

Power generation: domestic gas, coal best option

ICCB opposes rental power plants

STAR BUSINESS DESK

Local gas and coal should be utilised to boost the power sector, rather than relying on quick fixes like quick rental and peaking plants used so far as they are not efficient enough, the International Chamber of Commerce (ICCB) Bangladesh said yesterday.

The installed electricity generation capacity in Bangladesh has to be increased by 5,544MW to achieve the revised target of 8,294 from the 2010 initial target of 5,000MW for fiscal 2013 within the next 20 months.

Due to high per unit cost of rental power plants, the government bears a huge burden in buying electricity and selling at subsidised rates. According to the World Bank, the fuel subsidy during the last fiscal year (FY12) was Tk 52-56 billion, about 0.6-0.7 percent of the GDP.

In the FY13 budget, the government

has allocated Tk 95.44 billion for power and energy sector.

Bangladesh faces a crisis in meeting the increasing private sector demand for credit and energy to achieve the targeted growth rate of 7.2 percent in FY13. However, even to achieve a respectable level of growth, if not 7.2 percent, power has to be ensured without any further delay.

In FY12, bank borrowing of Tk 291.15 billion created a liquidity crisis for the banks in private financing. In FY13, bank borrowing is targeted at Tk 230 billion, which is likely to increase manifold should the government ultimately go for local resources for construction of Padma Bridge.

It may put serious strain on economic activity, ICCB said in the editorial of the current News Bulletin.

At the beginning of the present government's tenure in January 2009, maximum power generation capacity was 4,130MW against installed capacity of 5,464MW.

Since then, installed capacity as of April this year stood at 8,625 MW, but maximum generation was just around 6,066MW against demand for 7,518MW.

That is, even with additional installed capacity of 3161 MW, actual maximum generation increased by only 1936, increasing the supply gap from 470 MW to 1452 MW.

To avoid monumental expenditure on subsidy, local gas and coal are ideal for power generation in the country, the ICCB said.

Currently, Bangladesh produces around 2,100 million cubic feet (mmcf) of gas a day against demand of 2,600 mmcf, being short of around 500 mmcf.

The country also has 2,800 million metric tonne per annum capacity in extractable high quality bituminous coal in 5 coalmines within a 100 sq km area of Rangpur and Dinajpur.

Efficiency and modern technology can

be used to produce 12,000MW of coal-fired electricity by 2030 for almost 50 years.

However, this comparatively inexpensive resource is not being utilised whereas in countries like India, China, and South Africa, 64, 81 and 94 percent respectively, of total power generated is coal-fuelled.

According to experts, the age-old power plants should be totally replaced in phases instead of wasting money for repair and renovation on an ad-hoc basis.

ICCB emphasised further exploration of gas from untapped reserves, urgent modernisation and expansion of distribution channel to meet shortages immediately and establish gas-based power plants and supply to the industries.

Businesses also reiterate their recommendations for setting up domestic coal and gas-based power plants to meet the power crisis under a more realistic and achievable target.



Md Ehsan Khasru, managing director of Prime Bank, and Koremitsu Sonnomiya, chief operating officer of Japan Credit Bureau (JCB), attend a programme where the organisations signed a deal at a local hotel in Dhaka on Tuesday. Prime Bank can now issue and acquire JCB cards.

A roadmap for Padma bridge with local funds

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Barkat spoke at a seminar on 'Padma bridge on own finance' at the BEA, chaired by former Bangladesh Bank governor Mohammed Farashuddin.

The rest of the funds can be collected from domestic sources that include floating pension funds, Padma bridge bond, allowing investment of undisclosed money and channelling unutilised funds under the annual development programme (ADP).

Other possible ways are increasing tax on tobacco products, strengthening drives to bring more rich people under the tax net, austerity measures in government expenditures, floating initial public offerings and imposing levy and surcharges, Barkat said.

He said the number of people who pay Tk 1 crore as taxes is only 46 now, but their actual number will be 50,000.

The BEA president rolled out the plan as the government said it would build the country's longest bridge with own funds after the World Bank cancelled its \$1.2 billion credit for the bridge on 'credible evidence' of 'corruption conspiracy'.

"The cancellation of the loan by the World Bank is unethical. But it has become a blessing for Bangladesh. It has created scope for building and consolidating national unity," said Barkat.

He said it is possible to start the construction work now, but emphasis should be given in collecting funds from interest-free sources.

He suggested the government form three high-powered committees, including an integrating panel, which would be headed by the Prime Minister and coordinate and frame policies for the construction of the bridge.

Other two proposed committees are financing committee and technical-engineering committee which Barkat said should be comprised of ministers, lawmakers, experts and representatives from civil society and professional bodies.

He also proposed forming a public limited company to encourage establishment of local industries to make machinery and raw materials for the construction of the bridge.

He said the weighted average cost of capital to build the bridge by taking finance from multilateral lenders led by World Bank will be 2.16 percent.

But the weighted average cost of capital will be 7.63 percent in case of own funds, he said.

"But if we consider the conditionalities imposed by the World Bank on macroeconomic policies, the weighted average cost of capital will be much higher for taking its loans," said Barkat.

Citing cash flow analysis, he said the construction cost for the bridge could be recovered in 30 years.

He suggested massive campaigns to create awareness among people to build the bridge with own funds.

Echoing Barkat, Bangladesh Krishi Bank Chairman Khondkar Ibrahim Khaled said Bangladesh can build the bridge with its own funds.

"Building the bridge with our own funds will be a pride for us and will boost confidence of the nation," he said.

He said there will be pressures on foreign exchange reserves but many NRBs would be interested to save if the government offers interest rates higher than those in Europe.

Mohammed Farashuddin said the World Bank should make the accusations and evidences public.

Discussants also suggested reducing defence expenditure, prevent capital flight from the country



Quamrul Islam Chowdhury, group company secretary of Mutual Trust Bank (MTB), and Arifur Rahman, director for business development at Zenith Investments, exchange documents of a deal at the corporate head office of MTB in Dhaka recently. Zenith will manage the funds of MTB in the capital market.



ASM Mashi-ur-Rahman, general manager of MIDAS, and Md Nurul Islam, director of Bureau of Manpower, Employment and Training (BMET), attend the signing of a deal between the organisations yesterday to train 40 female returnee migrant workers for skills development.

Zero-tolerance to customer harassment at banks: Atiur

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In one year, the CIPC has received 2,151 complaints. Of which, 1,170 were over the phone and 981 in writing. The centre has solved 1,941 complex problems and answered thousands of queries of customers in the past one year (March 11 to March 12), according to the annual report.

The remaining 210 complaints are under investigation, says the report.

Of the complaints, 47 percent are against 30 private commercial banks, 26 percent against four state-owned commercial banks, 15 percent against four specialised government banks, 4 percent against foreign banks and remaining 8 percent against non-banking institutions.

The nature of the complaints dominated general banking followed by non-payments of recognised bills, both local and foreign.

The governor warned the banks saying that the chief executive officer along with the branch manager would be liable for any customer harassment.

"The CIPC is a non-traditional initiative of the central bank. Our officers are trying their best to address numerous complaints and they need help of all stakeholders, including media," Rahman said.

SK Sur Chowdhury, deputy governor of the central bank, said banks have to change their mindset that customers will go to them. "The reality is that the banks should go to the customers' doors," he said.

Senior BB officials and representatives of different commercial banks were

Islami Bank vows to battle it out

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On 2004 and 2006, the fines were for not reporting to Bangladesh Bank on time of suspected transactions.

While it was for late submission of regular report to the Department of the Offsite Supervision, that brought about the fine in 2005.

"We did not finance any body or organisation [for terrorist activities]. Islami Bank Bangladesh was used to transfer money from one branch to another," he said.

The managing director said the bank might have committed unintentional errors as it handles large volumes of accounts.

"We are all human beings. We have 267 branches and deal with 67 lakh accounts. But you will not find any evidence where we were intentionally involved with wrongdoing."

Whenever Bangladesh Bank enquired Islami Bank of suspected accounts, the bank followed through by closing them, Mannan added.

"We were not even aware of Islami Bank's 'high-risk' designation in HSBC's client classifications before the US senate report. It is only because of Bangladesh's vulnerability to money laundering exercises that we were put in the 'high-risk' category."

However, the US Senate report specifies that it was due to Islami Bank's one-third shares being owned by the Al Rajhi group with links to terror financing, and the three instances of fines by Bangladesh Bank.

"Al Rajhi Bank is not a shareholder of the bank. It was never a shareholder and sponsor of the bank," Mannan asserted.

On Islami Bank's relation with Al Rajhi Bank, he said: "All major banks, both public and private, in Bangladesh bring remittance to the country through Al Rajhi Bank."

He categorically refuted claims made by the US report that JMB chief Abdur Rahman and his second-in-command Siddiqui Islam alias Bangla Bhai had accounts with the bank.

Islami Bank has accounts with HSBC in India, Pakistan and the USA, along with correspondent relationships with the British bank in 24 places around the world.

Zaher said the bank has spent crores of taka so that expatriate Bangladeshi nationals could send money home through proper banking channels.

"We have continued it for the sake of the country."

Mannan said the news published in the media over the last few days concerning the bank was misleading and unsubstantiated.

"The Senate report did not accuse Islami Bank of involvement in terrorist financing or illegal transaction. Besides, it did not identify any of the bank's transactions with correspondent banks, including those with HSBC, as suspicious," he said.

Supplementing it, he said sometimes the US senate probe report was reliant on quotes of various media outlets and not hard facts.

"Islami Bank Bangladesh was never involved with things written in the past couple of days, and will not be in future," Mannan said.

He pledged full co-operation should the Bangladesh Bank launch an investigation into the allegations.

Renault launches social business

STAR BUSINESS DESK

French carmaker Renault has recently unveiled a social business initiative -- Renault MOBILIZ -- to provide automobile services to people with low incomes.

Renault MOBILIZ has been set up to meet an unanswered need with a business model adapted to the purchasing power of people living under the poverty line in France, Yunus Centre said in a statement yesterday.

Services include carpooling, micro-community transport, 5-a-day car hire, and support in obtaining a driver's permit.

The programme is based on three main components: real-life mobility service solutions; the creation of an investment company to finance mobility projects; and a partnership with the Enterprise and Poverty Chair at HEC Paris.

The HEC Paris Chair seeks to promote social business through teaching, research and action research.

More than eight million people living under the poverty line in France are barred from fully entering society and the professional world through their inability to get around or acquire and maintain a vehicle, according to the statement.

The programme is rooted in the DNA and history of Renault, which aims to make mobility accessible to all, it said.

Japanese investment interest rising

DIPLOMATIC CORRESPONDENT

Japanese investors are taking a renewed interest in investing in Bangladesh, as the Dhaka office of Japan External Trade Organisations (JETRO) emerged as one of its busiest regional offices, said the chairman of the trade body yesterday.

Hiroyuki Ishige, who is currently on a three-day visit to Bangladesh, spoke at a meeting with Dipu Moni, foreign minister, at her office in the capital.

The minister said the relations between Bangladesh and Japan have been extremely well and there has been a remarkable surge of Japan's interest in

Bangladesh in recent times.

She said it is a very good time to advance the economic and trade relations of the two countries for mutual benefit, according to a statement of the foreign ministry.

She said the special economic zones being set up in Bangladesh will be an attractive option for Japanese investors.

Ishige said the interest was renewed after Prime Minister Sheikh Hasina's visit to Japan in May 2010.

The JETRO chief agreed with her and said the two sides will continue their talks on the possibility of setting up an exclusively Japanese special economic zone.



Mahbubul Alam, managing director of Southeast Bank, attends the bank's half yearly managers' conference at Hotel Purbani in Dhaka yesterday.

MCCI against taka upswing

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The chamber appreciated that the monetary policy will continue to focus on the external sector stability and the exchange rate management in the first half of fiscal 2012-13.

The MCCI said the monetary policy statement, as expected, attempts to facilitate the attainment of the government's twin objectives of achieving 7.2 percent gross domestic product (GDP) growth and bringing down inflation to 7.5 percent in the current fiscal year.

"For attaining the targeted 7.2 percent GDP growth, the real sectors of production must improve on their performance in the ongoing fiscal year."

To that end, Bangladesh Bank takes a stance to extend credit to agriculture, large and medium-scale industries, small and medium enterprises (SMEs), and other priority but underserved productive sectors.

The chamber, however, said the large government borrowing from banks to finance the budget deficit may be a threat to the country's macroeconomic stability.

The government's borrowing from the banking system in the past fiscal year was 54 percent higher than the annual target, which is said to have been a major factor behind the decline in bank lending to