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BUSINESS

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Zoellick to leave World Bank



Robert Zoellick
AFP, Washington

World Bank president Robert Zoellick announced Wednesday that he would step down at the end of June, setting up a possible new fight over US dominance at the global development lender.

Zoellick, 58, said he would complete his five-year term, during which he shepherded the Bank and its members through the financial crisis that had a heavy impact on many of the world's poorest countries.

"I'm very pleased that when the world needed the Bank to step up, our shareholders responded with expanded resources and support for key reforms that made us quicker, more effective and more open," Zoellick said in a statement.

"The Bank is now strong, healthy and well positioned for new challenges, and so it is a natural time for me to move on and support new leadership."

His departure sets up the second battle in less than a year over US and European dominance of the Bank and the International Monetary Fund, the world's two leading multilateral financial institutions.

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Four urgent tasks for govt

STAR BUSINESS REPORT

The government should tackle the pressure on balance of payments, improve investment flow, end troubles in the stockmarket and curb inflation, a leading chambersaid yesterday.

In its quarterly economic review for October-December 2011, the Metropolitan Chamber of Commerce and Industry (MCCI) said Bangladesh's economy performed reasonably well in the second quarter of FY12 although most of the developed world was in recession.

But, there are certain problems that currently confront the economy -- the pressure on the balance of payments (BoP), rising government expenditure out of bank borrowing, stagnant investment, stockmarket crisis, and a double-digit inflation, the review said.

MCCI sees four major weaknesses: pressure on balance of payments, rising public expenditure, slow investment, stockmarket crisis and soaring inflation

All these issues need to be addressed on an urgent basis, it said.

The capacity of the economy to attain even below 7 percent growth will hinge upon the government's success in effectively addressing those issues and problems, the quarterly report said.

The government has trimmed the size of the ADP (annual development programme) for uncertainty in aid flow.

"But in order to forestall any further cut in government's develop-

ment spending, its revenue efforts will need to be further strengthened and alternative sources of finance, including external borrowing at market interest rates, will need to be found," the report said.

The MCCI recommended that the government should make efforts to realise its commitments, including, in particular, bringing the inflation rate under control.

"Strong coordination between monetary and fiscal policies will also

be needed both for limiting the government's borrowing from the banking system and keeping inflation under control," the report said.

The crippling power and energy crisis needs to be quickly fixed to ease the constraints faced by industry and other sectors, it said.

The agriculture sector depicted good growth in the quarter under review, but continuous government support with inputs and finance will be needed to sustain the sector's growth in the present fiscal year and beyond.

There is indirect evidence to indicate good growth of the manufacturing sector in the quarter, but even so the performance of the sector must have been below its true potential because of bottlenecks in physical infrastructure and the persistent power and energy crises, the report found.

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ADB gets new country director



M Teresa Kho

STAR BUSINESS DESK

The Asian Development Bank (ADB) has appointed a US citizen, M Teresa Kho, as the new country director for its Bangladesh resident mission.

Kho succeeds Thevakumar Kandiah who retired from the ADB on January 12. The new country boss is expected to assume her new position on February 22.

Kho has been with the ADB since 1997, according to a statement. She is experienced in development issues in the region with focus on infrastructure, urban development, private sector development, co-financing management, and processing, implementation and monitoring of projects.

Prior to this assignment, she was a director of ADB's South Asia Urban Development and Water Division and managed urban water and sanitation, urban transport lending and technical assistance operations in Bangladesh, Bhutan, India, Maldives, Nepal and Sri Lanka.

Kho's extensive experience also includes finance, administration, treasury and audit management. She has an MBA from Stanford University, and a BA in economics from the University of Notre Dame, Indiana, USA.

The ADB, based in Manila, is dedicated to reducing poverty in Asia and the Pacific through inclusive economic growth, environmentally sustainable growth and regional integration. Established in 1966, it is owned by 67 members -- 48 from the region.



John Flannery

GE seeks stronger foothold in Bangladesh

STAR BUSINESS REPORT

US industrial giant General Electric (GE) aims to expand its operations in Bangladesh in energy, healthcare and transportation sectors, a senior GE official said yesterday.

"We have a good start in energy and healthcare businesses in the country," said John Flannery, president of GE India.

"But we want to be much bigger in the domains," Flannery said in a press briefing at Sonargaon Hotel in Dhaka.

Flannery said Bangladesh is very important for GE since its business is growing three or four times faster in the country than in any other part of the world.

"South Asian economies will continue to grow, and Bangladesh, in particular, is consistently recording a strong growth for a long period of time. So we are focusing on the country."

GE, which makes goods ranging from jet engines to medical diagnostic equipment, wants to begin transportation business such as selling of railway and aircraft engines.

Flannery, who is also the chief executive officer of GE India, said these three businesses of energy, health and transportation are the biggest opportunities in Bangladesh.

"These are long term markets and there will be a lot of activity and demand for all of these sectors in around 5, 10 or 20 years," he added.

On energy business, Flannery said GE mainly works for power generation. One of its key activities is gas-based power generation. Currently it has 21 gas turbines installed in Bangladesh.

He said the country has also a considerable growth potential for renewable power. GE also has a significant amount of that business in India right now, mainly in wind power generation, he said.

Flannery believes wind and solar power can be good businesses for Bangladesh as well.

On healthcare, the chief of GE India said: "It is a technology driven business." GE is very much optimistic in healthcare business in Bangladesh as there is quite a lot of sophistication in terms of hospital quality, facilities and doctors.

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Cut oil import subsidy, move fast on VAT law

IMF asks govt to move fast on the conditions to get \$1b credit

STAR BUSINESS REPORT

The government will have to reduce oil import subsidy and move fast on a new VAT law to reach a final agreement on the \$1 billion credit from International Monetary Fund.

"With timely progress on these and other agreed commitments, the Bangladesh authorities expect to reach an ad referendum agreement in the near future," the IMF said in a statement yesterday.

"Much focus was placed on measures needed to

address fiscal pressures, which stem mainly from rising fuel imports and associated subsidy costs, and to move forward on a new value-added tax law, as a key plank of the reform programme," it said.

An IMF mission was in Dhaka during February 7-15 to have talks with the government on the progress in implementing the conditions tagged with the ECF (extended credit facility) loans.

In December last year, the mission, after discussions with the government,

set a number of conditions to be fulfilled before the loan proposal is placed in the IMF board.

The government has already implemented the conditions except some related with the National Board of Revenue within one and a half months since December.

The IMF statement said: "Constructive discussions were held with the Bangladesh authorities on an economic reform programme for which they are seeking support under the ECF."

Discussions centered on the authorities' plans to undertake sustained macroeconomic stabilisation measures and supportive structural reforms.

The reforms were aimed at reducing external and fiscal imbalances, rebuilding a foreign reserve buffer, and putting Bangladesh on a higher sustained growth path.

The IMF said the Bangladesh government has taken a number of upfront measures to address macroeconomic pressures.

"Foremost, greater exchange rate and interest rate flexibility is being allowed, helping to absorb external pressures and transmit necessary monetary policy tightening, in line with achieving program objectives."

It also said discussions also centered on adopting an appropriately restrained policy, ensuring sound debt management strategy.

During the recent visit, the IMF team met with Finance Minister AMA Muhith, Prime Minister's Economic Adviser Mashiur Rahman, Bangladesh Bank Governor Atiur Rahman and Finance Secretary Mohammad Tareque.

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