

# Atiur sheds light on BB's role in inclusive growth

STAR BUSINESS REPORT

Bangladesh Bank has not confined itself to its sole goal of tackling inflation and is rather addressing risks of instabilities and imbalances through inclusive and environmentally sustainable institutional ethos in financing, its governor said.

Atiur Rahman said BB has deliberately shunned the minimalist orthodoxy of inflation targeting as the sole legitimate objective of the central banking.

"Last decade's global financial crisis has proven this minimalist orthodoxy deficient even for developed economies, but the unconventional approaches of developed economy central banks still go no further than monetary loosening by quantitative easing, in effect sowing seeds of further imbalances, future instabilities and crises."

"BB and a number of other developing economy central banks have instead been trying to address the risks of instabilities and imbalances at sources, by promoting socially responsible inclusive and environmentally sustainable institutional ethos in financing," he said.

Rahman spoke at an international seminar on 'Challenges of price stability, growth and employment in Bangladesh: Role of Bangladesh Bank' in Dhaka on Thursday.

Bangladesh Bank and the International Labour Organisation (ILO) organised the event.

In recent years, the BB has widened its

developmental role of playing its part in the national strategy of inclusive growth and is seeking to model itself as a developmental central bank.

Bangladesh is cited among the very few countries where the central bank has an explicit development objective.

Rahman, who promoted pro-poor and SME financing since taking the helm of the central bank in 2009, said BB's sustained motivation, enablement and policy support efforts in promoting inclusive and green financing are paying off well for the Bangladesh economy, in terms of sustained stable 6-plus percent real annual GDP growth spell for well over 12 years now amid persistent global growth slowdown, with stable downtrend in inflation.

"The inclusive quality of Bangladesh's stable, steady growth is evidenced by rapid poverty decline with buoyant, vibrant employment growth in the rural economy supported by inclusive micro, small and medium enterprise financing of farm and off farm output activities."

"Attention to adequacy of financing for crops, vegetables, dairy, poultry and fishery has yielded substantial output gains in these areas, including self sufficiency in rice and exportable surplus in many agricultural produces."

The governor said because of the inclusive stance of financing promoted by BB, SMEs and other start-up businesses in Bangladesh faced no credit crunch during or following the global financial crisis.

He said Bangladesh's entire financial sector is now fully on board with BB in mainstreaming inclusive and environmentally responsible financing in the financial sector.

Rahman thanked all development partners for coming forward in extending policy support for SME and green financing with low-cost refinancing lines for BB.

At the seminar, Muhammed Muqtada of the ILO presented a study on the role of the central bank in tackling challenges of price stability, growth and employment in Bangladesh.

The study said BB has adequate reasons to engage in multiple mandates, especially in financial structure development and financial inclusion initiatives.

These, apart from serving the national strategy of social inclusion, could potentially lead to strengthening and deepening of the financial sector and, hence, support price stability, according to the study.

With respect to price stability, BB is trying to bring the inflation rate down further through credit channels.

The study contends that BB has an "imprecise control" over price stability owing to weak transmission mechanisms.

Also, its existing instruments have a limited capacity to address volatile food inflation that weighs heavily on general inflation.

"Given the BB's mandates, it would be necessary for it to design a middle- to long-term strategy to strengthen its existing policy stance, and to initiate policies that

would allow greater play and effectiveness of its instruments."

The ILO study advises the central bank to avoid being fetish about a strict adherence to low inflation targets warranting sharp contractionary monetary measures, as the existing monetary policy is likely to be challenged if the economy were to follow the predicted growth path to Vision 2021.

"Greater opening up of the economy and future financial liberalisation would require BB to enforce greater integration of financial market segments and market resilience to avoid disruptions in price and exchange rate stability. The strategy would require more attention to strengthening and accommodation of the increasing importance of the policy rate and exchange rate channels."

The study also said a well-functioning financial sector would require not only increasing the size of the sector, but also developing secondary markets for securities that would control interbank rates and transactions.

There needs to be a review to assess the real employment and effects of the financial inclusion initiatives, and their sustainability.

"Strengthening and support to mobile banking, automations in payment systems, agent banking, and designing of confidence-building regulations and guidelines could act as an important catalyst towards standardising commercial banking across the country, rural or urban."

## WEEKLY REVIEW Stocks buoyant as investors park funds in market

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Stocks continued the gaining streak for the second week as investors pumped funds into the market after announcement of an interest rate cut on savings instruments.

Week-on-week, the benchmark index of Dhaka Stock Exchange, DSEX, rose 192.57 points or 4.67 percent to close at 4,314.89. The government decided to cut the interest rates on savings instruments by about 3 percentage points to 11.16 percent from 13.19 percent, Finance Minister AMU Muhith said last week.

"The gain was fuelled by the rate cut in savings certificates and expectations of further capital market friendly measures in the upcoming budget," said IDLC Investments.

LankaBangla Securities said the market passed a "pleasant" week as investors went for buying stocks.

The rate cut on five-year savings certificates coupled with imminent budget expectations made investors optimistic about stocks, the stockbroker said.

Last week's daily turnover averaged at Tk 595.84 crore, which was 65.29 percent higher than the previous week.

Among the major sectors, IT rose 10.71 percent, the week's biggest jump, followed by engineering that rose 9.7 percent, mutual funds 8.93 percent, textile 7.9 percent, banks 4.7 percent and non-bank financial institutions 4.1 percent. The only losing sector was food and allied stocks that declined 2.54 percent.

Of the 322 issues that traded on the premier bourse, 267 advanced and 50 declined, while five remained unchanged.

United Power Generation and Distribution Company topped the week's turnover leaders' chart with 1.1 crore shares worth Tk 229.22 crore changing hands, followed by ACI Formulations, Western Marine Shipyard, Khulna Power Company and MJL Bangladesh.



Rashed Khan Menon, civil aviation and tourism minister, poses with Kamal Quadir, chief executive officer of bKash, and Abdullah Abu Sayeed, chairman of Bishwo Shahitto Kendro, at a book-reading event, organised at Ideal School and College in Motijheel, Dhaka recently. bKash is donating around 30,000 books for this initiative.



Md Abdul Hannan, chairman of Mercantile Bank Foundation, distributes the cheques and certificates of Mercantile Bank Abdul Jalil Education Scholarship among selected students of the area, at a programme in Chandpur yesterday.

## Global seminar begins today in Dhaka to mobilise funds for post-2015 goals

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AK Abdul Momen, ambassador and permanent representative of Bangladesh to the United Nations, said the Millennium Development Goals were only for developing countries but post-2015 development goals are for both the developed and developing countries.

After discussions spanning over one and a half years, 17 goals have been set as the post-2015 development goals and 169 targets fixed to attain them.

Some \$66 billion would be required to eliminate poverty from the world, according to Momen.

To realise education for all, \$42 billion would be required, and another \$37 billion to ensure health for all, he said.

"Over the next two days, we will discuss how this huge fund will be collected," Momen added.

The high-level meeting styled "South-South and Triangular Cooperation in the Post-2015 Development Agenda: Financing for Development in the South and Technology Transfer" will be inaugurated by Prime Minister Sheikh Hasina.

Finance Minister AMA Muhith will preside over the first session to be held at Sonargaon hotel at 10am.

Some 83 foreign representatives from 13 organisations and 45 countries are participating in the meeting, Mejbahuddin said, adding that the outcome of the meeting will be fed at the Third International Conference on South-South Cooperation, to be held in Addis

Ababa, Ethiopia in July.

The finance minister said one of the major objectives of the post-2015 development goals is a poverty-free world by 2030.

"There will be no poverty in Bangladesh by 2018," he said, adding that the rate of poverty will drop to 11 percent from the existing 24 percent.

"When the rate of poverty comes down to 11 percent, it is assumed that the country is poverty-free," he added.

The ERD in a statement said the participants in the Dhaka meeting will discuss how the South-South and the Triangular cooperation could be better oriented towards the attainment of internationally agreed upon development goals.

South-South cooperation is a broad framework for collaboration among countries of the Global South in the political, economic, social, cultural, environmental and technical domains.

Involving two or more developing countries, it can take place on a bilateral, regional, sub-regional or interregional basis, according to the ERD statement.

Collaboration in which traditional donor countries and multilateral organisations facilitate South-South initiatives through provision of funding, training, and management and technological systems as well as other forms of support is referred to as triangular cooperation.

Along with three plenary sessions, there will be three impact sessions on eight thematic areas of cooperation.

## Apparel exports to face more tax

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Presenting a paper on "fiscal incentives for export industries: lessons for the coming budget" at the discussion, Nazneen Ahmed, senior research fellow of BIDS, said: "The government should review the issue of cash incentives as our resources are limited."

She said the garment sector enjoys half of the total cash incentives, but now the thrust sectors should get these facilities.

BIDS Senior Research Fellow Monzur Hossain presented another keynote paper on "inflationary impact on households: implications for the budget" and said day labourers and people with low income are the hardest hit by inflation.

He proposed increasing the elderly and

widow allowance from existing Tk 300 to Tk 1,000.

Presenting another keynote paper on "financing for the fiscal year 2016: a comprehensive approach", Abul Basher, researcher of BIDS, said the size of the budget should be increased further.

The size of the budget has been increased by 18 percent in the last five years, but real growth will be just around 10 percent if inflation is taken into account, he said.

BIDS Senior Research Fellow Mohammed Yunus also presented a paper on revenue mobilisation and grants to municipalities at the discussion presided over by BIDS Director General KAS Murshid.

## Garment factories now safer after inspections

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The number does not include the approximately 250 factories producing for both Accord and Alliance brands which the Alliance inspected, he said.

"For these factories we are not doing initial inspections but are developing CAPs (corrective action plans) and monitoring and verifying remediation based on the findings from the Alliance conducted inspection."

On providing funds to factory owners for remediation, Wayss said, in order to induce factories to comply with upgrade and remediation requirements of the Accord programme, participating brands and retailers will negotiate commercial terms with their suppliers.

He said each signatory company may, at

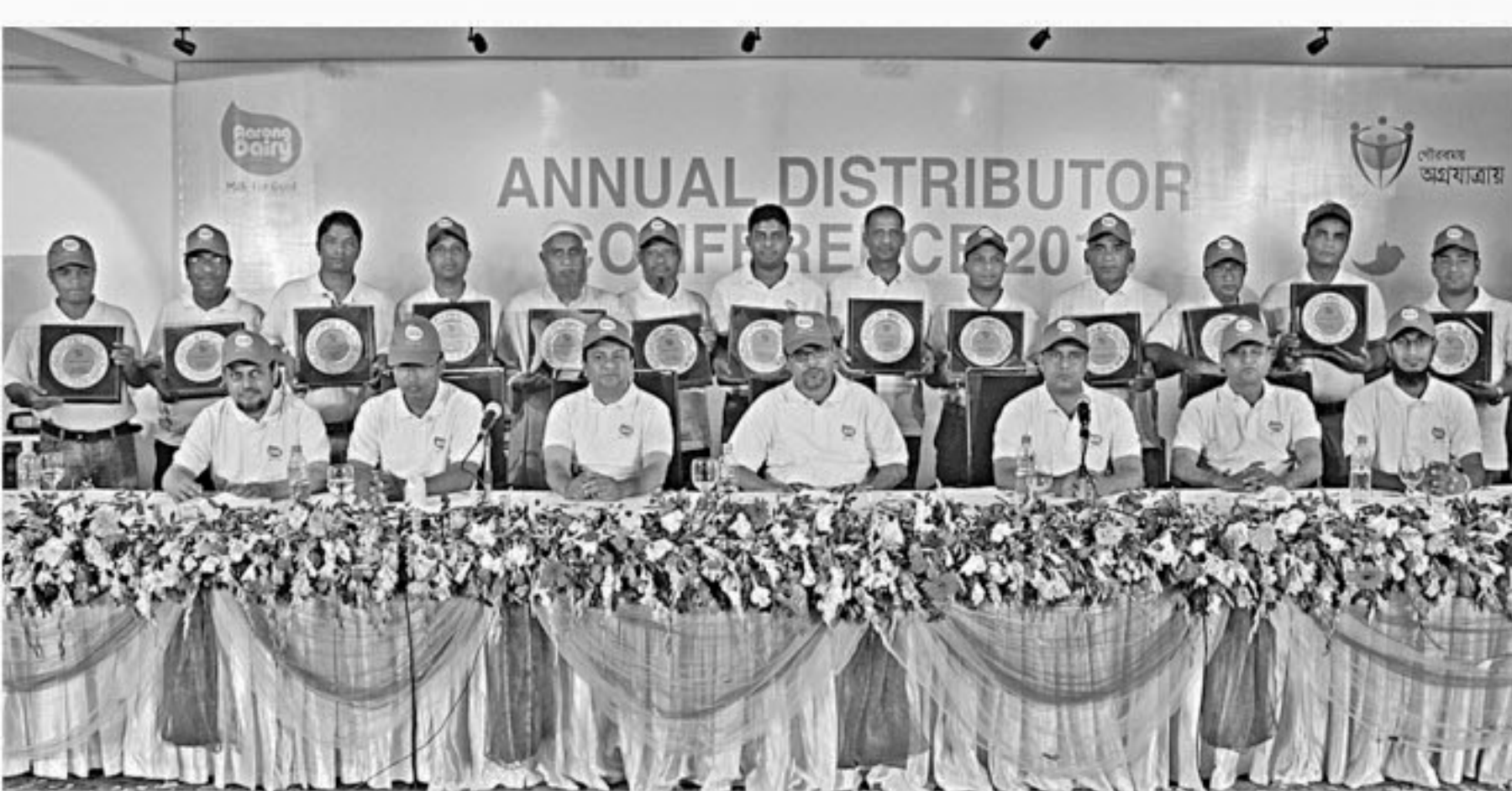
its option, use alternative means to ensure factories have the financial capacity to comply with remediation requirements.

Bilateral discussions take place between factory owners and Accord brands to finalise a financial plan for the remediation, he said.

"In most cases, factory owners are confirming they will fund the remediation costs. In some cases, factory owners are requesting commercial terms and support from Accord brands."

Accord brands have negotiated such support in some cases. These include: commitment to order volumes and long term sourcing; prepayment or accelerated payment of orders, or direct financial support.

Accord is also working to establish low-interest remediation loans through various international financial institutions.



Taufiqur Rahman, director of Brac Dairy, and Saifur Rahman, deputy general manager, attend Aarong Dairy Distributor Conference at Brac CDM in Savar, Dhaka recently.



MA Quader, chief executive officer of Bay Emporium, poses at the opening of their new shop at Ashkona in Uttara, Dhaka recently.

## Indonesia posts trade surplus

AFP, Jakarta

Indonesia posted a trade surplus for the fifth consecutive month in April, official data showed Friday, but economists warned there were signs that growth momentum was weakening.

The \$450 million surplus in Southeast Asia's biggest economy was well down from the revised \$1.03 billion surplus enjoyed in March as exports and, particularly, imports, have fallen significantly.

Imports plunged 22.31 percent to \$12.63 billion year on year in April, according to the Statistics Agency, while exports fell 8.46 percent to \$13.08 billion.

The fall in imports comes despite the start next month of the Muslim festival of Ramadan, which usually sees demand peak. Indonesia is the world's most populous Muslim country.