

DHAKA TUESDAY OCTOBER 13, 2009

## Stocks

DGEN ▼ 0.69%  
3,236.97

CSCX ▼ 0.30%  
7,025.56

## Asian Markets

MUMBAI ▲ 2.31%  
17,026.67

TOKYO Closed

SINGAPORE ▲ 1.05%  
2,680.87

SHANGHAI ▼ 0.59%  
2,894.48

## Currencies

Buy Tk Sell Tk  
USD 68.42 69.42

EUR 98.74 103.99

GBP 106.37 111.77

JPY 0.74 0.84

SOURCE: STANDARD CHARTERED BANK

## Commodities

Gold ▲ \$1,052.32  
(per ounce)

Oil ▲ \$72.58  
(per barrel)

SOURCE: AFP  
(Midday Trade)

## Steps taken to implement ADP fully, says Khandker

STAR BUSINESS REPORT

The government has put its all-out efforts to get annual development programmes (ADP) implemented fully, Planning Minister AK Khandker told parliament yesterday.

"The main target is to implement ADP at hundred percent in FY2009-10," he said.

The minister listed a number of measures to achieve such target, which includes review of progress in the execution of main projects under the ADP. A taskforce headed by secretary of the Implementation, Monitoring and Evaluation Division (IMED) will do the job, he said during a question-answer hour.

In July and August, the amount released by the government is Tk 3293 crore for project implementation, Khandker told the House. The total budgetary allocation for 886 development projects this fiscal is Tk 30,500 crore.

The planning minister further informed his fellow lawmakers that different ministries and divisions have been directed to complete floating tenders and work orders by December 31 for the procurement and appointment of consultants to the development projects.

He said those were also asked to appoint efficient and experienced project directors and ensure that these directors are not transferred before completion of the respective projects.

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## BB moves to mop up liquidity

Reverse repo rate down 4 points

REJAUL KARIM BYRON

Bangladesh Bank (BB) has moved to resume reverse repo operations after a brief lull -- to take excess liquidity off the banking sector -- but cut its interest rate by 4 percentage points.

After remaining quiet on the matter for about seven months, the central bank announced the new plans.

The banking sector is currently witnessing a liquidity glut of about Tk 38,000 crore, up from nearly Tk 35,000 crore in June.

From today, BB will offer a 2.5 percent interest rate for reverse repo, down from 6.5 percent in March.

BB officials said the reverse repo operations will encourage banks to take part in auctions as the reduced rate is still higher than the present call money rate, now hovering around 1 percent amid drooping demand for money.

BB aims to pin inflation at 6.5 percent for fiscal 2009-10, reduced the interest rate on a lending instrument -- repo -- by 4 percentage points to 4.5 percent -- keeping a door open for the banks to seek loans in times of need.

BB has moved to resume short-term money market instrument operations, as monthly inflation edged up.

In July, point-to-point inflation rose to 3.46 percent from 2.25 percent a month ago.

Officials, referring to excess liquidity in the banks, said some banks are extending consumers credit because of poor demand for loans in the productive sector.

"It may cause a rise in inflation due to a rise in demand," a BB official said.

Referring to the present call money rate, he said as demand for money in the banking sector remains low, "it will encourage banks to lend money to the central bank at a rate of 2.5 percent interest".

"But if commercial banks need money in the short term, they will be able to borrow from the central bank."



Lighting products of Osram are on display at a ceremony organised to mark the launch of IlluminateBD Ltd, the local representative of Osram, at Radisson Water Garden Hotel in Dhaka yesterday.

## Central bank to track farm loan by mobile

STAR BUSINESS REPORT

Bangladesh Bank (BB) has advised banks to preserve the mobile phone number of each customer in their files to be able to monitor the distribution of farm loans.

The central bank has recently issued a circular to all banks.

The circular also said that if the agricultural loan customer does not have a mobile phone, his neighbour's mobile number must be preserved in the customer's file.

A BB official said there were allegations of irregularities in the distribution of agricultural loans. The provision has been put in place to promptly detect such irregularities.

An inspection team visiting a bank branch will now be able to reach the loan recipient easily.

BB has undertaken the initiative to facilitate proper distribution of the agricultural loans, an official said. The bank has appointed 83 new assistant directors and their training scheme includes training at field level.

The 83 new recruits will be trained to monitor whether or not farm loans are being properly distributed.

## Investment yet to pick up

REJAUL KARIM BYRON

The government is yet to bring both public and private investments out of their sluggish mood although an ambitious budget was announced for the current fiscal year.

Only four percent of the big Annual Development Programme (ADP) was implemented in the first two months of the current fiscal year, according to latest information.

At the same time import of capital machinery and industrial raw materials showed negative trend, meaning private investment is yet to pick up.

Research Director at Bangladesh Institute of Development Studies Zaid Bakht said the GDP growth target of 5.5 percent will not be achieved if the public and private investment does not increase.

Meanwhile, the World Bank Economic update also said Bangladesh continues to face several risks that affect its short-term prospects for growth and poverty reduction. The risks include slower ADP implementation, power shortage and global recession.

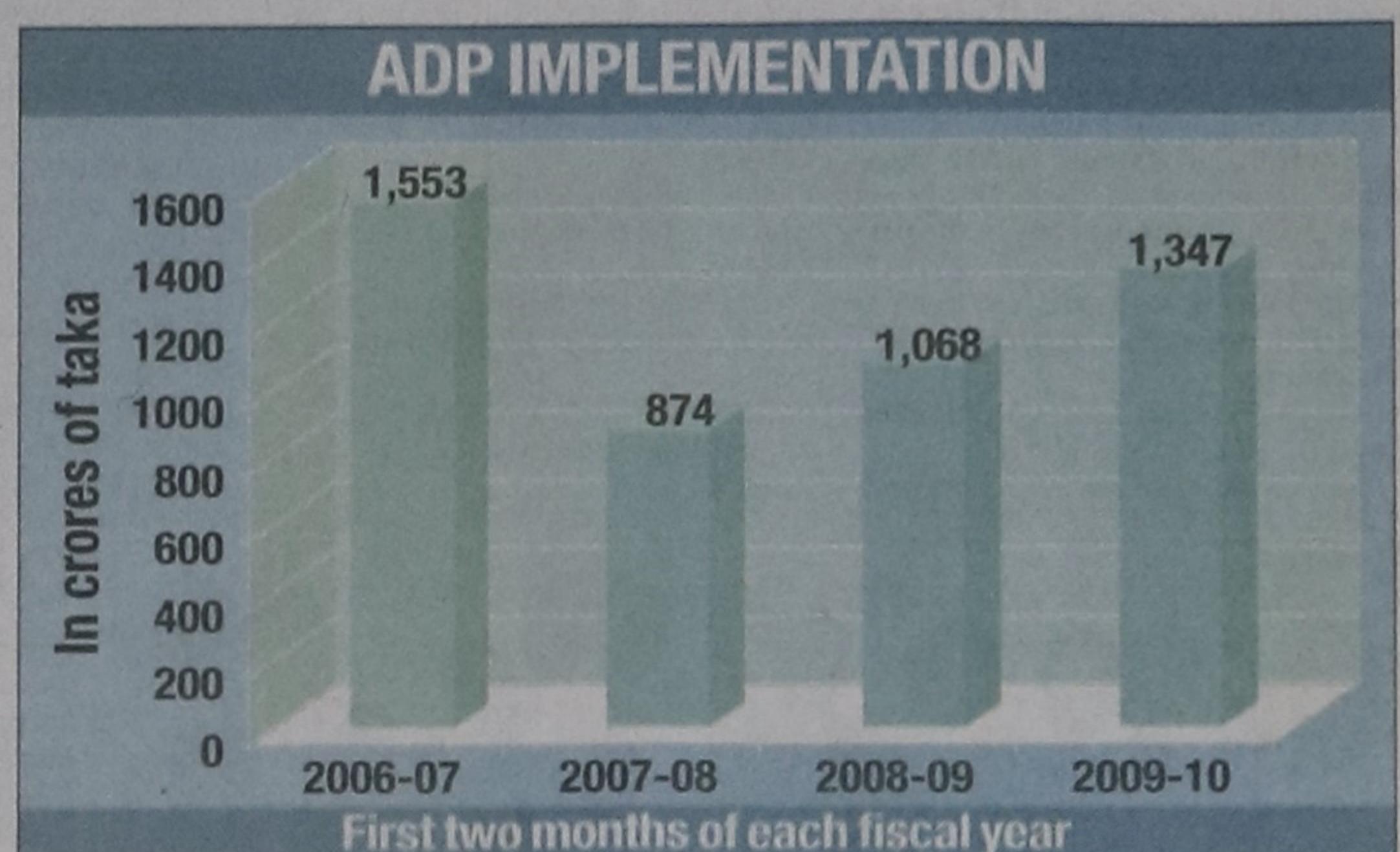
According to a report of the planning ministry's Implementation, Monitoring & Evaluation Division (IMED), Tk 1,347 crore out of the total ADP outlay of Tk 30,500 crore was implemented in the July-August period of the current fiscal year.

In FY2007-08 and FY2008-09 the implementation was Tk 874 crore or 3 percent and Tk 1,086 crore or 4 percent respectively in the first two months.

ADP implementation witnessed its slowest pace during the caretaker government's regime. The implementation in the current year was comparatively better, but if the rate is compared with that in FY2006-07, it is frustrating.

In the first two months of FY2006-07 the implementation was Tk 1,553 crore or 6 percent.

The ADP size of Tk 30,500 crore in the current year is about 56 percent higher than last year's real expenditure. An IMED official said the implementation rate during the first two



months does not match the ADP size.

According to Bangladesh Bank's Letter of Credit (L/C) settlement statistics, capital machinery import dropped by 22.36 percent in the July-August period of the current year over the same period a year ago.

Import of industrial raw materials also fell by 20.81 percent, while the rate of L/C opening for industrial raw materials went down by 12.56 percent.

Call money rate was 1.76 percent on October 6, which was 9.13 percent on the same day last fiscal year. This means there is no credit demand in banks now.

Import and export also showed negative trend in July this year when import dropped 16.63 percent and export 6.80 percent.

Zaid Bakht said: "The government took the strategy of increasing public investment to make domestic economy vibrant. But the strategy did not work."

As the public investment did not increase, the private investment also did not roll in, he said. Another cause for sluggish private invest-

ment is shortage of power and gas, he added.

The WB has recently prepared an economic update on Bangladesh, which is yet to be released. The report said power shortages are the most serious and immediate of the infrastructure constraints with damaging impact on productivity and investment.

The WB report said the implementation of the ADP, which is 56 percent more than the real expenditure of the previous fiscal year's ADP, is a big challenge.

It said: "Experience has shown that the ADP utilisation has been slow and never exceeded Tk 200 billion in the past."

However Finance Minister AMA Muhith on Sunday said the finance ministry and the planning ministry have been continuously putting pressure on other ministries to expedite ADP implementation.

However, he admitted that public investment might not increase much. So the government would lay emphasis on increasing foreign and domestic investment in the private sector to improve investment.

## First local beer debuts

SOHEL PARVEZ and SAJJADUR RAHMAN

A local company has launched the first Bangladeshi-brewed beer earlier this month to compete with high-priced imported peers.

At authorised liquor stores, a 330ml Hunter beer with 5 percent alcohol sells at up to Tk 100 to licensed drinkers.

The brewer -- Crown Beverage Ltd, a concern of Jamuna Group -- however said responses from the government-approved liquor retailing stores remain lukewarm.

"Our beer is still at introductory stages," Md Nurul Islam, chairman of Jamuna, told The Daily Star yesterday.

Crown Beverage began brewing beer after receiving a licence from the Department of Narcotics Control, which granted the permission based on a verdict from the Supreme Court this year.

"But we have no scope to market the product openly. We will only be able to sell beer to those who have the licence to sell liquor to permitted drinkers," he said.

Officials of the Department of Narcotics Control said the company would be able to sell its beer to off-shops, bars, clubs and hotels that have a permission to sell.

Crown Beverage debuts at a time when the market for beers is dominated by imported varieties. However, a bulk of foreign beers enters the local market through illegal channels.

The Jamuna Group chairman expects the local beer will curb the use of drugs such as Phensidyl among the youth.

"It will also help the government earn revenue," he said.

According to officials at the Department of Narcotics Control, the government usually receives about Tk 50 crore in revenues from the sale and import of several types of liquor.

Nurul Islam said the company charges government-authorised liquor stores Tk 60 in wholesale prices for a Hunter beer.

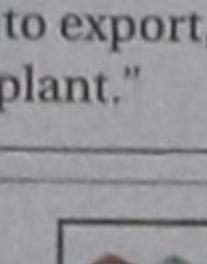
Bars charge between Tk 150-Tk 160 for a Hunter beer, while the price of imported beers, such as Heineken, stands at about Tk 250 at city inns.

"We are trying to ensure that the price of our beer is Tk 100 at the authorised liquor stores, so that the price remains within affordable limits," he said.

Crown Beverage is advancing slowly despite having a plant at Shafipur, Gazipur with a capacity of brewing 30 tonnes of beer a day with the major raw materials -- malt and hops -- being imported from abroad.

"We are brewing about 2 tonnes of beer a day as the market is not fully aware of our product," said the chairman, expecting the company to record good sales after at least six months.

"We have plans to export," he said. "For that we will have to set up a bottling plant."



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## Bangladesh to become carmaker

STAR BUSINESS REPORT

Bangladesh is set to become an automaker by the next two years, as a South Korean investment company yesterday announced a plan to invest \$2 billion for setting up a Korean brand car manufacturing plant in the country.

The proposed car unit is expected to go into production in 2012, targeting to make 50,000 Korean Tagaz brand cars a year, and sell those in both local and international markets.

The plant will also manufacture cars to be branded locally.

If the plant is set up in time, it will be the first-ever car making venture in Bangladesh.

Industries Minister Dilip Barua formally unveiled the \$2 billion investment plan, and termed it as a good sign for Bangladesh amid a sluggish foreign investment flow.

CCGI Chairman Lee Young Choung said his company has already decided to invest more in Bangladesh besides the car manufacturing plant. He said CCGI has plans to invest in 30 sectors in future.

Presently Japanese reconditioned cars dominate the Bangladesh market. Around 20,000 used cars are imported each year, while the number is 2,000 for brand new cars.

Some brand new carmakers like Ford have already initiated move to enhance their presence in Bangladesh.

Japanese Toyota still leads the market in both used and brand new car segments.