# growth path

Central bank governor tells Commonwealth counterparts

STAR BUSINESS REPORT

Bangladesh, despite being a low-income small economy, retained firm footing on sustained growth path during and after the global crisis, thanks to prudent domestic economic management, the central bank governor has said.

The prudent steps have preserved macroeconomic stability in the country in the face of fiscal costs of support packages for sectors hurt by export demand slowdown and of stimulus package to maintain domestic demand, Atiur Rahman told a meeting of Commonwealth central bank governors in Washington yesterday.

He said limited, regulated external exposure protected the domestic financial institutions from contagion of toxic assets of the troubled advanced markets. "In contrast with liquidity crunch in the global markets, surging fund inflows from expatriate Bangladeshis kept providing ample liquidity to financial institutions, enabling them to help out the sectors affected by weakening

export demand." The governor however warned: "Bangladesh remains vulnerable to instability risks in global imbalances, cumulating from prolonged spells of unbalanced domestic policies in large economies that create incentives for irresponsible behaviour in financial institutions and markets seeking high returns, repeating the cycle of risk buildup and eventual bust."

Bangladesh Bank governor was speaking on 'Developing Countries and the New Global Financial Regulatory Architecture: A Bangladesh Perspective' at the Commonwealth Central Bank Governors Meeting at the International Monetary Fund headquarters in the US capital, according to a dispatch to The Daily Star.

Rahman said the ongoing review of global norms and standards of financial sector regulation and supervision would hopefully lead to safer, better managed and better regulated financial sectors.

"But prevention of future crises will also require prevention of buildup of global imbalances. The important task of inclusion of preventive safeguards in the global monetary order against negative spillovers from unbalanced domestic policies of larger economies remains to be taken up in right earnest."

He said recommendations put forward by global regulators having immediate relevance to Bangladesh have promptly been studied and appropriately adopted.



**Atiur Rahman** 

Rahman said the financial sector in Bangladesh is still at early development stage, as there is no internationally active domestic bank or financial institution large enough to raise major cross-border systemic or interconnectedness concerns.

"We didn't therefore need much new immediate addition to our regulation during or following the global financial crisis," he said. "Nevertheless, we tightened our supervision with sharper system-wide stability focus, particularly on risk management and disclosure practices."

"Monitoring on adherence of banks to the regulatory limits on their capital market activities has been intensified. Recently banks have been directed to conduct all their capital market business through separate subsidiaries. Besides, compulsory periodical stress testing routines have been introduced in banks to identify, monitor and report their vulnerabilities," the central bank chief said.

Rahman also informed the governors that in line with the Basel Committee on Banking Supervision standards, the supervision work of Bangladesh Bank resumed focusing on capital adequacy, solvency, liquidity, risk management and corporate governance.

Bangladesh has adopted the Basel II capital regime earlier this year.

Last year, International Monetary Fund conducted stress test and assessed Bangladesh's financial sector. It commented, at that time, the banks are in good health, noting the progresses in strengthening soundness, stability and resilience.

Rahman however said despite all achievements, a major market failure persists in reaching out to the poorer population segments and to some important economic sectors like agriculture and small and medium enterprises.

# Bangladesh on IMF tries to rebuild consensus

REUTERS, Washington

The International Monetary Fund on Thursday sought to head off a battle over currency values and restore global economic cooperation strained by an uneven recovery from the financial crisis.

IMF Managing Director Dominique Strauss-Kahn said at a news conference that a weakening in the spirit of cooperation that grew out of the crisis was regrettable and said an adjustment in currency values must be part of economic rebalancing.

"I think it's fair to say that momentum is not vanishing but decreasing and that's a real threat," he warned. "Everybody has to keep in mind this mantra that there is no domestic solution to a global crisis."

Strauss-Kahn said he disliked the notion that a currency war was brewing because the term was "too military" but conceded "it's fair to say that many do consider their currency as a weapon and that's certainly not for the good of the global economy."

This weekend's semi-annual the US dollar. meetings of the IMF and World Bank and a Friday night session of Group of Seven finance chiefs -- are expected to provide a forum for intense discussions about efforts to persuade China to let its currency rise and tamp down pressures for other emerging countries to control capital flows.

Strauss-Kahn said having a bigger say at the IMF, as requested by big emerging economies like China, comes with greater responsibility in the global economy.

"If you want to be at the centre of the system ... it goes with having more responsibility in the system," he said.

In an interview published by Le Monde earlier on Thursday, Strauss-Kahn pointed at China's currency policy as a primary sticking point in efforts to rebalance the global economy.

"The undervaluation of the (Chinese) yuan is the source of tensions in the world economy which are in the process of becoming a threat," he told the newspaper. "If we want to avoid creating the conditions for a new crisis, China will need to accelerate the appreciation process."

Slow-growing advanced economies want to export their way to a stronger recovery, and a weaker currency would help. The United States has repeatedly expressed frustration with the slow pace at which the yuan is rising. China held the yuan stable during

the financial crisis but in June promised to let it respond more freely to market forces, but since then it has risen only about 2.0 percent against A desire to protect its economy led

Japan to intervene in foreign exchange markets for the first time in six years last month to weaken the yen.

Many emerging markets have initiated measures to control capital flows in a bid to keep their currencies from appreciating too rapidly.

The US Federal Reserve is considering printing more money to buy assets in the hope of speeding up the pace of US growth to bring down high unemployment. The side effect is a weaker dollar that

IMF world growth forecast

Annual change Annual change in GDP (%) 2008 2010\* 2011\* 2009 4.8 4.2 2.8 -0.6 2.7 2.2 Advanced economies -3.2 0.2 **United States** 2.3 -2.6 0.5 1.5 1.7 -4.1 Eurozone Germany 3.3 -4.7 0.1 -2.5 France Italy -1.3 -3.7 0.7 0.9 -0.3 -0.1 -4.9 1.7 -5.2 Japan -1.2 2.7 Canada -2.50.5 3.1 Emerging and 2.5 7.1 6.4 developing economies Eastern and Central 3.1 -3.63.7 Europe 5.2 -7.9 4.3 Russia 7.7 9.4 6.9 8.4 **Developing Asia** 10.5 9.6 China 9.6 9.1 9.7 5.7 8.4 6.4 India 5.7 -1.7 Latin America and Caribbean 4.3 7.5 Brazil 5.1 -0.2 4.1 Mexico 3.9 1.5 -6.5 Middle East and 4.1 5.1 North Africa 2.6 Sub-Saharan Africa

is fuelling global tensions.

Source: International Monetary Fund (IMF)

Since mid-June, the US dollar has fallen nearly 13 percent against major currencies a basket of currencies, erasing most of the gains it racked up earlier in the year when European sovereign debt worries sent investors scrambling for safety.

Emerging markets are caught in the crossfire. Investors turned off by low

returns in the United States and elsewhere are pouring money into fastgrowing economies such as Brazil, driving up asset prices and inflation.

\*forecasts

Strauss-Kahn told the news conference that actions to control disruptive currency swings were understandable but that over the medium term currencies would have to adjust in order to permit a necessary rebalancing of the global economy.

#### GM recalls 4,000 Cadillacs

AFP, Chicago

General Motors recalled 3,996 Cadillac SRX sport utility vehicles in the United States and China Thursday because of a defect which could cause a fire in the engine.

GM said the vehicles could possibly have damaged steering lines and that a fire could occur if the power steering fluid leaks onto hot engine parts. GM said it was aware of one such fire in an unat-

tended SRX but there have been no related injuries or crashes.

"Based on GM analysis, the issue is believed to exist in only two or three of the recalled vehicles," GM said in a statement.

341 in China which were built in December 2009.

Owners will be notified by mail and the inspection and any necessary repair will be performed free of charge.

The recall affects 3,460 vehicles in the United States and



Religious Affairs in Dhaka on Wednesday. Citycell subscribers can get hajj related information by dialing 1412 from their mobiles. The mobile operator will also give 5,000 bags for balloti hajj pilgrims. Md Bazlul Haque Biswas, hajj officer for the ministry, and Taslim Ahmed, head of marketing communications of Citycell, were present.

#### Bay Leasing gets new MD

STAR BUSINESS DESK

Bay Leasing and Investment Ltd has appointed Iftekhar Ali Khan as its managing director recently, says a statement.

Prior to joining Bay Leasing, he also served a Singapore based finance company as country head.

Starting career with ANZ Grindlays Bank, Khan joined Standard Chartered Bank in 1994 as area head of Chittagong. He has 25 years of experience in multinational and local banks and financial institutions.

## Microlenders should add to healthcare

#### Says leading economist

STAR BUSINESS REPORT

Bangladesh's microfinanciers could "step in to fill the gap" left by the government's limited ability healthcare services to the people, a leading health economist said yesterday.

Microcredit could be evaluated as a public health intervention due to persistence of health inequalities and limited government ability, said Prof Cam Donaldson, Yunus Chair for Research in Social Business and Health, Glasgow Caledonian University in the UK, at a seminar in state." Dhaka yesterday.

The Department of Career and Professional Development Services (CPDS) organised the event at North South University. NSU Vice Chancellor Hafiz G A Siddiqi chaired the seminar on 'Markets and Health in the Home of Smith and DrYunus'.

Donaldson said 250 years ago,

Adam Smith's influential work The Wealth of Nations described the positive impacts of commerce on prosperity and well-being.

"Now, Muhammad Yunus, and market's failures to bring today's Adam Smith, through his work Building Social Business, is championing the same message at home and abroad," he said.

> He said governments across the world, including Bangladesh, have limited abilities to alter material circumstances. "So we need new solutions and we have to engage with microcredit for creating dependency on self instead of the

> "Due to market failures, the microfinanciers can step in and fill the gap, as there is a potential for them to provide healthcare," Donaldson said, pointing to Bangladesh's path-breaking success in microcredit.

He said if they introduce participatory enterprise, it will be good for

individuals as well as communities, as the percentage of healthcare expenditures coming from the government purse is just 35-40 percent of total national health spending.

The professor said the social business in the health sector. microfinanciers would need to make the healthcare services costeffective, but they should not think about payment, as Yunus has already proven that the repayment rate among the tiny borrowers is quite high.

"Of course, social business schemes will face some challenges in launching health products, but there is long-term prospect for Grameen Bank and other models for expanding, paving way for a wider coverage of social business," said the founding Yunus professor.

Hafiz GA Siddiqi said microcredit has changed many lives and become a global model in lifting people out of abject poverty. "If we could do the same in the health

sector, it would be huge." He said Yunus, through Grameen Bank, has proved that the poor repay loans, so there is a huge potential in the country to launch

The educationist also urged all to understand the philosophy of social business and use the model to improve the health sector in Bangladesh.

Microcredit is a form of collateral-free small loan that is distributed to people with low incomes, while social business, another economic theory of Yunus, is a new kind of capitalism that serves humanity's most pressing needs. In social business, an investor aims to help others without making any financial gain for himself.

CPDS Chairman Abdul Hannan and representatives from Yunus Centre were also present on the occasion.

#### Investor Searching

Sector: Environmental & Ground Water Engineering Technology, nvestment Need: 50 Lac; Minimum Inv.: 25 Lac; Office location: Dhaka; Proposed Profit margin: 25%; Inv. period: Minimum 1 year; stablished: 2005; Inv. Reason: Machineries Purchase; Inv. Role Individual/Firm/Society/Cooperative; In hand Project value: 4 Crore. Feel free to inquiry MD. R. Hasan 8751330/01713302920

> রাজউক উত্তরা ৩য় পর্ব সংলগ্ন প্রাট বরাদ্দ চলছে....

- সম্পূর্ণ নিস্কন্টক ও প্রাকৃতিকভাবে উঁচু জমি।
- ৪৮ ঘন্টার মধ্যে সাক্ত-কবলা রেজিট্রেশন।
- \* ত্রেভাদের স্বার্থে সহজ কিন্তির ব্যবস্থা।

দখিনা সিটিঃ বাড়ী # ০১, রোড # ১৪বি, সেষ্টার # ০৪, উন্তরা, ঢাকা - ১২৩০। रकानः ४%) १७७५२, ०) १)) १४४ १०७, ०) %२७७४ १७७%, ०) %२७७४ १७) ४

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#### Government of the People's Republic of Bangladesh

Office of the Project Director Clean Air and Sustainable Environment (CASE)-Project Department of Environment E-16, Agargaon, Sher-e-Bangla Nagar Dhaka-1207

"প্রাকৃতিক সপ্তাশ্চার্য নির্বাচনে সুন্দরবনকে ভোট দিন"

Memo No. Paribesh/CASE/CAMS Equipment-031/2010/297 Date: 05/10/2010

#### Corrigendum

This is to inform all concerned that the following amendment has been made in the IFB number: ICB-01/2010-11 & IFB title-Equipment for six (06) Continuous Air Monitoring Station (CAMS) in different cities in Bangladesh and Central Air Monitoring Laboratory (Contract package No-CASE-DOE-G1) Vide Memo No. Paribesh/CASE/CAMS Equipment-031/2010/257 Dated: 24/08/2010.

2. The deadline for submission of bids has been extended to 24 October from 13 October 2010. Bids shall be submitted on or before 3.30pm on the date as above. All other terms and conditions shall remain unchanged.

> **Project Director** PIU, DOE Component

Clear Air and Sustainable Environment (CASE)-Project Department of Environment E-16, Agargaon, Sher-e-Bangla Nagar Dhaka-1207

Canada Bangladesh Chamber of Commerce and Industry (CanCham) President Masud Rahman poses with the visiting Canadian Commercial Corporation Director Don Olson and Canadian High Commissioner in Bangladesh Robert McDougall at a programme in Dhaka on Wednesday.

### RMG testing lab opens in Dhaka

STAR BUSINESS REPORT

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Spanish retail giant Inditex have jointly opened a testing laboratory at the BGMEA office in Dhaka to conduct chemical and dye tests of exportable clothing items.

Inditex will provide technical supports for setting up the lab, which will go into operations soon, said BGMEA President Abdus Salam Murshedy at the inauguration yesterday.

Inditex Group, one of the world's largest fashion retailers, has 4,607 stores in 74 countries. Once the lab goes into operations, the

exporters will be able to get their clothing items tested by paying a certain amount of fee, he said. At present, the exporters take such testing services from some international labs for certification.

of understanding with Inditex in Spain on April 29 to set up the lab.

While inaugurating the lab as the chief guest, Labour and Employment Minister Khandker Mosharraf Hossain asked the garment owners to pay the salary and other benefits to the workers in time before Eid-ul-Azha.

The minister also stressed that the new wage structure for the garment workers will come into effect from November 1.

"We will sit with all stakeholders soon to discuss the complaints of the workers and owners, but the new wage will be effective from November 1," he said. He also handed over cheques to the rela-

tives of 20 deceased workers of different RMG factories. At the function, Antonio Abril Abadin,

general counsel and secretary of the board of Inditex SA, said his company will continue supports for the development of readymade garment sector in Bangladesh.

Spanish Ambassador in Dhaka Arturo Earlier, BGMEA signed a memorandum Manuel Perez Martinez said Spain is dependent on import of clothing items and in this case Bangladesh is playing an important role.

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GD-4258