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Rouble tumbles by 21 pc

MOSCOW, Sept 5: The beleaguered Russian rouble tumbled by 20.77 per cent against the dollar yesterday to change hands in interbank trading at 16.99 to the dollar, Interfax reported, says AFP.

It was the second-worst single-day loss for the Russian currency, eclipsed only by the Black Tuesday of October 1994, when the rouble shed 21.5 per cent of its value. Inflation during that year was 300 per cent compared to estimates for 1998 in single figures before the recent rouble collapse.

The Russian currency has now lost 62.9 per cent of its value against the dollar since the rouble was effectively devalued on August 17, when it bought 15 cents as opposed to 5.9 cents on Friday.

The currency started drifting downwards immediately but this week has sunk like a stone.

Currency exchange booths in Moscow, which have been running short on dollars as Russians rush to convert their deposits into the safer currency, on Friday morning showed a buy-sell spread of 19-22.

The central bank initially announced it would keep to a 9.5 to the dollar ceiling until the year-end.

But it conceded those efforts were futile last week when, with its hard currency reserves dwindling to 12.7 billion roubles, the bank shut down all hard currency floor trading and refused to sell any more dollars to keep the rouble afloat.

Trading was resumed on the Moscow Interbank Currency Exchange (MICEX) for the first time on Thursday after weeklong freeze.

The rouble collapse has been triggered by a confluence of factors which would have humbled more robust markets: tumbling global oil prices which drove the government to bankruptcy and sent investors fleeing, driving stocks to all-time lows.

Ukraine devalues its currency

KIEV, Sept 5: Kiev suspended interbank foreign currency trade yesterday and effectively devalued the hryvnya, as financial storms which have devastated Russia's economy threatened to wreak havoc in Ukraine, reports AFP.

Deputy Prime Minister Sergei Tigipko told a press conference Ukraine would from Saturday widen the hryvnya's fluctuation corridor to 2.5-3.5 against the dollar, from the current at 1.8 to 2.25 hryvnyas.

The announcement confirmed figures in an Interfax report, later withdrawn without explanation, in which Prime Minister Valery Pustoviotenko said that the hryvnya would be given a new dollar peg.

Sources told AFP said that the agency pulled the report after coming under intense political pressure.

On Thursday, the authorities temporarily suspended the interbank foreign currency market in a move, an official at Ukraine Bank, the country's largest, said aimed to protect the national bank of Ukraine's rapidly evaporating gold and hard currency reserves.

The central bank's reserves now stand at just 800 million dollars, making a realignment of the Ukrainian currency "inevitable," one specialist said.

Tigipko earlier pledged the government would take "radical measures" to avoid a complete collapse of the currency, saying "the force of these measures will depend on the seriousness of the situation."

"If it (the suspension) lasts, it will have a devastating impact on investor confidence," said Denis Mikhov of the French bank Societe Generale's Ukrainian office.

Although Ukrainian President Leonid Kuchma has proclaimed loud and clear that a sharp devaluation was not on the cars, economists predict a 30-40 per cent cut in its value against the dollar, warning that the former Soviet Republic's fragile economy is on the brink.

"The crisis is mounting and we have been caught up in the Russian storm," said an official at Ukraine's Privat Bank. "The prospects are the same as in Russia: closure of foreign exchange markets, emergency restructuring of domestic and foreign debt, and a devaluation of the hryvnya," she said.

Rising uncertainty among the country's business community was another factor hurting the economy, she added.

Vietnam, Thailand may sign visa exemption accord

HANOI, Sept 5: Vietnam and Thailand are expected to sign an agreement on visa exemptions in October, Saturday's Tuoi Tre newspaper quoted a Thai diplomat as saying, according to AP.

Teerada Kerrsuwan, counselor of the Thai Consulate General in Ho Chi Minh city, said the agreement will take effect 30-45 days after it is signed and that Thailand will be the first ASEAN country to exempt visas for Vietnamese visitors.

The consulate said it has issued visas for more than 12,000 Vietnamese living in southern Vietnam this year.

Visiting Bank team calls on Hasina

ADB expresses solidarity with govt in facing flood effect

The visiting delegation of the Broad of Directors of Asian Development Bank (ADB) called on Prime Minister Sheikh Hasina at Ganobhaban yesterday, reports UNB.

During the meeting, the delegation led by Francesco Pittore, expressed ADB's solidarity with Bangladesh government in mitigating the sufferings of the people caused by the current devastating flood.

The Prime Minister spoke of the government measures undertaken to alleviate poverty and also the steps to face the ongoing flood.

She mentioned various development activities of the government during the last two years in social sector, which she said, are severely affected by the flood.

The country's infrastructure, including roads, bridges, culverts, schools and colleges and also the agriculture were seriously affected by the deluge, she added.

Hasina said the government has introduced Old-age allowance programme for the elderly poor people, Ashrayan project for the homeless people and employment bank for the unemployed youths.

She particularly referred to the achievement of the government in restoring peace in the Chittagong Hill Tracts and signing of the Ganges Water Sharing Treaty with India, which could not be done for long time.

She extended her thanks to ADB for its assistance in constructing the Bangabandhu Bridge over the river Jamuna.

The Prime Minister pointed out that her government has achieved 5.9 per cent growth rate last year. The post-independent government headed by father of the nation, Bangabandhu Sheikh Mujibur Rahman, achieved growth rate of seven per cent.

During last 21 years, subsequent governments could not achieve the growth rate more than four per cent.

The Prime Minister spoke about the need for preserving flood water for surface water management. The main cause of the current flooding is heavy rains in the upstream and rise of sea level, she commented.

The most urgent need of the time is river dredging, which had not been done properly for a long period, she said.

About emergency relief materials for the flood stricken people, she said, cooked foods, saline, drinking water, baby foods and clothes are most essential.

Principal Secretary to the Prime Minister Dr SA Samad, ERD secretary Dr Moshiur Rahman, ADB Director Faizur Razzak and FBCCI president Yusuf Abdullah Harun were present.

Francesco Pittore, leader of a delegation of the Asian Development Bank Board of Directors, speaks at a press conference in the city yesterday. — Star photo

Fixing of Y2K bug to cost US over $ 5.4b

WASHINGTON, Sept 5: The federal government said Friday it will cost at least $5.4 billion to fix its most important computers to overcome the Year 2000 problem, about $400 million more than previously estimated, reports AP.

And President Clinton's Year 2000 chief, John Koskinen, said the figure almost certainly will go higher.

"It will probably still go up as we move into the last year," said Koskinen, chairman of the Year 2000 Conversion Council. "We're going to discover as we move through this last 15 months more things that need to be done."

In its latest report on the 'millennium bug,' the federal office of Management and Budget said half the government's 7,343 mission-critical computers already have been fixed, replaced or were originally unaffected. Of those 3,692 systems already prepared, just over half were never affected by the problem. In its previous report, in May, the OMB said 40 per cent of all the government's important computers were ready for 2000.

OMB said seven of the government's largest agencies aren't making adequate progress and will miss President Clinton's deadline to have their most important computers fixed by March 1999 unless they improve.

The State Department, for example, has fallen further behind in the past three months and now "faces a significant challenge in managing its extensive Y2K project," the OMB report said.

The other agencies lagging are Defense, Education, Energy, Health and Human Services, Transportation and the Agency for International Development. The report said HHS and the AID don't believe they will make Clinton's deadline.

Experts have warned for years that many computers originally programme to recognize only the last two digits of a year will fail on Jan. 1, 2000, when machines will assume it is 1900.

Some computers can be reprogrammed through tedious rewriting of their software code, but many devices have embedded microchips that must be physically replaced.

Estimates to fix the problem in corporate computers range from $40 billion to $200 billion in America, with worldwide estimates as high as $600 billion.

Friday's OMB report follows a meeting earlier this week among Vice President Al Gore and senior officials of the seven agencies making inadequate progress.

Some Republicans have suggested that Gore, expected to run for president in 2000, is politically vulnerable to criticism that he didn't do more to prevent potential problems stemming from the computer glitch.

Koskinen noted that even the seven agencies behind the deadline have some of their computers fixed.

In its report, OMB estimated the State Department's cost at $167.6 million, higher than the agency's own estimate from May of $1.53 million. The Defense Department's costs were highest, just under two billion alone.

A report last week from the General Accounting Office warned that if the State Department's computers aren't prepared, the system for screening visa applicants for criminal or terrorist background might fail, and the agency might not be able to send messages to diplomats overseas.

The State Department didn't respond to the OMB report.

Business leaders call on PM

President of SAARC Chamber of Commerce and Industries Kantikumar Poddar and President of Indian Chamber of Commerce and Industries K K Modi called on Prime Minister Sheikh Hasina at Ganobhaban yesterday, reports UNB.

During the meeting they exchanged views on joint venture trade and industries between Bangladesh and India and also with other south Asian countries.

The US-Bangladesh Business Council Vice President, Joseph Sutton, also called on Prime Minister Sheikh Hasina at Ganobhaban.

Pakistan's export down

ISLAMABAD, Sept 5: Pakistan's exports and imports in July this year fell by 13.5 and 23 per cent respectively in terms of US dollar against the comparable month last year, according to the latest official figures, reports Xinhua.

The exports in July dropped from 662.2 million US dollars to 573 million dollars while imports totalled 692.1 million dollars, that was 23 per cent less than that of July 1997.

The decline in exports was due primarily to fall in the export of primary commodities, textile manufactures and other manufactures, indicated the official figures.

In imports, major declines were recorded in food group, machinery group and petroleum group.

Import drop in food group recorded 56.6 per cent and in machinery group 26.8 per cent.

However, imports of agrichemicals group increased by 21 per cent owing to substantial rise in import of fertilizer.

WB fires two employees

WASHINGTON, Sept 5: The World Bank fired two employees yesterday for "misuse of funds for their own personal gain" after an internal investigation revealed they had wrongly appropriated trust funds totalling 110,000 dollars, reports AFP.

In a statement issued from bank headquarters here, the financial institution also said it was withholding payments, including annual leave and resettlement expenses, from the two employees, who were not identified.

"While there is no reason to believe that there is a widespread problem of corruption in the bank, even one case is too many," World Bank Managing Director Shengman Zhang was quoted as saying.

Zhang said the bank will check its internal control systems to prevent further misappropriation of funds.

In July, World Bank President James Wolfensohn announced probes into reports of possible corruption within its ranks, along with the suspension of three employees.

Wolfensohn said a civil lawsuit has been filed against a former bank staff member and several other allegations are being probed.

HK's quasi-central bank unveils 7 steps to boost currency

HONG KONG, Sept 5: Hong Kong's quasi-central bank unveiled on Saturday seven steps to strengthen the territory's 15-year old currency peg to the US dollar, but said it reserved the right to intervene should it see continued manipulation in the markets, says AP.

The Hong Kong Monetary Authority announced it will lend Hong Kong dollars to banks at the rate of 7.75 Hong Kong dollars to the US currency, adding that it will move up the rate to the official peg of 7.80 if necessary.

The measures will take effect immediately when the markets open on Monday.

Hong Kong has tied the value of its own currency to the US dollar for more than a decade. It has held that rate steady over recent months, which has taken a toll on local industry by making the territory far more costly than other places in Asia to do business.

"If there is no manipulation in the currency market — and these regulations make it more difficult — we will step back from the market," said HKMA Chief Executive Joseph Yam, adding that the HKMA still reserves the right to intervene if it sees market manipulation.

The quasi-central bank has spent nearly 15 per cent of its 96 billion US dollars in foreign reserves in an effort to defend the dollar peg against speculators in the money markets.

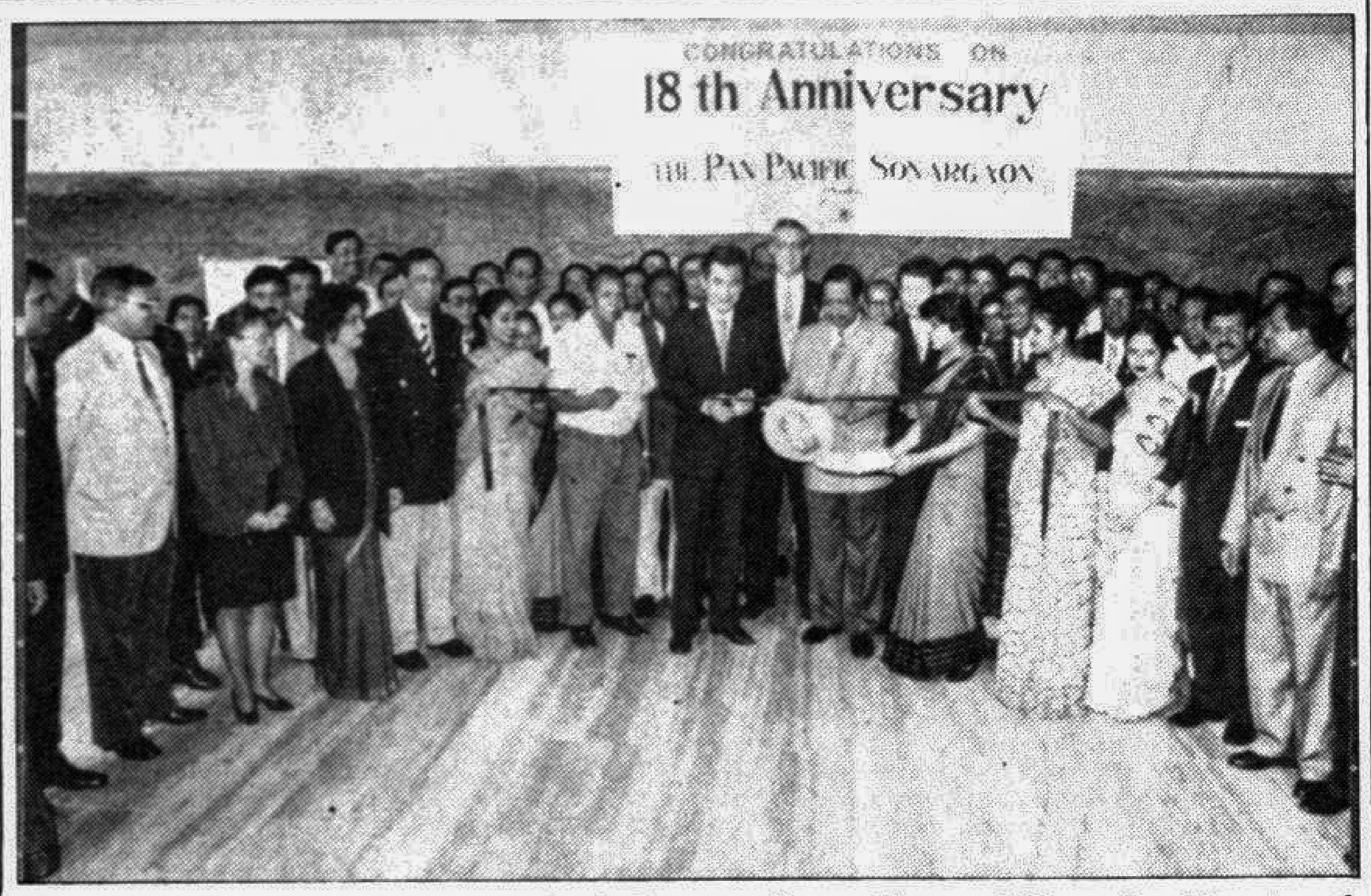
In the past few weeks, speculators have played on the currency peg's connection to local interest rates, driving rates higher and share prices lower, in an attempt to weaken the peg. With the announcement, the HKMA effectively guarantees funding will be available for banks to settle their accounts by providing a clear convertibility rate.

The HKMA said the changes were necessary to face "the worst financial turmoil in the history of Asia."

"The package of technical measures will strengthen our defense against manipulation by the speculators in our foreign exchange and moneymarkets," said Financial Secretary Donald Tsand in a statement.

Yam said the changes would ease volatile interest rates and make it harder for speculators to beat against the Hong Kong dollar, while banks could now lend Hong Kong dollars without fear of dramatic fluctuations.

"I think volatility of interest rates will be dampened," Yam told Dow Jones Newswires.



Vice-President of Pan-Pacific Hotels & Resorts, Shozo Kita, and Managing Director of Hotels International Ltd, Adiluzzaman, jointly inaugurate the 18th anniversary celebration programme of Sonargaon hotel at its Lobby Lounge on Tuesday. — Sonargaon photo

Workshop on euro and Bangladesh Sept 14

International Chamber of Commerce (ICC)-Bangladesh will organise a workshop titled "Euro and its impact on the economy of Bangladesh" at the DCCI conference room at Motijheel on September 14.

It will be participated by senior executives from banks, insurance cos, export and import houses, and various other enterprises actively involved in international trade.

The workshop will deal, among others, the hidden difficulties for banks and their operations following arrival of Euro as well as its impact on documentary credits, says a press release.

It is also intended to have threadbare discussions on the impact of the new European money on Bangladesh's trade with EU countries.

Further it will discuss the impact of the European single currency on monetary obligations related to transactions involving ICC rules.

The Counsellor at the Commission of the European communities in Dhaka, Jorg Ketelsen; Managing Director of Prime Bank Limited and Chairman of the ICCB Banking Commissioner Kazi Abdul Mazid, and a renowned Columnist Sayed Kamaluddin, will discuss the salient features of the Euro.

TCL to invest in Afghanistan

ISLAMABAD, Sept 5: The US-based telecommunication company TCL, has a signed a protocol worth 419 million US dollars with the Taliban authorities for the installation of mobile telephone facility in war-torn Afghanistan, the Frontier Post reported on Friday, says Xinhua.

Under the protocol which was signed in the Afghan capital of Kabul Wednesday, the project is expected to be completed within three years in two stages, the report said.

The first stage involves an investment of 175 million US dollars for the installation of satellite-operated mobile phone facility in Afghanistan's 14 provinces.

In the second stage, a total of 244 million US dollars will be spent on expanding the facility to the whole of Afghanistan.

According to initial estimates, American manpower to be involved in the project would account for only one per cent of the whole, whereas 99 per cent of the development work would be carried out with the assistance of Afghan engineers and technicians.

BRC is going the wrong way, CAMEL is better

Suggestion of BRC for the retenchment of 23000 excess employees of NCBs' basing upon deposit per employee compared to private banks needs to be reviewed, says **AKM Ghaffar**, a former banker

The Bank Reform Committee (BRC) is learnt to have suggested that the government take immediate steps to retrench 23000 excess employees in the nationalised commercial banks (NCBs) to make them profitable. According to the report, the deposit per employee in private sector banks is Tk. 78 lakh when it is only Tk 50 lakh in the NCBs. The BRC found that the deposit per employee in the NCBs was much lower than that of private banks. Based on this estimate, BRC has determined the number of 23000 excess employees in NCBs. BRC in its report seems to have remained silent in determining the amount of deposit per employee to measure the performance of banks. Further, BRC seems to have not taken into consideration number of depositors' account with average deposit per employee in NCBs and in private sector banks. On that issue also, the average deposit per account in private sector banks will be more compared to NCBs. This is not due to inefficiency in the management of NCBs. But for social commitment and keeping in conformity with national saving policy NCBs are required to develop various schemes for small savers to encourage national savings. The utility charges, taxes etc are also collected by NCBs which also form a part of total deposit. The number of vouchers and transactions relating to such collection are more in comparison to volume of amount received from each client. Private sector banks do not encourage to attract such business because it increases overhead costs. It may be mentioned that the fund mobilised through "Inter Bank Taking" can be reflected in the balance sheet either under the head "Deposits (others) or Borrowings (others)". Therefore the banks which will report fund received from "Inter Banking Taking" under head "Deposit (others)" their deposit per employee will be higher than those who is showing such fund under the head "Borrowing (others)." Similarly due to participation of NCBs to finance small Traders/Industries and Agricultural finance their average investment per employee will be much less that of private sector banks. Under these situation they require more man power for the Management of liabilities and Assets of the bank incompare to private sector banks. NCBs are required to invest fund in certain sector which has national priority but private sector banks will not go for such investment due to commercial consideration. The banks which were nationalized after Liberation had come into being between 1947 and 1959 whereas private sector banks have started functioning from the middle of 1982 in phases.

Thus it is not found desirable to measure of the performance of NCBs basing upon the deposit per employee to determine 23000 excess employees for retrenchment to make them profitable.

It is felt that for measuring the comparative performance of the banks and to make them profitable an acceptable common criteria is needed. Therefore, the Reform Committee may come out with a common acceptable criteria for measuring the productivity of the banks otherwise "Apple to Apple" comparison is not possible.

It is also futile to compare the performance of NCBs with private banks when they operate under two different ownership concepts and their variable and parameters between the banks are not uniform for operational activities.

A number of attempts were made to find out the indicators/tools for measuring productivity of commercial banks but consensus for determining a common criteria could not be reached due to broad reasons noted below.

(a) Absence of any set criteria for uniform judgment of different institutions.

(b) The time span, location of the branch, manpower planning and utilisation.

(c) Business policy/strategy of all banks are not identical.

(d) Seasonality of business should be recognized

(e) Variation of deposits and credit portfolio mix affect the cost of fund and earning.

(f) Fund mobilised through "Inter Bank Taking" can be reflected in the balance sheet either under the head "Deposits from (others)" or "Borrowings (others)."

(g) Variation of staff cost, interest rates and other overhead expenditure etc.

(h) Depreciation expenses are also not uniform among the banks due to variation in quality of fixed assets and hardware in use.

(i) Priority to attract the size of business (deposits and investment).

(j) Number of transaction and its volume.

2. To measure the performance criteria of a bank, attempts were made for measuring the productivity basing upon "Input & Output Analysis". The ingredient of "Input and Output" are noted below:

(i) Input: Staff cost, interest cost, premises etc.

(ii) Output: Interest income plus other fees and commission.

3. In a seminar on "Measurement of Productivity" in commercial banks in Bangladesh compared to that of in other countries, the keynote paper opined that despite numerous attempts sharp differences exist among the scholars and researchers about the definition of "Inputs and Outputs" as well as the use of indicators for measuring productivity of commercial banks. Researchers have attempted to use a number of other debatable factors but close proximity of indicators for measuring productivity of commercial banks can be identified as under:

(i) Average deposits per employee;

(ii) Average Assets per employee;

(iii) Average number of transaction and its volume per employee;

(iv) Average number of transaction relating to non funding business;

(v) Salary and wages per unit of deposits and advances;

(vi) Gross profit or net profit per employee;

(vii) Number of other similar datas.

Given the scenario, even it is difficult to compare the performance between the banks when variables and parameters are not uniform for operational activities. Besides there is no scope to measure the productivity of NCBs with that of private sector banks.

4. However, a concensious has now been reached to measure the weakness and strength of a bank by analysing data on "CAMEL: a concept which stands for: C=Capital & Reserve: A=Quality of Assets; M=Management; Capability; E=Earning; L=Liquidity

BRC may review the performance of each nationalized commercial banks separately on the basis of "CAMEL" concept and furnish its findings regarding weakness and strength for improving the condition of the bank and to develop the sense or awareness in the management level to make a profitable institution including criteria for determining the staff strength. BRC may try to include in its recommendation a common acceptable criteria for measuring the performance and productivity of banks in its ideal condition.

The writer is former president and managing director of Arab Bangladesh Bank Ltd and a former adviser to Southeast Bank Ltd.