: On the London Platinum and Palladium Market, platinum rose to 1,301 dollars an ounce at the late fixing Friday, from 1,278 dollars a week earlier. Palladium climbed to 375 dollars an ounce, from 367 dollars.

Base metals: Base metal prices had a mixed week, but lead smashed another historic high.

Lead hit a record 2,550 dollars per tonne on Thursday. The prices of nickel, aluminium, zinc and tin declined. On Friday, the price of copper for delivery in three months rallied to 7,470 dollars a tonne on the London Metal Exchange, from 7,381 dollars a week earlier.

Three-month aluminium prices edged lower to 2,709 dollars a tonne, from 2,716 dollars. Three-month nickel prices slumped to 37,550 dollars a tonne, from 40,900 dollars. Three-month lead prices rocketed to 2,505 dollars a tonne, from 2,353 dollars. Three-month zinc prices declined to 3,524 dollars a tonne, from 3,685 dollars. Three-month tin prices weakened to 13,875 dollars a tonne, from 14,100 dollars.

Grains and soya: Grains and soya prices beat a retreat, with wheat falling away from a recent eleven-year pinnacle.

Wheat had struck 6.07 dollars a bushel in Chicago last week -- the highest level since 1996. By Friday on the Chicago Board of Trade, the price of maize for July delivery sank to 3.73 dollars a bushel, from 4.19 dollars a week earlier.

Wheat for July delivery fell to 5.99 dollars a bushel, from 6.07 dollars. July-dated soyabean meal -- used in animal feed -- decreased to 8.03 dollars, from 8.47 dollars.

On the LIFFE, London's futures exchange, the price per tonne of wheat for November delivery dipped to 112 pounds, from 112.75 pounds.

Sugar: Sugar prices rebounded from recent losses. By Friday on the LIFFE, the price per tonne of white sugar for August delivery advanced to 319.40 dollars, from 305.60 dollars a week earlier. On the NYBOT, the price of unrefined sugar for July delivery jumped to 9.15 US cents a pound, from 8.53 cents.

Budget proposals and essentials' prices

M A TASLIM

Containing essentials' price inflation has emerged as the stiffest challenge for the interim government; and so far it has not faced up to it well. The inflation that the economy is now suffering from has a built-in anti-poor bias; essential goods prices are increasing at a faster rate than the non-essentials' prices. Less affluent sections of the population, especially the poor, are hit the hardest by such a price inflation. Coupled with the fact that many of these people were evicted from their makeshift abodes in slums and many were deprived of their livelihood in an ill-conceived drive against unauthorised vendors, these helpless people are really smarting under the unrelenting pressure of essentials' price spiral.

The finance adviser has acknowledged the problem in some of his public statements. It is also one of the major issues in his budget speech. He has valiantly tried to come out with a formula to curb the price hike. However, it is not at all certain that his antidote will cure the disease or worsen it.

The adviser has announced a three-pronged policy attack against essentials' price inflation: (1) a reduction in import duties, (2) improvement in the marketing and distribution system and (3) incentives to increase agricultural production. Each of these policies would seem to follow from a different assumption regarding the causes of the price hike.

The first appears to be based on the assumption that market prices bear a strong positive correlation with import costs and if import costs are reduced, market prices would fall, too. The only element of import costs that the government controls is the import duty. The adviser had already reduced import duties to zero for some essential items such as rice and wheat. In the FY 2007-08 budget, he has proposed zero duty on some other items including edible oil and lentils. Although until recently the popular belief was that syndication and hoarding were mainly responsible for essentials' price hike, there is now little doubt that import costs were the principal factor behind the price hike. The syndication theory was not only untenable, but it had misguided the previous government to the extent that it had not taken any action to reduce import costs until toward the end of its tenure.

The second policy is based on the assumption that the marketing and distribution channels of essentials do not function competitively. Many seem to believe that powerful middlemen hold the farmers (as well as retailers) hostage to extract extortionate surplus. To the best of my knowledge, none has yet demonstrated convincingly that the middlemen in the essential products marketing chain behave non-competitively. Recently, CPD had undertaken a survey that revealed that the principal middlemen, the millers, received about 23 per cent of the retail price of rice. This share was regarded too high, and the CPD predictably reached the conclusion that middlemen were causing the rice price to be too high. It peddled the idea to a gullible media. Presumably the finance adviser has also been influenced.

A problem with the conclusion is that the CPD is just assuming the 23 per cent margin for the middlemen to be uncompetitive; it is not demonstrating it. Are any of the middlemen in the chain unnecessary, and if so, how do they survive in the market? What are the opportunity costs of the middlemen's services and funds? What are the risks and costs of carrying stocks? What are the margins earned in similar businesses at home and abroad? If they are earning abnormally high profits, why aren't other business people entering the market? Are there entry barriers? Are the essential commodity markets contestable?

There was a widespread belief in the earlier decades that the rice market of the country was uncompetitive. Much research was done to investigate this aspect of the rice market, especially at BIDS. After more than a decade of research, BIDS economists were convinced that the rice market was actually highly integrated and competitive. [A colleague of mine, now a notable economist overseas, did a study in 1980-81 and concluded that the rice market was competitive. His findings were not appreciated at that time.] The CPD has now reopened the issue and hypothesised the opposite without giving any convincing evidence. That the finance adviser has apparently accepted the CPD diagnosis and based a serious policy measure on an unsubstantiated claim makes it all the more worrying. If it turns out to be incorrect, such a policy of disturbing the marketing chain can slow down the flow of goods and impose huge costs on the economy. We have already witnessed what happens when the government acts on the basis of a false diagnosis.

The third policy would appear to be based on the assumption that an increase in agricultural production through subsidies and agricultural research would increase the domestic supply of essential commodities and thereby bring down the prices. This would be true 20-30 years ago when the country severely restricted trade. During the last two decades or so, the country has gradually integrated itself into the global economy under pressure from multilateral organisations. A necessary consequence of this process of globalisation of the national economy is that prices of tradables are now determined in the global market. Domestic prices are not linked to domestic production unless trade is restricted.

Furthermore, the third policy (increasing agricultural production) requires an increase in prices and hence is contradictory to the objective of the first policy, which is to reduce prices. A reduction in essential goods prices is a powerful disincentive to produce these goods and the reduction in duties removes the protection enjoyed by these farming activities. To compensate for the price disincentive, the budget proposes subsidies on fertilisers and diesel up to Tk 2250 crore. However, a quick back-of-the-envelop calculation suggests that whatever the farmers may receive of this amount will be far smaller than the loss suffered due to reductions in prices of cereals of even one taka per kg. However, if the policy fails and the prices do not come down, but the subsidies are given, farmers will have some incentives to increase production. Notwithstanding whether prices come down, the government should provide support for increased agricultural production as this will help raise income and standard of living of the farmers.

The proposed policy package for containing essentials' price inflation does not give much hope of bringing any quick relief to people groaning under the pressure of rising living costs. Only the first policy could reduce prices of essentials in the short term. However, duties on many essentials including rice and wheat were very low at 5 per cent. Reducing these to zero will have a minimal impact on prices. Only in the case of products such as onions and edible oil, will the reduction in duties be sizeable that could have a visible impact on retail prices. The duty reductions will fail to reduce prices at all if these are offset by increases in international prices. The second policy has the potential to destabilise the market if the marketing chain is disrupted in a misconceived drive to improve the efficiency of the chain. The third policy can improve the situation only in the medium to long term and hence not of immediately relevance. Hence, just about the only way some relief from the spiralling prices can be obtained in the short term is if there is a fall in international prices. This is not something that the government can influence.

The author is a professor of economics, University of Dhaka.

PHOTO: GRAMEENPHONE

Managing Director of mobile phone operator Grameenphone Ltd Erik Aas cuts a cake to mark the inauguration of a 'Grameenphone Centre' at Bashundhara City shopping mall in Dhaka on Wednesday. The centre will offer 'one stop solution' and all telecommunications products and services to the customers. Other senior officials of the operator are also seen.