

WB, IMF staff propose extension of debt relief programme

REUTERS, Washington

World Bank and International Monetary Fund staff have proposed extending a global debt-relief programme by two years to the end of 2006 to give more poor countries a chance to qualify for the scheme.

The bank and fund are the main overseers of the Heavily Indebted Poor Countries Initiative (HIPC), which was launched in 1996 to ease excessive debt burdens stifling growth in the developing world.

Twenty-seven countries have so far benefited from HIPC.

The decision whether to extend HIPC's "sunset clause", which expires in December, will have to be taken by the two institutions' shareholder governments.

Staffs propose that the sunset clause be extended by

another two years to end-2006 to provide the opportunity for the remaining HIPC's to begin to establish a policy track record that would allow their consideration for HIPC relief," according to a World Bank document obtained by Reuters.

The document, which the World Bank board was scheduled to discuss on Sept. 9, said additional debt forgiveness for countries that have already received some relief should be reviewed individually.

"The case for topping up should continue to be considered on a case-by-case basis based on a strengthened analysis at the completion point, including on the impact of discount rate changes and unanticipated new borrowing, where relevant," it said.

Burkina Faso, Niger and Ethiopia are the only countries to have received extra debt relief

under HIPC.

Industrialised nations disagree whether the IMF and World Bank should offer additional relief beyond the provisions of HIPC, which was "enhanced" in 1999 to provide broader, faster and deeper debt relief.

The disagreement focuses on whether issues outside the control of a country, such as falling commodity prices, warrant topping up debt relief.

According to the report, 14 countries have qualified to receive maximum-permitted debt relief, while 13 others have started to receive some debt write-offs.

The World Bank document said maintaining economic stability was a challenge for these 13 countries, with roughly half of them struggling with managing public resources and reforms.

HIPC relief committed to the 27

countries, together with other debt relief initiatives, has cut the overall debt stock of the countries by about two-thirds, the document said.

"The HIPC initiative continues to provide substantial savings in terms of debt-service payments for the countries," the document said.

A separate working paper released on Thursday by IMF economist Yan Sun found that, despite qualifying for debt relief under HIPC, many poor countries still lag well behind international standards in debt management practices.

Sun said the HIPC countries will continue to need structural reforms and foreign help to support sound macroeconomic policies.

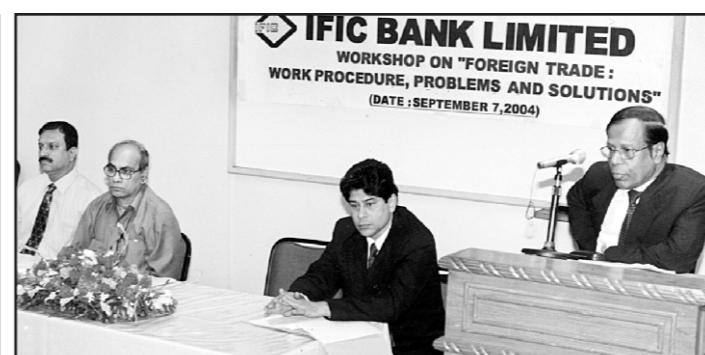


PHOTO: IFIC BANK
IFIC Bank Limited Managing Director (current charge) Mashirul Rahman speaks at a workshop on 'Foreign Trade: Work Procedure, Problems and Solution' organised by the bank in Dhaka on Tuesday. Senior Executive Vice-presidents RM Debnath and Mohammad Abdullah are also seen.



PHOTO: DUTCH-BANGLA BANK
Dutch-Bangla Bank Limited Managing Director Md Yesin Ali, Deputy Managing Director (Operation) Abul Hashem Khan and Deputy Managing Director (Administration) AAM Zakaria pose for photographs at the managers' meeting 2004 of the bank on Tuesday in Dhaka.

Weekly Currency Roundup

September 04-September 09, 2004

Local FX Market

US dollar was steady in the beginning of the week in thin market due to international holidays. The dollar then fell against Bangladeshi taka on back of increased supply. The rate was then stable till the end of the week.

Money Market

Bangladesh Bank borrowed BDT 5,697.00 million through the Treasury bill auction held on Sunday, compared with BDT 6,912.00 million in the previous week's bid. The weighted average yields of t-bills of different tenors were almost unchanged from the previous bid.

Call money rate was range-bound throughout the week. The rate ranged between 4.25-5.00 percent this week.

International FX Market

The dollar eased further off last week's high's on Euro and yen as the market awaited a speech by Federal Reserve chief Alan Greenspan which was expected to confirm a measured pace of interest rate rises. Traders were keen to hear Greenspan's take on the US economy after jobs data on Friday supported expectations the Fed would raise rates by 25 basis points later this month to 1.75 percent but gave no cause to expect more accelerated hikes. The yen gained support from upbeat corporate capital spending data for the April-June quarter, which helped lift the Nikkei stock average to a fresh five-week high.

In the middle of the week, the dollar was pushed to the upper end of the past month's trading range against the Euro and Swiss franc as investors awaited a key speech by Federal Reserve Chairman Alan Greenspan. The Fed Chief was expected to comment in line with market expectations for another quarter-point rise in US interest rates this month when he testifies before the House Budget Committee. But with the market already convinced about September rate rise, analysts said the US currency needed a strong push from upbeat economic data to gain fresh upward momentum.

The dollar edged up against the yen on Thursday as surprisingly weak machinery orders data for Japan helped investors to recoup earlier losses made on cautious remarks about US growth by the Federal Reserve chief. Major currencies barely budged following news of a huge blast near the Australian embassy in Jakarta, where reportedly 6 people died. Earlier the dollar softened after Fed chief Alan Greenspan sounded more cautious on the US economic recovery than many investors had expected. In testimony before the US House of Representatives Budget Committee on Wednesday, Greenspan said the economic expansion has regained some traction, leaving traders with the impression that he had scaled back his recent optimism on the US economy.

-Standard Chartered Bank



PHOTO: PUBALI BANK

Syed Mohammad Masum, deputy general manager of Pubali Bank Limited, and Habib A Macki, vice-chairman of Oman International Exchange (OIE), exchange documents after signing an agreement on behalf of their organisations recently in Dhaka. Under the deal, Bangladeshi expatriates in Oman will be able to remit their money to Bangladesh through official channels. Pubali Bank Managing Director Khondker Ibrahim Khaled was also present.

SIA signs new wage accord with pilots

AFP, Singapore

Singapore Airlines (SIA) has signed a new three-year accord with pilots after months of protracted negotiations over wages and other employment terms over the past year.

Under the new three-year pact, pilot salaries would be restored to pre-SARS levels while their maximum flying hours would be raised from 900 to 1,000 per year to improve productivity, SIA and the Air Line Pilots Association of Singapore (ALPA-S) said in a joint statement late Thursday.

SIA pilots had taken a pay cut of 11-16.5 percent last year after SIA plunged into its first ever loss due to the fallout from the Severe Acute Respiratory Syndrome (SARS) outbreak.

The airline has since made a solid recovery from the SARS outbreak but its pilots, who were unhappy with the wage cuts forced on them, ousted their union leaders for agreeing to the cuts in an acrimonious spat with management.

"As president, I would take

REUTERS, Washington

The Bush administration Thursday rejected a call from labour, textile and steel groups for an investigation into the value of China's currency that could lead to a confrontation at the World Trade Organisation.

"Today's petition is reckless because the remedy it seeks of a 40 percent across-the-board tariff would put up walls around America, hurting US exports, destroying US jobs and endangering our economic recover," Richard Mills, a spokesman for the US Trade Representative's office, said.

Accepting the petition would be "a retreat into economic isolationism," Mills said in a statement.

Democratic presidential candidate John Kerry blasted the Bush administration for rejecting the petition just hours after it was filed at the US Trade Representative's office. He accused President George W Bush of leading the United States "in the wrong direction" by failing to enforce trade agreements and protect manufacturing jobs.

"As president, I would take

America in the right direction —

acting vigorously to end China's illegal currency manipulation without tying one hand behind my back and taking potential options off the table," Kerry said in a statement.

The group's petition said the Chinese yuan was undervalued by about 40 percent, which they said

acts like an illegal export subsidy under WTO rules.

bers of the China Currency Coalition filed the "section 301" petition even though top administration officials warned in April that they would reject it.

Section 301 of US trade law allows the United States to take a broad range of actions, including possible retaliation, if it believes it has identified unfair trade practices.

A decision by the Bush administration to accept the petition would have launched a year-long government probe to determine if China's exchange rate policy could be challenged at the WTO.

The groups said they had seen little evidence over the past four months that the Bush administration's policy of putting diplomatic pressure on China to revalue its currency and move to a flexible exchange rate was paying off.

"American workers, employers and communities are angry and frustrated because our own government is simply failing to manage our important trade relationship with China in a way that gives our businesses and workers a fighting chance of competing fairly," said Richard Trumka, secretary-treasurer of the AFL-CIO labour federation.

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