

Funding for SoE, NCB reforms likely next year

Donors' appraisal mission to visit in December

STAR BUSINESS REPORT

The proposed funds from the World Bank (WB) and other donor agencies for restructuring the nationalised commercial banks (NCBs) and state-owned enterprises (SoEs) are likely to be available early next year.

Negotiations for the credit will take place next month when an appraisal mission visits Dhaka to finalise the assistance. Then it will be referred to the WB board for approval. Disbursement is expected in early 2004.

The donor-prescribed reforms include divestment of SoEs, modernisation of banks, downsizing the NCBs through golden handshake, branch rationalisation and creating employment for the retrenched staff of the NCBs and SoEs.

The World Bank's International Finance Corporation (IFC) and Small

Enterprise Development Fund (SEDF), and the UK Department for International Development (DFID) will jointly provide the assistance while International Monetary Fund (IMF) will monitor the implementation of the reforms.

The IMF mission for poverty reduction growth facilities (PRGF) loan which left Dhaka on Friday ending a 12-day visit, also reviewed the progress of ongoing NCB and SoE reforms in Bangladesh.

So far two WB-led pre-appraisal missions have visited Bangladesh to negotiate with the government on the assistance. The last mission which visited from September 9-19 comprised representatives from all donor agencies involved in the programme.

At the request of the government, the pre-appraisal mission sought to focus more correctly on the growth and

modernisation elements of the proposed programme, said a draft aide-memoire submitted to the government in early October.

In support of the government's own home grown and pro-active reform agenda, the WB wishes to provide clear and substantive financial assistance to underwrite the government's own agenda of reforms, the draft said.

The WB may provide \$370 million and DFID \$75 million for the programme.

The WB funding will include \$290 million for support for voluntary retirement schemes, \$38 million for banking reform, \$10 million for enterprise growth, \$20 million for refurbishment of assets, \$4 million for institutional strengthening, and \$5 million for retraining and counselling for retrenched staff.

The IFC may facilitate the

privatisation of Rupali Bank by investing equity alongside a strategic investor at the time of privatisation.

It could also explore the possibility of providing a pre-privatisation loan to Rupali Bank which could be convertible into equity at IFC's option during the divestment, the aide-memoire mentioned.

The IFC can also consider investments in the oil companies, included in the privatisation list, at the time of privatisation depend on usual due diligence.

The SEDF will assist the government in achieving its employment and growth objectives, human resource development, small enterprise development and business development services.

Urban Design, IDLC sign deal

Clients of Urban Design and Development Limited (UDDL), a developer, will enjoy home loans facilities from Industrial Development Leasing Company of Bangladesh Limited (IDLC), a financial institution.

A memorandum of understanding (MoU) was signed between two companies to this effect recently.

Nazim Uddin Ahmed, managing director of UDDL, and Syed Ehsan Quadir, deputy managing director of IDLC, signed the deal on behalf of their respective sides in Dhaka.

Repo auction

UNB, Dhaka

The reverse Repo auction of Bangladesh Bank for commercial banks and financial institutions was held here yesterday.

Two bids of 2-day tenor amounting to Tk 235 crores were received and accepted.

The rates of interest against the accepted bids ranged from 2.40 to 2.50 percent per annum, said a press release of the central bank.

Qatar Airways starts service in Shanghai, Seoul

Qatar Airways began its operation in Shanghai and Seoul on Wednesday.

With the inauguration of the services, Shanghai and Seoul became the 43rd and 44th international destinations of Qatar Airways, says a press release.

The airline also became the first Middle Eastern airline to have its service in South Korea.

At the inaugural ceremony, Akbar Al Baker, chief executive officer of Qatar Airways, said the airline will extend its operation to Singapore, Tripoli, Vienna and Cebu, southern city of Philippines, within two months.

France to make new proposals in EU budget showdown

AFP, Brussels

France will make new proposals to cut its ballooning deficits at a crunch EU meeting next week, as it battles to wriggle out of disciplinary measures for breaching strict budget rules, diplomats said Friday.

Meanwhile diplomatic sources said that EU finance ministers may well delay until the end of November a decision on responding to France's defiance of the rules, in order to avoid an institutional crisis.

And to add to the disarray, sources close to the European Commission said it is set to issue a new warning to fellow EU heavyweight Germany -- the bloc's biggest economy -- over its deficits, possibly also next week.

The ministers will meet Monday and Tuesday for talks likely to be dominated by French defiance of strict euro-zone budget rules, which in theory could ultimately lead to a multi-billion euro fine against Paris.

Weavers seek resumption of 25pc cash incentives

Handloom Products Export Fair 2003 begins

STAR BUSINESS REPORT

Handloom product manufacturers yesterday demanded of the government to resume 25 per cent cash incentive for the weavers to facilitate export of the products.

During the inauguration of a month-long handloom fair, leaders of Bangladesh Weavers Products & Manufacturers Business Association raised the demand.

Textiles Minister Abdul Matin Chowdhury formally inaugurated the Handloom Products Export Fair 2003 on Panthapath road in Dhaka.

The handloom product manufacturers also urged the minister to help them set up a permanent display centre for

their products.

Speaking at the inaugural function, President of the association Abu Taher said they urgently need cash incentives for exporting handloom products.

"We manufacture quality products which can be exported to the USA, India, Japan, Canada and other countries having huge demand of such products," he said.

He said the previous government had stopped providing cash incentives to the handloom manufacturers hurting the growth of the sector.

Responding to the demands, the textiles minister said the government has a fund for the handloom manufacturers from which disbursement will be made soon.

The government will also consider the demand for cash incentives and setting up a display centre, he assured the handloom manufacturers.

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) Vice-president Abul Kasem Haider and Bangladesh Jamdani Manufacturers Association President Mizanur Rahman also spoke at the function.

A total of 113 stalls have been opened in the fair showcasing handloom products including sarees, lungis and shawls. A variety of traditional Benarasi, Tangail, Jamdani and Manipuri sarees are also on display.

The exhibition will remain open from 10am to 9pm everyday till Eid-ul-Fitr.



Nazim Uddin Ahmed, managing director of Urban Design and Development Ltd, and Syed Ehsan Quadir, deputy managing director of Industrial Development Leasing Company of Bangladesh Limited (IDLC), exchange documents after signing a deal on home loan facilities in Dhaka recently.

Euro zone may not meekly follow US recovery path

REUTERS, Frankfurt

Euro zone optimists believe their economy will follow a US upturn next year with a respectful lag of a few months, but it may not be that easy.

EU officials seem special of the durability of the recovery and doubt that powerful reflection policies in the United States are the right way to go, despite third quarter GDP there having surged at a blistering 7.2 per cent annual rate.

"There is a view in Europe that all the United States is doing is postponing the day of reckoning by stimulating the private sector to take on more debt," said Tony Dolphin, economist with Henderson Global Investors in London.

But departing from the US and particularly the Federal Reserve's vision of the world implies a more anti-inflationary stance that could send the

euro soaring, hitting euro zone manufacturers and stopping the recovery in its tracks.

"You can either toe the Fed line and only raise rates when there is tangible evidence of inflation. Or you can resist reflation, as the Bundesbank did in the 1980s, and accept currency appreciation," said Thomas Mayer, chief European economist at Deutsche Global Markets.

Hawks at Germany's central bank were accused by the US in the 1980s of seeking inflation under every rock and some blame this spat for contributing to the 1987 stock market crash.

The narrow 5-4 vote by the Bank of England to keep interest rates on hold this month signalled the issue of rising debt is already nagging the British, although their buoyant housing market may make it something of a separate

case. Inflation is a more distant threat in the euro zone, where over capacity and weak pricing power will keep the consumer price index slanting downwards well into 2005.

Instead of tub-thumping optimism, the European Commission was pointedly guarded in forecasts released this week which dwell on the risks confronting a gradual pick-up next year.

This contrasts with the dependable optimism of the White House and buoyant talk of five per cent growth ahead.

The Commission cited a resurgence of the euro on foreign exchange markets, "macro-economic imbalances" and a setback in red-hot property markets like Spain, Ireland and the Netherlands as risks to its modest outlook for 1.8 per cent growth in 2004.



Women appreciate a Benarasi saree at a stall on the inaugural day of the month-long Handloom Products Export Fair 2003 in Dhaka yesterday.

PHOTO: STAR

Call money rate low

BSS, Dhaka

The inter-bank call money rate was very low yesterday as most banks had surplus funds, fund managers said.

The call money rate touched its low at 3.50 per cent while it rose to its intraday high at 5.50 per cent, they said.

A few banks and leasing companies were active in the call money market while most big banks were anxiously waiting to invest their surplus funds, fund managers said.

Bangladesh now member of World Energy Council

Bangladesh has become the 96th member of World Energy Council (WEC), the leading global multi-energy organisation and an affiliated body of United Nations.

Tanvir Nawaz Khan, secretary general of Bangladesh Energy Companies Association, attended the executive council meeting of the WEC held in France recently and received the membership, says a press release.

Established in 1923 and headquartered in London, WEC covers all forms of energy including coal, natural gas, hydro, nuclear and renewable energy.

WEC has also the partnership with the World Bank, the Asian and African Development Bank, UNDP, Opec and the World Economic Forum.

GCC oil ministers meet in Doha today

AFP, Riyadh

Oil ministers from the six-nation Gulf Cooperation Council (GCC) will meet in Doha on Sunday to discuss industry developments and joint projects, Saudi state media said.

A joint project to export of some of the region's crude in a pipeline through Oman to a terminal on the Arabian Sea will be studied, the Saudi official news agency SPA said Friday.

"The ministers will discuss a number of issues relating to the oil sector including the study of the joint oil pipeline project to allow countries of the council to export part of their crude oil from the Arabian Sea through Oman," Abdul Rahman al-Attiya, GCC secretary, said in a statement carried by SPA.

The ministers from Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates will also discuss "international developments," affecting the oil industry, SPA reported.

The Doha meeting will be chaired by Qatar's Oil Minister Abdullah bin Hamad Al-Attiyah, who is also president of the Organization of Petroleum Exporting Countries (OPEC).

Dollar strong against taka

BSS, Dhaka

The US dollar remained strong against the Bangladesh taka on higher demand from importers yesterday and gained against the euro as evidence of US growth gathers pace, dealers said.

The dollar traded at 58.4300-4400 taka per unit, compared to 58.4350-4450 taka per unit on its previous closing Thursday, dealers of leading commercial banks said.

The demand for foreign currency was strong but trading was depressed by holiday in most foreign exchange markets, dealers said.

A few amount of dollar was traded against taka while the volume of foreign currency trade was very poor due to holiday in markets in Europe and USA, they added.

Meanwhile, the dollar gained in strength against the euro on Friday as evidence that the US economy is settling into a period of higher growth continued to mount.

Some stock market advances also

helped to underpin the American currency on foreign exchange markets as the Dow Jones Industrial Average of 30 top stocks closed up for a fifth successive day.

Dealers said the euro was trading lower at 1.1591 dollars against 1.1622 late Thursday while the dollar also strengthened against the Japanese yen 110.05 yen compared with 108.72 late Thursday.

The dollar was at 1.3398 Swiss francs from 1.3317 Thursday and the British pound was changing hands at 1.6977 dollars, compared with 1.6969 dollars Thursday, they said.

Currency analysts said the American currency failed to maintain gains against the British pound as Britain's economy also continues to gather steam.

The dollar's rise against the euro reversed some of the euro's recent gains against the greenback. Traders said the raft of this week's positive US economic news had helped the dollar gain against the European currency.

A US government report Thursday, which showed an unexpected 7.2 per cent annualised increase in third quarter gross domestic product (GDP), lent the dollar strong support, igniting hopes the US economy has roared back into life.

The quarterly growth reading, the strongest bout of three month growth since the first quarter of 1984, sparked a dollar buying spree.

Further upbeat US economic news Friday lent the dollar further support going into the weekend.

The University of Michigan said its consumer sentiment index rose slightly to 89.6 points in October from 87.7 points in September.

The preliminary reading for October had been 89.4. Despite this, some currency traders fear the fast pace of US growth reported Thursday will not be sustained given stretched household budgets and the belief the US budget deficit will need to be reined in at some stage.

China needs banking reform before floating its currency

IMF aide says

REUTERS, Chicago

China needs to strengthen its domestic banking system before being in a position to float its currency, an International Monetary Fund (IMF) aide said Friday.

Anne Krueger, IMF first deputy managing director, said China has a large number of non-performing loans in its banking system and other structural issues that it needs to address.

"Failing that, just opening up (the foreign exchange market) is not a great idea," Krueger said during a question and answer session at a Chicago Federal Reserve Bank/Bank for International Settlements conference

on market discipline.

If China straightens out its banking system it could introduce "a little more flexibility in the exchange rate -- but I differentiate sharply between 'flexibility' and floating," Krueger said.

Krueger supported the role of market liberalisation in boosting economic growth but noted, "if you have a weak banking system when you open up, you have a problem."

China has been under pressure from the US government to allow more flexibility in its exchange rate. The yuan is currently pegged at about 8.28 to the US dollar.

US Treasury Secretary John Snow visited Beijing last month to press for

more currency flexibility, which some analysts think would lead to a rise in the yuan.

Snow said on Thursday the Bush administration was "not happy" with China's currency system and was actively engaged in changing it.

China, for its part, has "committed to going to market-based flexible rates," Snow told the Senate Banking Committee after release of a Treasury report that concluded that China was not manipulating its currency.

Calls for the US to pressure China have come in part from US industry groups, who contend that millions of factory jobs have been lost to unfair foreign competition.

Indian cabinet clears proposal for single telecom licence

AFP, New Delhi

The Indian cabinet Friday approved a proposal by the Indian telecom regulator for a single licence for all telecom-service providers to end bitter feuding between different operators.

Indian IT and Communication Minister Arun Shourie told reporters of the move after the cabinet has approved a "unified license regime" for all operators.

He, however, said that no decision was taken on enhancing the foreign investment limit in the telecom sector to 74 per cent from the present 49 per cent not.

Fixed-line operators currently pay

lower fees than mobile phone operators.

But they have started offering cheap, limited mobile services to customers, cutting into the profits of more established mobile phone firms.

The telecom regulator said a single licence and fee would prevent litigation between the fixed-line and mobile operators.

The policy decision is likely to pave the way for further cuts in rentals and tariffs transforming the dynamics of the sector.

The telecom regulator had also recommended a fine of 4.86 billion rupees (100 million dollars) for the country's largest private group, Reliance, for violating the terms of its

fixed-line licence by offering mobile services.

Shourie said the government would issue a notice to Reliance Infocomm.

"The draft of the notice has been approved by the cabinet," he said but did not give details.

India's telephone density is among the lowest in the world with only three fixed-line phones per 100 people, compared with the global average of 14.5.

However, the mobile phone sector in India is one of the fastest growing in the world and various government and private handset manufacturers estimate that India will have 100 million mobile users by 2007.