

## BB to monitor SME loan disbursement

### Governor tells BEA workshop

#### STAR BUSINESS REPORT

Bangladesh Bank will take a strong drive to monitor disbursement system of the SME loans by financial institutions so that benefits of such loans can reach out to the real entrepreneurs, Salehuddin Ahmed, governor of the bank, said at a workshop in Dhaka yesterday.

He said, "Of course, we will monitor where and who are getting small and medium enterprise credits from any financial organisation. We also want to ensure a hassle-free SME loan disbursement so that the real entrepreneurs can get the money to develop their enterprises."

The governor was speaking at the inaugural session of the workshop 'Banking Challenge of the 21st Century: Bangladesh Perspective' organized by the Bangladesh Economic Association (BEA) at the Academy of Rural Development at Nilkhet. Representatives from different banks took part in the daylong workshop.

Chaired by Kazi Kholiquzzaman Ahmed, president of BEA, the inaugural session was also addressed by Prof Abul Barakat, general secretary of BEA, Prof Ashrafuddin Chowdhury, BEA executive body member, and Prof Toufiq Ahmed Chowdhury of Bangladesh Institute of Bank Management.

The governor said although Bangladesh Bank has a SME fund,

it receives little response from the commercial banks. Private commercial banks, however, are interested in disbursing big loans like syndicated loans only to some particular sectors from where it get money back with a huge profit, he observed.

The banks should avoid this type of attitude, he suggested, adding "because we have to move forward for a growth in every sector."

Meanwhile, the central bank recently released funds amounting to Tk 197 million as refinancing for two banks and five financial institutions from the Asian Development Bank (ADB), which sanctioned Tk 2 billion funds to allow SMEs to have credit facility.

The agriculture credit growth is only 4.25 percent, which is not sufficient for a sustainable economic growth, Salehuddin maintained. "But unfortunately, this happens because the banks lack interest in disbursing loans to the SMEs".

When asked about the high interest rate of SME loans, the governor said, "I heard that the rate of interest for SME is very high even though Bangladesh Bank lent it by only 5 percent rate to the private financial institution".

The rate of interest is not the lone parameter that determines total costs of investment, he commented, brushing aside that high interest rate raises investment costs.

He urged the bankers as well as entrepreneurs to be pragmatic about the banking system.

When his notice was drawn to the fact that many experts had suggested formation of a SME foundation to provide loans for the entrepreneurs, the chief of the guiding bank of the banks said, "But, I personally believe that SME foundation will not come into force if the big banks come forward to work for the SME sector."

He admitted that a certain group of people gets the benefits of banking services as the policies the central bank has taken so far are not turned out to be useful to the poor at the grassroots level.

He underlined the need for accountability, transparency and governance in the directors' body of banks.

The governor also urged the bankers to develop marketing, risk and fund managements of their banks to adopt Basel-II, a global banking supervision system.

The central bank already gave directives to the all banks to adopt the system.

"We need huge changes in order to develop banking system in the country. But if we move in a hurry, it may bring in disadvantages," he added.

He also called on the bankers to develop their products and services as competitive with foreign banks.

Some foreign banks are doing very well in promoting products

and services, where local private banks are lagging behind, he opined.

"Service is very important rather than costly decoration of bank's branches".

"A customer may not be satisfied with nice decorated branches, if he or she has to wait three or more hours to open for a L/C (Letter of credit)".

Laying emphasis on development of a regulatory system in the banking sector, the BEA president attributed the country's high inflation rate to absence of such a system.

Although some foreign banks are providing better services to the customers, their role in poverty reduction is not satisfactory, Kholiquzzaman said, adding that they are coming with small capital and making huge profit.

He said, "So, we have to do our job by ourselves. We have to introduce more and more new products for poverty alleviation".

While speaking at the workshop, Abul Barakat said country's banking system is highly driven by supply and commerce, so it fails to play its due role in reaching out to the poor with services.

On the other hand, due to high interest rate, the banks cannot play a significant role for industrialisation.

## Private body for tapping export potential in Italy

### STAR BUSINESS REPORT

The Ital-Bangladesh Trade Promotion Centre (IBTPC), a private initiative to increase the country's export to Italy, has said export to Italy can be increased if existing trade facilities and market demands can be utilised properly.

At a press conference in Dhaka yesterday the organisation said apart from garment and leather goods other types of conventional and non-conventional products will also find their destination in Italy through government-private sector coordination.

During July-December period of 2005-06, Bangladesh exported products worth \$ 176.78 million to Italy while it imported products valued at \$ 67.22 million, said MG Mustafa, secretary general of the trade promotion centre.

The IBTPC was established in 2004 with a view to promoting Bangladesh's exports to Italy, its officials said.

## 6.6pc tariff cuts on Asean goods by '07

### ANN/CHINA DAILY

China will speed up lowering tariffs on products from the Association of South-East Asian Nations (Asean) member countries in the coming five years, Commerce Minister Bo Xilai said on Friday.

"The average tariff rate on products originating from Asean (countries) will be lowered to 6.6 per cent by 2007 and 2.4 per cent by 2009," Bo said. "By 2010, China will remove tariffs on 93 per cent of the goods from the Asean countries."

The tariff reduction is part of the free trade agreement progress between the two economies. So far, China has lowered its average tariff rate on Asean goods to 8.1 per cent from 9.9 per cent last year.

Bo said Asean countries would also cut their tariffs on goods from China. For example, Thailand is scheduled to implement a zero tariff on more than 90 per cent of Chinese goods.

"Besides carrying out the agreement on cargo trade, China and Asean will prioritise the negotiation on service trade and investment in the coming years," the minister said.

China's service trade with Asean countries concentrates mainly on tourism. By March, China had attracted nearly US\$40 billion of direct investment from Asean countries. And an increasing number of domestic enterprises now see Asean countries as an important investment destination.

According to statistics from the Ministry of Commerce, China's imports from Asean countries soared to US\$81.6 billion between last July and this June, up 20.4 per cent from a year ago, as a result of tariff reductions.

Meanwhile, China's exports to Asean countries topped US\$61.8 billion in this period, up 23.4 per cent year on year.

## Chile urged to import more from Bangladesh

### Visiting vice minister meets FBCCI

#### UNB, Dhaka

Bangladesh businesses placed on the table a basket of export products that have marketing potential in the Latin American country as visiting Chilean Vice Minister of Economy and Executive Vice President of Foreign Investment Carlos Eduardo Mena met business leaders in Dhaka yesterday.

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) president Mir Nasir Hosain apprised the Chilean minister of the list of exportables at the meeting in the FBCCI conference room. Bangladesh imports many a goods from Chile.

Dhaka offered to export meat, pharmaceuticals, herbal products, cosmetics and toiletries, leather and leather products, footwear, plastic and plastic articles, carpet, jute and jute goods, knit and woven garments, apparel accessories, umbrella, ceramic table, glassware and furniture.

"The potentials for economic cooperation between Chile and Bangladesh are quite significant. But it is unfortunate that the trade

volume between the two countries, small as it is, has been fluctuating in the range of US \$ 3 to 6 million," the FBCCI president said.

Currently, Bangladesh exports engineering products, woven garments, knitwear, jute yarn and twine, jute manufactures, ceramic tableware, cap, toys, handicrafts, leather and footwear (leather) to Chile.

On the other hand, its import list is long: prepared foodstuffs, beverages, sprits and vinegar, tobacco and manufactured tobacco substitutes, base metals and articles of base metal, pulp of wood or of other fibrous cellulosic material, recovered (waste and scrap) paper or paperboard, paper and paperboard and article thereof, machinery and mechanical appliances, electrical equipment, parts thereof, sound recorders and reproducers, television image and sound recorders and reproducers and parts and accessories of such articles.

The trade gap between Chile and Bangladesh was US\$ 8.93 million in the 2004-05 fiscal. Bangladesh exported goods worth US\$ 2.79 million whereas imported

US\$ 11.72 million. In FY 2003-04, Bangladesh exported US\$ 0.59 million while imported US\$ 5.81 million from Chile.

Addressing the meeting, the vice minister of economy of Chile said his country is looking for foreign investment from Asian countries rather than other Latin American countries.

"We are looking to more investment and FDI from the Asian countries, especially from Bangladesh, rather than the Latin American countries," he told his business audience.

Carlos Ecurado pointed out some opportunities for Bangladesh to work with Chile. The sectors that he mentioned are pharmaceuticals, ceramic, leather, textile, seafood and Information Technology (IT).

On the other hand, he said, Chile could do business with Bangladesh in wood, fresh-fruits, agro-industrial products, cooper, paper and fishmeal.

Narrating reasons for his current visit to Bangladesh, Carlos said the trip was aimed at exploring ways of using "the potentialities of each other's countries".

## Workshop in Bangkok begins tomorrow to evaluate post-MFA era

### Focus on Bangladesh, Cambodia, Lanka RMG industry

A two-day regional workshop begins tomorrow in Bangkok to evaluate the state of the garment industry in Asia following the phaseout of multi-fibre arrangement (MFA), says a press release.

The workshop, 'The End of the MFA in Asia: Eighteen Months Later,' will specifically focus on the experiences and opportunities for reforms in the smaller garment-exporting countries such as Bangladesh, Cambodia and Sri Lanka.

The Asia Foundation -- a non-profit organisation devoted to Asia's development since 1954 -- is organising the workshop, with funding from the United States Agency for International Development (USAID), at the conclusion of a nine-month project in Bangladesh,

Cambodia and Sri Lanka. The project included a series of tripartite meetings to identify common issues for reforms and improve competitiveness of the sector in each country.

The goal of the Bangkok workshop is to foster a productive and open dialogue between these international groups to help forge a coherent response in their respective countries to the evolving global environment.

The workshop will also provide an opportunity for the tripartite participants from the three countries to exchange experiences and best practices in this post-MFA period, the release added. The workshop will include presentations by garment industry experts and

professionals including David Birnbaum, CEO of Third Horizon Limited, and Gu Qingliang of the Institute of Textile Economics at Dong Hua University in Shanghai.

Nausad Faiz, a garment industry specialist and consultant to the project in Bangladesh, stated, "This is a very timely initiative. The tripartite participants have been sincere in their efforts to understand the problems confronting the sector in general and the three parties in particular, despite the recent workers unrest and factory violence."

This workshop is a follow-up to the meeting, 'The Phase-Out of the Multi-Fibre Arrangement: Policy Options and Opportunities in Asia,' which was organised by The Asia Foundation in October 2004.

## US appeals for flexibility before crucial WTO talks

### AFP, Washington

US trade chief Susan Schwab appealed Friday for more flexibility from trading partners ahead of crunch World Trade Organisation talks this weekend in Geneva.

"We have arrived at a crucial point in these negotiations where we learn whether there is sufficient market access on the table to call it a trade round," the US trade representative said in a statement.

"The United States is ready to show flexibility, but we cannot negotiate with ourselves," she said.

"All nations must show flexibility, commitment and political courage in the coming weeks if the (WTO's) Doha Round is to conclude with an ambitious and balanced agreement of benefit to people all over the world."

The talks at WTO headquarters on Sunday and Monday are the latest attempt by the major players to get the floundering Doha Round back on track to tearing down barriers to commerce, notably in agriculture and industrial goods.

Last Sunday, leaders of the powerful Group of Eight nations set a mid-August deadline for WTO negotiators to thrash out the broad outlines of a deal to help finish almost five years of negotiations.

## India may not impose export duty on cotton

### PALLAB BHATTACHARYA, New Delhi

The Indian finance ministry is understood to have rejected the demand for imposition of export duty on cotton and increase in import duty on the sensitive commodity.

The ministry, sources said, has pointed out that cotton import of 12 lakh bales in 2004-5 constituted just seven percent of India's consumption of 180 lakh bales. The import was mainly on account of non-availability of certain varieties of cotton rather than higher prices in domestic market.

The import of raw cotton in 2005-6 came down to nearly six lakh bales, the ministry said adding there was, therefore, no justification for hiking customs duty on cotton.

The proposal of higher import duty on raw cotton had been put forward by the National Commission on Farmers to ensure remunerative prices to farmers since the landed cost of imported cotton was lower than the prices in domestic market this year, Commission sources contended.

India, China and Pakistan will account for about 70 percent of the world's projected cotton consump-

tion of 122 million bales in 2006-7, according to the latest report of the Cotton International.

Meanwhile, excise duty slash on synthetic textile intermediaries from 16 to 12 percent has come as a relief to synthetic fibre manufacturers and yarn industry as this will ensure tariff protection for major domestic players like Reliance.

The Confederation of Indian Textile Industry had asked the government to correct the inverted duty structure by reducing excise duty on intermediaries to eight percent.

The Confederation had also favoured cut in customs duty on these intermediaries from ten to five percent as this, along with four percent additional duty, make their import prohibitive and forces the synthetic textile industry to rely on a single domestic source for raw material, sources in the confederation said.

In a piece of good news to textile manufacturers, the Indian Textile Ministry, said the sources, has withdrawn the directive to banks and financial institutions to stop sanction of fresh loans under the Technology Upgradation Fund Scheme with immediate effect.



Bangladesh Bank Governor Salehuddin Ahmed addresses a workshop on 'Banking Challenge of the 21st Century: Bangladesh Perspective' organised by Bangladesh Economic Association in Dhaka yesterday.

## Businesses urged to help improve quality of primary education

### STAR BUSINESS REPORT

Country's business houses should involve them in improving quality of primary education as part of their corporate social responsibilities (CSR), speakers said at a meeting in Dhaka yesterday that shared views by different enterprises and non-governmental organisations.

They suggested it could be at the top of their agenda to make economic development sustainable.

Advancing Public Interest Trust (APIT) and MRC-Mode Limited jointly organised the meeting on 'Community-Business Partnership: Improving Basic Education' between international business enterprises and NGOs at the Cirdap auditorium. Commonwealth Education Fund (CEF) supported the meet.

Sabbir Bin Shams, executive director of APIT chaired the meeting. Stressing the need for establishing a CSR information centre in the country, the speakers said philanthropy or other promotional activities of corporate houses are not CSR and there are lots of misunderstandings about it.

They recommended that multinational companies (MNCs) can come forward to take the lead in setting up a CSR information centre in the country.

Participating in the discussion, Aminul Huq, head of Human Resource of Standard Chartered Bank, said MNCs promote CSR

from their own initiatives. It would be a better for the MNCs if steps are taken to prioritise the CSR from the perspective of a particular country like Bangladesh.

Saidul Hossain Khan, head of HR of Syngenta Bangladesh, said it becomes very difficult for the MNCs to extend their support to improving the quality of basic education, as there is a shortage of quality teachers in Bangladesh.

Sanjay K Biswas of APIT earlier made a presentation on an initiative to improve the quality of basic education in Bangladesh through CSR.

Sanjay suggested formation of a CSR board and formulation of a national level CSR guideline.

In another presentation, Maliha Shahjahan, general member of APIT, explained that CSR is a voluntarily adopted behaviour by businesses over and above the legal requirements and is intrinsically linked to the concept of sustainable development.

Primary education needs the private sector's involvement as a responsible partner, she said, adding that an educated customer base can also propel business growth.

Rokeya Begum of S.U.S. Netrokona, said there are many charity and promotional activities going on, but CSR is not being practiced. She also stressed the need for a better planning to get an educated customer base.