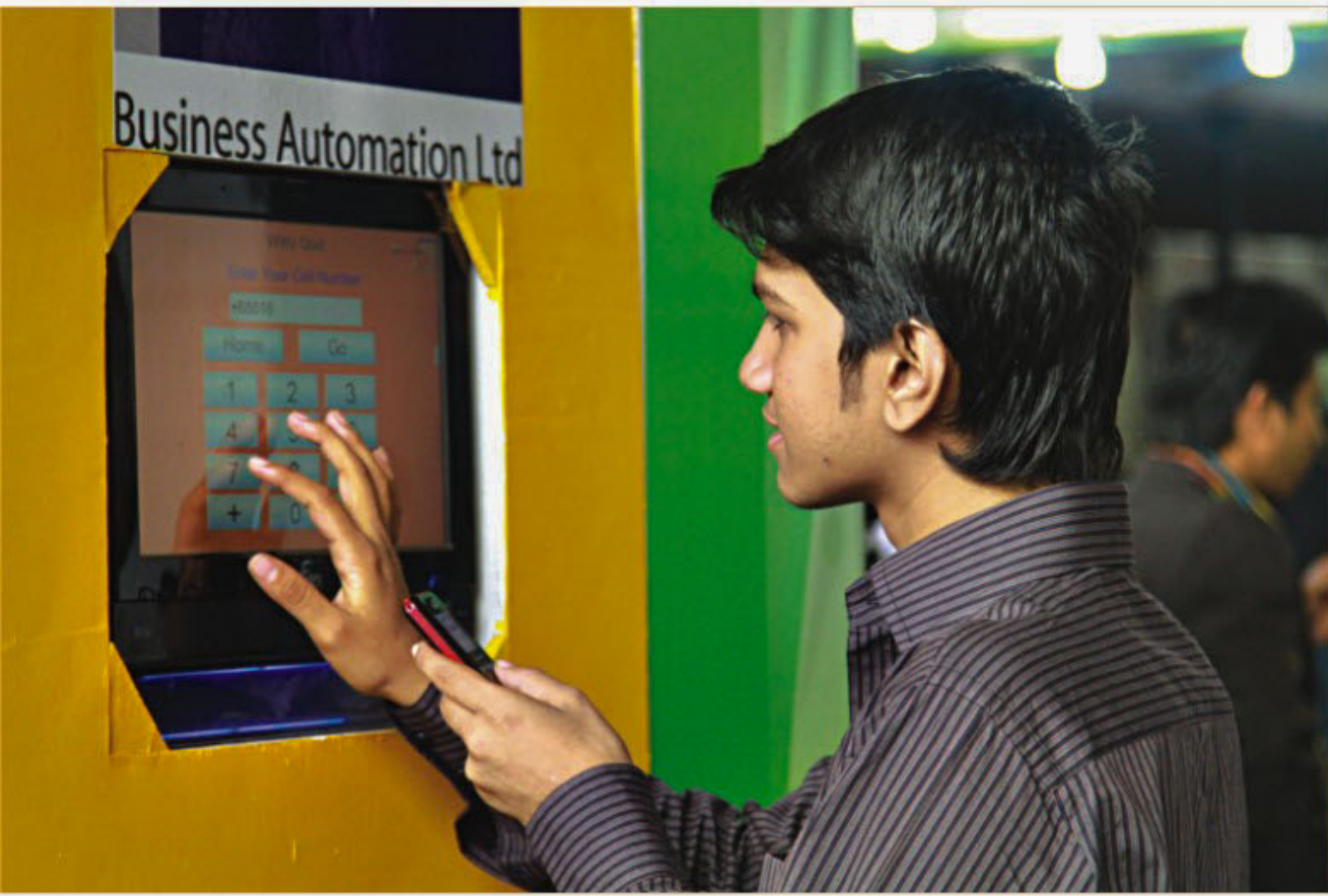


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DHAKA WEDNESDAY FEBRUARY 2, 2011, e-mail:business@thedailystar.net



A visitor inserts mobile numbers into specialised software to take part in a quiz competition at the stall of Business Automation Ltd at a software and ICT-enabled services exposition -- BASIS SoftExpo -- in Dhaka yesterday. Story on B3

STAR

Foreign aid declines 45pc

REJAUL KARIM BYRON

In the first six months of the current fiscal year, foreign aid fell by 45 per cent compared to the same period of the previous fiscal year due to a delay by government agencies in implementing foreign-aided projects and curtailed budget support.

The Economic Relations Division (ERD) identified 35 problematic foreign-aided projects and will hold a meeting with different ministries next week to find the specific causes for their failure.

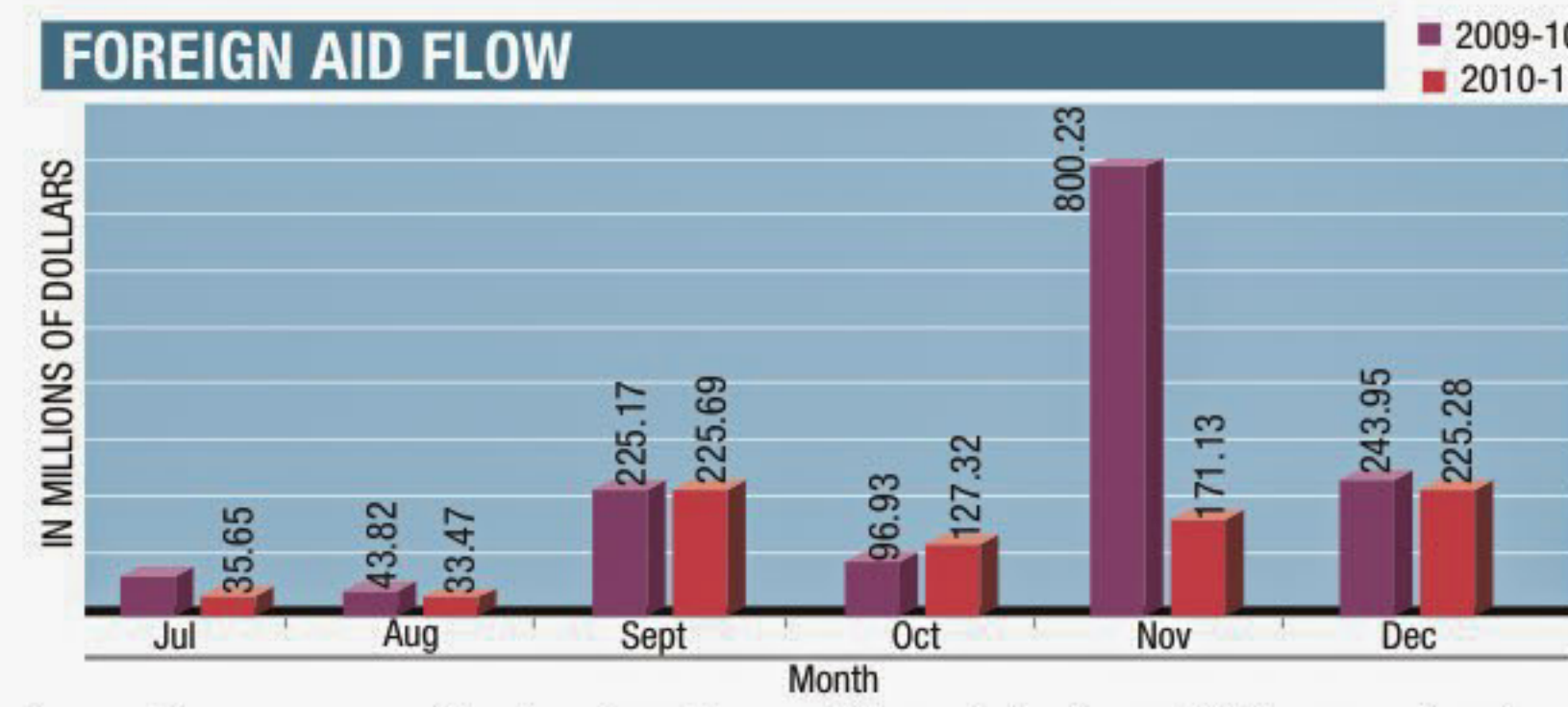
The overall balance of payments that ran a huge surplus in the last fiscal year has showed a deficit now.

During July-December period, Bangladesh received foreign aid of \$818 million which was \$1.48 billion in the same period of the previous year, according to a Bangladesh Bank report.

Contacted, ERD Secretary Musharraf Hossain Bhuiyan said the Asian Development Bank provided large budget support in the last fiscal year, which is missing this fiscal year.

If the historical trend is taken into account, he said, foreign aid did not fall much in the current fiscal year. The Asian Development Bank gave \$635 million budget support in the first six months of last fiscal year.

Musharraf said no budget support has yet been received this fiscal year



but talks are on with the development partners, and if assistance is available at the end of the year the total assistance will weigh heavier.

According to BB statistics, Bangladesh received foreign aid ranging from \$1.43 billion to \$1.66 billion a year from fiscal 2004-05 to fiscal 2008-09. The year 2007-08 was an exception though, when the figure was \$1.95 billion. In fiscal 2009-10, Bangladesh received a high foreign aid of \$2.16 billion.

In the annual development programme (ADP) for the first six months of the current fiscal year, the implementation of foreign funded projects was low. The project aid utilisation was Tk 2,776 crore or 18 per cent of the total allocation, which was Tk 3,579 crore or 28 per cent of the allocation in the last fiscal year.

The planning minister has recently held a meeting with all ministries on ADP implementation.

The ministries told the meeting that the foreign aid utilisation was delayed due to the conditions imposed by donors.

But ERD's initial findings showed that the delay in bidding and other causes delayed the use of aid money. The ministries have lowered their demands for foreign fund in the said 35 projects.

As the foreign aid flow fell, the overall balance deficit in the first six months of the current fiscal year was \$584 million, which was a \$2.16 billion surplus in the same period of the previous fiscal year.

The deficit was also caused by negative growth in remittance this fiscal year. Slight positive trends, however, were apparent in the foreign direct investment and portfolio investment scenarios. In the first five months of the current fiscal year, the net FDI inflow was \$320 million which was \$285 million in the same period of last fiscal year.

Share loans: SEC puts onus on lenders

Bourses can transfer or stop stock trade without SEC instruction

STAR BUSINESS REPORT

In a major step, the Securities and Exchange Commission (SEC) yesterday decided to let lenders take decisions on share credit and perform other tasks related to margin loan disbursement and maintenance.

The merchant banks and stockbrokers, who provide margin loans for share purchase, will however have to report to the SEC on credit disbursement and maintenance on a monthly basis so that the regulator can monitor.

Previously, the SEC had fixed the loan ratio and the lenders provided credit in line with the limit, but the regulator was facing strong criticism from experts and market intermediaries for its role in share credit.

In another move, the SEC allowed stock exchanges to take decisions on some other issues such as transfer of securities from one trading market to another, and suspension of stock trading. Earlier, the bourses acted only on

instructions from the SEC.

The decisions came from SEC's meeting with merchant banks and the twin bourses. The commission's Chairman Ziaul Haque Khondker presided over the meeting, attended by presidents and chief executive officers of Dhaka and Chittagong stock exchanges, president of Bangladesh Merchant Banker's Association (BMBA), and three executive directors of the SEC.

However, the SEC handed over a task to the BMBA to make a 'guideline' on margin loan and asked the association to submit it by February 10 to the commission for regulatory approval, said Saifur Rahman, an executive director of the SEC.

"While preparing the guideline, some issues will have to be considered such as valuation method of securities in a client's portfolio, highest limit or ratio of margin loan, certain procedures on margin call or forced sell and considering the existing securities rules and regulations,"

he said in a press briefing.

Once the margin loan ratio is fixed, the limit can be reset after six months. "The revised loan ratio will come into effect from the first trading day of every January or July," Rahman said.

He said after the new decisions takes effect, every merchant bank will have to submit reports on previous month's loan disbursement and maintenance, while the stockbrokers will have to submit similar reports through their exchanges.

On the bourses responsibilities, he said, the stock exchanges can shift trading of securities from public market to spot market by their own decision, and can also stop trading of stocks considering the price movement or the market situation.

"They only have to inform the commission after taking such a decision," the SEC executive director said, adding: "It will help the stock exchanges to play their role as statutory regulatory organisation."

Six firms fined for non-disclosure

STAR BUSINESS REPORT

The Dhaka Stock Exchange (DSE) has slapped a daily fine of Tk 500 on six listed companies as they failed to disclose their half-yearly or quarterly financial statements in time.

The companies will have to pay the daily fine until they disclose and submit the financial statements to the premier bourse.

According to the DSE, 103 companies were required to disclose and submit their half-yearly or quarterly financial statements by January 31. Of them, 92 announced and submitted their financial reports in time, while five have sought time-

SIX COMPANIES

- Bangladesh Shipping Corporation
- Hakkani Pulp and Paper
- Imam Button
- Jamuna Oil
- Meghna Petroleum
- United Airways

extension. Profit increased for 69 companies out of 92, while profit decreased for 11. Two firms' loss increased and three posted a decline in losses. The perfor-

mance of 72 companies increased, while performance of 13 declined. Meanwhile, Dhaka stocks fell for a second day, with the general index of the DSE plummeting 203 points, or 2.7 percent, to 7,280.

"Correction accelerated as the session progressed and apart from institutional profit booking, sales pressure of investors who are still reeling from the earlier index fall fueled the DGEN decline," said a stockbroker.

Chittagong stocks also plunged yesterday, with the selective categories index of Chittagong Stock Exchange declining 382 points, or 2.7 percent, to 13,490.

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Two border markets in a month

SAJJADUR RAHMAN

Two border markets between Bangladesh and India will open in a month as the two countries have resolved major issues, such as identity cards for participants and exchange of currencies, commerce ministry officials said.

These two markets, or haats, are

Lawerghor in Sunamganj and Kaliarchar in Kurigram. On the other side, the markets will be in the Indian state of Meghalaya.

"There will be common ID cards for participants at these haats. Bangladesh has already approved the card and sent it to India for approval," said a senior commerce ministry official yesterday.

Bangladesh and India signed a memorandum of understanding to establish border markets in October last year on a pilot basis. But operations were left hanging on different issues, like marking the space required and participants, use of foreign currency, formation of committees, commodities to be sold and fencing the market areas.

Opening soon

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