

Stocks

DGEN	▼ 3.77%	2,428.63
CSCX	▼ 0.85%	4,867.84

(Week-on-week)

Asian Markets

TOKYO	▲ 0.34%	8,749.84
SINGAPORE	▲ 0.97%	1,820.87
SHANGHAI	▼ 0.23%	2,419.78

(Friday closings)

Commodities

Gold	▼	\$905.00	(per ounce)
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Oil	▲	\$53.04	(per barrel)
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SOURCE: AFP

(As of Friday)

More News

Uniform rules for telecom sought

The country's telecom industry should be run by such a set of uniform regulations that ensure a level playing field for both the local and foreign investors, speakers at a discussion said yesterday. The speakers also urged the government to reduce bandwidth prices soon for the sake of the sector's development.

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International

Jobless rise hurts US recovery



Amid an unrelenting pace of job losses, the US economy faces a race against the clock as it struggles to recover from its worst slump since the Great Depression. Another hellish month for the US labour market pushed the unemployment rate to a new 25-year high of 8.5 percent with 663,000 jobs axed in March, official data showed Friday.

Japan's big three banks expected to report net loss

Japan's three biggest banking groups are expected to report net losses for the fiscal year to March 31 in the wake of the global financial crisis, local media reported on Saturday. It would be the first net loss by the three -- Mitsubishi UFJ Financial Group Inc., Mizuho Financial Group Inc.

EU finance chiefs fret over US accounting relaxation

EU finance chiefs voiced concern on Friday at a recent move by the US accounting industry to relax the way US banks book losses over fears the change will put European rivals at a disadvantage.

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If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Budget poses major challenge: CPD

STAR BUSINESS REPORT

The Centre for Policy Dialogue (CPD) sees budget preparation for the next fiscal year and its execution as the government's greatest challenge in the wake of a looming financial crisis and its impacts on the Bangladesh economy.

"Resource collection and its distribution will be the major challenge for the next budget," Mustafizur Rahman, executive director of the local think tank, told a press briefing on the recommendations put forward by 500 participants in a recent conference in Dhaka.

The CPD organised this two-day meet on "Development with Equity and Justice: Immediate Tasks for the Newly Elected Government".

Rahman said how the energy crisis and the budget deficit should be dealt with is another challenge for the government.

"The government must see where the money is needed. It won't be wise to keep the budget deficit rigidly within 5 percent," said the CPD official.

Although Bangladesh has not been hurt much by the ongoing global recession, the economic indicators, such as exports, imports, remittances and domestic demand are declining in recent months casting a shadow on the country's overall economic growth.

World Bank and Asian Development Bank have already reset Bangladesh's economic growth projection at 4.5 percent and 5.6 percent respectively for this year from previous year's 6.2 percent, mainly due to the crisis fallout.

Uttam Deb, CPD's head of research, made a presentation on the recommendations, divided into two parts: Immediate and medium-term tasks.

These recommendations dwelt on macroeconomic management in the face of global challenges, food security and containing inflation, energy sector, ICT for development and the 100-day employment generation programme.

On the macroeconomic management, it said the government should



Mustafizur Rahman, executive director of the Centre for Policy Dialogue, right, speaks at a press briefing in Dhaka yesterday.

be ready to live with the deficit of around 5 percent of GDP in view of allocating additional resources to mitigate the adverse fallout.

The central bank should pursue more proactive policy to reduce the spread of interest rates, the CPD said, suggesting creation of an Export Stabilisation Fund, which could provide credit support to the sectors adversely affected by the crisis.

It also advised the government to up the present amount of Tk 1,050 crore, earmarked for the cash compensation scheme in the budget.

On domestic demand stimulation, it asked the government to up private consumption through public expenditure.

Opposing any devaluation of the local currency, the CPD remarked that the move would not help reduce commodity prices.

It recommended an increase in the supply of inputs to raise food production. It also said the government should formulate an integrated strategy to promote non-cereal production.

On energy issue, the CPD asked the government to resolve the dis-

putes on maritime boundary with India and Myanmar so that it can expedite the process of offshore gas exploration.

"Adopt a coal policy on an urgent basis," it said.

To resolve electricity crisis, it advised, the government should supply adequate gas for power projects. It also suggested a proper maintenance of plants, equipment and machineries to sustain efficiency.

It also asked for revising the national energy policy 1996.

Suggesting immediate doables for developing the ICT sector, the CPD said the government should formulate a comprehensive master plan for 12 years, in addition to a five-year plan, for Digital Bangladesh.

A joint taskforce could be constituted to advise on proper utilisation and monitoring of the 100-day employment generation programme.

"The programme could be introduced for the whole year giving flexibility to address the needs of the local people," it said.

CPD senior officials were present at the briefing.

BURO to raise Tk 100cr in syndicated loans

Plan underway to extend microcredit

SARWAR A CHOWDHURY and SOHEL PARVEZ

A nongovernmental microfinance institution, BURO Bangladesh, is set to raise Tk 100 crore through syndicated term loans to extend a microcredit programme, especially in agriculture, an official said yesterday.

The microcredit provider will also use the borrowed funds for expansion of its small and medium enterprise portfolio and invest in micro-enterprises.

"We will sign a syndicated term loan agreement with several financiers in the middle of April," Mosharraf Hossain, director (finance) of BURO Bangladesh, told The Daily Star.

Thirty percent of the loan will go into BURO's agricultural microfinance expansion, while the remaining amount will be used for other areas, Hossain said.

Experts say the weekly repayment of agricultural microcredit -- a trend seen in all microloan operations -- will not help recipients.

"If lenders realise microloans from recipients in weekly instalments just after disbursement, it will not be appropriate," said Mahabub Hossain, executive director of BRAC, a leading microfinance provider.

"The pattern of agricultural loan realisation should be changed. It should be seasonal or after the end of a crop season instead of the weekly repayment system," he said.

BURO's special focus on agriculture is evident of the central bank's stress on agricultural credit.

Bangladesh Bank has recently issued a circular that instructs banks to extend agricultural credit either directly or through NGO linkages.

The loan facility for BURO means more banks are rolling out farm credit through syndication.

Citibank NA, a major supporter of microfinance in Bangladesh, is the lead arranger of the syndication. The other financiers in the syndication include Sonali Bank, Agrani Bank, Pubali Bank, Mutual Trust Bank, Southeast Bank, United Commercial Bank, National Bank, Dhaka Bank and Eastern Bank.

The BURO director said it is a five-year tenure loan with one-year grace period. "The interest rate for the first six months will be 15 percent. The rate will be fixed after linking it to the government's treasury bill and will be reviewed every year," he said.

HIGHLIGHTS



- BURO Bangladesh is a microfinance institution set up in 1990
- It provides microcredit to low-income people, particularly women, through 393 branches
- BURO has so far disbursed Tk 350 crore in microcredit
- The microfinance institution has 7 lakh customers and plans to add another 3 lakh by year-end.
- It plans to raise Tk 100 crore through syndicated term loans

Through the extended credit programme, BURO will rope in an additional three lakh credit recipients by year-end, taking the number to 10 lakh.

As part of the agricultural credit programme, BURO will provide loans for cattle rearing, fishery, fertiliser and insecticides.

BURO, which has 393 branches across the country, has so far disbursed Tk 350 crore among recipients. Of the disbursed amount, 40 percent are from bank borrowing.

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Shrimp fry producers face slack sales



SOHEL PARVEZ

Shrimp fry producers are worried about losses for the second consecutive year due to a slump in demand in the current cultivation season, industry insiders said.

"Virtually there is no demand in the market. We are producing half of our capacity," said Abu Sufian Chowdhury, managing director of Modern Hatchery, one of the leading shrimp fry producing firms.

"Not only us, most of the hatcheries are facing the same situation and the current price has gone below our production cost," said the official of Modern Hatchery, a sister concern of TK Group.

Hatcheries are facing slack sales, as shrimp farmers remain shaky in the wake of low price of the produce amid slide in shrimp export.

In the July-February period of 2008-09 fiscal year, exports of frozen foods, mainly shrimp, slipped by 11 percent to \$331.01 million as global financial crisis, deepened by credit crunch and job losses, worsened demand for the food item in the western economies.

Along with the slide in export earnings, many farmers, encouraged by high price of rice in mid-last year, allocated a portion of their lands for Boro cultivation this year.

The country's more than 50 shrimp hatcheries usually produce 800-1,000 crore of fries a year, and shrimp cultivation mainly takes place in 141,000 hectares of land in the coastal areas, according to official statistics.

"Farmers are now hesitant to go for cultivation as they fear getting lower price because of a slump in the global demand

for shrimp," said Sufian of Modern Hatchery.

He said the company could sell around 25 crore of fries in the last three months against the sale of around 40 crore in the same period last year.

Main Uddin Ahmad, president of Shrimp Hatchery Association of Bangladesh, said around 25 hatcheries out of 58 suspended production in recent times as prices of fry went below the production cost.

"Now we get around Tk 0.20 for each fry against our average production cost of Tk 0.25," he told The Daily Star.

"We are heading towards losses for another year," said Ahmad, who last year claimed that hatcheries, that usually produce fries during the January-July period, lost as much as Tk 100 crore the previous season.

Narayan Chandra Nath, project in-charge of another leading hatchery, Mostafa Shrimp Products Ltd, said prices of fry began to fall since February this year amid a demand decline.

"It's the peak season for us. If such a low price continues in April, we will really fall in trouble," he said.

Narayan said the company, like others, has slashed production to reduce losses.

He said the company is yet to produce 20 crore of fries since December. "We produced more than 70 crore of fries last year. But our total production may be as much as 50 crore this season," he said.

"The increase in production and price now depends on the global market. If it recovers, we may hope for the better."

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Govt's bank borrowings rise on slowing revenue

REJAUL KARIM BYRON

Government's bank borrowings have marked a 16 percent rise in about nine months of this fiscal year on the back of a slump in revenue collections, compared to the same period a year earlier.

The central bank data shows that such borrowings reached Tk 7,398 crore in the period from July to March 8. The amount was Tk 6,393 crore in the same period last year.

The government targeted a Tk 13,500 crore loans from banks this fiscal year.

A Bangladesh Bank report sent to the parliamentary standing committee on the finance ministry feared this would impact credit flows to the private sector.

"In this situation, revenue income

should be raised, cautionary attitude towards subsidies be adopted, and if necessary, initiative should be taken to collect money from foreign sources," the report suggested.

It also pointed to the liquidity pressures banks now feel and said the central bank has to extend repo support to the lending banks to cope with it.

The BB report also alerted the government of the possible low profit this time from its overseas foreign currency investments because of the ongoing global financial meltdown.

Meanwhile, the National Board of Revenue showed a Tk 2,500 crore shortfall in the revenue collection target during January-February.

The revenue officials attributed such a shortfall to less import duties and value-added taxes.

At import level, revenue collection growth was 8.69 percent in eight months of the current fiscal year. However, the February growth was 7.90 percent lower than in the same month a year earlier.

Revenues grew 11.84 percent to Tk 30,527 crore in a span of eight months until February against the Tk 54,500 crore target for fiscal 2008-09.

The growth was 26 percent in the same period a year earlier. The government set a 16 percent growth target for this fiscal year.

Recently, Finance Minister AMA Muhith expressed his fear that the government might run a Tk 400 crore short of the revenue collection target. "If the rate of deficiency continues until the end of the fiscal year the shortfall might cross Tk 3,000 crore," said an official of the ministry.

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