

Now Bangladesh Bank chips in to tame onion prices

STAR BUSINESS REPORT

The central bank yesterday instructed banks to fix the interest rate for financing onion imports at 9 percent instead of existing 12-14 percent with a view to containing the price spiral of the essential cooking commodity.

Banks have also been asked to set a lower margin for opening letters of credit (LCs) for onion import, according to a Bangladesh Bank notice.

The instruction will remain in effect till December 31 this year.

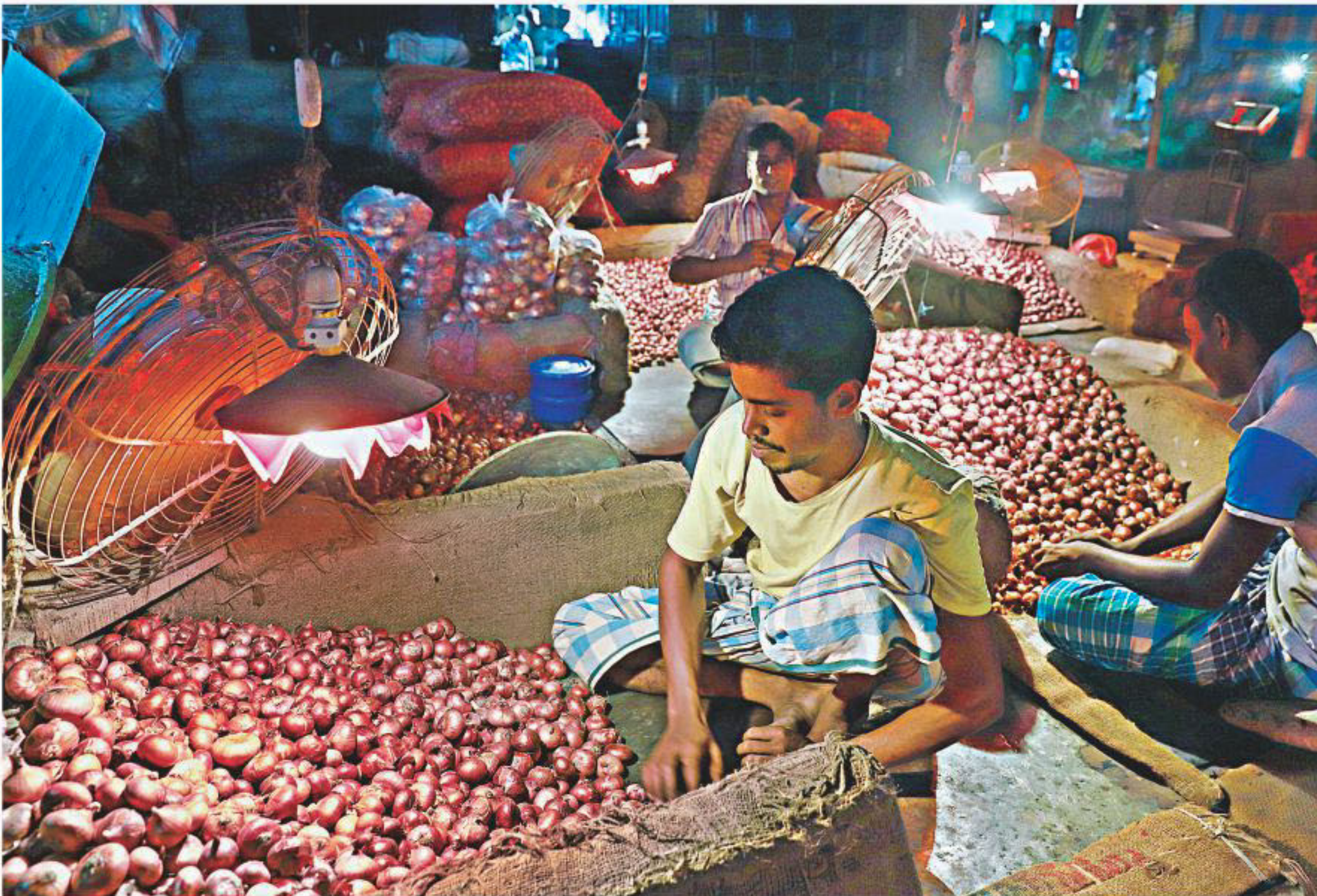
This means, businesses will get policy support from the central bank, which will reduce their import cost, said bankers.

Onion price has skyrocketed in recent days as opportunistic wholesalers bumped up the price following India's ban on the ingredient's export.

Yesterday, the onion price at the kitchen markets in Dhaka was Tk 110 to Tk 120 a kilogramme, up from Tk 40 to Tk 50 on September 29.

Lenders are now charging a margin of up to 50 percent while opening LCs for onions based on bank-customer relationship.

The import margin is the portion of the cost of the imported products that the importers must pay to banks



Traders arrange onion to make those ready for sale at Karwan Bazar kitchen market in Dhaka. Prices of each kg of the vegetable skyrocketed to over Tk 100 from Tk 70 within few hours of the announcement of an Indian ban on its exports.

Govt redefines hard term external loans

Grant element ceiling lowered to 25pc from 35pc

REJAUUL KARIM BYRON

The government has decided to consider foreign loans as hard-term ones if the grant element is less than 25 percent, down from the 35 percent it currently takes into account, in a reflection of the country's growing economic power.

The revision, which saw a cut of the upper ceiling by 10 percentage points, came at the behest of World Bank and other development and bilateral lenders, according to Finance Minister AHM Mustafa Kamal and a government document.

The minister said Bangladesh used to look at the grant element before taking any concessional loan and it was 35 percent.

"Now, the amount is being brought down to 25 percent," he told reporters after the weekly meeting of the cabinet committee on economic affairs at the secretariat.

The cabinet committee approved the revision put forward by Economic Relations Division on behalf of the standing committee on non-concessional loans.

As Bangladesh has graduated from a lower income country category, various multilateral and bilateral lenders have raised the interest rate for loans given to the country, according to the proposal of the standing committee.

As a result, the loans are becoming non-concessional and permissions are needed from the standing committee. This may create the uncertainty that flow of foreign loans might slow down.

The Organisation for Economic Co-operation and Development also considers a loan as non-concessional one if the grant element is less than 25 percent, the proposal said.

Talking about the necessity of bringing down the threshold, Kamal said, "This has been done because our economic condition has improved. We were a least developed country. Now we have reached a new height."

"As everyone has said that the condition of Bangladesh is good and the country has graduated from one level to the next level,

the amount is being brought down to 25 percent from 35 percent."

Kamal, however, said the change would not affect Bangladesh's borrowing.

Speaking about the change, Zahid Hussain, a former lead economist of the World Bank in Dhaka, said with the increase in per capita income and the prospect of graduating from the LDC status in 2024, the availability of concessional financing was shrinking.

Government agencies indulging in such financing will, therefore, need to tighten their own due diligence to make sure that the money borrowed is utilised for the purpose intended and not wasted.

Zahid Hussain, a former lead economist of the World Bank in Dhaka

"The decision to lower the threshold from 35 percent to 25 percent is a recognition of this new normal on the terms of financing being offered to Bangladesh."

He said the lower threshold means approval of the Standing Committee on Non-Concessional Loans would no longer be needed as long as the grant element of the proposed loan was 25 percent or more.

"Government agencies indulging in such financing will, therefore, need to tighten their own due diligence to make sure that the money borrowed is utilised for the purpose intended and not wasted."

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INDIA-FINANCED PROJECTS EXIM Bank to monitor project implementation

JAGARAN CHAKMA

India wants its Exim Bank to monitor the projects it is financing in Bangladesh.

For this, the two countries are likely to sign a five-year agreement during Prime Minister Sheikh Hasina's four-day visit to the neighbouring country beginning from today.

As per the agreement, Dhaka will provide support to the bank's resident representative.

The bank's staff can undertake periodic site visit and appraise the critical issues, attend meetings covered by the Economic Relations Division (ERD) and project authorities and resolve issues.

Bangladesh will also have to permit import of one motor vehicle for each representative and re-export of the items without any incidence of tax and duty.

The Indian bank opened its representative office in Dhaka in October 2017.

Through the bank the Indian government has extended three lines of credit (LOCs) amounting to \$7.5 billion -- including \$500 million for defence cooperation.

A total of 47 development projects were included under the LOCs. Twelve of the projects involving \$355.69 million have been completed in the last eight years.

Ten projects are at the tender stage and the remaining 18 are at the: planning or details project planning or approval stages.

All TV channels on board Bangabandhu satellite

PM said to give second satellite wider angle

STAR BUSINESS REPORT

All 34 local television channels are now using the feed of the Bangabandhu-1 satellite on a commercial basis -- a development that will save the country huge sums of foreign currency.

Each TV channel will pay will pay \$2,817 each month for per Megahertz (MHz) of spectrum to Bangladesh Communication Satellite Company Ltd (BCSCL), the parent company of the country's first satellite.

Under the channels' previous arrangement with Hong Kong-based Star Alliance, they were paying \$4,000 to \$5,000.

Before this, Akash, direct-to-home (DTH) service venture of Beximco Communications, took five transponders and from that deal BCSCL gets \$90,000 every month.

The BCSCL is also trying to sign agreements with the army and the navy and file two separate projects on



telemedicine and e-education.

With these deals about 40 percent of the Bangabandhu-1's bandwidth are taken care of, and the government will keep another 50 percent to sell to other countries.

The much-awaited satellite was launched into orbit on May 12 last year under a project amounting to Tk 2,702 crore. The cost is expected to be recovered within eight years.

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Tk 1,530cr cash subsidy for remitters

REJAUUL KARIM BYRON

The finance ministry has released Tk 1,530 crore in cash subsidies for remitters for the first two quarters of the current fiscal year as part of a government move to encourage remittance through official channels.

It has instructed the Controller General of Accounts (CGA) to release Tk 765 crore for the July-September quarter and the same amount for the October-December quarter in favour of the central bank, according to a letter of the finance ministry issued on Monday.

In June this year, Finance Minister AHM Mustafa Kamal introduced a 2 percent cash subsidy for remitters to encourage them to send money home through legal channels and mitigate the burden of increased expenses in sending their hard-earned money to their beneficiaries back home.

He set aside Tk 3,060 crore for the purpose for the fiscal year. According to the central bank, for amounts of up to \$1,500 per transaction, expatriates will receive 2 percent cash incentive directly to their accounts without any verification.

For amounts above \$1,500 per transaction, sources of income, passport details and other documents will have to be presented.

The office of the CGA will deposit the money against claims in the accounts of scheduled banks kept with the central bank's Motijheel office.

Yesterday, Kamal said the cash incentive has been introduced to earn more through remittance and accelerate their flow via legal channels.

Although the beneficiaries of the remitters were supposed to receive the incentive from July 1 this year, the development of a system in order to roll out the scheme was delayed.

However, the beneficiaries who received the remittances between July and September would be reimbursed.

"I would like to assure the remitters and the recipients that they would not lose the money and they would get it," Kamal said.

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Trust key to crowdfunding: BB deputy governor

STAR BUSINESS REPORT

Building trust is key to successful crowdfunding initiatives, a deputy governor of Bangladesh Bank said yesterday.

"Crowdfunding is playing a more and more effective role in solving the financing problems for startups," SM Moniruzzaman told a roundtable on crowdfunding and its implications in Bangladesh. The Bangladesh Institute of Bank Management (BIBM) organised the event, chaired by Executive Director Md Nazimuddin, on its premises.

Crowdfunding is an alternative funding method in which a project or venture is financed by raising small amounts of money from a large number of people, typically via the internet. There exist four crowdfunding business models based on donation, reward, equity and lending.

Dhaka Ahsania Mission, Kidney Foundation Hospital

and Anjuman Mufidul Islam are some bright examples of donation-based crowdfunding in Bangladesh.

There are also risks in

crowdfunding, said the deputy governor. "We cannot ignore the risks and problems of crowdfunding. Crowdfunding portals and platforms are equally

vulnerable to attacks from hackers and cybercriminals," he noted.

Moniruzzaman said presently there are no regulations about crowdfunding in Bangladesh.



SM Moniruzzaman, third from left, deputy governor of Bangladesh Bank, and Md Nazimuddin, centre, director general of the BIBM, attend a roundtable on "Crowdfunding and Its Implications in Bangladesh" at BIBM in Dhaka yesterday.

However, he said the event is a timely initiative to create awareness among the citizens of the country.

Prof Barkat-e-Khuda of the BIBM said crowdfunding was a very old concept for the informal sector or the individual level. "But we can incorporate the idea into the formal sector," he said.

Associate Prof Mohammad Tazul Islam presented a paper on the topic. His co-authors were Associate Prof Mohammed Atul Chandra Pandit, Lecturer Rahat Banu and Associate Prof Bishnu Kumar Adhikary of Doshisha University of Japan.

Prof Prashanta Kumar Banerjee of the BIBM delivered the welcome speech and Supernumerary Prof Helal Ahmed Chowdhury and Yasin Ali, a former supernumerary professor, also spoke.

Senior executives from banks and non-banks financial institutions, academicians and the BIBM's faculty members took part in the discussion.

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