

BB drafts guideline to cut credit risk of banks

Entrepreneurs must collect 20-30pc project funds from stock market

REJAUL KARIM BYRON

The central bank has drafted a guideline to reduce credit risk of banks and non-bank financial institutions in case of large loans.

The guideline proposes an entrepreneur seeking loans from commercial banks or non-bank financial institutions must collect 20 percent to 30 percent of the project costs from stock market.

A six-member committee headed by Murshid Kuli Khan, executive director of Bangladesh Bank (BB), drafted the guideline on debt-equity ratio for projects seeking large loans from banks and financial institutions.

The draft guideline has already been sent to trade bodies and organisations including Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), Metropolitan Chambers of Commerce and Industry (MCCI), Dhaka Stock Exchange (DSE),

who have been requested to send their feedback by April 30. BB sources said after receiving feedback the guideline will be finalised.

According to the draft guideline, Tk 25 crore and above will be considered large loans and an entrepreneur will have to maintain debt-equity ratio to get large loans.

Projects have been divided into 16 categories for different sectors and separate debt-equity ratios have been fixed for different categories.

For a project of general type an entrepreneur will have to arrange 25 percent of the project costs on his/her own and 25 percent from initial public offering (IPO) or pre-IPO placement to receive the remaining 50 percent loans from financial institutions. This debt-equity ratio will be maintained in case of infrastructure, hospital and tourism, pharmaceuticals, ceramics, coal, oil and gas projects.

However, an entrepreneur can

get 60 percent loans from banks in case of export-oriented projects or agro-based and IT projects. Projects of women entrepreneurs and non-resident Bangladeshis will also get 60 percent bank loans.

"The bank shall ensure that promoter's contribution as outlined [in the draft guideline] has been properly invested in the project. Promoter's contribution shall mean contribution by the promoters, their family members, group of companies under their management. Contribution to equity by any investment bank, mutual fund etc with or without buy-back arrangement shall be considered as part of 'private placement and public offering' and shall not be reckoned as promoter's equity," the guideline reads.

In order to qualify for large loans and public issue the company must be a public limited firm and must have minimum credit rating scale of triple B (investment grade) from

any recognised rating institution.

The guideline also says, "The bank shall provide commitment of loan to eligible projects and advise the promoters to raise the required amount through issuance of shares/convertible debentures. Disbursement of loan shall be made after being satisfied that the promoters have obtained consent from the Securities and Exchange Commission relating to floatation of shares/convertible debentures to the public."

The objectives of the guideline are to encourage entrepreneurs to raise funds from capital markets through issue of shares and debentures, reduce dependence on traditional bank borrowing, and ensure corporate governance.

GP opens day care centre

GrameenPhone Ltd has set up a day care centre in Dhaka recently for the children of its employees.

Frank Fodstad, deputy managing director of GrameenPhone formally inaugurated the centre named 'Happy Hearts', says release.

The centre is located within the walking distance of GP offices at Gulshan. Happy Hearts, run with the help of First Step Day Care and School, has a capacity to accommodate 25 children up to age of three.

Emad Ul Ameen, director (human resources) was also present at the inaugural ceremony.

Iran-India gas link deal seen in June despite US opposition

REUTERS, Dhaka

Pakistan, India and Iran are likely to sign their \$7 billion gas pipeline deal in June, in defiance of US pressure, Pakistan's and India's oil ministers told Reuters on Sunday.

The oil ministers of Iran and Pakistan had told Reuters on Saturday the three countries were very near final agreement on the project to pump Iranian gas through Pakistan to India.

Iranian Oil Minister Kazem Vaziri had said he expected the signing to take place in Tehran in June, but Indian and Pakistan had not given a precise time scale.

"Most probably it will be signed in June," Amanullah Khan Jadon said on Sunday.

Indian Oil Minister Muri Deora also said on Sunday a June signing was likely and that he was impatient for progress on the project first mooted more than a decade ago.

Lakshmi Mittal tops British rich list

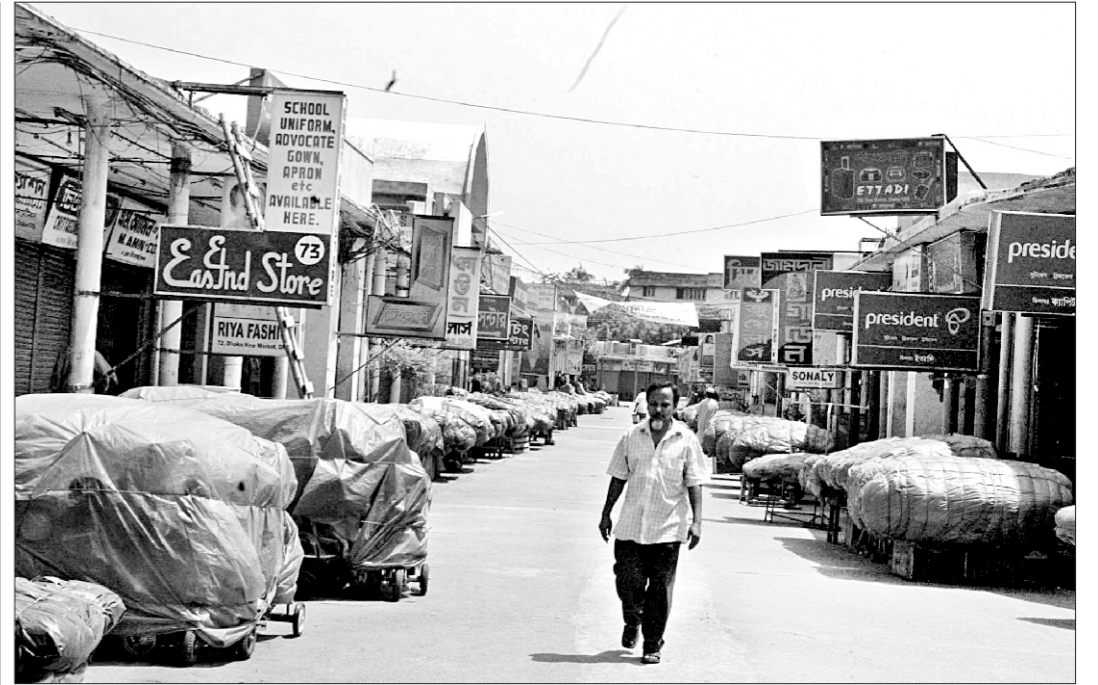
AFP, London

Indian-born, London-based global industrialist Lakshmi Mittal is Britain's all-time richest person after topping this year's Sunday Times Rich List, released Sunday.

Mittal, 55, who is spearheading an audacious bid to take over the European steel group Arcelor, has amassed a fortune of 14.88 billion pounds (21.5 billion euros, 26.5 billion dollars), according to the newspaper's estimates.

Acelor is headquartered in Luxembourg, the richest EU member state in per capita terms, which in 2005 had an estimated GDP of 29.4 billion dollars -- about three billion dollars more than Mittal's apparent wealth.

Overall, the Sunday Times said, there are 54 billionaires -- in pound sterling terms -- who were either born in Britain, live in Britain or make their money in Britain and its overseas territories.



A man walks past shuttered shops at Dhaka New Market in the capital yesterday during the countrywide shutdown. PHOTO: STAR

China, India thirst for energy helps drive up oil prices

AFP, Beijing

Home to one third of the world's population, China and India are essential factors in the interplay of forces that has driven global oil prices to their current highs.

The two Asian giants seem on a path of rapid economic growth that could last for decades, making it all but inevitable that their already sizeable impact on international energy markets will grow even bigger in years to come.

"Most of the challenges that this planet faces are concentrated in this great nation China," Bruno Weymuller, the executive vice president of Total, the world's fourth-largest oil company, said recently.

It all comes down to huge population numbers. The average Chinese consumes about one tenth the energy of his American counterpart, but with 1.3 billion people, that adds up to a major factor in global demand.

China consumes 6.5 million barrels of oil every day, or eight percent of world consumption.

It is forced to import more than 40

percent, and as a result it has been moving global demand together with the United States for the past few years.

Similarly, India currently consumes 2.5 million barrels of oil a day, having to import close to 70 percent.

While the current figures cause concern in energy planning departments in most of the world's capitals, it is the projections for the future that are triggering genuine alarm.

China still relies on coal for about two thirds of its energy demand, but that is unlikely to last.

By 2030, the Chinese could wind up consuming 15 million barrels of oil a day, or the equivalent of the current US imports, according to a projection by the European Commission in 2003.

China already seems to be headed in that direction, having accounted for 40 percent of the global increase in oil demand over the past four years.

Facing this scenario, China has embarked on a 15-year program to bring about more diversified and less wasteful energy production,

combined with a greater emphasis on nuclear and renewable energy.

"If we don't, we run the risk of surpassing the United States (in oil consumption)," Zheng Xinli, a researcher with the Communist Party's Central Committee, warned earlier this month.

Indians tend to downplay the impact their country has on global demand, pointing out that the 2.5 million barrels of oil it consumes every day must be seen against global consumption of 84 million barrels.

"That's less than three percent," said Sarthak Behuria, president of Indian Oil Corporation.

Some experts tend to agree, warning against exaggerating the role of the Asian economies in the current explosion of energy prices.

"They are not currently the decisive factor," said Alain Sepulchre, a researcher at the Hong Kong-based French Center for Research on Contemporary China.

Dhaka seeks access to China market to reduce trade gap

DIPLOMATIC CORRESPONDENT

Dhaka has asked Beijing to reduce the huge trade gap by allowing duty-free access of Bangladeshi products to Chinese market.

It has also asked for Chinese investment in Bangladesh and grants as well as soft loans for the country.

"China now offers duty-free access of 84 Bangladeshi items under the Bangkok agreement, but we want China to allow all Bangladeshi products to reduce the gap within the shortest possible

time," Foreign Secretary Hemayetuddin said.

Briefing correspondents yesterday on the outcome of the 8th annual foreign office consultations with Chinese Vice Foreign Minister Wu Dawei in Beijing on April 19, he said the Chinese side acknowledged the widening trade gap and assured continued cooperation in reducing it.

He said the Chinese side also said it will remain sensitive to Bangladesh's concerns while negotiating loan agreements for various technical assistance projects.

The foreign secretary said Dhaka seeks grants and assistance instead of supplier's credit and encourages investment in medium and small projects like power sector, apart from big construction projects.

Hemayetuddin also urged his Chinese counterpart, and Vice-Minister of Commerce Wei Jianguo to increase the volume of purchase from Bangladesh, particularly items like pharmaceuticals, ceramics, leather goods and other finished products.

"There is enough scope for Chinese entrepreneurs to find out

their Bangladeshi counterparts for setting up joint ventures," he told the Chinese officials during his talks.

He said a business investment delegation from China will visit Bangladesh soon to explore how to increase two-way trade and investment in Bangladesh.

He said the two sides expressed interest in establishing a trilateral road link among Chittagong, Myanmar, and Kunming. The Chinese side said following the operation of Dhaka-Chittagong-Kunming direct air link, the number of Chinese tourists has increased recently.

Hemayetuddin said the Chinese are interested in making investment in setting up hotels and health centres for development of tourism in Bangladesh. The two sides also discussed peaceful use of nuclear energy in developing technology in agriculture and power sectors.

The two sides also exchanged views on issues of international and regional concerns, he said and added that both sides also agreed that the bilateral relation has reached a new height following the visit of the Chinese prime minister to Dhaka in April last year and the return visit by Bangladesh Prime Minister Khaleda Zia in August last year marking 30 years of diplomatic relations.



Frank Fodstad, deputy managing director of GrameenPhone, inaugurates a day care centre for the children of its employees in Dhaka recently. PHOTO: GRAMEENPHONE

World Bank leaders focus on energy issues

AP, Washington

World economic policy-makers are turning their attention to ways wealthy nations can help developing countries meet their energy needs while protecting the environment.

They're also assessing a report examining how the international development community can reinforce good government practices and fight corruption.

These matters topped the agenda of the World Bank's steering committee, whose meeting on Sunday winds up the spring sessions of the bank and its sister institution, the International Monetary Fund. Finance ministers of the world's seven major industrialized countries also held talks Friday.

The head of the World Bank, Paul Wolfowitz, said the bank's Development Committee will discuss "options for increasing investments to help developing countries meet their energy needs while leaving a smaller environmental footprint."

Wolfowitz, an architect of the US-led invasion of Iraq, said there was an enormous need for energy in the developing world, where nearly 1.6 billion people do not have access to electricity.

Since taking over as bank president a year ago after serving as U.S. deputy defense secretary, Wolfowitz has emphasized the need to fight corruption and has held up bank loans to several countries until they become more accountable.