

BB forms \$500m fund to spur investment

Customers will get loans at 4pc interest

REJAUL KARIM BYRON

Borrowers will get foreign currency loans at around 4 percent interest as Bangladesh Bank moves to create a \$500 million special fund to boost the stagnant investment situation.

At present, customers get loans from local banks at interest rates upwards of 10 percent.

Earlier, the World Bank announced a \$300 million fund for BB to give loans to private companies, including those from garment, footwear and light engineering sectors.

The central bank has prepared the guideline about the rate of interest on the loans, its tenure and through whom the fund will be disbursed.

A high official of BB said the loans will be distributed among private firms through three types of banks based on CAMEL rating. If the CAMEL rating is 1, the bank will fall in A category; if it is 2, the bank will be in B category; and if the rating is 3, the bank will be C category.

The rate of interest at the customer level on the loans distributed through A category banks will be LIBOR plus 3 percent, for B category banks LIBOR plus 3.5 percent and C category LIBOR plus 3.75 percent. The LIBOR rate is less than 1 percent at present.

The loan from this fund will be for

medium to long terms of 5, 7 and 10 years.

Besides, the central bank is going to form another \$200 million fund from its own reserves to give loans to industries from the 'green financing' category.

Bangladesh Bank Governor Atiur Rahman told The Daily Star the rate of interest on this fund will be similar to the WB-financed one.

At a meeting with reporters yesterday on the upcoming monetary policy, Rahman said the BB will take some new steps to facilitate investment including setting up the \$500 million foreign currency fund.

The \$200 million fund will be used to lend to export-oriented textiles, apparel and leather manufacturing sectors including upgrading of water usage, effluent treatment and waste management efficiency, according to Rahman.

The new BB lending windows are expected to go a long way in easing the scarcity of medium term funds in the domestic financial market, he added.

The country is in want of long-term financing that is critical for investment and growth – and the gap needs to be filled, according to the WB.

At present, there is a "significant demand" for long-term financing by eligible and bankable firms, the supply for which has not been matched by the market.

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Tk 17,000cr changed hands during Eid

STAR BUSINESS REPORT

People transacted Tk 17,000 crore in the fortnight ahead of Eid-ul-Fitr as the Muslim-majority nation prepared for the major festival.

On June 30, Tk 95,000 crore was in circulation. It reached Tk 112,000 crore on July 16, according to Bangladesh Bank.

"The economy is in a good shape. There is stability in the banking sector, and people also spent more on the occasion of Eid," Bangladesh Bank Governor Atiur Rahman said yesterday while disclosing the transaction figure.

He said a record financial transaction took place during Eid.

Rahman's comments came at a meeting with business reporters over the upcoming monetary policy at the capital's Hotel Purbani.

An official of the central bank said the amount changed hands in the fortnight leading up to last Eid-ul-Fitr was Tk 14,000 crore.

While the exact figures on the amount of transaction ahead of Eid-ul-Fitr are hard to come by, the central bank estimate gave an idea of the amount of money changing hands during the time, said the official.

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Customers throng a jewellery shop at Bashundhara City shopping mall in the capital yesterday after the prices of per bhorti of 22-karat gold were cut by Tk 1,540 to Tk 42,981. The new rates came into effect yesterday.

Biman hires Mega Maldives to tackle hajj pressure

SAJJADUR RAHMAN

Biman Bangladesh Airlines has struck a deal with Mega Maldives Airlines to meet the additional demand for aircraft in times of hajj, officials said.

The deal will cost the state-run airline at least \$4.785 million, which is equivalent to Tk 38 crore.

Mega will work as a supporting carrier for Biman, which some bidders claim is a major deviation from the conditions of the bidding.

They said the tender was to operate Dhaka-Jeddah-Dhaka hajj flights, which Biman will now run with its

own fleet by suspending regular flights on some routes and reducing others.

Mega Maldives has been hired for a total of 750 flight hours for three months, with each hour costing Biman \$6,380. If Biman wants to resume regular flights or bump up flights on the other routes, the Mega aircraft will be used.

Biman will be charged \$5,800 for each flight hour beyond the contracted 750. The aircraft will be taken from early next month on an ACMI (aircraft, crew, maintenance and insurance) basis, popularly known as wet lease.

Mega Maldives has won the con-

tract as the lowest bidder, said Abdur Rahman Faruky, Biman's general manager for corporate planning.

"There was no deviation or breach of terms and conditions mentioned in the tender documents. Biman will use Mega where it requires," said Mohammad Azad Rahman, Biman's manager of planning.

"We have hired Mega for 750 hours to tackle the additional pressure during Hajj time. It doesn't mean that we will use them on the Dhaka-Jeddah-Dhaka route only. We can run Mega aircraft on any of the Biman's routes."

Stocks touch 5-month high

STAR BUSINESS REPORT

The key index of the Dhaka bourse crossed 4,800 points yesterday for the first time in five months as stocks continued a nine-day gaining streak.

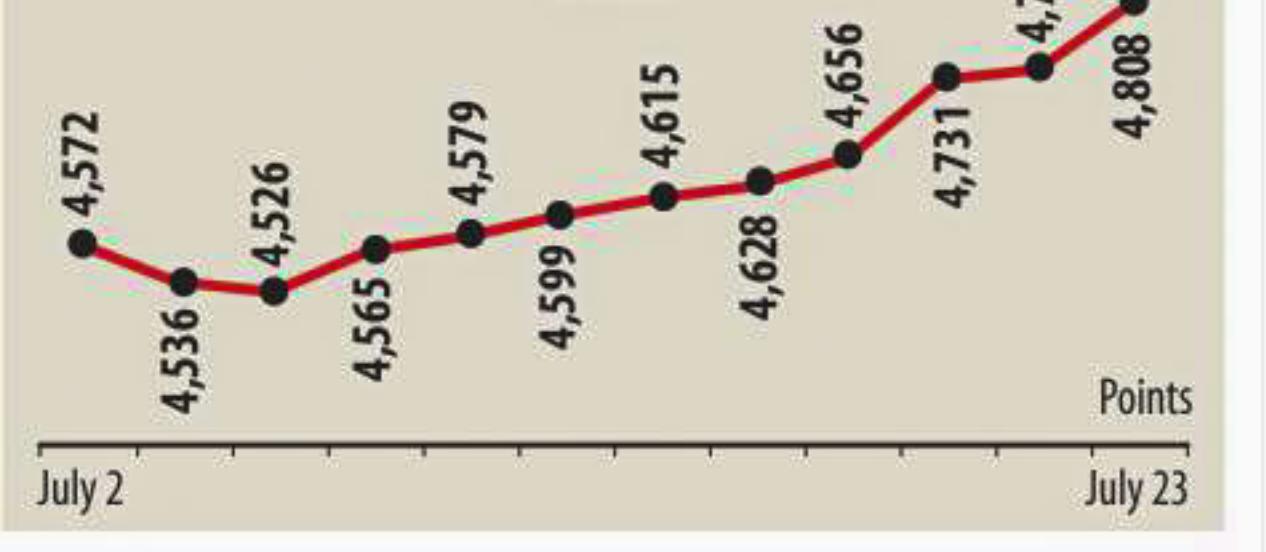
DSEX, the benchmark index of Dhaka Stock Exchange, finished the last day of the week at 4,808.39 points, advancing 66.41 points or 1.4 percent. The index closed at 4,801.14 points on February 24.

The turnover on Dhaka Stock Exchange also crossed the Tk 800-crore level almost after two months amid growing investor confidence and a resulting injection of fresh funds.

The turnover, an important indicator of the market, was at Tk 813.94 crore at the end of trade yesterday, marking a 13.81 percent rise from the previous day.

The turnover on the premier bourse was Tk 1,002.33 crore on June 1.

Stocks moved sharply higher throughout the trading sessions and gains extended the recent upward trend, LankaBangla Securities said in its regular market analysis.



"Company-specific fundamental data continued to attract attention amid earning season, with investors keeping an eye on the economic trend at the same time," the stockbroker said.

"Expected earnings declaration played a major role in pricing the scrips, while the eventless political frontier created a favourable environment," IDLC added.

As investors underweighted risks and focused on upbeat stories, the DSEX broke the psychological barrier of 4,800 points to close at the five-month high.

Lafarge Surma Cement topped the turnover leaders' chart with 54.53 lakh shares worth Tk 67.65 crore changing hands, followed by Square Pharma, RAK Ceramics, ACI and Khulna Power Company.

Of the traded issues, 177 advanced, 100 declined and 39 securities closed unchanged on the DSE.

Almost all major sectors traded in the black territory with non-banking financial institution increasing 3.52 percent, followed by cement with 3.51 percent gains, pharma 2.35 percent, banks 1.5 percent and fuel and power 0.45 percent.

Conversely, only the IT sector lost 1.02 percent.

Al-Haj Textile was the day's best performer, gaining 9.98 percent, while ICB AMCL 1st NRB Mutual Fund ended up as the worst loser, slipping 5.26 percent.

Questions over German inspector's certification for Rana Plaza factory

REFAYET ULIAH MIRDHA

A German-based workplace safety and products quality certification firm had failed to address the flawed safety measures and construction of Rana Plaza before the building collapse in Savar took the lives of 1,138 workers more than two years ago.

A report by Clean Clothes Campaign (CCC), a global rights group, said the German technical inspection company -- TÜV Rheinland -- had audited the production facilities of Phantom Apparel Ltd, one of the five ill-fated garment factories housed in Rana Plaza, just a few months before the catastrophe in April 2013.

The third party social and environmental audit reports are prerequisites to the production cycle of garment items to make sure that the items are manufactured according to rules, as apparel makers sometimes fail to do so.

"The German certification company failed to address building safety and construction flaws; a number of

other problems were not raised in its report," the CCC said in a statement last week.

TÜV Rheinland was appointed as an auditor by a member of the Business Social Compliance Initiative or BSCI that monitors safety and working conditions in production.

The European Centre for Constitutional and Human Rights (ECCR), FEMNET and the CCC, Medicco International and the Activist Anthropologist Collective from Bangladesh submitted a joint complaint to the BSCI.

These organisations are calling on BSCI to disclose the audit contract as well as the reports on Rana Plaza by TÜV Rheinland and others and to overhaul the approach of inspection reports.

"The certificates don't tell us much. Consumers need to know exactly what is monitored," says Miriam Saage-Maaß, head of Business and Human Rights programme at ECCR, according to the CCC statement.

"But above all, we need to be able

to hold the certification companies and the bodies that commission them liable for their actions."

"When disasters happen in the textiles industry, producers, buyers and traders like to hide behind certificates of safety and working standards to dodge responsibility," said Gisela Burkhardt, chairperson of FEMNET, a member of CCC.

TÜV Rheinland did not adequately inspect building safety documentation or the workers' records at Phantom Apparel, which was shown by the investigative reports on the building collapse as well as by victim statements, the CCC said.

"If the inspections are inadequate, then the certificates are not worth the paper they're written on," says Thomas Seibert, South Asia coordinator for Medicco International.

"In order to restore workers' faith in the social auditing mechanism, a fundamental change in the philosophy and agenda of BSCI is necessary. Today workers consider such inspection processes a meaningless ritual," says Saydia Gulruk from

A firm loses Tk 18 lakh in export value for a single day of shutdown: study

STAR BUSINESS REPORT

A firm loses Tk 18 lakh in export value on average due to a single day of shutdown, according to a new study on political strike and its impact on trade.

Shutdowns also lower exports of a firm by 6.6 percent on the day.

Kazi Iqbal, a research fellow at Bangladesh Institute of Development Studies, and Reshad Ahsan, an assistant professor of economics at the University of Melbourne, conducted the study using data from 2005 to 2013.

During the period, the country witnessed 152 days of shutdowns.

Over a seven-day period around a shutdown, the cumulative effect is a decline in firm export value of 4.5 percent, Iqbal said, while presenting the study findings at a meeting at the office of Economic Research Group in Dhaka yesterday.

"The reduction in export value is experienced by an average firm even after delaying the shipment dates and using costlier air shipments," he said.

The study found pre-announced strikes have lesser effects compared to the impromptu ones.

Shutdowns hit firms producing low-price basic necessities more adversely.

One of the ways the exporters use to cope with the delays and disruptions caused by strikes is to export their goods using air transport rather than through the sea.

A shutdown raises the probability of air shipment on the day of the hartal by 3 percentage points. Firms also increase the shipment on the day before the hartal.

Although the garment sector is able to better cope with the shock, strike lowers the total daily exports of the average apparel firm by 7.3 percent on the day.

The study found smaller exporters producing low-price products are disproportionately affected.

"The result indicates that if the government were to offer compensation packages to affected firms it should prioritise smaller firms producing low-price products."

Sajjad Zohir, executive director of Economic Research Group, also spoke.

Swan Garments seeks further loans to clear workers' dues

STAR BUSINESS REPORT

The Swan Garments payment committee yesterday requested the company's lender -- Islami Bank Bangladesh -- to extend further loans to the group to allow its management to resume production and clear workers' dues.

Islami Bank has taken until Tuesday to make a decision, said Syed Ahmed, chief of the committee, formed last week by the labour ministry to resolve the payment situation of Swan Garments.

Following the death of its Chinese owner, Toby Han, in April, the two units of Swan Garments, which employs more than 1,300 workers, Association attended the meeting.

have remained shut.

The workers have not been paid since, with many resorting to demonstrating in front of the National Press Club over the last few days for payment.

"If Islami Bank responds positively to our call, no workers will lose their jobs as the current owner has already agreed to run the factories."

Ahmed's comments come after the committee held its first meeting yesterday.

Patricia Hon, wife of the late Chinese owner Toby Han, representatives from the bank, trade union leaders, and officials from three ministries and Bangladesh Garment Manufacturers and Export