

## Allow microfinance bodies to mobilise deposits from public

### Central bankers tell microcredit summit

#### STAR BUSINESS REPORT

Central bankers from some Asian countries have suggested allowing microfinance institutions to mobilise savings from the public that will enable them to provide larger loans to the poor.

Larger loans would help people come out of extreme poverty, they said at a plenary session of the 4th Asia Pacific Region Microcredit Summit that concluded yesterday in Dhaka.

The bankers pointed out that microfinance programmes have developed some problems due to the very small size and short duration of loans and weekly repayment system.

They said mobilisation of public deposits will help microcredit sector get integrated into formal financial market and create scope for reduction of interest rate.

Termining microfinance an effective tool of cutting poverty, they suggested bringing the system under a regulatory framework to ensure sustainability.

Bangladesh Bank Governor Fakhruddin Ahmed said the central bank has already submitted recommendations to the government in this regard. "Microfinance institutions (MFIs) should come under regulatory framework for its sustainability."

Ahmed said even if the MFIs merge into formal financial sector they should not be regulated by the same regulations for commercial banks and other financial institutions.

Clients, poor savers, investors and other stakeholders should be included in ownership and management of an MFI for accountability and transparency, he said.

Governor of State Bank of Pakistan Ishaq Hussain said Pakistan has already formulated a framework for MFIs interested to mobilise public savings.

"We are not in favour of mushrooming growth of weak, under-capitalised microfinance institutes, we rather prefer a limited number of strong MFIs having capacity to serve clients on longer term basis,"

the Pak central bank chief said.

He said microfinance initiatives will have to be supplemented by other initiatives such as substantial investment in infrastructure, education and health to create business, investment and capacity building opportunities for the poor.

"The combined effect of microfinance and social sector initiatives could make a visible impact on poverty and miseries of the poor," he said.

Deputy Governor of Bank Indonesia Maulana Ibrahim said mobilising public deposits would mitigate fund crisis of microfinance bodies improving service and widening loan volume.

MFIs in Indonesia target the poor women. BRI Commercial Bank, a public sector MFI, covers 33 million people most of them are women. The country also encourages Islamic microfinance agencies to serve certain segment of people, Ibrahim said.

Deputy Governor of Nepal Rastra Bank Ram Babu Pant said

the central banks should take a facilitating role in institutionalising MFIs providing training to microloan practitioners.

Managing Director (Supervision and Examination Sector) of the Central Bank of Philippines RP Lirio said the government should not put a ceiling on interest rate for MFIs.

"Market and quality of service should determine interest rate through competition. Increase in number of financial institutions will bring in competition and result in development of specialised products and services through diversification and innovation," he said.

Chairing the session, Nancy Barry, president of Women's World Banking, USA, said the government should not run agency on microcredit and put ceiling on interest rate.

Private sector should provide microcredit for efficient service delivery under a regulatory body. The government should encourage MFIs for innovative products and lowering interest rate, she added.

## Chinese firms' buying spree ups steel prices: Khosru

### BSS, Sangsad Bhaban

Commerce Minister Amir Khosru Mahmud Chowdhury yesterday informed the parliament that a buying spree of raw materials by Chinese construction firms in the international market had upped the prices of construction materials in the country.

Replying to a query, the commerce minister said Bangladeshi importers were failing to bid at lower prices for buying steel and rod amid 'huge appetite' of Chinese firms for the construction materials.

The minister suggested that the prices of the tender schedule be changed to encourage importers to import construction materials to continue the development activities in Bangladesh.

He said prices of some of the essentials had gone up in Bangladesh because of the increase of their prices in the international market.

## Consistent policy, transparency key to banking sector, says Pak governor

### UNB, Dhaka

Consistency of economic and financial policy, stronger corporate governance, strict maintenance of transparency are prerequisite to improving the banking sector of developing countries, chief of the Pakistan central bank said.

Ishrat Hussain, governor of the State Bank of Pakistan, was giving a lecture on 'Reforms in the banking sector in Pakistan' organised by the Bangladesh Enterprise Institute (BEI) on Wednesday in Dhaka.

He explained the steps taken to shift from a public sector-dominated banking system to a market-based financial sector operated and led by private sector in Pakistan.

He summarised three lessons from the experience of financial-sector reform in Pakistan.

First, strong political will is necessary to take tough measures to restructure public and private banks.

Second, strong professional management is required at all levels of decision-making in financial institutions.

And thirdly, international experiences rather than ideological rhetoric are the best guide for bringing about results.

Hussain strongly emphasised the need for good corporate governance and proper system of internal and external audit in the banking sector.

Presided over by BEI President Farooq Sobhan, the function was attended, among others, by Governor of Bangladesh Bank Fakhruddin Ahmed, Chairman of Pak Asia Syeduzzaman, Chairman of Premier Bank HBM Iqbal, Chairman of Islami Bank Shah Abdul Hannan and Chairman of Shilpa Bank Prof Abu Ahmed

## India vows legal action to keep its shrimps on US plates

### AFP, New Delhi

India said Thursday that a US anti-dumping investigation against six Asian shrimp and prawn exporting countries smacks of protectionism and vowed to fight a "do or die" legal battle against any punitive duties.

India's trade department said it was "very unfair" that the US International Trade Commission (ITC) did not terminate a lawsuit brought against India and five other countries by the US Southern Shrimp Alliance.

"It is very unfair but we will fight a do or die legal battle to counter the protectionist move," S.N Menon, special secretary of India's commerce department, told reporters.

"We are all geared up to fight the case and the seafood and marine products industry has already hired lawyers for this purpose."

According to the trade official, India has a "strong case" because it exports a variety of Tiger prawn not found in the United States.

"Tiger prawn found in India's warm waters is frozen and sent to the US in an unprocessed form," said Menon.

"It actually ends up generating one million jobs for the US food processing industry. This move will cut down jobs in the US."

Abraham Tharakan, chief of the Seafood Exporters Association of India, told the Hindustan Times newspaper that the anti-dumping move would "severely impact" business in India.

## Summit ends in Tehran

# Dhaka for stronger trade cooperation within D8

### BSS, Dhaka

The 4th Summit of the Developing Eight (D8) concluded in Tehran Wednesday with a renewed call to expand economic cooperation within the bloc.

The D8 leaders also decided to strengthen coordination on international economic matters including multilateral trade issues, a foreign office statement said here yesterday.

State Minister for Foreign Affairs Reaz Rahman led the Bangladesh delegation to the summit.

Prime Minister Khaleda Zia was scheduled to attend the Summit, but could not undertake the travel due to health reasons. Principal Secretary to the Prime Minister, Dr Kamal Uddin Siddiqui carried a personal letter from Khaleda Zia for Iranian President Mohammad Khatami expressing her regret, the press release said.

The delegation also included Bangladesh Ambassador to Iran Abdullah Al-Hasan and Director General (IO & MEA) of Foreign Ministry M Ruhul Amin.

The summit, held with President Mohammad Khatami in the chair, was attended by the heads of state

and government of Turkey, Indonesia, Nigeria, Pakistan and Malaysia. Egypt, the outgoing chair, was represented by its foreign minister.

Reaz Rahman while delivering the statement on behalf of Prime Minister Khaleda Zia, conveyed her deep regret for not being able to attend the summit. He also expressed heartfelt sorrow for the victims of the Khorasan tragedy and sympathy for the bereaved families.

Noting the enormous resource endowments and potentials, the state minister reiterated Bangladesh's commitment to the D-8 objectives.

He emphasised the need for expansion of intra D8 cooperation, especially in the area of trade, to provide higher standards of living for the people of eight member countries.

In this regard, he stressed the best possible efforts towards facilitating trade, removal of impediments and encouraging commercial exchanges among the D8 countries.

He also favoured greater public-private partnership and encouraged the private sector to play a pivotal role in this field.

"There is also a need and scope

for greater coordination among the D8 countries on international economic agenda as well as multilateral trade issues, especially in the post-Cancun scenario," he said.

In this regard, Reaz Rahman noted that the millennium development goals should form a part of D8 with regard to following up and implementation of the 1990's cycle of international conferences.

Bangladesh also welcomed new proposals for agreement of preferential trade and cooperation in customs aimed at facilitating trade among D8 countries.

The intra-D8 trade increased by about 50 percent (from \$14.5 billion to \$21.3 billion) between 1999 and 2002, the statement said.

The summit was preceded by meetings of the trade officials, the D8 Commission, a business forum and the council of ministers.

A number of conference ideas emerged which are reflected in the Tehran Declaration that chart the course for D8 cooperation with greater determination.

The fifth summit of the D8 will be hosted by Indonesia in 2006.

## Asia Pacific Region Microcredit Summit

# Microcredit needs to be linked with commercial financing

## Ifad official suggests

### RAFIQ HASAN And ASHFAQ WARES KHAN

A high official of the International Fund for Agricultural Development (Ifad) suggested linking microcredit with commercial financing for sustainability.

Henri Dommel, rural finance advisor for Ifad, admitted that the rate of interest in microfinancing was higher than the commercial financing but he found it effective for relatively easier access to credit.

However, he observed that competition between NGOs and efficiency within microfinance institutions (MFIs) would help gradually reduce the rate of interest.

The mandate of Ifad is poverty alleviation, and microcredit as an important but not the only tool to achieve the objective, Dommel said talking to The Daily Star on the sidelines of the microcredit summit that concluded in Dhaka yesterday.

Dommel is a member of a high-level delegation from the Rome-based UN body that attended the 4th Asia Pacific Region Microcredit Summit.

He observed that microfinancing has been facing a number of challenges such as risk assessments, repayment schedule or choice between group-lending or individual lending.

These are usually met through, Dommel says, the right balance between greater depth in reaching out to the poorest, and sustainability.

The Ifad official's observation is

that microcredit caters for a large section of the poor who can use that loan effectively through management and innovation, but for people living under a dollar a day it is more relevant to grant them income-generating resources.

"Grants are legitimate and the most relevant for the poorest and should be encouraged by donors and organisations alike," said Dommel, adding "After graduating to a certain income level, it is probably more useful for them to take a microcredit loan."

Dommel also underscored the need for savings and insurance coverage along with microfinancing for NGOs to make them effective financial institutions.

Citing references from around the world, he said Ifad has found that microcredit programmes are best done when it is specialised and carefully linked with support services like health, education and technical assistance.

"We are exploring maximum varieties of experiences in the field for choosing the suitable model for different contexts around the world."

Ifad provided \$600 million for microfinancing throughout the world with Bangladesh alone receiving around \$11 million.

Bangladesh is viewed as one of the major references for microfinance experiences, the Ifad official said adding, "There are a number of examples of successful microfinancing models in Bangladesh".

Dommel acknowledged that the concept of microfinancing origi-

nated from the Grameen Bank Model and it has been widely replicated outside Bangladesh.

"The activities of Brac and Asa are also praiseworthy. The Brac has multi-lateral services concentrating on health related issues which became very effective way of providing assistance to the poor," the Ifad official said.

"We also learnt enormous lessons from Indonesia, West Africa and Latin America". A state-owned organisation in Indonesia successfully developed microfinancing. On the other hand, microfinancing is being implemented through co-operatives in West Africa.

Latin America is another front for microcredit where it has been started in the urban areas and now moving to the rural people.

Dommel said microcredit is one of the important tools for poverty alleviation. That's why the interest in microcredit has been growing throughout the world. The donors and other financial organisations are increasingly showing interest in it.

The Ifad official said the poor have the only alternative to microcredit that is money lenders who charge several times higher interest. "Sometimes they even charge 300 percent interest on their lending."

"Still we need to encourage the micro-financier to lower the rate of interest," he said adding that it could only be possible through increasing the efficiencies of the organisations.

Dommel acknowledged that the concept of microfinancing origi-

## Kashem Ahmed made general secy of Council of Chamber Presidents

### UNB, Dhaka

Abul Kashem Ahmed were elected general secretary of Council of Chamber Presidents (CCP) for the next two years in its annual meeting here yesterday.

Kamaluddin Ahmed, first vice-president of Federation of Bangladesh Chambers of Commerce and Industry, is the president of the CCP as ex-officio of the federative body.

The election was held in the working session of the meeting addressed by Commerce Minister Amir Khosru Mahmud Chowdhury and FBCCI President Abdul Awal Mintoo.

## Parjatan motel to be leased

### BSS, Dhaka

An agreement was signed between Bangladesh Parjatan Corporation (BPC) and Best Eastern for leasing BPC's motel Laboni in Cox's Bazar to private sector.

The motel will be leased for Tk 56.60 lakh per year as per the agreement to help flourish tourism under the private sector, a BPC press release said here yesterday.

BPC Chairman Dr Muhammad Mahbabur Rahman and owner of Best Eastern Miah Mohammad Abdun Nayeem signed the agreement on behalf of their respective sides.

State Minister for Civil Aviation and Tourism Mir Mohammad Nasir Uddin was present as the chief guest on the occasion.

He said several commercial units of the BPC, after getting good results, were handed over to the private sector for creating a competition between the public and private sectors to develop tourism sector in Bangladesh.

Mir Nasir said nearly 100 hotels and motels were being constructed in Cox's Bazar after handing over 150 plots by the government to the private entrepreneurs.

High officials of Ministry of Civil Aviation and Tourism and the BPC were present at the function, the press release said.

## Pakistan to get \$6m trade aid from EU

### AFP, Islamabad

The European Union agreed Wednesday to provide Pakistan with 6.42 million dollars to develop its trade sector, as the country works to drop all tariff barriers by 2005, officials said.

Pakistan will contribute 1.14 million dollars to the trade technical assistance programme, they said.

European Commissioner for External Relations Chris Patten and Pakistan's Commerce Minister Humayun Akhtar Khan signed the three-year agreement at a ceremony here.



PHOTO: FBCCI

Commerce Minister Amir Khosru Mahmud Chowdhury, centre, Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) President Abdul Awal Mintoo, 2nd from right, Immediate Past President of the Council of Chamber Presidents (CCP) and former FBCCI President Yussuf Abdullah Harun, right, CCP President and FBCCI First Vice-President Kamaluddin Ahmed, 2nd from left, and CCP General Secretary Abul Kashem Ahmed, left, pose for a photograph at a meeting of the CCP held in Dhaka yesterday.

# CEMS machinery exposition begins Sunday in Dhaka

### STAR BUSINESS REPORT

A three-day machinery exposition begins Sunday in Dhaka showcasing latest technology machinery from more than 12 countries.

Commerce Minister Amir Khosru Mahmud Chowdhury will formally inaugurate the exhibition -- MachinExpo'04 -- at Dhaka Sheraton Hotel.

Organisers said the show will offer a great opportunity to local

manufacturers to have firsthand knowledge about state-of-the-art technologies.

Companies from the USA, UK, Germany, Singapore, India, Taiwan, Pakistan, China, Spain, Turkey have already confirmed their participation.

The Conference and Exhibition Management Services Ltd (CEMS), a private event management firm, is organising the fair, first of its kind in Bangladesh.

"We expect more than 12 countries to participate in the show," Meherun N Islam, managing direc-

tor of CEMS, said at a press conference in Dhaka yesterday.

She said 23 companies will display their machinery for various industries such as food and beverages, power generation, printing and packaging, garment and textile.

The exposition at the Winter Garden of the hotel will remain open to visitors from 10:00AM to 8:00PM everyday.

CEMS Director Shahed Sarwar was also present at the press conference.

# India banks on spiritual tourism, eyes 15pc growth

### PALLAB BHATTACHARYA, New Delhi

As India looks forward to register a record 15 percent growth of its tourism sector in 2004, the new buzzword is spiritual tourism.

Keeping an eye on tourists from Asia's vast Buddhist communities, the Indian capital played host to a three-day international conference on Buddhism and spiritual tourism that showcased the development in the country's Buddhist pilgrimage centers.

The idea of spiritual tourism put forward by tourism minister appears to have caught on with the delegates, who included monks, scholars and foreign tour operators, at the conference that ended yesterday.

All the delegates, who also included Tsolmon Omon Emkhbayar, wife of Mongolian prime minister and Magsaysay award winner South Korean monk Pomnyun Sunim, were taken to leading Buddhist pilgrimage centers such as Lumbini, where Lord Buddha was born more than 2500

years ago as the son of a king, Bodhgaya, where he had attained enlightenment, Nalanda, the ancient seat of learning, and Sarnath.

Bodhgaya has been declared a World Heritage Site by UNESCO, a move that is likely to make the place a big draw to tourists from across the world.

According to a monk from Singapore who attended the conference, the concept of spiritual tourism has all trappings of a successful project. Emkhbayar believes spiritual tourism will provide a major boost to tourism in India and a similar project was being developed in Mongolia also.

It was in August last year that the Indian government decided to connect all key Buddhist heritage sites through a rail network at a cost of seven million dollars. Most of the sites are located in the eastern state of Bihar.

"Our aim is to showcase India's contribution to Buddhism and its ancient culture and civilization," said

the tourism minister who has been widely feted for his initiatives to boost the tourism sector. "We are looking not only at earning dollars but at some point of time everyone needs to free himself from the shackles to seek peace," he added.

Development of Buddhist heritage sites and attracting tourists is part of India's official policy of closer interaction with South East and East Asia, a policy initiated by Congress government in 1992 and pursued vigorously by the present dispensation headed by Prime Minister Atal Behari Vajpayee.

Spiritual tourism is the new vista in tourism sector which holds out a lot of promise, tourism industry experts say.

As part of efforts to boost spiritual tourism the government has identified for immediate development a number of circuits other than the Buddhist circuit. Having registered foreign tourist inflow of 2.5 million in 2003, India hopes to attract an estimated three million of foreign tourists in the current year.



PHOTO: CEMS

Meherun N Islam, managing director of Conference and Exhibition Management Services (CEMS), speaks at a press conference in Dhaka yesterday on the eve of MachinExpo'04 that begins at Dhaka Sheraton Hotel on Sunday. CEMS Director Shahed Sarwar is also seen.