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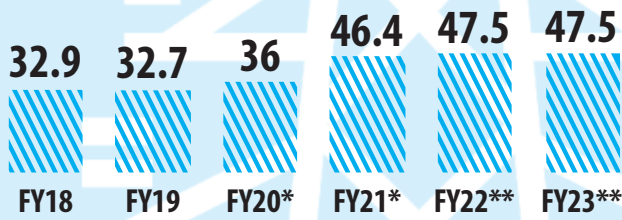
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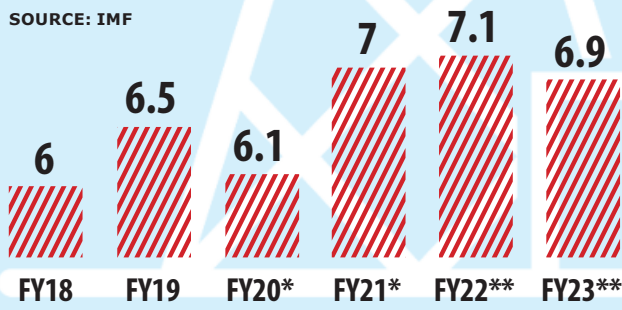
FOREX RESERVES

In billion \$, *estimate, ** projection



SCOPE TO PAY IMPORT BILLS WITH RESERVES

(Number of months) *estimate, ** projection



WHAT IMF SAYS...

- Reserve not excessive, can be short-lived
- Reserve use raises governance and sustainability concerns

KEY POINTS



Govt formed company to use forex reserves



Govt approved €524.56m to dredge channel of Payra port



Plan is to use up to \$2b annually from reserves



BB so far disbursed €27m from reserves

NEW PROJECT

Establishment of a 400Kv transmission line from Payra's thermal power plant

Agrani Bank sends a proposal for \$313m

POWER TRANSMISSION PROJECT

Govt plans to borrow \$313m from forex reserves

REJAUL KARIM BYRON and MAHMUDUL HASAN

The government plans to use the country's foreign currency reserves to implement a \$370.96 million power transmission project, ignoring warning from the International Monetary Fund (IMF).

State-run Agrani Bank has sent a proposal of North-West Power Generation Company Ltd (NWPGL), a government-owned entity, to the Bangladesh Bank.

Under the proposal, the power company is seeking \$313 million for the second transmission line project from Payra. The financing will be arranged by Agrani Bank.

Bangladesh-China Power Company, a joint venture of NWPGL and China National Machinery Import and Export Corporation, will build a 400Kv double circuit transmission line, which will connect Payra, Gopalganj and Dhaka's

Aminbazar to supply electricity from Payra's thermal power plant and potential future power plants.

The government is looking to turn Payra a major power generation hub. But the electricity to be produced at the hub can't be supplied to other parts of the country on the basis of the existing transmission lines, said a Power Division official.

But the plan to use the foreign currency reserves comes amid warning from the IMF against using it for such projects.

"The decision to use the FX reserve windfall to finance 'crucial' infrastructure projects through the newly created Bangladesh Infrastructure Development Fund (BIDF) raises governance and external sustainability concerns," said the IMF.

It made the observations in a report submitted to the government after an IMF



team visited Bangladesh from December 5 to December 19 last year.

In its first, the government approved to use 524.56 million euros from the reserves for a development project in March last year for the dredging of a channel for Payra Port, a seaport in Kalapara, Patuakhali.

The BB has so far disbursed 27 million euros for the project.

The BIDF was formed to make lending from the reserves to development projects. The annual investment target from the fund would be no more

than \$2 billion, according to finance ministry documents.

The BB has committed to financing the BIDF using the reserves for up to \$2 billion per year for the next five years, on the condition that the reserves cover import payments for at least six months, project earnings are in foreign currencies, and a sovereign guarantee is provided.

The IMF said foreign currency reserves in Bangladesh are adequate and not excessive, and the recent peak in reserves is expected to be short-lived.

"Ad-hoc use of FX reserves could undermine fiscal discipline by exposing the public sector to large contingent liabilities and fiscal risks."

Zaid Bakht, chairman of Agrani Bank and a noted economist, says every central bank makes some investment in safe areas after analysing risks so that money doesn't sit idle. "From that point of view, if there is a public sector project and if there is a guarantee from the government, then I don't see any problem."

The former research director of the Bangladesh Institute of Development Studies says a proposal from NWPGL has been sent but it has not been approved yet.

"It is under discussion." Earlier, the private sector sent proposals to the BB seeking investment from the reserves, but the central bank did not pay any heed to them.

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Relaxed loan repayment facility extended for shipbuilders

STAR BUSINESS REPORT

Bangladesh Bank yesterday extended the relaxed loan repayment facility for shipbuilders in a bid to help the industry tackle adversities derived from the ongoing coronavirus pandemic.

As per the central bank decision, shipbuilders will get another two-year moratorium to pay back bank loans.

In April 2018, Bangladesh Bank relaxed the loan repayment facility for the shipbuilding industry, allowing them to pay the loans spanning 10 years with a grace period of three years.

On top of that, they had managed an exemption of providing any down payment to reschedule bad loans.

The three-year moratorium was supposed to end in 2020.

However, the central bank has now extended the moratorium period by

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PHOTO: RAJIB RAIHAN

Tk 39,000 salary for entry-level private bankers

STAR BUSINESS REPORT

For the first time in history, Bangladesh Bank yesterday fixed minimum salaries for entry level bank officials in a bid to encourage talented youths to choose banking as a career and play a role in the nation's economic advancement.

The central bank said the entry level salary of assistant officers, trainee assistant officers, trainee assistant cash officers, or equivalent, would be a minimum of Tk 28,000 during the probation period while their total salary, including basic, would be at least Tk 39,000 per month once regularised.

After implementing the minimum salary structure, banks will have to proportionally increase the salaries of officials who have been working in those positions, Bangladesh Bank said in a circular.

It also asked banks in the country to comply with the order from March 1 this year – a move that was critically received by the chief executives of some private banks.

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Peoples Bank fails to win BB nod

STAR BUSINESS REPORT

The proposed Peoples Bank's three-year efforts to roll out banking operations went in vain as it has failed to meet requirements needed to secure the final approval from the Bangladesh Bank.

It even took popular Cricketer Shakib Al Hasan on board as a shareholder to strengthen its efforts to secure the nod from the central bank, but the attempts proved to be futile.

The planned bank was scheduled to set up a company and manage the required paid-up capital by December 31 last year, but it failed to do so.

So, the central bank yesterday declined to give the approval to the lender to start its operation, said Md Serajul Islam, a spokesperson and executive director of the BB.

"The proposed lender has failed to fulfil the requirements, so there is no scope for us to provide approval," he said.

Along with Shakib, Abul Kashem, chairman of the proposed bank, met with BB Governor Fazle Kabir on December 21 seeking extension of the deadline to open the company.

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176 businesspeople get CIP status

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The government yesterday presented the commercially important person (CIP) 2018 title to 176 businesspeople for their extraordinary contribution to export and trade.

Of the recipients, 138 were awarded under the export category based on earnings in fiscal year 2016-17.

The remaining 38 were given the status under a trade category as ex-officio as they are directors of apex trade body Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

Commerce Minister Tipu Munshi presented the accolade through a programme at the Sonargaon hotel in Dhaka jointly organised by the commerce ministry and the Export Promotion Bureau (EPB).

Last December, Bangladesh attained the highest single-month export earning of \$4.9 billion and \$24.7 billion in the July-December period, registering more than 28 per cent year-on-year growth.

In his speech, FBCCI President Md Jashim Uddin said the central bank was yet to publish

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STOCKS	
DSEX ▲	CSCX ▲
0.22%	0.31%
7,105.69	12,504.91

COMMODITIES	
Gold ▲	Oil ▼
\$1,842.15	\$85.35
(per ounce)	(per barrel)

CURRENCIES				
	USD	EUR	GBP	CNY
BUY TK	85.05	95.50	115.05	13.17
SELL TK	86.05	99.30	118.85	13.84

ASIAN MARKETS				
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 1.06%	▲ 1.11%	▲ 0.33%	▼ 0.08%	
59,464.62	27,772.93	3,294.82	3,555.06	