

WB pledges record \$3.5b to aid poorest nations

AFP, Washington

The World Bank on Thursday pledged a record 3.5 billion dollars to aid the world's poorest countries as it cut the interest rate on loans to big developing countries.

The roughly quarter-point lowering of loan rates was a concession by the World Bank as it stepped up efforts to get some of its bigger borrowers such as China and Brazil to contribute themselves to poverty-fighting programs around the world.

The compromise marks a major coup for the new president of the troubled bank, Robert Zoellick, a former US trade chief who took office in July after the ouster of Paul Wolfowitz over a favoritism scandal.

Known as a sharp negotiator, Zoellick, who left the Wall Street investment bank Goldman Sachs to join the World Bank, apparently managed to quickly strike a win-win deal to find more money for poor countries and ease borrowing for middle-income clients.

The bank said Thursday it was seeking to contribute more than

double the 1.5 billion dollars it had pledged two years ago to the International Development Association (IDA), its arm which provides interest-free loans and grants to the poorest countries.

"By boosting its IDA pledge by over 100 percent, the World Bank Group is putting its money where its mouth is," Zoellick said.

"This should help us gain momentum as we urge donor countries to increase their commitment to help the 81 poorest countries, especially in Africa," he said in a statement.

Zoellick cited the example of South Africa, which had already pledged an increase of over 30 percent in its support for IDA.

The bank said its board of executive directors also took "a second important step" Thursday: approval of the biggest simplification and reduction in loan charges in nine years for the International Bank for Reconstruction and Development (IBRD), another key World Bank lending loan unit.

The move affects 79 credit-worthy low- and middle-income country borrowers and shareholders of the IBRD, and takes the controversial loan rates to levels last seen in 1998, before rates were raised in the aftermath of the Asian financial crisis.

In a teleconference with reporters, Zoellick said the World Bank executive board had decided to cut by about a quarter percentage point the rate the IBRD charges.

"A number of middle-income countries have been raising this issue almost seven, eight, nine years," he said.

Since the Asian crisis, a number of middle-income countries have amassed large foreign currency reserves and no longer see the need for significant financial support from IBRD.

The current talks for the fundraising campaign for the group of poorest countries began in March and are expected to conclude in December.

The previous IDA campaign raised 33 billion dollars in total from donor countries and the World

Bank.

Donor countries are asked every three years to replenish IDA coffers and review its policies.

"I am very pleased that the board has agreed to help us put our money where our mouth is in terms of trying to get donors to support IDA," Zoellick said.

About 39 of the 81 countries eligible for IDA assistance are in Africa, and the number of poor in the region has doubled over the past two decades, the Bank said.

For the first time, it said, the amount pledged to IDA is also being funded "substantially" from the income of the International Finance Corporation (IFC).

The IFC is a World Bank affiliate that promotes private-sector development through investment and advisory services. The bank said it plans to expand private-sector investments in developing countries.

The 3.5 billion dollars is expected to be contributed equally by IFC and the IBRD.

Businesses pledge \$4b at Clinton summit

AFP, New York

US businesses have pledged to spend more than four billion dollars on environmental, educational and humanitarian projects a New York summit organized by former president Bill Clinton.

By Thursday, the second day of a three-day summit, several firms had stepped forward with pledges at the Clinton Global Initiative on a variety of pressing issues ranging from refugee aid to education to climate change efforts.

In the environmental arena, Florida Power and Light said it would spend 2.4 billion dollars over five years to build solar-energy plants in Florida and launch a public information campaign on renewable energy.

The company also said it would reduce carbon-dioxide emissions, a main cause of global warming, by more than two million tons in the same period.

Wal-Mart, the world's biggest retailer, said it would sell only concentrated detergents in the liquid-laundry detergent category, beginning in May 2008, in its US stores.

The firm estimated the switch would save more than 400 million gallons of water, more than 95 million pounds of plastic resin and more than 125 million tons of cardboard.

Soft drinks giant Coca-Cola unveiled a plan for its operations in Brazil that includes recycling used water and planting trees in the Amazon forest. It said it would plant 3.3 million trees in the 2008-2011 period, at a cost of 13.5 million dollars.

The 13-nation euro bought \$1.4197 in afternoon European trading, passing its previous peak of \$1.4189, reached Thursday, and setting the seventh record in as many trading days. The euro bought \$1.4160 in New York late Thursday.

The dollar has been sliding against the European currency since the Fed last week cut interest rates by a larger-than-expected half percentage point.



PHOTO: DBBL
Md Yesin Ali, managing director of Dutch-Bangla Bank Ltd (DBBL), speaks at the inaugural session of an orientation course organised for the newly recruited assistant officers (Cash) of the bank recently in Dhaka. Other senior officials were present.

Weekly Currency Roundup

September 23-September 27

Local FX Market

The US dollar/BDT market was tight and USD remained strong against the BDT in the week. Demand for dollar was high in the local market and USD showed upward movement.

Money Market

Overnight money market was flat this week. The call money rate was range bound and most of the deals ranged between 6.50-6.60 percent throughout the week.

International Markets

In the beginning of the week, the dollar fell to a record low against the euro for a third straight session on Monday, weighed down by expectations of further US interest rate cuts, which are tarnishing the currency's appeal to global investors. Investors ignored more complaints from French officials about the euro's strength versus the greenback, which again dropped to a 15-year low against a basket of major currencies. Market players are keeping a close eye on whether the dollar breaks the all-time low of 78.19 struck on its trade-weighted index in 1992, a level that analysts said would provide a key test to whether the US currency's sell-off deepens or pauses.

The dollar steadied above the previous day's 15-year troughs against a basket of currencies in the middle of the week, as investors awaited US data to determine how deeply the global credit crunch has affected the economy. The dollar made particular gains against sterling after a report in a British newspaper sparked worries over troubles in the UK financial sector arising from the credit crisis. Investors will be looking to US existing home sales and consumer confidence reports later in the session and analysts say weakness in these numbers could push the Federal Reserve to follow last week's half-percentage-point interest rate cut with more policy easing. That should further erode the dollar's yield advantage over other currencies, particularly the euro, and could spark a fresh sell-off in the US currency.

By the end of the week, the dollar fell to a record low against the euro for a sixth straight session, as investors braced for more economic reports that could affirm expectations the Federal Reserve will cut interest rate again in October. US economic data this week have provided no respite for the beleaguered dollar and have affirmed the view the Fed will cut its benchmark rate again after last week's half percentage point cut to 4.75 percent. Overall, the reports provided evidence of further US housing market decline, deteriorating consumer confidence and a sharper-than-expected fall in durable goods order.

-Standard Chartered Bank



Ekramul Amin, managing director of Meghna Life Insurance Company Ltd, and Khandaker Omar Farhan, deputy general manager of Grameenphone Ltd, among others, pose for photographs at a corporate agreement signing ceremony recently. As per the deal, the mobile phone operator will provide complete communication facilities under its 'Business Solutions' package for the insurance company.

Dollar drops to new low against euro

AFP, Berlin

The dollar sank to another all-time low against the euro on Friday amid expectations that the U.S. Federal Reserve may soon cut interest rates again.

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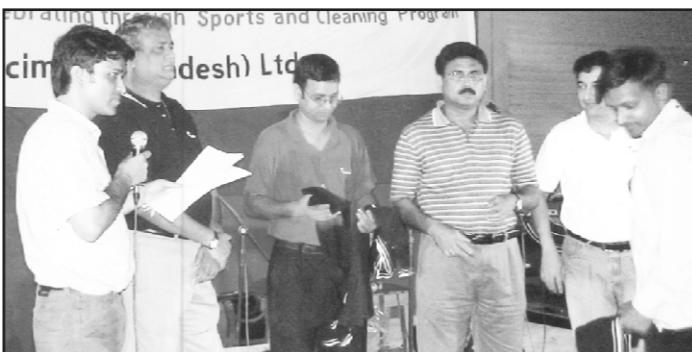


PHOTO: HOLCIM
Leading cement manufacturing company Holcim (Bangladesh) Ltd has celebrated its seventh founding anniversary recently. Senior officials, among others, are seen at a function organised to mark the anniversary.

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