

## Guidelines ready to trim red tape on foreign businesses, workers

M ABDUR RAHIM

The government has finalised draft integrated guidelines for giving permissions to set up foreign business establishments and issuing work permits to foreigners.

The guidelines aimed at providing quick service, maintaining central data bank and ensuring tax collection have been submitted to the Prime Minister's Office recently for approval.

Under the uniform guidelines, three government agencies—the Board of Investment (BoI), Bangladesh Export Processing Zones Authority (Bepza) and NGO Affairs Bureau — will grant permission for setting up branch office, representative office, liaison office and buying house and issue work permits to foreign nationals.

An inter-ministerial committee headed by executive chairman of the BoI will sit once a week to grant permission.

The guidelines discourage employment of foreign nationals without any special expertise and skill as the country faces acute job crisis. Private sector companies are asked to give priority to Bangladeshi nationals for employment.

"The foreign nationals may only be employed in the area where

requisite experts are not available locally and high-tech proficiency is required for operation," the draft prepared by BoI said.

The draft discourages employment of a foreign national for more than five years. The employers are required to train local employees by foreign experts and technicians so that local workers can replace the foreigners within five years.

The local and foreign staff ratio at an industrial undertaking should remain at 10: 1 during erection, installation and commissioning phases and 20: 1 during regular operational period. The ratio is 15: 1 for commercial enterprises and 4: 1 for educational institutes.

The employers have to publish advertisement in leading national dailies before recruiting a foreign national to see whether local people are available with special experience, skill and academic background required for a particular job. The total processing time for work permit will be 25 working days after receiving fully documented application.

The liaison office or representative office will have to maintain ratio of foreign and Bangladeshi workers at 1: 5.

For liaison office or representative office, all operational and establishment costs including salaries of

the expatriates and local employees of the office will have to be met on receipt of remittance from abroad.

No outward remittance of any kind from Bangladesh will be allowed in contravention of Foreign Exchange Regulation (Amendment) Ordinance, 1976. Initially for three years, the committee may extend permission for another two years upon receipt of tax payment documents from National Board of Revenue and clearance from Bangladesh Bank.

BoI will provide secretarial and logistics support to the committee and follow up implementation of the decisions of the committee. BoI will set up and maintain a data bank on all foreign companies operating in Bangladesh and all expatriates employed in private sector. The committee will analyse the information of the data bank and may help intelligence agencies.

At present, the Ministry of Industries, BoI and Bepza issue permissions at their own rules for setting up foreign establishments and work permits to foreigners.

Any foreigner willing to set up a trading establishment like buying house, liaison office, airlines office and office for foreign financial institutions needs to obtain permission from the Ministry of Industries,

which also issues work permits to foreigners.

The Ministry of Industries issues around 2000 work permits each year to the foreigners working in Bangladesh.

On the other hand, the BoI facilitates registration to both local and foreign industries. The organisations registered with BoI also have to obtain work permits for their foreign employees from the BoI, which issues around 700 work permits a year.

As far as the Bepza is concerned, it issues permission to industries set up within the enclaves of the Export Processing Zones (EPZs). It also issues work permit to the foreign nationals employed in the industries in the EPZ areas. Bepza issues around 500 to 600 work permits a year.

Now, there is no government organisation to provide the actual number of foreign workers employed in the country. According to a rough estimate of the Ministry of Industries, some 10 thousand foreign workers are employed now in garment, textile, buying houses, airlines and educational institutions.

Besides, some three thousand illegal foreigners are believed to have been working with the country's various business establishments.

## Rangs Motors signs MoU with Japanese co for car assembling

Rangs Motors Ltd, a concern of Rangs Group, and ShinMaywa Industries Ltd, a leading manufacturer of special purpose vehicles in Japan, have signed a memorandum of understanding (MoU) in Dhaka on Saturday.

Under the deal, ShinMaywa will provide drawings, specifications, components and technical know-how to Rangs for assembling of special purpose vehicles in Bangladesh, says a press release. Amanullah Chowdhury, vice-chairman of Rangs Motors, and Hidefumi Matsumoto, manager (Overseas Business Development) of ShinMaywa Industries, signed the deal on behalf of their organisations.

Other than assembling, Rangs will also import complete built-up special purpose vehicles from ShinMaywa as distributor. Kokusai Links Co Ltd, will be the liaison between Rangs and ShinMaywa.

Masao Higashikawa, manager (Overseas Business Development) of ShinMaywa Industries Ltd, and H Shichida, president of Kokusai Links Co Ltd of Japan, A Rouf Chowdhury, chairman of Rangs Group, Sherur Rahman, project coordinator, and Kutub Uddin Ahmed, general manager of the group, were present at the signing ceremony.

## Tommy Miah's restaurant opens today

UNB, Dhaka

Bangladeshi-born British chef Tommy Miah has taken a new venture to start a restaurant in Dhaka offering dishes that earned him fame in Britain.

"Heritage Restaurant" is to open for guests following formal opening by Commerce Minister Amir Khosru Mahmud Chowdhury today.

A large number of VIP guests including ministers, members of parliament, business leaders, bureaucrats, diplomats, journalists and some members of the expatriate community residing in Gulshan, Banani and Baridhara are to attend the inaugural ceremony.

## Asia Pacific Region Microcredit Summit

### Microcredit is a very good tool for poverty alleviation

Says Priscilla Mirembe Serukka

STAR BUSINESS REPORT

Priscilla Mirembe Serukka, a development activist from Uganda, thinks microcredit programme is a very good tool for alleviating poverty.

"I came to know how to reach the poor," said Serukka, the regional director of Norway based Stromme Foundation in Uganda. The knowledge gathered from the summit would be applied in Africa, she told The Daily Star.

Of the 22 million people in Uganda, around 70 percent live below the poverty line. "Still we are in good position because we don't have a large population," she said pointing at yesterday's daylong strike enforced by the opposition.

She said the microcredit programme is very organised and has become a model for poverty alleviation in Africa. Her Stromme Foundation has been working in four African countries — Kenya, Tanzania, Rwanda and Uganda.

In Uganda, around 5 lakh people already came under the microcredit network. The programme started in late 80's and early 90's.

"This summit will inspire us and provide tremendous enthusiasm for continuing the microcredit programme". There are some 70 registered organisations in Uganda for conducting microcredit programmes.



Priscilla Mirembe Serukka

This is the first visit for Serukka to Bangladesh. She has already visited Tanga to see herself in four African countries — Kenya, Tanzania, Rwanda and Uganda.

The head office of the Stromme Foundation is located in Norway. It has an office in Dhaka. Serukka also joined a regional conference of the NGOs in Dhaka which ended on Saturday.

### Papua New Guinea to learn from others' experiences

Says Steven Avel

STAR BUSINESS REPORT

Papua New Guinea is attending the Asia Pacific Region Microcredit Summit to learn from others' experiences in the field of micro financing, said Steven Avel, micro finance project manager of Bank of Papua New Guinea.

There has been a tremendous need for microcredit institutions in Papua New Guinea but the country is not well-equipped, said Avel while talking to The Daily Star in Dhaka on the sidelines of the high-profile summit yesterday.

Microcredit finance programmes started in Papua New Guinea some two years back with the operation of some international funding agencies such as the Asian Development Bank (ADB) and AusAid.

"We have heard of Bangladesh's success in the field of micro financing and we intend to learn from its experience during the summit," Avel added.

As 80 percent of five million people of the Pacific Ocean island nation live in the rural areas, micro financing programmes will be immensely useful for them, Avel said, adding that micro-credit institutions will enormously facilitate the rural people to convert their existing natural resources into monetary assets.



Steven Avel

He said about twelve to fifteen microcredit institutions have been working in Papua New Guinea for the last two years.

The success of a project, funded by the government, ADB, and Australian Aid, which has been functioning for past 15 months, has encouraged the country, he said.

The government is considering initiatives to bring rural people under micro-credit programme to alleviate poverty, said Avel.

He appreciates the efforts of the Washington-based Microcredit Summit Campaign for providing an opportunity to have access to various institutions and experienced people in the field of microfinance.

Central Bank of Papua New Guinea are also attending the four-day Asia Pacific Region Microcredit Summit Meeting of Councils hosted by Palli Karma Sahayak Foundation of Bangladesh.

Mawuli said poverty in his country is not so acute, but they need money for education, child development, healthcare and other purposes.

Around 90 percent of the people in PNG live below the poverty line. But their living conditions are still good because they maintain a collective life, explained Mawuli.

Mawuli arrived in Bangladesh on Thursday and visited some places in Dhaka and surrounding areas. He observed that the poverty situation in Bangladesh is more acute than that in his country.

According to him, Bangladesh made tremendous success in microcredit programme but lot of people are still languishing under the poverty lines.

"Though, I am yet to go outside Dhaka, I can see the acute poverty on the street," he said.

He feels that lot of money is being wasted in Bangladesh on mega projects like fly-overs. "Fly-over is not useful without lifting the people from poverty lines."

Dr Mawuli taught economics for 25 years in various universities and colleges in the USA, Ghana and Nigeria. He is now the head of the economics division of the National Research Institute in his country.

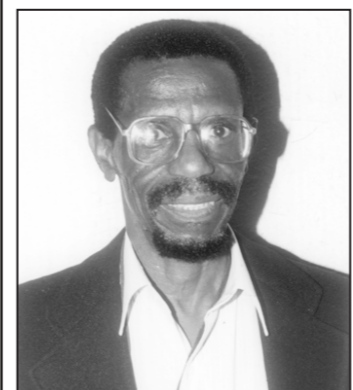
## Microcredit programmes made a revolution

Says Dr Agogo Mawuli

STAR BUSINESS REPORT

Microcredit programmes made a revolution in poverty alleviation worldwide, observed Dr Agogo Mawuli, a professor in economics who came from Papua New Guinea (PNG) to join the conference on microfinance that began in Dhaka yesterday.

"I came here to gather knowledge about the microfinance for adopting in our country," he told The



Dr Agogo Mawuli

Daily Star in an interview. He said microcredit programme in his country is now just at the beginning stage.

"Only one percent of the 5 million people in Papua New Guinea are covered by the microfinance programme," Mawuli said.

However, the PNG government has set up a regulatory framework for strengthening the microfinance system, he added.

Four high officials from the

## CRISL upgrades City Bank rating

Credit Rating Information and Services Limited (CRISL) has upgraded The City Bank Limited from B (Single B) to 'B+' (single B plus), a one notch up rating, in the long term and reaffirms ST-4 rating in the short term on the basis of the bank's significant improvement in some areas.

The upgradation of rating came through half-yearly surveillance, says a press release.

City Bank Limited previously entered into a surveillance agreement with CRISL to review its overall performance and position periodically.

President and Chief Executive Officer of CRISL Muzaffar Ahmed formally handed over the rating report to the bank's Managing Director Abbas Uddin Ahmed at the bank's conference room in Dhaka.



PHOTO: RANGS MOTORS

Amanullah Chowdhury, vice-chairman of Rangs Motors Ltd, and Hidefumi Matsumoto, manager (Overseas Business Development) of ShinMaywa Industries Ltd of Japan, sign a memorandum of understanding in Dhaka on Saturday. Among others, H Shichida, president of Kokusai Links Co Ltd, Masao Higashikawa, manager (Overseas Business Development) of ShinMaywa Industries, A Rouf Chowdhury, chairman of Rangs Group, are seen in the picture.

# Forex, money markets need to be lucrative for investors

MAMUN RASHID

The underdevelopment of the money and capital markets limits risk-pooling and risk-sharing opportunities for households and firms. It also makes economies more vulnerable to financial crises. According to cross-country comparisons, individual country studies as well as industry and firm level analyses, there is a positive link between the sophistication of the financial system and economic growth.

A mature treasury market plays a central role in the development of a country's economy. While a foreign exchange (FX) market matches the demand supply gap and minimises interest rate risk, the inter-bank market assists the commercial banks to manage their liquidity, and to facilitate the lending and borrowing of available reserve balances between commercial banks, in a timely and cost effective manner. Treasury market with the adequate level of control-liberalisation mix can fuel economic growth significantly.

Treasury market in Bangladesh is at best, at its nascent stages, with many banks not having the depth or expertise to handle transactions of such nature. There is acute imbalance in the long and short positions taken by these making the banks venture beyond their depth. This is evidenced by the recent publications in the local dailies regarding a few banks taking big losses on their books on account of mismatched and unreported foreign exchange dealings. Much of this has been on account of not adhering to Bangladesh Bank safeguard measures and immature dealings.

At the beginning the FX loss may seem to be in paisas, but one deal itself may run into millions with the loss accumulation being greater than that of a full fledged, clean loan (corridor discussions reveal few banks have made losses much more than their capital and reserve and for few more than their entire classified portfolio). This should be a lesson for all

to exercise caution at a holistic level while dealing in foreign exchange.

The development of a treasury market in Bangladesh started with the liberalisation of foreign exchange control regime in 1993. Taka was made current account convertible at that time and banks as 'authorized dealers' were given certain autonomy in providing FX solutions to the customers. Capitalising on this opportunity, foreign banks developed independent treasury functions by centralising FX and money market activities. But until even recently, most local banks ran their FX and money market functions separately.

'call money'. There is no active term market. There was a limited USD/BDT swap market, central bank restricted that. The central bank borrows through Treasury Bills of various tenors. However, there is no secondary market for these securities. Recently the central bank has introduced Repo/Reverse Repo window and has permitted inter-bank Repo/Reverse Repo. The central bank has also appointed primary dealers. But the dealers lack expertise and vision. To add to this state of confusion, the central bank itself is not completely clear about what it wants to achieve.

The development of treasury market is obstructed by the absence of new product development pro-

present among the market players. Expertise is needed across the board and early warning signs are a must. Auditing firms need to be equipped with the right mix of knowledge to bring capricious dealings to light. Management needs to pay closer attention to the dealing room activities and have reconciled MIS at the fingertips.

In our country's context very few managers/senior managers actually have the treasury related knowledge, relying heavily on the little expertise shown by their dealers. Without the auditors and the management being in the know treasury operations will continue to run amuck.

The responsibility is not only on the regulators and market players, but

debentures, not to mention corporate Repo, as bank credit will become expensive and not so liquid.

In a fully active market, the opportunities will be from many different ways - as an originator, as an issuer, as an underwriter, as an advisor to the issuer and last but not the least as a trader.

Development of a fixed income market will focus on another big opportunity — interest rate trading.

Apart from the LCY market, there can also be opportunity in arranging sovereign bonds such as ADR and GDR.

Another area to explore is hedging FX/commodity risk with derivative products. Options and futures can be used to hedge the FX and commodity price risk. However, there may be quite a few regulatory issues involved in this.

Moreover, using the offshore banking licence, we can sell structured loans or deposits with embedded derivative products, which will enhance the profitability of the loan or deposit as well as give additional value to the customers.

The foregoing snapshot of what is likely in the now-at-a-very-early-stage treasury market in Bangladesh gives some flavour of the times and things to come over the next few years. As an LDC moving fast towards becoming a developing nation, there is no way but to move forward to create depth in this market.

Bangladesh needs to learn and understand the fundamentals of FX transactions and build world-class dealers, auditors and management to capitalise on the positive liberalisation steps the central bank is keen on taking. Without a dynamic treasury market the mismatch in demand, supply, convertibility and interest rate risk can only get worse. Simultaneously to cash in on the focus South Asia seems to be getting courtesy India mania globally, Bangladesh needs to fast streamline its FX and money market to make it lucrative enough for investors and donors alike.

The writer is a senior banker and executive committee member of Bangladesh Foreign Exchange Dealers' Association

## NEWS ANALYSIS

Till now the treasury market in Bangladesh severely lacks depth in terms of products. Spot and forward are the typical products in the FX market. There is still no inter-bank forward market. However, against a continually devaluing BDT against US dollar (USD), banks would provide forward cover to the importers by covering the position in the spot market and thereby running the interest rate risk.

Recently, the central bank restricted this practice and prescribed forward on a matching basis. Exporters previously preferred to hold the foreign currency (FCY) and gain from the devaluation rather than selling forward. With the new central bank directive, they have started selling, but are still hesitant about selling longer tenor. NCBs and other local banks take position in major currencies and this created an inter-bank local FX market for major currencies. However, absence of proper operational control and risk management caused a few of them to burn their fingers.

In the money market, the typical instrument is the overnight fund or

cess. Although in retrospect of an LDC country, certain regulatory inertia is understandable, absence of harmonisation between national economic reform/liberalisation and financial sector development issues create vacuum in the product development process. Without adequate products, proper linkage cannot be established between various factors of production. Interest rate, foreign exchange and commodity/service market prices are not aligned harmoniously and cost of intermediation remains inflated. All these factors reduce the effectiveness of economic reform.

The question then to naturally arise is that, is the lack of deregulation hindering the process of product development? Answer, no, it is not the only cause. Many countries with similar regularity profile have better product depth than us. For this, market participants are also guilty of short sightedness. Even with better expertise, banks tend to look at the treasury products under the isolated focus of FX and money markets.

The approach to look at the interest rate risk, foreign exchange risk and commodity prices in conjunction and derive something innovative is not

also the end users — the customers. The typical environment in Bangladesh does not compel the customers to be very strategically competitive thus making them not so receptive towards the newer ideas to enhance efficiency.

There are some new areas to explore, such as interest rate hedging. In the next three to four years we will probably witness an upward movement of USD interest rate. With so many local companies taking FCY loans, there is a big opportunity to hedge the interest rate risk with derivative products.

In the Local Currency (LCY) market, we are observing the shaping up of a proper term structure of interest rates. With the proper segregation of market and credit risk, it may not be too difficult to introduce interest rate hedging instruments.

Fixed income is another area to explore. With the introduction of Repo/Reverse Repo, an active secondary market of government securities seems not very far away. The secondary market will lead to lot of opportunities in fixed income. This will pave the way for commercial papers, corporate bonds and



PHOTO: STAR  
Commerce Minister Amir Khosru Mahmud Chowdhury inaugurates a Lebanese food restaurant, Arysha, at Gulshan in Dhaka Sunday. Palestinian Ambassador in Dhaka Shahta Zarab was present. The restaurant will also cater Mediterranean, continental and Bangladeshi dishes.