

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
Closed	Closed	\$1,729.10 (per ounce)	\$67.63 (per barrel)	▼ 1.12%	▼ 0.02%	▲ 0.13%	▼ 0.03%	BUY TK 83.95	99.14	115.57	12.70
				49,801.62	29,914.33	3,109.65	3,445.55	SELL TK 84.95	102.94	119.37	13.35



Star BUSINESS

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Forex reserves may come under stress without quality lending

Experts say projects financed by reserves should be monitored properly

AKM ZAMIR UDDIN

The country's ballooning foreign exchange reserves may come under stress if the infrastructure projects to be bankrolled by the excess external capital are not monitored properly, experts warn.

They expressed the fears after the government formed the Bangladesh Infrastructure Development Fund (BIDF) on March 15 to lend money from the reserves.

The government decided to disburse Tk 5,417 crore (524.56

million British pounds) in foreign currency loans to dredge a channel for Payra Port, a seaport in Kalapara, Patuakhali.

A tripartite loan agreement was signed between the finance division, the Payra Port Authority and state-run Sonali Bank to

finance the project.

The country's foreign exchange reserves have seen a sharp accretion in recent months riding on the solid flow of remittance and lower imports caused by the pandemic-induced slowdown.

The forex reserves stood at around \$43 billion last week in contrast to \$32.31 billion a year ago.

Both public and private sectors have been facing a lack of governance for years, which may have an adverse impact on the use of the reserves to implement the projects.

A 10-member central bank committee has strongly recommended not to allow any private company to take loans from the forex reserves.

There is a high risk of investing the funds from the forex reserves given the weak corporate governance in the financial sector and the poor record of implementing government

projects on time, economists said.

In the past, the government revised the deadlines of a majority of infrastructure projects, escalating their cost compared to the initial estimate.

If the same situation is repeated for the projects to be funded by the reserves, this will be a matter of concern for the financial stability in the country.

"Who will ensure the quality of lending from the reserves as the entire banking industry lacks corporate governance? This is a major question," said Salehuddin Ahmed, a former governor of Bangladesh Bank (BB).

The fund may even become non-performing in case of inadequate monitoring, he said.

The central bank committee submitted the policy guidelines on March 11 to its higher-ups, suggesting how to use the forex reserves.

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Any deal should end double taxation

Maldivian foreign minister says in interview, seeks investment protection



Abdulla Shahid

REFAYET ULLAH MIRDHHA

The Maldives wants to sign agreements with Bangladesh which do away with double taxation and guarantee and protect investment for increasing bilateral trade and investment, says the archipelagic state's foreign minister, Abdulla Shahid.

The current volume of bilateral trade is very negligible, comprising just a handful of products, for the absence of bilateral trade and investment guarantee and protection agreements, he said.

The trade volume is also low for the same scenario afflicting people-to-people and transport connectivity, as is in the case of flights between Dhaka and Malé, said Shahid.

However, very high trade potential exists between these two members of the South Asian Association for Regional Cooperation (Saarc) because of commonalities in goods on demand, a rising middle-income population and geographical proximity, he added.

So, the Maldives has been negotiating with Bangladesh to get some agreements signed for increasing bilateral trade, Shahid told The Daily Star in an exclusive interview during a visit to Dhaka to meet his Bangladeshi counterpart last month.

In the meeting, both Shahid and AK Abdul Momen were said to have agreed to encourage private sector entrepreneurs to get more involved in bilateral trade and investment.

The Maldives is not interested in signing free trade or preferential trade agreements (FTA or PTA), rather it wants a comprehensive trade and economic agreement foreseeing Bangladesh as a potential trading partner in South Asia, said Shahid.

Such comprehensive agreements comprise vital issues like trade, investment, employment and intellectual property rights, he said.

Generally, each country provides a technical panel to start negotiations to formulate the agreement. Then its draft is discussed at the political level for finalisation. Such an initiative will be taken up within this year, said Shahid.

Commerce secretary-level talks will also start soon to explore areas for business, he also said.

Coming on frequent travels to Bangladesh, Shahid said he was thrilled to arrive this time as he had a lot of friends here connected to politics.

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USE OF RESERVES: BB'S PROPOSALS, EXPERTS' VIEWS

ONLY GOVERNMENT STRATEGIC PROJECTS CAN GET LOANS

TERMS AND CONDITIONS

- ▶▶ Outstanding loans can't be over **10%** of reserve
- ▶▶ Repayment period will be **15yrs**
- ▶▶ Interest rate will hover between **2-3%**
- ▶▶ Loans will be used for import payments
- ▶▶ State banks will disburse the funds
- ▶▶ Sovereign guarantee a must for loans

NO FUND FOR PRIVATE COMPANIES

WHAT ECONOMISTS SAY

- ▶▶ Government can finance the projects following the existing method
- ▶▶ The lack of governance may create a roadblock
- ▶▶ Risk of default is there
- ▶▶ Cost and time escalation of projects should be checked
- ▶▶ Feasibility study should be conducted before giving a project loan
- ▶▶ An independent body should be formed

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Govt releases Tk 570cr to support small firms

A total of Tk 1,500cr will be disbursed in two fiscal years

STAR BUSINESS REPORT

The government has released Tk 570 crore from the Tk 1,500 crore stimulus package for their disbursement among small traders, entrepreneurs and farmers to help them survive the ongoing pandemic.

Eight government and semi-government agencies will disburse the fund this fiscal year while the rest of the amount will be disbursed in the next fiscal year.

The government approved the new packages on January 17 with an aim to improve the living standards of marginalised people living in rural areas.

The loans will be given as grants among cottage, micro and small enterprises (CMSE) in rural areas that previously had no access to formal banking channels.

Borrowers can avail the loan at 4 per cent interest while the lenders will charge this interest as transaction costs.

The Bangladesh Rural Development Board got the highest allocation of Tk 150 crore

for disbursement within 2020-21 out of its total allocation of Tk 300 crore for two fiscals, including 2021-22.

Of the remaining amount, Tk 100 crore each has been allocated for the Palli Daridro Bimochon Foundation, Social Development Foundation and SME Foundation.

Tk 50 crore will go to both the Bangladesh Small and Cottage Industries Corporation (BSCIC) and Small Farmer Development Foundation while the NGO Foundation and Joyeeta Foundation have been given Tk 10 crore each.

Micro businesses and farmers that could not avail loans from banks due to a lack of necessary documentation will get funds under the package.

The finance division has set some conditions for disbursing the loan.

Borrowers will have to repay the loan within two years in 18 monthly instalments with a grace period of six months.

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The money will be disbursed among cottage, micro and small enterprises to improve the living standards of marginalised people.

PHOTO: STAR/FILE

Subscription ends for City Bank's Tk 400cr perpetual bond

STAR BUSINESS REPORT

City Bank has organised the subscription closing ceremony of a Tk 400 crore bond, which is the country's first ever Basel-III compliant, additional Tier-I, contingent-convertible perpetual instrument of its kind.

A perpetual bond is a fixed income security with no maturity date and is often considered as a type of equity rather than debt.

City Bank Capital was the mandated arranger to the issue.

This bond will pave the way for recapitalisation of banks through optimising their capital structure via a more efficient mix of debt and equity, the bank said in a press release.

This is an effective alternative to raising capital from existing shareholders and this instrument is expected to become a critical tool to support expansion of the banking sector in the coming years, it said.

Salman F Rahman, private industry and investment adviser to the prime minister, delivered a video speech at the event, held at Westin Dhaka on Tuesday, where several stakeholders and well-wishers of the bank also attended.

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WB gives \$200m to help poor urban youths, migrant returnees

STAR BUSINESS DESK

The World Bank approved \$200 million to help Bangladesh provide support and services to the low-income urban youths impacted by the ongoing pandemic and the involuntary migrant returnees to improve their earning opportunities and resilience.

The Recovery and Advancement of Informal Sector Employment (RAISE) project will help about 175,000 poor urban youths and low-income micro-entrepreneurs enhance employability and productivity.

The project will help by providing them with life-skills training, apprenticeship programmes, counselling, microfinance and self-employment support, the WB said in a statement yesterday.

It will help about 200,000 eligible migrants, who had been forced to return since January 2020, to either sustainably reintegrate into the domestic labour market or prepare for remigration.

"International migration and urban informal sector have played a central role in Bangladesh's remarkable success in reducing poverty over the years. However, both sectors



A project will help poor youths by providing them with life-skills training, apprenticeship programmes and self-employment support.

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