



Visitors flock to the venue of Asia's mega technology event -- eAsia 2011 -- as the three-day show kicked off at Bangabandhu International Conference Centre in Dhaka yesterday. Stories on page 1 and B4.

# Govt plans to float sovereign bonds to perk up BoP

REJAUL KARIM BYRON

The government plans to float sovereign bonds in the international market to ease the huge pressure on the balance of payments (BoP) created by a poor receipt of foreign assistance.

The Bangladesh Bank (BB) has given the government a set of recommendations in favour of floating sovereign bonds.

At the same time, the central bank has also urged the government to remain alert, saying the fund collected through the bonds must be used in productive sectors.

A finance ministry official said two foreign commercial banks operating in Bangladesh have also made a proposal to the Finance Division on floating the bonds.

The official said, if the government finally takes a positive decision, it may initially borrow \$500 million to \$1 billion against the bonds.

The central bank's board of directors after discussing the overall economic situation of the country predicted a number of risks in future of which BoP is a major one.

The BB early this month in a letter to the finance ministry presented its observations and made some recommendations -- floating sovereign

bond being one of the suggestions.

The central bank wrote the government can take long-term credit at low cost by issuing the bonds.

It said, if such bonds are issued, it will make a transparent benchmark, creating scope for local entrepreneurs and state enterprises to take long-term foreign loans.

The bonds will reduce the demand for long-term project loans at the local banks, the BB letter said.

The bonds will also help increase the flow of foreign direct investment, the central bank said.

Also, if foreign credit is taken through the sovereign bonds, the pressure on the foreign exchange reserve will come down, and the devaluation of the taka and inflationary risks will be lesser.

Besides, the overall pressure on the BoP will remain favourable, the BB said.

It also said the prevailing debt crisis in Europe and the US has created an opportunity for the developing countries like Bangladesh to get loan from the emerging economies.

The central bank also said, as Bangladesh's sovereign rating is good now, there is an opportunity for the country to get foreign loan at low interest.

The BB said Sri Lanka has recently taken foreign loan for 10 years at a

6.25 percent interest rate by issuing sovereign bonds.

A BB official said, at present the bond is being issued in the international market at an interest rate of 5 percent to 5.5 percent.

However, the central bank in its letter also mentioned some negative sides of the bonds.

At the time of repayment of the loans in foreign currency, the country may face pressure due to the devaluation of the local currency.

The International Monetary Fund (IMF) has already projected that the current account balance deficit may be around \$1 billion this fiscal year although the balance had been surplus for a decade.

The foreign exchange reserve fell to \$9.42 billion on November 22, which was nearly \$11 billion at the start of the current fiscal year.

The exchange rate of the taka against the US dollar was Tk 76.63 on November 22, up from Tk 74.24 on June 30.

The finance ministry official said Bangladesh got low foreign aid last fiscal year, and the trend is also slow this year.

The \$2 billion budget support the government expected from the World Bank (WB) and IMF last year is still uncertain.

# Grameen board shuffles panel for MD search

MD FAZLUR RAHMAN

The Grameen Bank board in a meeting on November 22 reversed its decision to form a selection committee led by Prof Muhammad Yunus to pick its next managing director apparently due to government interference.

The chairman of the board of the Nobel-winning microfinance institution has now formed a five-member committee and took the name of Yunus off the list. The new committee comprises three government representatives and two borrower-directors.

"The Grameen Bank ordinance empowers the board to form a selection committee," Khondaker Muzammel Huq, chairman of the board, told The Daily Star on Wednesday.

"The new five-member committee was formed at our meeting on November 22."

The Grameen Bank board had earlier discussed the plan to form a search committee led by Prof Yunus to select the next managing director during a board meeting on July 26. Huq presided over the meeting.

Former caretaker government adviser Akbar Ali Khan, former deputy managing director of Grameen Bank Muhammad Khaled Shams, Director Kamrul Hasan and Borrower-Director Rozina Begum were supposed to be included in the search committee.

Later, when the minutes of the meeting, including the issue of the selection team, were given to Huq for approval, he said he did not think the minutes included what were actually discussed at the meeting. Eight borrower-directors differed with the chairman.

At the November 22 meeting, the chairman told the board members that the selection committee was not acceptable to the government, said a source who was present at the meeting.

"The government had earlier said it would not interfere in the internal issue of Grameen Bank. But it is now clear that the government is interfering," the source added.

"The latest committee [formed on November 22] will not serve the interests of the borrowers who own 97 percent of Grameen Bank, as they have only two representatives in the committee. The government will definitely dominate the decision," said the source.

Speaking to The Daily Star, Huq declined to name the head of the committee or the other members, saying the minutes of the meeting have not been published officially.

Sources said the chairman himself would lead the latest committee. Other members include a managing director of a private commercial bank, a government secretary and two borrower-directors.

Huq said the details about the

committee could be officially known next week.

The post of the managing director at Grameen Bank fell vacant after its iconic chief executive Prof Yunus stepped down in May.

Meanwhile, a section of sacked workers demanded that Grameen Bank should take over its nearly 50 sister organisations, including Grameenphone.

The Grameen Bank Employees Union also backs the idea of taking over all sister organisations by Grameen Bank. The union has also submitted a memorandum to the chairman of the bank to this effect.

"We have submitted the letter in consultation with the central committee of the union. We have urged the chairman to bring the entire sister organisations under the control of the bank so that its members can reap benefit," said Mohammad Shamsul Alam, president of the union.

In another development, Finance Minister AMA Muhih also held a meeting with Prime Minister's Economic Adviser Mashiur Rahman, Bangladesh Bank Governor Atiur Rahman, Grameen Bank Chairman Mozammel Huq and Acting Grameen Bank Managing Director Mohammad Shahjahan last week, where the issue of taking over the sister organisations was discussed, said sources.

However, details of the discussion could not be known.

## BB chief banks on mobile banking

BUSINESS REPORT

Bangladesh Bank has awarded 12 licenses to banks to introduce mobile banking to reach out to rural people, the governor said yesterday.

Two banks have already launched the mobile banking to take the services to the unbanked people, Atiur Rahman said at a seminar on e-payments as part of the e-Asia conference at Bangabandhu International Conference Centre in Dhaka.

The central bank is promoting the bank-led model to roll out mobile banking.

"We are promoting the bank-led model as it will give the customers a lot of confidence," said Rahman. "Confidence is important in money." "It does not mean the telcos will remain out of the orbit. Telcos are partners in the bank-led model," said Rahman. The governor urged the telecom operators to form partnership with the banks.

# Daytime ban on goods vehicles hurts exports

REFAYET ULLAH MIRDHA

Exporters are counting extra money as they face delays in carrying their exports to get those checked by customs due to a ban on movement of goods vehicles in the capital during daytime.

Manufacturers said they have to either delay shipment or go for air shipment as they cannot complete customs checks of goods from the inland container depot (ICD) at Kamalapur in Dhaka for severe traffic jam and a restriction on movement of their vehicles.

The exporters have to collect empty containers from the Kamalapur ICD between 8am and 8pm and deposit the goods-laden cargos during the same time for customs checks.

But, the Dhaka Metropolitan Police has a restriction on movement of all kinds of trucks, lorries and container movers from 6am to mid-night to ease traffic jam in the capital.

As a result, the goods-laden prime movers, cargos and lorries cannot enter the ICD in time to get customs checks and other formalities done to take the goods to the port for exporting.

In a recent letter to the commerce ministry, MA Halim Khan, secretary general of Bangladesh Bicycle and Parts Manufacturers and Exporters Association, said the bicycle makers use their own prime movers to carry goods from the factories, mainly in Maona area, to the ICD.

But, the members of the association are now facing troubles in carrying goods from their factories to the ICD due to the DMP restriction, Khan said.

If the exporters violate the DMP rule, the traffic authority fines them and takes their container movers into custody, he added.

"Exports are being hampered seriously for such complexities in the DMP timing although the government has announced bicycle export as a thrust sector," Khan said.

The delay in shipment and police actions increase their cost of business, he said.

However, he could not say how much the extra cost is.

Khan demanded allowing movement of some prime movers of the bicycle manufacturers on the Tongi-Airport Road-Bishwa Road to the Kamalapur ICD during the daytime under a special arrangement.

"Or the authorities can keep the ICD open for 24 hours for the port users," he said.

Mustafizur Rahman, secretary to Bangladesh Garment Manufacturers and Exporters Association, also said the members of the association face such troubles in carrying their goods from factories to the ICD due to the DMP schedule.

"The garment exporters also face such problem for the schedule," Rahman said.

Ahamedul Karim Chowdhury, a deputy traffic manager of the Kamalapur ICD, said if necessary the authorities can handle the cargos of the exporters under a special arrangement.

"If the customs authorities agree, we can extend the time," he said. But, the matter largely depends on the DMP authorities, he added.

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# Stocks slip into the red

STAR BUSINESS REPORT

Stocks returned to the red yesterday as the trading of 138 companies was stopped due to the record date for changing their face value to Tk 10.

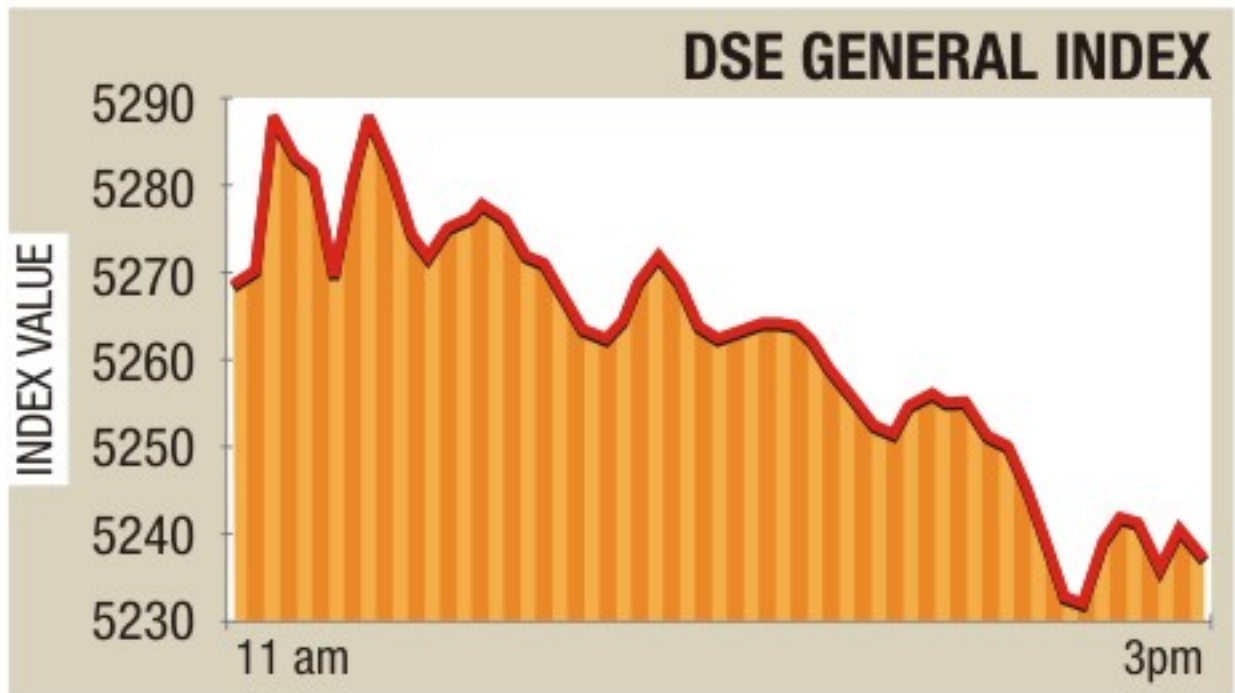
The benchmark General Index of Dhaka Stock Exchange sank 31.79 points or 0.60 percent to 5,236.76.

A total of 271 companies and mutual fund units are listed on the premier bourse. The shares of 113 companies have a face value of Tk 10. The remaining 124 companies and 14 mutual fund units will have to do the same, according to the DSE.

Earlier on September 15, the Securities and Exchange Commission had issued a directive on a uniform face value of equity shares and mutual fund units at Tk 10 by November 30, a move that will help create a level playing field in the stock market.

The trading with the uniform face value will start on December 4. Turnover on the DSE floor declined 38.7 percent to Tk 195 crore, a 16-day low since November 3.

Analysts observed that turnover was low for the last few days and said the spot trading of shares of 138 firms that change their face value to Tk 10 was the reason.



In line with the SEC's directive the share conversion will not be considered as price-sensitive information and the companies or mutual funds would not need to disclose anything on share conversion as price sensitive information.

Of the total 128 issues that traded on DSE, 96 declined, 22 advanced and 10 securities remained unchanged.

Aftab Automobiles traded Tk 14.02 crore with 7.28 lakh shares as the topmost turnover leaders.

LR Global Bangladesh Mutual Fund One was the biggest gainer of the day as it posted a 3.26 percent rise. GQ Ball Pen was the worst loser, plummeting by 5.21 percent.

## IMF sees weaker global economy

AFP, Washington

The International Monetary Fund said Thursday that it would probably lower its global economic growth, but did not expect a double-dip recession in the United States.

"We will likely be revising downwards our forecast," IMF spokesman Gerry Rice said at a regularly scheduled news briefing, refusing to give further details.

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