

Bangladesh IFC bond imminent, says central bank governor

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Bangladesh's Atiur Rahman appears to be one of the relaxed and contented central bank governors in Lima this week, having avoided the commodity crash and sitting on substantial foreign currency reserves. The taka is also about to make its debut in the international bond markets, with the IFC set to issue in the currency



The IFC's plan to issue an offshore Bangladeshi taka-denominated bond will be invested in private infrastructure projects and PPPs in what would be the first transaction to put Bangladesh's currency into global money markets.

Atiur Rahman, Bangladesh's central bank governor, told Emerging Markets that upon his arrival in Lima on October 5 he received the news that the government had approved the IFC's plans, which have been in the works since the IMF spring meetings in April.

"The bond will launch as soon as possible now that government permission has been granted, and the IFC and central bank will be structuring it," said Rahman. "The IFC will take care of the currency fluctuation, so we will be able to invest the taka in infrastructure — mostly private because that is what the IFC likes, but also public private partnerships."

The IFC plans to raise \$1bn from foreign investors much in the style of the so-called masala bonds, rupee-denominated instruments that the IFC, EBRD and KfW have sold in the past year. The notes will be listed on the London Stock Exchange.

Rahman said the new bond would provide a benchmark for further bond issuance in Ba3/BB-/BB- rated Bangladesh.

“On one hand this deal will enable us to expand our investor base,” he said. “But it could also help the domestic corporate bond market to grow.”

The taka is one of the most stable currencies in emerging markets, having appreciated sharply during 2012 but then remaining around at Tk77.5 to the dollar since early 2013. While its EM peers suffer sharp currency depreciations, Bangladesh Bank — isolated from the commodities crash — has had the luxury of being able to buy hard currency reserves to stabilise its currency.

Rahman admitted that his was a “pleasant challenge”, with foreign currency reserves having increased from \$6bn to \$26bn in the 6-1/2 years that he has led the central bank.

The governor also reiterated his belief that Bangladesh would finance the economically important 6.15km Padma Bridge project, for which the World Bank had committed financing only to withdraw it in 2012, with local money.

“The World Bank thought we’d get stuck but I’ve said we’ll put the money in ourselves if needed,” said Rahman. “I am allowing Bangladeshi banks to put their money in the Padma Bridge project, and if they fall short they can get the dollars from us. They just need to mobilise taka.”

With dire warnings on EM growth ringing loud around Lima, Rahman was serenely optimistic.

“We are not vulnerable to capital outflows in EM because our exposure to the world economy is minimal,” he said. “We have managed to keep our economy growing at a good rate and the return on investment that we offer is so high that people still find it very attractive.”

Continued growth in remittances from Bangladeshis living abroad has been crucial to the increased foreign exchange reserves, and the governor is also positive on this front.

“In many countries remittances are falling but we expect to see continued increases — in part thanks to the stability of the taka versus the dollar,” he said.