International Business News

ADB lends $113m to India wind power projects

AFP, *Manila*

The Asian Development Bank said Saturday it will provide a 113 million-dollar loan to develop two wind power facilities in India to improve the country's use of cleaner energy sources.

The loan to a wholly-owned Indian subsidiary of CLP Holdings of Hong Kong, will fund development of the facilities in the Indian states of Gujarat and Karnataka, the ADB said in a statement from its Manila headquarters.

The project will spur India's economic growth, diversify its energy sources and stimulate private sector interest towards energy generation by showing how large-scale wind projects can be successfully implemented, the ADB added.

The initiative is part of the ADB's program to develop clean energy facilities with the Indian private sector.

India is the third largest electricity consumer in Asia behind China and Japan, and relies primarily on coal-fired plants. However, it also ranks fourth in the world for installed wind power generation.

Citigroup posts $5.1b loss, to cut 9,000 jobs

AFP, *New York*

US banking giant Citigroup reported Friday a 5.1 billion dollars net loss during the first quarter and said it would cut an additional 9,000 jobs as it struggles with bad bets on subprime mortgages.

It was the second consecutive quarterly loss for the banking titan, heavily exposed to the subprime, or high-risk, mortgage crisis stemming from the worst US housing slump in decades and signs of recession in the world's biggest economy.

But the first-quarter loss was almost half the prior quarter's loss of 9.83 billion dollars, and coupled with cost-cutting measures such as job cuts Citigroup Inc., under its new chief executive Vikram Pandit, appears to be putting the credit crisis behind it, analysts said.

Citigroup took 13.9 billion dollars in write-downs during the first quarter, the bank's chief financial officer, Gary Crittenden, said in a conference call.

Crittenden cited additional write-downs that had not appeared in a list of write-downs and the company's earnings report, which AFP had tallied that list at approximately 12 billion dollars.

Earnings per share were a negative 1.02 dollars, seven cents steeper than the loss that most analysts' forecast.

Citigroup is now the US bank hardest hit by the subprime crisis that erupted in August, wreaking havoc on financial markets and leading to a credit squeeze that is stifling growth in the global economy.

AFP

A pedestrian walks by a Citibank office in San Francisco, California on Friday. Citigroup has reported a $5.1 billion first quarter loss and plans to cut 9,000 jobs as the bank continues to struggle with home and car loan losses.

Iran says oil price too low at $115 a barrel

AFP, *Tehran*

Even at 115 dollars a barrel, oil is priced too low, Iranian President Mahmoud Ahmadinejad said in comments published on Saturday adding that the commodity "should find its real value".

"Oil at 115 dollars a barrel in today's market is a deceiving figure, oil is a strategic commodity and should find its real value," the state broadcaster's website quoted Ahmadinejad as saying on Friday.

New York's benchmark contract, light sweet crude for delivery in May, surged 1.83 dollars to a record close of 116.69 dollars a barrel on Friday. It had earlier hit an intra-day all-time peak of 117 dollars.

Iranian Oil Minister Gholam Hossein Nozari, whose country is OPEC's number-two oil producer and exporter, on Wednesday rejected calls from oil consuming countries for the cartel to take action to bring down prices.

Malaysia to spend $1.3 b to tackle inflation, food security

AFP, *Kuala Lumpur*

Malaysia's government said Saturday it would spend four billion ringgit (1.3 billion dollars) to increase food production and tackle price hikes as the country faces spiralling global oil and food costs.

Prime Minister Abdullah Ahmad Badawi said he would also set up a high-level anti-inflation committee to tackle these issues, state news agency Bernama reported. However, he did not say how the money would be allocated.

Anger over rising food and fuel prices was a key issue in general elections last month, and one of the factors credited with Abdullah's ruling coalition facing its worst performance in its half-century history.

"This body will meet often most probably once a fortnight to discuss issues but if they need to meet more often, they can," Abdullah told Bernama.

BANKING

Interest rate is still too high

LATIFUR RAHMAN

Bangladesh Bank has helped ensure relative monetary stability despite economic setbacks arising from a number of shocks from different fronts, including natural disasters, loss of crops and the inexorable rise in the prices of food grains, petroleum, oil and lubricants (POL) and other commodities in the international markets. Food grain prices and international shortage have now created a fundamental challenge for the country, both in humanitarian terms and in terms of the socio-political ramifications.

It is our view that inflation, and most notably food price inflation, will remain one of the formidable challenges facing Bangladesh. Food price inflation is clearly an international problem, as many countries have been affected. Unfortunately, Bangladesh is at a greater risk as a much larger proportion of our population spends the majority of their income on food and food items. The potential ramifications of sustained inflation, on both society and social stability, can be alarming.

There appear to be three primary drivers for the recent food price inflation; market imperfections, domestic supply shortfalls and imported inflation. Looking at these issues in reverse order we find that:

The global prices of rice, wheat, soya-beans and many non-food commodities, such as, petroleum, have risen. Increasing global demand, bad harvests and diversion of cereals to generation of bio-fuels have created global shortage. The weakening of the US dollar has also contributed significantly to price hikes in US dollar terms. We urge that the central bank considers taking the lead in firming up short and long term strategies for tackling the situation in the same way as it has been able to achieve sustainable current account surplus in the recent months.

It is extremely necessary to tackle supply side challenges in terms of core food commodities. Government must develop a strategic policy towards domestic food supply (and domestic food reserves) to ensure that there is a buffer stock available when such disasters hit. It is in this context that we fully endorse the efforts that the Bangladesh Bank governor has been making to encourage banks to support farmers. In this regard, our Chamber firmly believes that policy support to agriculture is of high priority. Food prices could be kept within affordable limits of the low income people and some food stock could be built up due to relatively better performance by the agriculture sector in the recent years.

The strategy of poverty reduction by keeping foodgrain prices low may not work in the future as increasing prices of inputs and outputs no longer provide adequate return for food production. Profitability for the farmers rather than their subsistence will increasingly become a more important motive for sustaining growth in foodgrain production.

We strongly urge for a review of the strategies for food production and poverty alleviation. In our view, the country will ultimately benefit if such efforts could be coupled with a coordinated government policy on developing sustainable strategic reserves of food stocks.

Some of the tactics adopted by the government over the past year to address perceived market imperfections (which have sometimes been labeled market manipulations by businessmen) have not met with universal support in the market. Indeed the fear that has occasionally been created amongst people within the supply chain has, in our view, occasionally exacerbated the problem. We support monitoring of markets by the authorities but believe that the priority focus should be to reassure all parties in the supply chain regarding the continued support for the smooth operation of free market forces.

Obviously whenever the question of inflation arises, there will be some who will advocate a restrictive monetary policy. We in this Chamber are, however, not of this view. We strongly commend the Bangladesh Bank's decision, last year, to abandon the restrictive monetary policy regime. We firmly maintain that this remains the right approach, given that the main causes of the current inflation problem are not being driven by surplus liquidity in the economy.

We note with concern the level of government's borrowing from the banking sector has increased in the recent months. Needless to mention that the Government borrowing from the banking sector, especially one which is prone to volatility in terms of liquidity, has the classic "crowding out" impact on the private sector. Our Chamber urges once again that this aspect of policy should be reviewed with a view to increasing the credit supply to the private sector particularly the Small and Medium Enterprises (SMEs), as this will be the key to increase the pace of economic growth in the country.

Latifur Rahman

> "Banking in Bangladesh should be a very highly competitive industry, which should be reflected in low spreads in interest rates"

The banking sector in our country has come a long way in the last decade and the Bangladesh Bank deserves a great deal of credit for enhancing the regulatory framework at a sensible pace to effectively nurture the industry. There has been a significant improvement in service quality and discipline amongst the banks. With that said, it must be pointed out that there remains a long way to go before our banks can match the service propositions of some leading banks in other Asian countries. With 49 scheduled commercial banks, Bangladesh is one of most highly banked nations, particularly when one considers the size of the over-all economy. Most countries, many with larger economies, cannot boast of half that number of licenced banks. In theory, banking in Bangladesh should be a very highly competitive industry, which should be reflected in low spreads in interest rates. Regrettably, as we all know, this is not the case.

In reality, the banking industry is highly fragmented, which leaves most banks at less than the desired economic size and capability. Economies of scale and efficiency need to be improved within the banking industry. Our Chamber believes that some consolidation and consequent creation of stronger banks with deeper capital bases is essential.

Besides consolidation, we urge upon the Bangladesh Bank to lead the banking sector to create appropriate market mechanisms for the development of a more robust and predictable inter-bank market, particularly for term money. In other markets, bank loans are usually priced at a premium to the inter-bank rate, such as LIBOR. The borrowing customer simply negotiates a margin over the inter-bank rate and the Central Bank is able to influence bank lending rates through adjustment of their discount rate, which in turn impacts the inter-bank rate in normal market circumstances. It is a fact that banks in our country do not follow this approach, choosing instead to negotiate bilateral pricing without a clear link to benchmark rates. This makes the linkage between monetary policy measures and interest rates obtained by borrowers a rather tenuous one. We request the Central Bank to seek to create a domestic benchmark and a more efficient inter-bank pricing / market mechanism for Taka interest rates, along the lines of LIBOR. This will increase stability of the banking sector and will also enforce a higher level of discipline and transparency in pricing mechanisms. This will allow loans to the private sector to be priced in a transparent and equitable manner, where the effective loan interest rates for the borrowers would be driven by the inter bank rate plus the credit risk premium. It will simultaneously enhance Bangladesh Bank's ability to directly impact economic activity through monetary policy decisions, without contradicting the free market principles which this chamber so consistently advocates.

Recent initiative of the Bangladesh Bank has resulted in the reduction of interest rate by one per cent. However, reduction of highest rate by one per cent is somewhat misleading. What is necessary is reduction by 1% of the rates of interest existing at present for different categories of outstanding loans. We look forward to seeing the requisite move by the central bank in this regard at the earliest.

We recognize that Bangladesh is moving towards Basel II. This should help the banks to upgrade their credit analysis and, where appropriate, enhance their capital bases for the benefit of the depositors. We understand that, as part of the plans to introduce Basel II, consideration is being given to requiring all corporate borrowers to receive Corporate Credit Ratings. We are strong advocates of Corporate Governance and obviously see some benefits from having public listed corporates subjected to the scrutiny of an independent body. With that said, it needs to be mentioned that the depth and quality of the credit rating agencies in our country needs to be improved. It is our fear that imposition of mandatory credit ratings may potentially act as an impediment to accessing finance amongst corporates. We suggest that Bangladesh Bank should give due consideration to such concerns and seek practical solutions while determining how to implement Basel II in our country.

Over the last few decades our export industries have established themselves as cost efficient manufacturers. We are competitive on a global basis when it comes to manufacturing thanks largely to our competent labour force and access to energy through captive power. This has been achieved despite severe infrastructure bottlenecks and a host of socio-political impediments. Regrettably, this positive story is confined to a very narrow base with the majority of our exports still coming from garments and textiles. This has inherent structural risks for the economy.

The sustained growth of our export based economy is dependent on our ability to find new markets and to stay competitive in our existing ones. This is true not only for garments and textiles, but also for other products like pharmaceuticals, ceramics, sheet-glass, etc. We need to lay foundations now for the ongoing expansion of our export base, by focusing on creating market access. This requires us to make investments. We need to set up marketing and manufacturing entities abroad if we want to accelerate sales of pharmaceuticals or other products into these markets. Unless we can make the requisite investments, our ability to ultimately enhance export sales into these markets will remain handicapped.

Regrettably, the exchange control policies restrict investments overseas. For such restrictions, exporters are unable to expand their value addition capacities and markets. We strongly call for an urgent review of the exchange control guidelines, taking into account the growth in the country's foreign exchange reserves in the recent months and the resultant scope to gradually relax the existing restrictions. We believe that there should be a coherent strategy in place to enable the country to gradually move towards exchange control liberalisation. Ultimately, it is only with greater liberalisation and a more free flow of cross border capital that Bangladesh will be truly able to compete at the global stage.

The author is the president of the Metropolitan Chamber of Commerce and Industry

COLUMN

SARWAR AHMED

Beyond human resources

While waiting for some guests at the Sonargaon Hotel lobby, my Human Resources colleague Saidul was greeted by a hotel official. Saidul then introduced Kazi Rakibuddin Ahmed who handed me his card Director People Innovation & Education. Noticing my inquiring appearance, Rakib volunteered, "Yes, that's an unusual way of looking at HR. And you are not the first one to react!" It certainly was an odd title, and of course my management instinct got the better of me and I asked him if we could meet so he could explain what was this all about.

After attending a business meeting, I called Rakib to satisfy my curiosity. So what was it that drove the HR ethos in the Sonargaon, I asked? It's more philosophical he began. Here we are, dealing with human beings, their emotions, their creativity, their capability to perform. Can you put numbers to these qualities? No but businesses any business depends on these qualities in their staff in order to grow. Isn't innovation the management buzzword now? How else can you survive in the long run if you are not innovative?

But, I pushed, how do you get the best out of people, get them to be innovative? Rakib talks of three things create a challenging environment where people feel respected and are recognized for their contribution to the business. Innovation is thinking out of the box think differently. At the end of the day, it is everyone's job to get guests for the hotel and make sure the stay is worthwhile for the guest to come back again and again. And just to give a flavour of what he meant, Rakib went on to tell the story of one of their hotel pool drivers.

The driver was taking a guest around Dhaka city who was resident in another hotel. The polite nature and soft sell of the driver made this guest switch to Sonargaon. The management duly recognized this effort through their internal awards system. This is motivation at its best a driver's job is not to sell but he too is keen that the business thrives and does what he can to sell the hotel!

What about education in the Sonargaon? We have a manager dedicated to education, Rakib says with pride. When we began our education in earnest, and that too for all associates, our union got apprehensive. We explained that we needed to upgrade both knowledge and skills as competition was building up. There are several good hotels in Dhaka we need to have a difference that would make our guests come back to us. With that, the union is now all for education. Continuous education is now Sonargaon's culture.

As it was time for afternoon prayers, Rakib suggested we take a break. I thought it was a good opportunity to see 'behind the doors' of the Hotel something we normally do not get to see. Walking through the corridors, we went to the prayer room not the usual after thought as I usually see whether it is Dhaka International Airport or other offices.

As we walked back to his office, Rakib showed us their Computer Learning Centre a free service provided to anyone willing to learn. A roster of employees who want to teach is available and employees wanting to learn sign up for free. Then of course the Education Calendar was up there on the Board for everyone to see, and participate.

In his book, It Happened in India, Kishore Biyani speaks about the Creative Economy. He says this new era is characterized by ideas, imagination and innovation. Knowledge is being commoditised and is easily available in terms of systems and processes. I could easily empathise with Kishore's thoughts having gone through the process of installing SAP in our business. What he also says is that the most successful organizations in this era are the ones that harness ideas, creativity and innovation to generate top line growth.

How do we create organizations that do so? Sonargaon's way is a way forward in the search for the Holy Grail of innovation. It is continuous education of people that will differentiate organizations. And there has to be a visible effort from the management in people development.

Smiling staff...it's your people who will make your business growth.

The organization's worth is just not the balance sheet - it includes the collective knowledge and wisdom of its entire people, an organic whole. Remember, an organization is a 'living' being that is continuously evolving. In this evolution process, what will enrich it is the devotion to education and conversion of knowledge to wisdom to run the business even better. Like the driver who brought in business to Sonargaon it is everyone's business to bring in business!

The writer is the managing director of Syngenta Bangladesh Ltd.