



# BUSINESS

## Costly electricity weighs on budget

Government report observes in its mid-term review

REJAU KARIM BYRON

The power sector has achieved remarkable success in generation and supply, but the high production cost, a major concern, is piling pressure on the national budget, according to a government review report.

The power sector will be part of a discussion today as the planning ministry presents the mid-term review of the Sixth Five-Year Plan (SFYP) designed for the country's economic development.

"Much of the additional private electricity supply has come from rental plants that supply electricity to the national grid at a much higher cost than from other sources," the report said.

The government missed its target to diversify sources of primary fuel by boosting domestic production of gas and coal, according to the report.

The SFYP started in July 2011 and will end in June 2015.

When the plan was launched the power generation capacity was 5,823 megawatts. It rose to 9,598MW in fiscal 2013-14. As a result, the population's access to electricity went up from 47 percent in fiscal 2010-11 to 62 percent in fiscal 2013-14.

As a result, per capita electricity consumption rose from 170 kilo-

**The average cost of power generation at government-run plants was Tk 3.19 a unit in 2010-11, which jumped to Tk 8.05 for rental power plants**

watt/hour (KWh) to 285 KWh, according to statistics from the planning ministry.

However, unforeseen development led to a huge increase in the marginal cost of electricity. For example, the average generation cost of power at government-run plants was Tk 3.19 a unit in 2010-11, which jumped 2.5 times to Tk 8.05 for rental power plants.

The major expansion in the power generation has put squeezes on the

national budget as imported expensive oil is producing the additional power.

The electricity subsidy bill zoomed from Tk 1,200 crore in 2009-10 to Tk 6,000 crore in 2011-12. It stood at Tk 5,500 crore in 2012-13.

The rapid growth in the share of oil-based power supply from 8 percent in 2009-10 to 17 percent in 2013-14 is a reflection of a major primary fuel constraint in Bangladesh, the report said.

The substantial reliance on the rental power plants and the growing share of fuel oil in power generation have severely strained electricity sector financing, according to the report.

The review also said the coal mining scenario has not improved in the country because of a lack of policy.

"Overall, there is an absence of a strategic long-term view about how the growing needs of primary fuel will be met in the next 10-20 years," it said.

The report said it appears that the increasing reliance on imported fuel oil will likely to continue which could exert considerable pressure on the balance of payments and the budget.

"This is a serious long-term challenge and a major weakness with the implementation of the government's overall energy policy."

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## Pharma exports in fast lane

GAZI TOWHID AHMED

Pharmaceutical exports rose 15.65 percent year-on-year to Tk 553.3 crore in fiscal 2013-14, riding on the back of growing global demand, high quality products and competitive prices.

Demand for Bangladeshi pharma products is growing in Asia, Africa and European markets as manufacturers follow international standards that ensure better quality, said Momenul Haq, senior vice-president of Bangladesh Association of Pharmaceutical Industries.

Exports grew 24 percent to Tk 478.4 crore in 2012-13 from the previous year, according to data from the Export Promotion Bureau.

Attractive packaging also helps attract foreign buyers, said Haq, who is also the managing director of General Pharmaceuticals that exported about Tk 25 crore of products last year to Sri Lanka, Afghanistan, Bhutan, Vietnam, Cambodia, Philippines and African nations.

Bangladeshi medicine makers meet 98 percent of domestic demand and export to 88 countries. The country exported 30 pharmaceutical items in fiscal 2013-14.

Export figures would have been higher if the country had not gone through a political crisis, Haq said.

The sector incurred losses in the first six months of last fiscal year due to political unrest, which almost broke the supply chain down, he added.

Most medicine makers are receiving new export orders as political setbacks subsided, said Haq.

"We import raw materials due to a lack of an Active Pharmaceutical Ingredients Technology Park in Bangladesh," Haq said.

Manufacturers in an API Park can produce raw materials needed by the medicine makers.

India has its own API Park and as a result, it can offer competitive prices in global markets compared to Bangladesh, he added.



Bangladesh's only central API Park was supposed to be completed by 2012, but it is still uncertain, which leaves the entire industry dependent on raw material imports.

Bangladesh pharma exports are driven by high standards in quality and affordability, said Shawkat Haider, head of business development at Beximco Pharma.

Beximco set a 25 percent export growth target this year compared to last year. It exported Tk 80 crore of medicines last year to European nations, Sri Lanka, Myanmar, Kenya and South Africa.

"As Bangladeshi medicine is now

being exported to Europe, which is known for stringent regulatory standards, it gives impetus to our pharma industry and creates awareness among global customers, particularly from emerging and developed markets."

Although Southeast Asia and Africa are traditionally Bangladesh's major markets for generic drug exports, leading companies have now focused on advanced markets, said Haider.

At least five companies successfully entered the European market and received good responses from the buyers, he added.

"Top companies continue to explore new markets and in the current fiscal year have registered products in countries like Netherlands, Latvia, Azerbaijan, Costa Rica, Estonia, and Lithuania."

Political setbacks in the last quarter of 2013 badly affected pharma exports and domestic sales, which caused a loss of hundreds of crores of taka, he said.

Many companies delayed making any new investment or expansion projects, Haider added.

"We need adequate support from the government to develop the API Park to make our medicines more competitive in global markets," he said.

"The API Park has already been delayed by years and we do not know when this will be completed."

"We also need a central drug testing laboratory to strictly maintain the high standards of medicine and a bioequivalence testing facility to do the clinical testing that is a prerequisite to register our products in the regulated markets," Haider said.

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## Abul Hassan Mahmood Ali, MP

Honourable Foreign Minister of the Government of the People's Republic of Bangladesh



Second from left, Foreign Minister AH Mahmood Ali speaks at the closing session of a two-day international workshop on blue economy, at Sonargaon Hotel in Dhaka yesterday.

## Islamic bonds' maturity period cut by half

BB amends guideline to make them attractive

STAR BUSINESS REPORT

The central bank has cut the maturity period of Islamic bonds by half as it amended the guideline on their issuance to make them attractive.

A Bangladesh Bank official said the maturity period has been set at three months, along with the existing six months, to help Islamic banks and financial institutions manage their fund smoothly.

The profit of Islamic bonds will equal the profit of a three-month fixed deposit scheme of the issuing Islamic banks, replacing the profits rate for savings deposits.

This will enhance profit of Islamic

bonds and make them attractive, the BB official said.

The new guidelines will be known as Islamic Investment Bond Guidelines 2004 (Amended 2014), which came into effect on August 18.

Now shariah-based banks and financial institutions will be able to use the bonds as an instrument for repo operations.

The guidelines came on the back of a huge growth in Islamic banking in the country. There are seven full-fledged shariah-compliant banks. Most other banks have also launched their Islamic banking wing in recent years.

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## Bangladesh ready to work for blue growth: minister

DIPLOMATIC CORRESPONDENT

Bangladesh is willing to work and move together with a partnership for blue economy to secure sustainable development among the coastal states, Foreign Minister AH Mahmood Ali said yesterday.

"Blue economy must be inclusive and people-centric," he said, adding that effective governance should be established in maritime and its-related sectors.

The minister spoke at the closing session of a two-day international workshop on blue economy, at Sonargaon Hotel in Dhaka yesterday.

Collaborative efforts should be taken in research, observation and surveillance, and the outcomes should be shared, he said.

"Such collaboration among countries must take place based on certain universal principles of engagement: mutual trust, respect, mutual benefits and equitable sharing of benefits." Bangladesh is at a nascent stage of development in regards to assessment of blue economy, he said.

The minister laid emphasis on the space for further investment and exploration of marine resources, overcoming the challenges ahead.

"This relates to regulation, legislation, plans, institutional frameworks and capacity building in academic and research institutions as well as regulatory bodies or mechanisms."

He said Bangladesh is aware of the varied levels of engagement across countries. The government needs to observe and more importantly steer or create policy frameworks to attract critical private investment for blue economy, he said.

"Financing, including innovative financing, to secure blue growth has to be facilitated."

The minister also said creating robust maritime domain awareness among people, communities, policymakers and executives is essential.

Some 32 representatives from 20 countries, including global experts on blue economy, attended the workshop and shared their experiences and ideas. Foreign Secretary Md Shahidul Haque was also present.

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## BB to focus on good governance in five-year plan

STAR BUSINESS REPORT

Bangladesh is not unique in facing financial frauds; it happens everywhere in the world, SK Sur Chowdhury, deputy governor of Bangladesh Bank, said yesterday.

"We have detected those scams and have taken so many actions," Chowdhury said at a press briefing at the central bank. He cited setting up a financial stability department at the central bank as an example of combating such situations.

Governor Atiur Rahman was also pres-

## Seed market grows, led by private firms

SOHEL PARVEZ

The seed market is growing due to massive marketing campaigns by private companies and farmers' switch to commercial farming for higher incomes, operators said.

The market of quality seeds, supplied by public and private sectors, stood at 2.67 lakh tonnes in fiscal 2012-13, though the amount was around one lakh tonnes a decade ago, according to data from the agriculture ministry.

Industry insiders said the market grows by more than 10 percent a year with the share of the private sector rising gradually.

"Farmers are shifting from subsistence farming to commercial agriculture. It is one of the main reasons behind the growth of the market," said Asadul Amin Dadan, general secretary of Bangladesh Seed Association, a trade body of 180 members.

Dadan said the private sector mainly contributes to the growth of the overall seed market worth more than Tk 1,000 crore now.

The market began to grow gradually after the government had allowed the private sector to import and sell hybrid seeds in 1998 to boost food production.

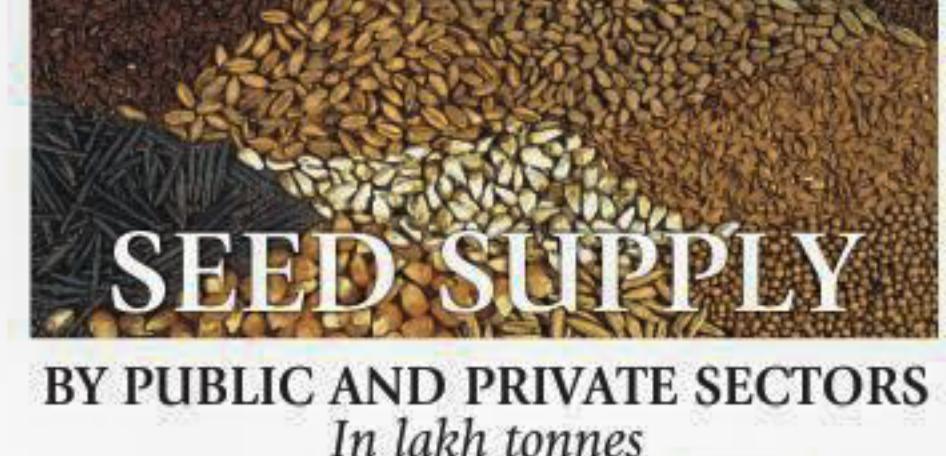
Since then many private businesses signed up for the trade as farmers were highly dependent on low-quality seeds that were collected either from informal market or preserved by themselves.

Agriculturists and seed businesses say good seeds can increase crop yields by up to 20 percent.

Now private and public sectors together supply 20 percent of the demand for seeds.

Nearly a decade ago, the supply of seeds by private firms and state-run Bangladesh Agricultural Development Corporation (BADC) was only 12 percent of the total requirements, according to the agriculture ministry.

FI Ansarey, executive director of the agribusiness division of ACI Ltd, a private firm, said the overall market for seeds grows



12 percent a year now.

"Farmers are getting the results of using quality seeds. They are getting better yields as they can also grow winter vegetables off season," Ansarey said.

Growing consumption of vegetables and a sharp rise in the number of dealers amid massive marketing by some companies also buoyed the seed market, he said. "Some seed companies are also operating in remote areas."

Mohammad Masum, chairman of Supreme Seed Company, said the entry of some private companies facilitated the market growth. Old companies have also increased their activities, he said.

Now, apart from BADC, more than 100 firms, including some non-governmental organisations, sell seeds, mainly hybrids of rice, maize, vegetables and spice, through 18,000 registered dealers.

"The overall demand for quality seed has also increased," he said.

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