

STOCKS		COMMODITIES		ASIAN MARKETS		CURRENCIES						
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
6.92%	7.00%	\$1,416.00	\$101.73	0.84%	0.61%	1.04%	0.79%	72.20	98.25	113.94	0.86	
6,179.52	11,245.80	(per ounce)	(per barrel)	18,174.09	10,254.43	3,043.49	2,933.80	BUY TK	73.20	104.15	120.06	0.94
								SELL TK				



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DHAKA MONDAY MARCH 14, 2011, e-mail: business@thedailystar.net

Project faults stymie WB fund flow

STAR BUSINESS REPORT

Bangladesh did not receive funds in line with the rise in commitments by the World Bank (WB) because of low-level of implementation of projects by the government. In the last three years, the WB's cumulative disbursement against its financing commitments to Bangladesh hovered between 16 percent in fiscal 2008 and 35 percent in fiscal 2010. During the current fiscal year, its cumulative disbursement is likely to be 40 percent of the total net commitments at nearly \$3.5 million. Such a discrepancy between commitments and disbursements was shared at a programme on 'Joint Country Performance and Results Review for Bangladesh World Bank Country Assistance Strategy 2011-14'. The WB and Economic Relations Division (ERD) under the finance ministry organised the programme at NEC auditorium in Dhaka. Top officials of the donor agency and the government attended the review of results, the first annual review conducted to take stock of results being achieved under Bangladesh's development programme, supported by the WB. "Disbursement and implementation did not take place with the growth in commitment. Disbursement and implementation lag behind," said Mashiur Rahman, economic affairs adviser to the prime minister, at the programme. He blamed poor implementation at different ministries to the low disbursement of funds committed by the multi-lateral lending agency. "Unless implementation improves, we will build up on huge pipeline of commitments and the benefit will not go to the people," said Rahman. Under the WB financing, 28 projects of

\$4.8 billion are in operation in Bangladesh. "We are disbursing slowly that is virtually true," said WB Country Director Ellen Goldstein who in her presentation showed that the annual commitments rose from nearly \$400 million in fiscal 2006-07 to \$900 million in 2008-10. "When a model is a winning model, disbursement flows go fast." Goldstein also said the WB aims to fight corruption to protect the taxpayers' money of the contributing countries. "My job is to protect and take care of the resources generated from the taxpayers from the contributor countries. There is no compromise," she said. One of the reasons of delay in project implementation is the complaints and inquiry into the complaints. Sometimes complaints may also lead to suspension of projects due to the accountability of the government to the people and to the WB, said Rahman. "And World Bank is accountable to the contributors. The nature of relationship is that all of us are accountable," he said. ERD Secretary M Musharraf Hossain Bhuyian said many complaints the government received during the implementation are not based on facts. He requested the WB to find out a mechanism so that real complaints could be examined to speed up implementation. In its Country Assistance Strategy (CAS), the WB commits to finance \$1.2 billion each year during 2011-14, focusing on large-scale and transformative infrastructure and climate change mitigation projects. The bank, in its one-year review, found that Bangladesh has made 'excellent' progress in projects for infrastructure, education, water and local service delivery. But the projects in areas such as public investment, disaster preparedness and health lagged behind.

Microcredit: prevent it from collapse

Analysts recommend reforms to MFIs

STAR BUSINESS REPORT

Noted economists and analysts yesterday urged the critics of microcredit, including the government, not to underrate the contribution of microfinance institutions that help lift millions out of poverty. Their calls came from a roundtable discussion on microcredit and poverty alleviation, organised by the country's most-circulated national daily Prothom Alo at its office in Dhaka. The sector that lends funds to more than two crore families across the country has been passing through one of its toughest periods in its history, as the critics continue to rap it for high interest rates and question its effectiveness in alleviating poverty. Besides, microcredit pioneer Prof Muhammad Yunus is continuing his fight in court against a government move to remove him from the Grameen Bank he founded three decades ago. "Microcredit creates an opportunity to enable people to graduate out of extreme poverty," said economist Prof Rehman Sobhan. "We should fix what would be our direction from here. This is a 30-year-old sector and a lot of significant changes have taken place." Sobhan said there is a large section of the population, who are willing to pay loans at the market interest rates, but nobody is lending them. "They are repaying, but the formal financial sector is not giving them credit." MA Baqui Khalily, a professor of finance at Dhaka University, said



Economists and analysts take part in a roundtable on microcredit, organised by Prothom Alo in Dhaka yesterday.

the MFI sector is going through a crisis. "We are scared, as the sector might collapse." He said the government had never sat with the sector to discuss its achievements and set a course of action to create a long-term impact. "The sector has employed more than two lakh people directly and has 77,000 branches across the country. We have to preserve this vast network and help it grow," he said. The analyst said the industry could reach a break-even point, if it charged a 23 percent interest rate. The industry has been running in an unregulated manner for long, he added. "Grameen Bank however is the most efficient MFI in Bangladesh." Khalily urged the government not to do anything in haste, creating panic among depositors, some of whom have reportedly withdrawn their savings from Grameen Bank. MM Akash, a professor of eco-

nomics at Dhaka University, said the government has given different facilities to different MFIs creating a mess in the industry. "We have to correct it." Former Bangladesh Bank governor Salehuddin Ahmed said the tendency of some MFIs to move into commercialisation has damaged the sector. "We have to be careful about any hasty commercialisation." According to Ahmed, service charges in Bangladesh are the lowest. "Still, we have to bring them to a tolerable level. The sector should be brought under regulations," he said. Syed M Hashemi, director of Brac Development Institute at Brac University, said MFIs in the country charge one of the lowest interest rates in the world. "We have to look at whether there exists any coercive method in realising loans." SR Osmani, a professor of economics at the University of Ulster,

said: "Microcredit is not the only agent to alleviate poverty. It can play a supplementary role in the efforts of the government and NGOs." Sajjad Zohir, director of Economic Research Group, said: "You cannot think about a microcredit organisation by separating microcredit from it." Former caretaker government adviser Hossain Zillur Rahman said poverty alleviation is a real life process and microcredit is a ladder. "But it is not the case that microcredit will eradicate poverty." It is not true either that microcredit has done nothing to ease poverty, he added. Binayak Sen, research director of Bangladesh Institute of Development Studies (BIDS), said microcredit trades on trust. "They disburse over Tk 17,000 crore in a year in a disciplined manner, which is quite significant in a country which is riddled with corruption."

Stock rally ends in a big jolt

STAR BUSINESS REPORT

An upward trend in the stockmarket for the previous six consecutive sessions ended in a steep fall yesterday. The benchmark general index of the Dhaka Stock Exchange (DGEN) plunged 459 points, or 6.9 percent, to 6,179.52. Insiders said the money market is once again becoming volatile due to the central bank's monetary measures such as increasing repo and reverse repo rates to contain inflation -- putting the institutional investors, especially financial institutions, into liquidity problem regarding stock investments. Some financial institutions were forced to reduce their clients' purchase power, which caused a selling pressure from the investors, said an insider. The drastic fall was also fuelled by a report from an online news agency on the uncertainty over forming a Tk 5,000 crore fund, the insiders anticipated. Earlier, following a government prescription, eight state-owned enterprises announced to launch the Tk 5,000 crore

fund styled "Bangladesh Fund" in a bid to financially support the secondary market, faced with a severe liquidity crisis. However, the Investment Corporation of Bangladesh (ICB), the lead arranger of the fund, said the fund building process is going on accordingly. "There will be no problem in launching the fund. We hope we can float the fund in time," said Md Fayekuzzaman, managing director of the ICB. He also called upon the retail investors not to sell shares based on any rumours, especially over the Bangladesh Fund. Yesterday, all the major sectors declined sharply. Banks dipped 8.1 percent, while non-banks 5.5 percent, telecom 9 percent, pharmaceuticals 5.6 percent and power 7 percent. Losers outnumbered advancers 245 to 10 on the DSE that traded more than 12.21 crore shares and mutual fund units worth Tk 1,266 crore. Chittagong stocks also marked a sharp decline with the CSE Selective Categories Index plummeting 846 points, or 7 percent, to 11,245.

S Korea wins oil field deals with UAE

AFP, Seoul

South Korea signed deals on Sunday to explore major oil reserves in the United Arab Emirates as Seoul tries to secure more sources of energy amid closer ties with the Gulf federation.

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