

Nepal's fuel crisis will push almost a million people into poverty

REUTERS, Jhor, Nepal

With a large cone-shaped bamboo basket strapped to her back, Nirmala Bhandari treks two hours every day from her village to a protected forest in the hills, heaving it back filled with enough firewood to cook food for her three children.

Despite knowing timber collection in this forest is illegal and wood stoves cause deadly indoor pollution, the 35-year-old widow says she has no choice since a shortage of cooking gas hit Nepal more than two months ago.

"My children and I spent three days outside a fuel shop for cooking gas but did not get any," she said in a village in Jhor, 12km from Kathmandu.

"If there is a problem collecting wood then I may have to feed them only alternate meals," said Bhandari, explaining that guards at the Shivapuri National Park have already warned her to stop hacking off tree branches in the fast-depleting forests.

Bhandari's family is among hundreds of thousands in the impoverished Himalayan nation crippled by a shortage of basic commodities after Nepal adopted a new constitution, sparking protests by the Madhesi minority, who say it marginalises them.

Since September, 50 people have died in protests at border points with India, where demonstrators have blocked trucks carrying everything from petrol to medicines from entering the landlocked nation, still reeling from two deadly earthquakes.

The crisis has prompted the United Nations to express deep concern over

what it said is a "critical" shortage of lifesaving medicines and fuel, and warns this could put at least three million children at risk of illness in the coming winter months.

Experts say this economic and humanitarian crisis is likely to have a much wider and longer-term impact.

"The fuel shortage will push more than 800,000 people below the poverty line. This is our estimate based on the study of the losses faced by agriculture, industry and service sectors," said Trilochan Pangi, a spokesman for Nepal's Central Bank.

"These people are wage earners, marginalised and low income people. We have derived this figure after a detailed and close study in all these sectors. This will hit the economy badly."

In streets of the capital Kathmandu, the crisis is evident.

Thousands of residents line up with empty gas cylinders outside fuel depots every day only to be told that the elusive tankers have not arrived from across the Indian border.

With authorities imposing a ration on fuel, motorists line up in queues stretching more than two kilometres outside petrol stations.

On the black market, petrol and diesel smuggled in jerry cans from India sells up to five times the normal price. The cost of commodities like cooking oil has soared amid fears inflation could hit double digits by the end of the year.

Even ready-to-eat items like noodles have disappeared from the shop shelves.

The fuel shortage has led to buses

cutting down services, forcing commuters to sit on roofs. Taxis are no longer an option for many as they can't afford paying six times the normal fare.

Tour operators say the country's key economic pillar, tourism, is already suffering. On average, 800,000 tourists visit Nepal annually, contributing 4 percent to the GDP.

Domestic airlines have reduced the number of flights, and hotels are offering only fixed menus to beat the fuel shortage.

"How can you expect tourists to come when you don't have fuel even to cook a full course meal for them?" said Jiban Ghimire of the tour operating group Shangri-la Nepal Trek.

Large and small businesses alike have been badly hit.

The Federation of Nepalese Chambers of Commerce and Industry says more than 2,200 industries producing food items, plastic goods, edible oil, iron ores and cement have closed down, throwing 220,000 workers out of work.

In an empty restaurant on the outskirts of Kathmandu, owner Rupesh Shrestha says he has been forced to give leave to 25 of his 30 employees because they have no gas to cook with.

"Only five of us manage to serve a few of our regular customers who come. We use firewood to cook as there is no cooking gas. I don't know when the situation will improve," said Shrestha.

Wedge between China and India, Nepal is recovering from a decade-long conflict between Maoist rebels and government forces which ended in 2006.

Years of political instability have slowed development efforts and two deadly earthquakes in April and May this year, have further hampered efforts to lift 25 percent of the country's 28 million people out of poverty.

Under these circumstances, central bank spokesman Pangi says it is the most vulnerable who are hardest hit.

"They are hotel workers forced to stay on leave because hotels have cut down on services due to fuel shortage. Transport workers have lost jobs, rickshaw pullers are out of work," he told the Thomson Reuters Foundation.

"Tens of thousands of people who were self-employed in small pavement businesses like tea and coffee shops, cake shops, street vendors are out of work. All these people have no income."

The government of Prime Minister Khadga Prasad Sharma Oli has offered to amend the three-month-old charter to address some of the key concerns of the ethnic Madhesi protesters.

Several rounds of negotiations between the government and protest leaders have failed amid differences over how to change the internal boundaries of newly created federal states.

Protesters say the entire southern plain region, Nepal's bread basket, must not be split into more than two federal provinces. They now form part of six of the seven provinces dominated by hill dwellers.

Many in Nepal blame India for supporting the Madhesi, who share close familial, cultural and linguistic ties with India, by refusing to divert oil

tankers to other border points where there are no protesters.

New Delhi denies the charges saying Nepal should instead resolve its constitutional crisis through talks and create a safe passage for tankers and trucks to roll into the country.

Nepal received 1,000 tonnes of fuel from China to beat the immediate shortage and is negotiating regular imports with Beijing, ending a decades-old Indian monopoly over fuel supply.

Authorities are also distributing wood to some residents and is turning to Saudi Arabia and Bangladesh for fuel supplies.

A power cut for nine hours every day has added to the worsening plight of residents who had switched to induction cookers that run on electricity.

Many power plants as well as development projects have ground to a halt due to the fuel crisis. Even transporting relief materials like warm clothes and blankets to quake victims has been impossible, said aid agencies.

The blockade is also taking a toll on Nepal's health sector, as 60 percent of the country's total drug requirements are imported from India.

Pharmacists say antibiotics and drugs for illnesses such as blood pressure, diabetes, heart and kidney problems, mental illnesses as well as syringes and blood bags are critically low.

Hospitals in Kathmandu have begun delaying surgeries because of a lack of equipment and medicines.

"If it continues for a couple more weeks, patients could start dying," said Mukti Ram Shrestha of the Nepal Medical Association, an umbrella

body of doctors across the country.

Humanitarian agencies warned this week that with health care facilities lacking over half of their total essential requirements, the humanitarian implications were "grave".

A statement signed by four UN agencies and other aid groups said the most vulnerable, including pregnant women, the elderly, children and people with chronic conditions such as diabetes and cardiovascular disease were already being affected.

"Disruptions to public health programs, including routine immunization, will have an extremely serious and lasting impact on the health of children," said the statement from agencies such as the World Health Organisation, Britain's Department for International Development and the German Development Cooperation.

"Access to life-saving emergency services, including surgery, intensive care and blood transfusion, as well as referrals of complicated cases, have been severely impacted."

The rising dependence on wood will also increase more indoor pollution and result in a spike in cases of pneumonia.

More than 800,000 Nepali children under five had pneumonia in 2014 and around 5,000 died, said the UN Children's Fund.

But for women like Bhandari, with three months to feed, using firewood is her only option.

"For now, my priority is to somehow cook meals and feed my children. Everything else comes after that," she said.



Experts attend a seminar styled "the advent of grade-80", at Pan Pacific Sonargaon hotel in Dhaka yesterday. Leading steel manufacturer BSRM organised the event to launch its new steel rebar, Maxima. Story on B1



Benoit Pierre Laramée, Canadian high commissioner, and Masud Rahman, president of Canada Bangladesh Chamber of Commerce and Industry, attend a meeting with the businessmen of the Chittagong region who import grain from Canada, hosted by the chamber in the port city on Monday.



Azam J Chowdhury, chairman of Prime Bank, speaks at a town hall meeting for the bank's employees in Dhaka division on Saturday. Ahmed Kamal Khan Chowdhury, managing director, was also present.

Reforms crucial for better tax management

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For instance, people do not know that the budget for the health sector has been reduced to below 1 percent of GDP.

The centralisation of tax collection is another weakness of the tax administration, he said.

The revenue office collects more than 80 percent of the taxes from the Dhaka and Chittagong regions. As a result, people of other regions think that they do not need to pay any tax, Khan added.

Manzur Ahmed, an adviser to the Federation of Bangladesh Chambers of

Commerce and Industry, said the exemption of tax on agricultural products is another reason for the low tax-GDP ratio.

In Bangladesh, the contribution of the agricultural sector to the national GDP may cross 23 percent, but this vast area has been exempted from taxes, which has been lowering the ratio over the years, he said.

"It is not easy for businesses to evade taxes. But still many do not pay taxes because there are people to help them to do so."

Ahmed Swapan Mahmud, executive director of Voice, a research organisation, moderated the discussion.

Bullish on Bangladesh

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If Bangladesh can address the two challenges, it will be able to record 8 percent economic growth in three to four years' time.

"It is entirely possible for Bangladesh. There should be a self-belief among the people that this country is beginning to stand out."

Basu went on to stress the importance of political stability.

"I will ask the people here -- instead of the government -- to work out of patriotism to make the country politically stable. If the common people take it seriously that their country is making progress, it is progress for us all. Then it will give you a politically stable country."

"And if it becomes politically stable, you will get more foreign direct investments and investment itself will go up."

Foreign direct investment is important for 8 percent growth. But it is not that such growth will not take place without the FDI.

"Foreign direct investment is extremely important. But you can increase your domestic investment."

It is not impossible for Bangladesh to clock in investment equivalent to 34 percent of GDP.

At present, the investment rate is 29 percent of GDP, which he said is "extraordinarily good".

"People should appreciate that. But you must not rest on your laurels."

Basu's visit to Bangladesh coincided with Prime Minister Sheikh Hasina inaugurating the construction work for the Padma bridge.

The bridge was originally supposed to have been constructed with \$1.2 billion credit from the WB.

But the Washington-based multilateral lender cancelled the loans on grounds that it has proof of corruption conspiracy involving Bangladeshi officials, executives of a Canadian firm and individuals.

"No matter what the history is, it is very good news that Bangladesh is now making the Padma bridge with its own finance. Sometimes, good news comes after bad

history."

Basu said it was unimaginable 10 years ago that Bangladesh could undertake a project of this scale. But the country now has the means and capacity to pull off the ambitious project.

"To me, this is just good news that Bangladesh, after becoming a lower middle-income country, is implementing one of the biggest infrastructure projects."

Basu, who is also the senior vice-president of the WB, reiterated his organisation's intention to continue to work with Bangladesh despite a long tussle over the financing of the bridge project.

From here onwards, it has to be seen as a mature partnership between an international organisation and Bangladesh to help with the development process, he said.

Asked about the trial in a Canadian court about the allegations of corruption related to the bridge project, he said: "The issue is completely immaterial now, as we have moved on to another stage."

Basu said once the bridge is completed, some issues such as toll collection have to be handled in a sophisticated way.

He said there are modern systems of toll collection and they must be put in place.

The economist also stressed the importance of raising the tax-GDP ratio for Bangladesh, which is rather low at present.

"An effort has to be made. It is part of governance," Basu said, adding that the tax-GDP ratio can go up without increasing tax rate if tax collections can be improved.

On the healthy foreign exchange reserves, Basu said the reserves are a form of back-up and gives confidence to people.

As funds are being raised from international sources, the would-be investors will have confidence that the country is completely capable of paying back, he said.

He cited the case of China, which is able to make large investments because of its enormous reserves, he said.

The reserves have a psychological effect, and the advantage of it has to be utilised, Basu added.

IBM makes Munich its global centre for industrial Internet push

REUTERS, Frankfurt

IBM will make Munich the global headquarters for its push to build out the industrial Internet, capitalizing on a critical mass of automotive, electronics, healthcare, insurance and manufacturing companies centred in southern Germany.

IBM said on Tuesday that it will employ 1,000 staff to work with customers on industrial Internet projects in the Bavarian capital and is opening up eight satellite centres worldwide to help clients create smarter network-connected services. The move comes amid press reports that the US-based firm may cut around 18 percent of its German workforce over the next two years.

Munich is home to Europe's largest manufacturing company, Siemens, as well as carmaker BMW and truck firm MAN SE. Insurers Allianz and Munich Re have their headquarters in the city.

Book building method a must

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Only the companies that will offer primary shares at face value will be allowed to use the fixed price method for their initial public offerings (IPOs), according to the latest amendments to public issue rules.

As per the revised rules, an aspirant company must have Tk 15 crore in paid-up capital to go for public offering and the company must raise at least Tk 15 crore or float 10 percent shares of its paid-up capital, whichever is higher.

Under the book building method, 70 percent shares of an IPO will be kept for institutional investors, including foreign ones, while the rest 30 percent will be kept for general public.

The general investors will have primary shares on 10 percent discounts from the cut-off price, which will be determined through bidding by institutional investors.

In the case of fixed price system, the ratio will be 50:50 for both institutional and general investors. Earlier, there was no quota for institutional investors in the IPOs under the fixed price method.

To use the book building method, a company must be in commercial operation for the last three years and must have profit records for the last two financial years.

The company also has to have positive net current assets and net operating cash flow for the last two financial years.

The regulator has also increased the number of disclosures and due diligence requirements by the issuer companies and issue managers.

Banking outlook not so bright

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Moreover, if just the three largest borrowers of each bank were to default, 26 banks would become non-compliant in maintaining their minimum required CRAR.

This highlights the vulnerability of the banking sector as a whole to moderate shocks, poor risk management and high concentration risk due to uneven distribution of loan exposures, according to the BMI analysis.

The profitability of the banking sector as a whole continues to be hampered by rising NPLs, particularly in the SCBs.

The analysis said it sees little prospects for improvement over the short-term as reforms to the state banks are typically a long-drawn process rather than a one-shot exercise.

Profitability in Bangladesh's banking sector, as measured by return on assets and return on equity, came in at a low of 0.4 percent and 4.9 percent respectively in June 2015.

The return on assets for Filipino banks averaged around 1.2 percent in the third quarter of 2015, while the return on equity was reported around 10.1 percent, it said.

Over the near-term, the issues surrounding NPLs will likely remain unresolved.

BMI Research believes an improvement in the political environment, following the abatement of the political conflict between the ruling Awami League and its rival Bangladesh Nationalist Party, should help spur credit growth, which will be positive for profitability.

However, the rise of domestic security threats could see a return of political instability, which could cripple credit growth, it added.

BSRM launches new rod

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"BSRM Maxima is the ideal material for providing strength and safety in mega structures," Khan Mahmud Amanat and Ishtiaque Ahmed, both professors of BUET, made their presentation on "high strength rebar for concrete structures in Bangladesh" and "design of seismic resistant structures using high strength reinforcement".

"There is a global trend in adopting high strength rebar in concrete structures," said Ahmed, who was the team leader of the study.

"High-strength steel is used in Japan and New Zealand code for seismic design," Amanat said.

M Shamin Z Bosunia, former president of the Institute of Engineers, Bangladesh, also attended the launch.