

star BUSINESS

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Japan now proposes hard terms for loans

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Japan, one of the three major lenders to Bangladesh, has proposed to charge up to 7 percent on its loans because of the country's recent graduation to the lower middle-income status.

"I have got a proposal from Japan over the stiffening of terms and I have seriously objected to it because this is not the right time," Finance Minister AMA Muhith told reporters after a meeting with Kyle Peters, senior vice-president of the World Bank, on Wednesday.

Japan now charges 0.1 percent as service charges, the lowest among all multilateral and bilateral lenders in the world, with a repayment period of 50 years, including a grace period of 10 years.

Currently, the largest bilateral lender, Japan commits about \$700 million each year as development assistance.

As of now, it has already made commitments to finance a number of large infrastructure projects in Bangladesh, meaning its annual commitment will cross \$1 billion in the next couple of years.

"We are going to argue that there should be no change in our terms of assistance," Muhith added.

Mohammad Mejbahuddin, senior secretary of the Economic Relations Division, who was also present in the meeting, said: "This is not final. We have to negotiate about it."

The WB has recently updated Bangladesh's status to a lower middle-income country. Bangladesh's per capita income reached \$1,080 in 2014, which is higher than the WB's lower middle-income

threshold of \$1,046.

In the present calculation, if a country's per capita income goes above \$1,215 it loses the IDA-only eligibility.

In fiscal 2014-15, Bangladesh's provisional per capita income was \$1,315, but it came down to \$1,217 in line with the WB calculation. The threshold is normally revised upwards every year.

Japan's new stance comes on the heels of the WB's intent to toughen up terms for future loans to Bangladesh, including those from its soft-loan wing, the International Development Association.

As a low-income country Bangladesh received loans from the IDA, which charges 0.75 percent and carries a repayment period of 38 years with an eight-year grace period.

Not only that, Bangladesh is the largest IDA-only borrower at present, and Muhith said the country will most definitely continue to be a large borrower of the WB's soft loan wing for the next six years.

Bangladesh will strongly argue so that it can continue to get cheap loans from the WB even if the country is on its way to becoming a middle-income one within next several years, Muhith said.

The country will most definitely receive mixed loans from the bank after 2018, according to the finance minister.

Once a country crosses the IDA eligibility threshold, it becomes a 'blend' country.

A blend country has access to finances from both the IDA and the WB's commercial wing, the International Bank for Reconstruction and Development.

The IBRD charges interest rates at LIBOR plus 1.35 percent, and the repayment period is between eight to 20 years.

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Analysts take part in a roundtable on energy security and future challenges at EMK Centre in Dhaka yesterday.

Concern over apathy to gas exploration

Analysts say government must pay attention to primary energy

STAR BUSINESS REPORT

A group of experts yesterday expressed concern over the government's indifference to the supply of primary energy and said emphasis on electricity production alone cannot ensure energy security.

M Nurul Islam, a former professor of chemical engineering at Bangladesh University of Engineering and Technology, said the name of the power, energy and mineral resources ministry should be changed to the energy ministry.

"Because of this name, every-

body is just interested in making investment in power, power and power, and the investment for primary energy is very small. The ratio is one-fifth."

Islam's comments came at a roundtable on Bangladesh's "energy security and future challenges" at EMK Centre in Dhaka.

The Department of Law and Human Rights of the University of Asia Pacific organised the programme in partnership with the American Alumni Association.

"If we really want energy security, we will have to ensure the supply of

primary energy first of all."

Islam said the recently approved seventh five-year plan does not say anything about the supply scenario of primary energy for the base year running from 2016 to 2020.

"If this is the reality, then how will the country ensure energy security during the seventh plan period and beyond? I am really getting worried."

Islam said domestic sources provide better energy security compared to imported ones. "This should be kept in mind."

In Bangladesh, the government

has doubled the generation of electricity in the last five years. But the fast depletion of natural gas, which accounts for 70 percent of power generated in the country, has become a major concern.

Given the current pace of consumption, the gas reserves will finish within 15 years, according to government officials and policymakers.

At present, Bangladesh relies on domestic sources for meeting 70 percent of its electricity demand, while the rest is met through imported fossil fuel.

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NBR to host winter tax fair

STAR BUSINESS REPORT

The National Board of Revenue plans to organise a tax fair next month to help taxpayers file returns and accomplish other related tasks, an official said yesterday.

The show, dubbed as winter tax fair, may take place from November 19 to November 21 in eight places -- two in Dhaka and six in other divisional cities -- to deliver one-stop and hassle-free services to taxpayers.

"We plan to organise the event again as taxpayers' interests have grown," he said.

The tax administrator is taking the initiative following a good response from taxpayers in the weeklong tax fair in September.

Impressed by the outcome, Finance Minister AMA Muhith also asked the NBR to organise another event during winter.

At the fair, taxpayers will be able to submit their annual tax returns and get acknowledgment receipts on the spot.

Taxmen will also help visitors sign up for electronically generated taxpayer identification numbers (TINs) or re-register for old TINs at the upcoming fair.

The NBR has been organising the event since 2010 to encourage people to pay taxes and to widen the tax net.

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Real-time payment settlement goes live

STAR BUSINESS REPORT

After several missed deadlines, Bangladesh Bank's real-time gross settlement system (RTGS) finally went live yesterday, a move that would radically speed up the money transfer.

From now, a cheque worth Tk 1 lakh or more will be cleared within a minute as opposed to a day under the previous system.

Fund transfers between banks will also be done instantly through the system.

"Now, we can proudly compare our payment and settlement system to others around the globe," said BB Governor Atiur Rahman at the launch of RTGS.

Save for the Rajshahi Krishi Unnayan Bank, all other banks have joined the RTGS network.

The RTGS is a specialist fund transfer system where the transfer of money takes place from one bank to another on a "real time" and on "gross" basis.

Settlement in "real time" means payment transaction is not subjected to any waiting period; the transactions are settled as soon as they are processed.

Gross settlement means the transaction is settled on a one-to-one basis without bundling or netting with any other transaction. Once processed, the payments are final and irrevocable.

The system was initially set to



Atiur Rahman, governor of Bangladesh Bank, poses with officials of banks at the launch of the real-time gross settlement system for money transfer at an event in Dhaka yesterday.

go live in July, but the deadline was pushed to October 8 only for it to be revised to October 22.

The system will have a substantial positive impact on banks' operations, particularly in areas of treasury, payment, corporate banking and cash management, Rahman said.

Rahman hopes the new payments settlement system will boost the country's ailing secondary bond market.

Trading in intra-day liquidity and efficient fund transfer will provide a boost to the secondary bond market, which, in turn, offers opportunity to earn revenue, he said.

The RTGS will also help non-resident Bangladeshis and foreign investors to remit, transfer and invest funds in the country.

As of now, 5,000 branches out of 9,000 of 55 banks have come under the system.

"Banks will benefit the most with the RTGS," said Kazi Saifuddin Munir, managing director of IT Consultants Limited (ITCL) that owns the Q-Cash payment processing consortium.

Previously, banks had faced difficulty in settling their payments with other banks and the BB at the end of the day.

It took an additional day to settle

the payments, but now it would be done in real time, he said.

Rahman, however, warned the banks about the risks associated with the new system.

"We need to be aware that this technological advancement not only ensures the best of our payment activities but will also introduce a few risks."

He said banks will need to implement new strategies, processes, systems and organisational capacity for successful implementation of the RTGS.

On the pricing of the transaction through RTGS, the BB is yet to make the issue clear.

Robi, Airtel merger worries top operators

STAR BUSINESS REPORT

Grameenphone has recently sought clarification from the telecom regulator on whether the operator will be allowed to take part in the spectrum auction for 1,800 MHz after the merger of Robi and Airtel.

Grameenphone with 22 MHz in the 2G band was barred from participating in the auction, as the initial guideline for the 1,800 MHz band does not allow any operator with over 20 MHz to take part in the auction. But the new entity after the merger will hold 29.8 MHz in the 2G band.

So Grameenphone, the largest mobile operator in the country, asked Bangladesh Telecommunication Regulatory Commission (BTRC) whether any changes will be brought to the guideline.

"Under the new circumstances, can we assume that the government will no longer consider a cap on the 2G spectrum (900+1,800), and Grameenphone would be allowed to participate in the 1,800 MHz auction without any restriction?" according to a letter signed by Grameenphone CEO Rajeev Sethi.

Another mobile operator also raised concern on whether it is necessary to organise the auction for the 2G band as the major portion of the 1,800 MHz bandwidth will go to the hands of Robi and GP after the merger.

Industry insiders said 1,800 MHz is the operators' favourite band for launching LTE/4G, as it is a faster data transfer technology than 3G.

In the second week of September, the country's third and fourth largest operators—Robi and Airtel—announced to merge their Bangladesh operations.

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Stocks end week lower as investors remain cautious

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Stocks ended the week lower as investors remained cautious over the weak quarterly earnings declarations by some listed firms and mutual funds.

DSEX, the benchmark index of the Dhaka Stock Exchange, declined 14.88 points or 0.32 percent, before finishing the day at 4,564.48 points.

The bourse started with a positive note, crossing the 4,600-point level within the first hour of trading as investors opted for attractive stocks, IDLC Investments said.

"But, the investors lost poise over the sustainability of the market at that level, as DSE news board was flooded with lower-than-expected earnings declared by several companies," the merchant bank said.

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Forex reserves cross \$27b

STAR BUSINESS DESK

Foreign exchange reserves yesterday crossed the \$27 billion mark for the first time, egged on by a drop in global commodity prices, stable exports and a steady inflow of remittances.

The reserves, which stood at \$27.06 billion, are 21.5 percent higher year-on-year, and are enough to cover the country's imports for approximately eight months, Bangladesh Bank said in a statement.

Rising garment exports and inward remittances are the two main foreign currency earners for Bangladesh.

Lower import of raw materials due to improved backward linkages, and less import of food for better local production also helped cut import bills to boost the forex reserves, it said.

WB pledges greater support

Kyle Peters, its senior vice-president, wraps up visit

STAR BUSINESS REPORT

The World Bank yesterday pledged greater support for Bangladesh's efforts to reform its economy as it would spread prosperity faster to more of the country's people.

"I am impressed by the people of Bangladesh, who are determined to make a change and create a better future for their children," said Kyle Peters, senior vice-president of the WB, upon concluding his two-day visit to the country.

Bangladesh can become a leader in reducing poverty if the right policies are implemented, he said, while praising Bangladesh's development progress.

While the country has achieved steady economic growth and lifted more than 16 million people out of poverty in the last decade, sustained reform efforts will be needed for further

advancement, Peters said.

During the trip, he met with senior government officials, including the finance minister, the international affairs adviser to the prime minister and the central bank governor.

He discussed the preparation of the WB's Country Partnership Framework for Bangladesh and sought feedback on how the Washington-based lender's support can be best aligned with the country's priorities.

The framework will guide the WB's engagement in Bangladesh in the 2016-20 financial years and will be aligned with the government's seventh five-year plan. Peters also met with civil society and private sector leaders and development partners.

He stressed that Bangladesh needs to take full advantage of the large number of youths entering the workforce each year.

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