STOCKS

DGEN	CSCX
0.39%	0.33%
4,972.45	9,408.68

COMMODITIES

Gold	Oil
$1,589.90 (per ounce)	$92.31 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
0.51%	-2.99%	-1.54%	-1.44%
16,152.75	8,611.31	2,779.10	2,344.52

CURRENCIES STANDARD CHARTERED BANK

	USD	EUR	GBP	JPY
BUY TK	81.25	102.50	126.95	1.00
SELL TK	82.25	106.43	130.93	1.07

Star BUSINESS

DHAKA MONDAY MAY 21, 2012, e-mail:business@thedailystar.net

BB not interested in India's swap funds

Officials say funds charge high interest rates

STAR BUSINESS REPORT

Bangladesh's balance of payments (BOP) is in stress, but the central bank is not interested at the moment in "swap funds" offered by India due to relatively high interest rates.

Swap loans make foreign currencies readily available for central banks. By definition, the purpose of the swap system is to reduce the cost of loans between central banks, so that dollars or euros are cheaper to obtain.

The arrangement meant for the Saarc countries is a measure to address short-term liquidity and BOP difficulty.

The Reserve Bank of India (RBI) has offered $2 billion to other members of the South Asian Association for Regional Co-operation.

"Return on our reserve is not more than 2 percent. But we will have to pay 3 percent interest if we take the RBI's swap fund," a BB official told The Daily Star yesterday.

"We'll not go for this fund unless we are obligated to meet demands," the official said.

Earlier, BB Governor Atiur Rahman at a workshop of the Economic Reporters' Forum yesterday disclosed the formation of this swap fund, first of its kind in the region.

"We will be able to take loans up to $400 million through the swap arrangement," Rahman told reporters at the central bank.

Under the arrangement, the Saarc member countries can get the funds in dollars, euros or Indian rupees. Each instalment is of three-month tenure and can be rolled over twice. The first roll-over will be at the normal rate of interest -- LIBOR plus 2 percentage points or 200 basis points, according to the RBI.

The second tranche will be costlier by 50 basis points more than the normal interest rate.

Bangladesh's BOP, which is a summary of its economic transactions with the rest of the world, is in the negative territory indicating foreign exchange reserve outflows outstripping inflows. And, to minimise the BOP pressure, the BB has recently taken loans from the International Monetary Fund worth nearly $1 billion.

Swap arrangement between the central banks came to the surface at the Chiang Mai Initiative, a scheme drawn up by Asean, Japan, South Korea and China, following the Asian financial crisis in 1997. Under the initiative, each party to the arrangement can draw upon the financial resources of other parties in case of BOP difficulties.

Later, the concept was adopted by central banks in the US and different European countries since 2007 when the financial crisis melted them down.

The swap arrangement was first discussed at a Saarc forum several years ago. Later, the Saarc finance ministers at a meeting on global financial crisis in February 2009 noted that a major cause of the current concern in the region is the drying up of credit and the contraction of financial markets.

The issue was also discussed prominently at this year's Saarc finance ministers' meeting in Dhaka.

RBI Governor Dr D Subbarao announced formation of a $2 billion swap arrangement fund at the 24th Saarc finance governors' meeting in Pokhara, Nepal last week.

The facility will be available in three instalments.

"India has set the interest rates for the fund as it has provided the entire fund," said the BB official, pointing at a higher interest rate.

However, he said the fund is less costly than loans, such as Islamic Development Bank that charges a 5 percent interest rate.

RBI said, to take the fund, the central banks of the requesting countries will need to enter into bilateral swap agreements, which need final approval from the Indian government.

The RBI's proposal to offer swap facility to the Saarc member countries had earlier been approved by the Union Cabinet.

Bapex finds oil in abandoned fields

STAR BUSINESS REPORT

The state-run energy exploration company, Bapex, has found extractable and economically viable oil in two oilfields abandoned two decades ago.

The oilfields in Sylhet are able to produce at least 55 million barrels of oil, which could meet the country's total demand for petroleum for more than two years, officials said yesterday.

The proven oil reserves at the Kailashtila and Haripur fields in the northern division are about 137 million barrels of which, 55 million barrels can be produced, said Prof Md Hossain Monsur, chairman of Petrobangla.

"This is for the first time Bangladesh has discovered economically viable oilfields. I hope we will be able to start production by next one year," he said while briefing reporters at his office in Karwan Bazar in Dhaka.

The disclosure came after Bangladesh Petroleum Exploration & Production Company Ltd (Bapex) determined, through a 3D seismic survey at the Sylhet Gas Fields Company Ltd, the presence of the oil in the old gas fields of Kailashtila and Haripur.

READ MORE ON B3

Local dairy needs govt support to flourish

SOHEL PARVEZ

The prospects of the dairy industry remain largely untapped due to lack of support and incentives from the government to boost milk production and encourage processing.

Local processors said the government pays little attention to the dairy sector although it holds potential to create thousands of jobs, reduce poverty and cut the country's high dependence on imported powdered milk.

"Except for VAT [value-added tax] waiver for white liquid milk processing, we get no tax and duty benefit to process and market locally produced milk," said Kamruzzaman Kamal, director for marketing of PRAN-RFL Group, a leading processor of liquid and powdered milk.

"We have to pay high duty to import materials for milk processing," he said, citing that local processors have to pay 71 percent import duty for milk packaging materials.

In addition, they have to pay 25 percent duty for importing milk tanker and aseptic packaging, 8 percent for milking machines and cooling tankers and 23 percent for other machineries used in the industry.

Such a low support goes on at a time when local processors are increasing milk processing to tap the market prospects, encouraged by a shortfall in milk production supply against the backdrop of rising demand.

Last year, nine local milk processors processed nearly 150 million litres of liquid milk. Four years ago, the total volume of processed liquid milk was 85 million litres, according to Kamal.

The entry of new investors has also buoyed milk output as more farmers opt for dairy farming.

Bangladesh has to spend a lot of foreign currencies every year to import powdered milk due to a shortfall in milk production.

Kamal said high duty and taxes sometimes put local processors on an unequal footing with powdered milk importers, who have seen a reduction in duty over the last several years.

Import duty on powdered milk, which was 51.5 percent in 2008-09, now stands at 33 percent, said the official of Pran.

"The government should impose duty on imported milk considering our production and processing cost so that we can compete and help develop local dairy industry," said Mohammad Ali, chief operating officer of AHZ Agro Industries Ltd, which processes liquid milk and markets under the brand Tatka.

Ali said Bangladesh possesses huge potential to develop the dairy sector, as the country has one of the highest numbers of cattle in the world.

"But low productivity per cow keeps milk output low," he said. "By improving local breeds through artificial insemination, we can easily double milk production. Government support is necessary in this regard."

READ MORE ON B3

Pharma sales rise 20pc, outlook bright

GAZI TOWHID AHMED

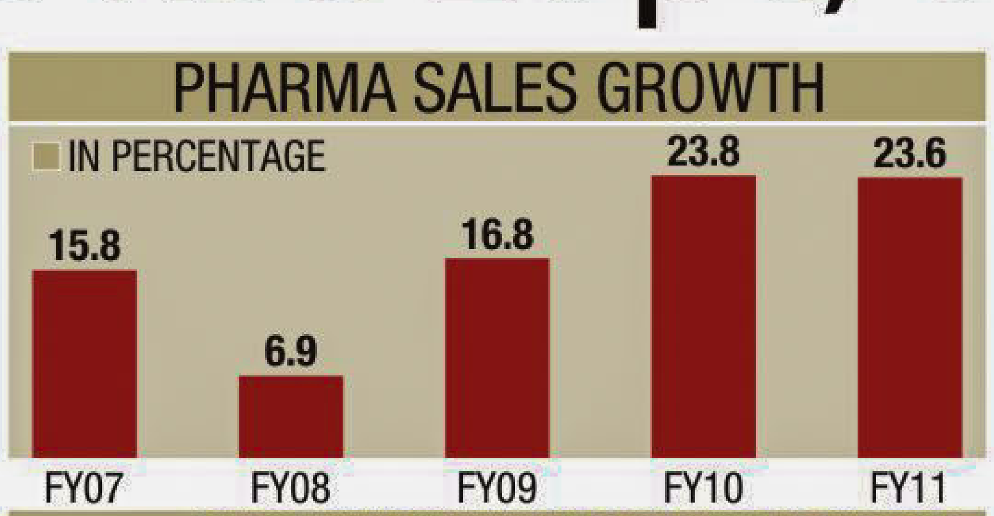
Pharmaceutical sales in the domestic market rose 20 percent to Tk 2,293 crore in the three months through March, compared to the same period last year.

Increased life expectancy, increased medical coverage of population, private healthcare services, people's growing income and wellness drugs are the drivers of the industry's growth, analysts said.

The industry has recorded double-digit growth over the last one decade, the analysts said.

The pharmaceutical sector is technologically the most developed manufacturing industry in Bangladesh and the third largest industry in terms of contribution to the government's revenue, BRAC-EPL Stock Brokerage Ltd said in an analysis.

The sector recorded Tk 8,788 crore in sales turnover in the 12 months through March, according to the Intercontinental Marketing Services (IMS), a market research company that provides data on markets, especially on the healthcare industry.



SOURCE: INTERCONTINENTAL MARKETING SERVICES

At present, the pharmaceutical industry meets 97 percent of the local demand and exports drugs to more than 87 countries, according to the analysis.

The sector grew 23.6 percent in terms of sales in 2011, according to the IMS report.

Healthcare expenditure is estimated to reach 5 percent of GDP in the next five years and the domestic market is poised to grow over 15 percent annually in the same period, BRAC EPL predicted.

However, the sector is facing difficulties in doing business in Bangladesh due to infrastructure problems and gas and power crises, said Abdul Muktadir, managing director of Incepta Pharmaceuticals.

The growth of the pharmaceutical industry fell short of expectations as most companies failed to run new factories due to the power crunch, said Muktadir, also the general secretary of Bangladesh Association of Pharmaceutical Industries.

The pharma sector will be able to take annual exports to Tk 8,000 crore in the next seven years if the government helps develop infrastructure and solve the power crisis, he said.

The government undertook a project -- Active Pharmaceutical Ingredient Project -- to help domestic firms produce raw drug materials, said Muktadir.

The project will start working in two years, he said, adding that domestic firms will then be able to export raw materials, he said.

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World Bank's fund rollout up 31pc

STAR BUSINESS REPORT

The World Bank's fund disbursement for different projects increased by 31 percent to $400 million in the first 10 months of current fiscal year, the lender said in a statement yesterday.

The government and the WB yesterday jointly completed a portfolio review of World Bank supported operations in Bangladesh.

The government and the major development partners have jointly taken a new initiative to hold joint review meetings to expedite the implementation of the projects, said an official of the Economic Relations Division (ERD).

The official said a two-day meeting with the project directors of the WB projects ended yesterday.

The WB's current portfolio in Bangladesh consists of 34 active projects with a commitment of $5.8 billion, the highest ever for the country.

The portfolio review found satisfactory progress in many projects and highlighted the need to speed up implementation in others.

According to the statement, the project teams, the ERD and the WB highlighted the need for resolving systemic issues such as staffing vacant positions to speed implementation of the slow moving projects.

The discussion also focused on projects to be closed in a year.

The yearly aggregated disbursement of the World Bank supported projects has seen an upward trend over the last four years, according to the statement.

In FY12, the World Bank has committed $920 million in six new projects for improving primary education, strengthening the union parishads, providing electricity in villages through solar home systems, facilitating formal employment for poor women, increasing access to safe water in arsenic and salinity inflicted areas and improving agricultural productivity.

"We are encouraged to see results in many areas such as increase in girl's enrollment in school, schooling, reduction in under five child mortality or better disaster preparedness that have made Bangladesh a role model to its neighbours," said Christine E Kimes, operations advisor to World Bank Bangladesh.

"The government of Bangladesh is fully committed to ensure that external financing is well utilised," said Arastoo Khan, additional secretary to the ERD.

"The portfolio review of World Bank supported projects with the line ministries and World Bank demonstrates the government's strong commitment to faster and effective implementation of the Annual Development Plan."

The WB statement said the government and the World Bank teams participating in the portfolio review identified actions to accelerate disbursement in the remaining months of FY 12 and to achieve desired development results.

Improved implementation will be required to further enhance disbursements.