

\$180M MICRO-CREDIT FOR SMALL ENTREPRENEURS

Brac launches securitisation of fund tomorrow

STAR BUSINESS REPORT

Brac is going to launch the world's first securitisation of a fund of US\$ 180 million to provide micro-credit for small entrepreneurs tomorrow.

Reputed foreign and local financial institutions are arranging the fund against the NGO's existing receivable micro-credits across the country, according to the Bangladesh Rural Advancement Committee sources.

Bangladesh Bank has already given nod to this programme, which aims to fund nearly 1.2 million micro-entrepreneurs.

This groundbreaking transaction provides a new way for micro-finance institutions to go ahead with their micro-credit programmes reducing dependence on volatile donor financing, a Brac high official said, adding "this securitisation of micro-credit receivables will thus

allow Brac to disburse more funds to more micro-entrepreneurs".

Securitisation is a way of arranging funds against the existing receivable micro-credits that leads to reduction in risk, increase in liquidity besides improvement in economic efficiency.

As per the plan under Brac micro-credit securitisation series 1 programme, an amount of \$180 million will be invested in the micro-credit sector within a timeframe of six years. The parties in securitisation will disburse the money under the programme to the borrower non-governmental organisation in every six months in as many as 12 instalments.

Citigroup, FMO of the Netherlands and two local financial institutions are among the parties in the securitisation.

Apart from this, Citibank NA will be the funding bank for one-third of

the transaction under the guarantee of FMO and counter guarantee of KfW of Germany. Brac will be the originator and service provider for the transaction.

RSA Capital is the lead arranger and will be responsible for creating this financial structure with the help of MF Analytics, Citigroup, FMO and KfW.

The trustee for this transaction will be Eastern Bank Limited of Bangladesh. The transaction will require creation of a dynamic pool of receivables and a software that selects and updates this dynamic pool on a monthly basis.

The securitised pool of micro-credit receivables will be a micro-cosm of Brac's micro-credit portfolio.

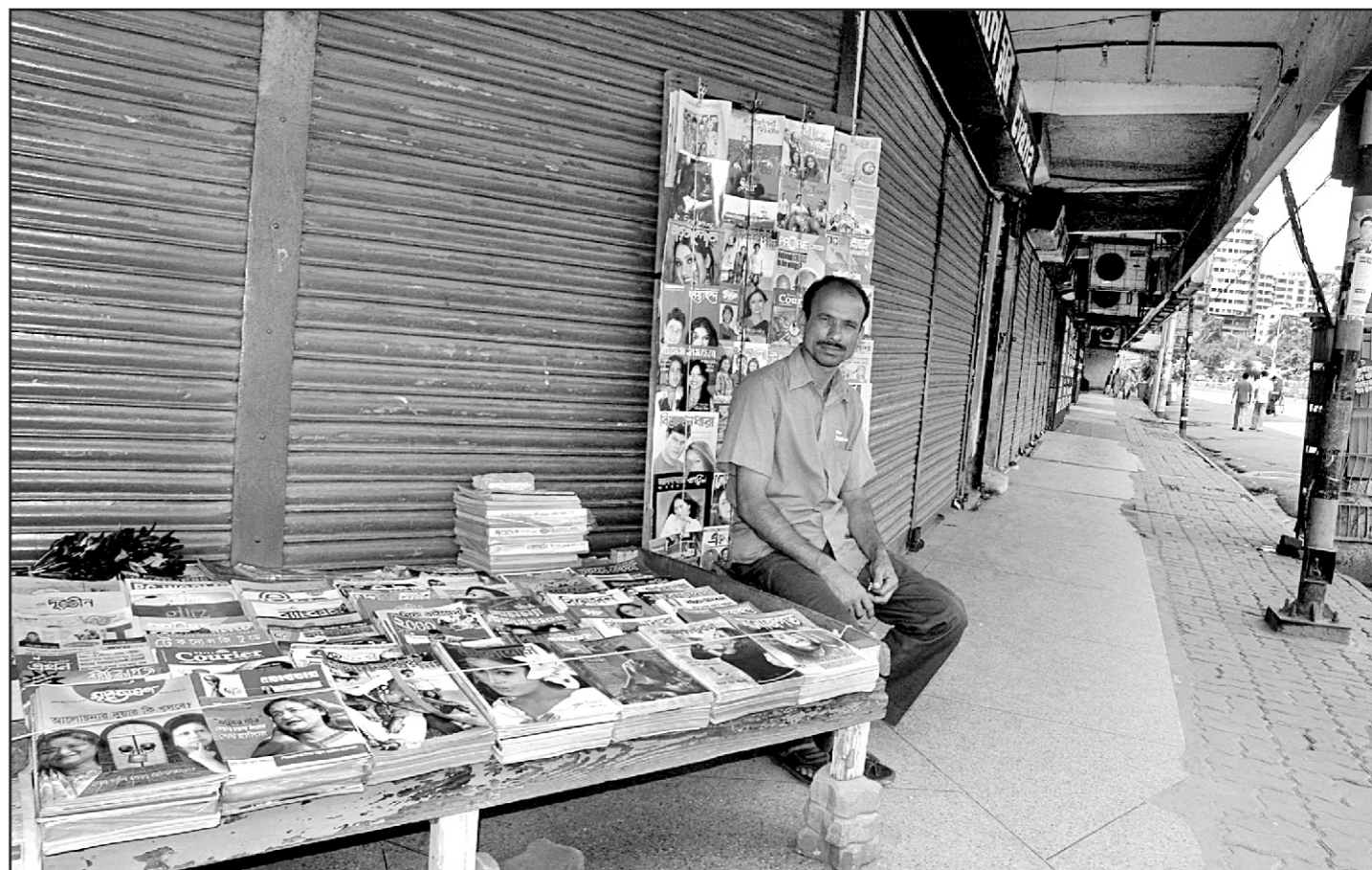
All principal and interest payments in the transaction are calculated and paid in Bangladeshi taka values. As a result, the entire

currency risk for the transaction is borne by global investors.

Micro-finance is a proven approach to empowering poor people to pull themselves out of poverty. Very poor people, often women receive small loans and other financial services from local organisations called micro-finance institutions (MFIs).

As of 2005, it has been estimated that only 23 percent of the demand has been met. Currently, non-commercial investors, including donors, bilateral and multilateral financial organisations, disburse only about US\$ 400 million a year to the sector.

Since 1972, Brac has been working with the twin objectives of alleviating poverty and empowering the poor.



A vendor at a news-stand sits idle in Kataban area in Dhaka yesterday during the dawn-to-dusk countrywide hartal, enforced by the Awami League-led 14-party opposition combine.

30pc market penetration likely in Bangladesh by '09

Nokia Networks Asia-Pacific top official tells *The Daily Star*

NAFID IMRAN AHMED

Nokia Networks, one of the world's leading network infrastructure vendors, plans to strengthen its presence in Bangladesh as its mobile phone market penetration rate is likely to reach 30 per cent by 2009.

"We have already set up a local office here and we are ready to start in a big way in Bangladesh, which now enjoys 9 to 10 per cent market penetration rate," Rajeev Suri, senior vice president of Nokia Networks (Asia Pacific), told *The Daily Star* during his recent visit to Dhaka.

At present, Nokia Networks is working with Warid Telecom and GrameenPhone Ltd and the company is in talks with other operators.

"We supplied some SMS-related core infrastructures to GrameenPhone last year and we are providing Warid Telecom with



Rajeev Suri radio network," Suri said.

While talking about products, Suri said Nokia Prepaid Tracker allows phone users to keep track of their balance after every call.

He also said, "Earlier there were only high denomination

prepaid cards in market, now we have introduced e-refill, which allows low denominations. So, as there are no cash barriers, the consumers can recharge with small amount of money. We have already deployed e-refill in India, Thailand and the Philippines."

Nokia's technical solutions are designed to bring down the total cost of mobile phone ownership, Suri said.

If the solutions are passed on to the consumers and the regulatory balance is maintained, Bangladesh's market penetration may go up to 30 per cent by the end of 2009, Suri added.

On the next billion-mark in mobile subscribers' base, Suri said in Asia, 85 per cent of that growth will come from the four new growth markets - India, Indonesia, Vietnam and Bangladesh. Nokia predicts the subscribers' base will reach the next billion-mark by the end of 2008.

Etiihad to fly to NY from Oct

Etiihad Airways, national airline of the UAE, has announced that it will commence services to New York from October 26, 2006.

The airline will operate daily flights between Abu Dhabi and New York City with a state-of-the-art 3 zone Airbus A340-500 series, says a press release.

Flight EY503 will operate daily from Abu Dhabi, departing at 14:15 and arriving in New York's John F. Kennedy (JFK) at 21:25 local time. Return flight EY504 will leave JFK at 23:10, arriving in the UAE capital at 20:25.

"Etiihad is proud to announce this new route which will serve Bangladeshi communities and business travellers with regular flights and good connections to and from Dhaka," said Jill Errington, Area Manager, Etiihad Airways, Bangladesh.

Etiihad Airways has twice been awarded as the "World's Fastest Growing Airline".

French retail giant fined for unfair practices in South Korea

AFP, Seoul

French retail giant Carrefour's unit in South Korea has been fined 1.39 billion won (1.48 million dollars) for unfair business practices, anti-trust regulators said Tuesday.

The Fair Trade Commission said Carrefour Korea had forced suppliers to cut prices to save some 1.737 billion won on supply orders for 10 months last year.

The commission also accused Carrefour of intentionally delaying the signing of contracts with suppliers.

Carrefour, the world's second biggest retailer, expressed regret over the decision saying it had followed normal business practices but added it would follow the watchdog's decision.

"It is regrettable as Carrefour Korea has just followed common business practices in the local retail market," said Yim Jin-Taek, spokesman for Carrefour's local agent Saram and Image.

He said the watchdog's action would not affect Carrefour's pullout from South Korea.

In April, Carrefour signed a deal to sell all 32 of its stores in South Korea to local clothing-maker and distribution group Eland for 1.5 billion euros.

One Bank declares 25pc dividend

One Bank Limited has declared a 25 per cent dividend - 15 per cent cash and 10 per cent bonus dividends - for the year 2005.

The dividend was declared at the 7th annual general meeting (AGM) of the bank in Dhaka on Thursday, says a press release.

Chairman of the bank Sayeed H Chowdhury presided over the AGM, which was also attended by directors, senior officials and shareholders.

SoE bad loans to put NCBs in jeopardy

Finds BB review

STAR BUSINESS REPORT

Financial stability of the debt-burdened nationalised commercial banks will remain in jeopardy unless the huge amount of money the SoEs (state-owned enterprises) owed to the NCBs is resolved effectively, says a central bank study.

The study titled 'Financial Sector Review' also found that the NCBs, burdened by high non-performing loans (NPL), were thus unable to meet many regulatory standards.

"Recapitalisation of these entities on an ad-hoc basis as has frequently been the case, merely allows a breathing space within which hard decisions would have to be taken," the study says.

The review, first of its kind by the Bangladesh Bank, covered, among other issues, market for financial products, banking sector, capital market and non-banking financial sector, regulatory infrastructure and financial policy stance.

Dwelling on the private commercial banks (PCBs), the study said with faster growth, the PCBs, which have adequate capital, are performing well in terms of low ratio of non-performing or bad debts and have sustained profitably in the

banking sector.

A few banks with small capital base require a syndication of banks for any large project financing, which tends to be cumbersome and time consuming, the study observed.

It said merger of small banks into larger and stronger entities would be a way forward as in other developed financial markets. Facilitating issuance of rated debt securities by the projects in the capital market will be the other mode of large project financing, the study maintained.

It further said deposit to GDP ratio has grown steadily in recent years standing at 39 per cent in 2005, which is almost similar to the case of Pakistan but well behind the 60 per cent figure for India.

Among categories of advances, demand for 'working capital for the industrial sector' has been growing with a strong reflection of entrepreneurial momentum, noted the review.

Housing finance by banks and non-banking financial organisations has also shown a steady growth, while the growth rate of credit to the transport and communication sector, however, has slowed down in the FY 2005 in real

terms reflecting limitations of the system in dealing with project and infrastructure finance, it said.

The review that also covered capital market said Bangladesh is well behind on this front with comparison with some major South Asian countries.

"Inefficiency in disclosure of financial statements, weakness of corporate governance in most of the non-financial corporate bodies, frequent availability of non-market return on risk-free government debt are lagging behind the development of a vibrant equity market," revealed the study.

On recent developments in regulatory infrastructure, the BB has amended the Bangladesh Bank (Nationalisation) Order 1972 to improve governance of NCBs through restructuring and privatisation, setting up the Credit Information Bureau (CIB) and creating the Central Depository Bangladesh Limited (CDBL), the review further noted.

On policy stance, the BB review said Bangladesh has to reach the standards of other fast growing countries to accelerate the output pace consistent with the millennium development goal (MDG) benchmarks.

Citigroup's two senior officials due today



Sanjay Nayar



Robert A. Annibale

Sanjay Nayar, area head for Citigroup South Asia and chief executive officer, India, and Robert A. Annibale, Citigroup's global director of Microfinance, are likely to arrive in Dhaka today on a two-day special visit.

During the visit, Nayar is scheduled to open the offshore banking service counter of Citibank NA Bangladesh in Dhaka Export Processing Zone in Savar, while Annibale is scheduled to meet leading MFIs and possible investors in this business, says a press release.

Both the senior officials of Citigroup will remain present at the launching ceremony of the first securitisation of micro credit receivables in Bangladesh by BRAC driven by Citigroup in the role of co-lead arranger, investor and account bank while also being the facilitator of the concept with the investors and regulators.

Thai export growth seen slowing in second half

AFP, Bangkok

Growth in Thai exports is expected to slow during the second half of the year, restrained by a stronger baht, high oil prices, and delays in signing free trade deals, a leading think-tank said Tuesday.

Exports are expected to grow by 9.8 percent in the last six months of the year, significantly slower than the 17.3 percent growth recorded from January to March, the Center of International Trade Studies said.

That would bring growth for the entire year to 13 percent, it added. The government had set a target of 17 percent.

The center's director Aat Pisanwanich blamed the stronger baht currency and high oil prices for holding back export growth, which he put at 7.5 percent in the third quarter and 12.4 percent in the fourth.

GrameenPhone reaches 8.5m subscribers

GrameenPhone Ltd reached 8.5 million subscribers on June 30, 2006, says a press release.

The company reached 3 million subscribers since January this year, registering a growth of around 55 percent during the first six months.

"I thank every subscriber for selecting GrameenPhone as service provider," said Erik Aas, managing director of GrameenPhone.

"GrameenPhone, on its part, will continue to focus on further improving the main reasons for which people prefer the GP service: quality network with nationwide coverage; affordable prices; and innovative products and services along with good after-sales service," he said.

The managing director also welcomed the recent government

initiative to reduce the SIM tax to Tk 800 and the handset import duty to Tk 200. It will enable more people to avail mobile phone services, he added.

Along with adding other network elements to further increase capacity, GP has already added another 1000 new base stations to its network during the first six months of this year, bringing the total to more than 4500 around the country.

In addition, special emphasis is also being made to improve indoor coverage in important buildings and also to improve coverage along major roads and highways. Special indoor antennas have been placed in nearly 70 important buildings including hotels, shopping centres, airports, large commercial buildings and market places.

GrameenPhone also substantially reduced the start-up cost of its new subscriptions during the year. The 80 paise per minute special promotional tariff offer was launched in April, enabling all GP subscribers to call My Easy, U&I and Friends and Family numbers at this reduced rate throughout the day, the release added.

In January, the Thankyou reward programme was also initiated, offering free talk-time bonus or discounts and other benefits to the existing GrameenPhone subscribers based on the length of time they have been with GP and their airtime usage.

Asia Pacific telecom firms face risks but outlook stable

AFP, Singapore

Asia Pacific telecom operators face increasing risks in the near to medium term amid declining market share, higher capital spending and falling revenue from fixed-line services, Standard and Poor's said Tuesday.

However, the overall outlook for the industry is stable, with years of strong performances seen helping these companies weather the impact of emerging challenges, the US credit risk evaluator said.

Industry mergers and acquisitions are expected to remain robust as cash-rich companies seek growth beyond their domestic

markets, S and P added in its latest report on the region's telecom sector.

"Deregulation, pressures on profitability... higher capital-spending requirements and declining market share are some challenges that Asia-Pacific telecom operators will face in the near to medium term," said S and P credit analyst Yasmin Wirjawan.

"Given their need to deliver shareholder value, these operators' ability to balance these risks and maintain their strong financial flexibility will be key to their future credit quality."

Wirjawan however said that most regional telecom firms have main-

tained stable credit quality in the past six months owing to years of solid growth.

"These operators also exhibit strong business profiles and improved financial risk profiles, placing them in a better position to weather any volatility," the report said.

As with other global companies, Asia-Pacific telecom providers have to deal with declining revenues from traditional fixed-line services as wireless and broadband technology increasingly become popular.

S and P said it expects telecom firms to invest more in these next-generation networks to replace public switched telephone systems.



Sayeed Hossain Chowdhury, chairman of ONE Bank Limited, presides over the 7th annual general meeting of the bank in Dhaka on Thursday. Zahur Ullah, first vice-chairman, Asoke Das Gupta, second vice chairman, and Syed Nurul Amin, managing director, are, among others, seen.