

WB focuses on how to tackle future crisis

The global lender publishes independent evaluation report

STAR BUSINESS DESK

The World Bank Group has responded to the global economic crisis effectively, but it will face difficulties to address similar levels of crisis response in future, said a report sponsored by the global lender.

The group, therefore, has to develop a roadmap for future crisis preparedness, said the World Bank's Independent Evaluation Group Report.

According to the report, the roadmap should contain a systemic analysis of stress factors and a decision-making process for blending country-level responses within a global strategy.

The World Bank responded to the crisis that started in 2008 with an unprecedented volume of lending and with accelerated disbursements, the report said.

It said financially, the response was unprecedented.

Average new commitments of the bank and International Finance Corporation (IFC) combined were \$63.7 billion a year in fiscal 2009/10, compared with less than half that amount each year over the pre-crisis period in 2005/07.

Of this amount, the bulk (\$45.4 billion, compared with \$18.7 billion pre-crisis) represented IBRD and IFC financing in middle-income countries.

Partly as a result of the magnitude of its lending response, the International Bank for Reconstruction and Development (IBRD) -- the part of the World Bank that works with middle-income and creditworthy poorer countries -- now has less headroom to accommodate similar levels of expanded crisis response were it to become necessary in future.

The report said the sharp decline in headroom was driven by declining global interest

rates, a pre-crisis reduction in IBRD's lending spreads and its predominant use of traditional instruments.

Under these conditions, the rapid lending increase led to a considerable decline in the bank's equity-to-loan ratio that is projected to gradually decline further given the long repayment periods of IBRD loans.

The rapid increase in lending with a limited increase in capital and reserves has led to a decline in the bank's equity-to-loan ratio, from a peak of more than 37.5 percent before the crisis -- well above the long-term target -- to around 28.5 percent at the end of FY10.

The Independent Evaluation Group of The Breton Woods institution carried out the study on "The World Bank Group's response to the global economic crisis: phase II" to evaluate performance of the group.

The report said IFC kept the

overall volume of its investments constant as it focused on protecting the portfolio. It launched several innovative crisis initiatives, although the implementation of some of them was delayed.

The MIGA's countercyclical support in Eastern Europe was important for key financial institutions.

The evaluation showed that the bank extended support to the majority of severely crisis-affected countries, usually in the context of broader donor support packages, where its financial contribution was relatively small.

The report also found that the bulk of crisis support was focused on countries that turned out to be moderately affected. In some cases, the policy content of crisis-response operations was limited in addressing both short-term crisis impact and medium-term development goals.

"Using multiple measures of country stress, the study showed that the bank's new lending reflected its pre-crisis lending patterns and had a low correlation with the severity of crisis impact in countries," said Anjali Kumar, lead evaluator and author of the report.

"This does not necessarily imply however that bank group support to the countries that received it was unjustified."

"The unprecedented global crisis and scale of the World Bank Group's response offer lessons for the Bank and the international community. What we need now is a roadmap for future crises," said Caroline Heider, director general for evaluation of the World Bank Group.

"This will help provide better calibrated support to address the specific needs of severely and less-affected countries when necessary."



GREEN DELTA INSURANCE
Nasir A Choudhury, managing director of Green Delta Insurance Company, opens a new branch of the company at Shantinagar in Dhaka on Sunday.

Stocks slip on profit-taking

STAR BUSINESS REPORT

Indicators of the twin bourses fell yesterday, quickened by sell-offs of shares and mutual fund units.

The benchmark General Index of Dhaka Stock Exchange finished the day at 4,521.32 points, after falling 21.20 points or 0.47 percent at the 3pm close.

"The Dhaka bourse faced a price correction. It seems that the investors are regaining their confidence as turnover showed a positive mood for the last two days," Green Delta LR Holdings said in its daily market analysis.

Big-cap companies with greater earning prospects continued to support the market rally, a stockbroker said.

In the first five minutes of yesterday's trading, DGEN went up by 1.1 percent. However, it did not sustain and went down in the next three hours before recovering in the final hour.

"The power sector led the index to recover its losses. A low price-to-earnings ratio in the sector showed a strong bullish trend," said LankaBangla Securities in its daily market analysis.

The stockbroker said textile sector's company RN Spinning continued its rally as the investors are speculating a good return ahead of corporate declaration. Turnover lost 0.2 percent, compared to the previous day.

A total of 1.44 lakh trades were executed, generating a turnover of Tk 462 crore with 10.49 crore shares and mutual fund units changing hands on the DSE.

Of the total 260 issues that traded on the Dhaka bourse, 77 issues advanced, 171 declined and 12 remained unchanged.

Beximco topped the turnover table with 27.92 lakh shares worth Tk 28.08 crore changing hands.

Non-bank financial institutions and power sector gained 1.07 percent and 1.39 percent. These two sectors were the only gainers among the major sectors.

Banks, telecoms and pharmaceuticals went down by 1.29 percent, 0.77 percent and 0.48 percent.

The Chittagong Stock Exchange also declined yesterday due to profit taking sell-offs by the investors. The Selective Categories Index of CSE closed at 8,319.88 points, after falling 35.43 points or 0.42 percent.

Losers beat advancers 129 to 44 with 12 securities remaining unchanged on the port city bourse that traded 1.32 crore shares and mutual fund units with



DWCCI
Naaz Farhana Ahmed, president of Dhaka Women Chamber of Commerce and Industry; Sajeda Minhaj Mukul, senior vice president; and Sarif Seme Shembil, vice president, attend an annual general meeting of the chamber at Banani in Dhaka on Saturday. Siddika Ahmed from Breaking the Cycle, UK was also present.



INTERTEK
Md Shafiul Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), and Karthik ND, general manager of ITS Labtest Bangladesh Ltd, shake hands after signing a deal at Karwanbazar in Dhaka on Sunday. iSupplier Intelligence program of ITS will help BGMEA members for capacity building.

Nitol Insurance



AKM Monirul Hoque

gets new leaders

STAR BUSINESS DESK

AKM Monirul Hoque has recently been elected as chairman of Nitol Insurance Company Ltd, the insurer said in a statement yesterday.

The company also elected Md Anowar Husain as its vice chairman, according to the statement.

Hoque is the founder chairman of the company and a member of the executive committee of Bangladesh Insurance Association.

Husain is a sponsor director of Nitol Insurance

HSBC upbeat on Asia as profit hits \$22b

REUTERS/STAR BUSINESS

HSBC Holdings Plc, Europe's biggest bank, predicted growth in Asia and other emerging markets would outweigh sluggish European economies this year as it posted a \$21.9 billion profit for 2011, the best output by a western bank so far.

HSBC added, however, that success in emerging markets was becoming increasingly expensive, with costs rising 10 percent, or \$3.9 billion - a third of that due to higher pay.

Banks across Europe have been posting billions of dollars of losses as the euro zone sovereign debt crisis has eroded the value of their government bond holdings and hit their trading operations, and as they strive to meet tough new rules aimed at preventing a repeat of the 2007-09 banking crisis.

HSBC has been relatively unscathed because it makes more than three quarters of its profits outside Europe and north America. It remained upbeat on Monday about prospects for emerging markets despite fears that some are overheating and could see an abrupt slowdown in growth this year.

"We remain comfortable with the emerging markets (outlook) and are confident that GDP

growth in emerging markets will be positive and China will have a soft landing," Chief Executive Stuart Gulliver told reporters at a conference call.

"We think there's some recent buoyancy in the US, so the real issue of negative focus is how the euro zone plays about," he added, predicting the euro zone economy would flatline this year, with "marked recessions" in some southern countries.

HSBC, with around 7,200 offices in 80 countries, said pretax profit rose 15 percent to \$21.9 billion in 2011, just below analysts' average forecast of \$22.2 billion in a Reuters poll.

The figure fell short of the group's record profit of \$24.2 billion in 2007, but beat all other western banks that have reported so far for last year, including US rival JP Morgan, which made a \$19 billion profit.

The world's most profitable banks in recent years have been China's ICBC, which made \$32 billion in 2010, and China Construction Bank, which made \$26.4 billion.

HSBC's profits were boosted by a \$3.9 billion accounting gain on the value of its debt. Stripping that out, underlying pretax profit fell 6 percent to \$17.7 billion, due in part

to rising wages in emerging markets and to restructuring costs.

Gulliver, who is reshaping HSBC to cut annual costs by \$3.5 billion, lift profitability and sharpen its focus on Asia, said he would step up his plan this year.

He said HSBC would continue to pay higher wages in emerging markets, where there is strong competition for bankers among international and local rivals, adding higher revenue from those areas showed the investment was worthwhile.

At 0945 GMT, HSBC shares in London were down 1.5 percent at 566.1 pence, lagging a 0.7 percent decline in the UK's benchmark FTSE 100 index. FTSE. The shares have beaten the STOXX Europe 600 banking index by 15 percent over the past year.

"They've had a good run so I can't get too enthusiastic, but they're (HSBC) going in the right direction and it's a good bet in a difficult sector," said Brown Shipley fund manager John Smith, who holds HSBC shares in his portfolio.

HSBC said profits at its investment bank fell 24 percent to \$7 billion, hurt as the euro zone debt crisis slowed capital markets activity in the second half of last year.

Loan impairment charges and

other credit risk-related provisions, however, fell \$1.9 billion to \$12.1 billion.

The group said it paid out \$4.2 billion in bonuses, down 2 percent on 2010. Banks are coming under intense pressure from politicians and the public to rein in pay awards because of the role of the sector in the world's economic problems.

HSBC said it paid one of its bankers, whom it declined to name, 8 million pounds (\$12.7 million) last year. Gulliver was the second-highest paid employee, getting 7.2 million pounds -- including a 2.2 million bonus -- down from 8.4 million in 2010 when he ran the investment bank.

Peter Wong, chief executive of HSBC in Asia, said: "As our strong financial performance shows, HSBC's strategy is delivering results in the Asia-Pacific region across all geographies and the Global Businesses."

"It is clear that HSBC Asia-Pacific is well positioned for sustainable growth. As economic expansion in our region continues to outpace that of the developed world, I believe our international connectivity is a core strength serving our customers locally, regionally and globally."

Bangladesh-Myanmar air links to resume

BSS, Dhaka

The country plans to sign an agreement to re-establish air connectivity with Myanmar this week as Bangladesh's civil aviation and tourism ministry has completed necessary work to this end.

"We have already signed the document and sent that to the relevant ministries...we are expecting development this week," said Md Atharul Islam, tourism secretary, yesterday.

Islam, who led a three-member Bangladesh delegation to Myanmar last month, said the main purpose of the visit was to explore the scope of tourism and to recommence air service between the neighbours.

During the visit, he said, both Dhaka and Yangon initiated a new air services agreement (ASA) to operate seven passenger flights and four cargo flights a week between the two countries.

Under the agreement, several operators, including private airlines, will be able to fly passenger and cargo flights.

Increased frequency of flights and inclusion of private airlines would help develop tourism, enhance bilateral trade and people-to-people contact between the two neighbours.

Prime Minister Sheikh Hasina visited Myanmar last December and stressed resumption of air link between Bangladesh and Myanmar.

The national flag carrier Biman suspended its Dhaka-Yangon flight in 2007 due to losses.

The bilateral trade between Bangladesh and Myanmar is continuing under the general trade agreement and border trade agreement, signed in



PRIME INSURANCE
Giuseppe Berto, managing director of EOS Textiles, inaugurates a branch of Prime Insurance Company in Savar recently. Ferdous Amin, chairman of the insurer, and Md Ezhar Hossain, managing director, were also present.



TRUST BANK
General Md Abdul Mubeen, chairman of Trust Bank and army chief, inaugurates a branch of the bank at Boro Bazar in Kishoreganj on Sunday. Shah A Sarwar, chief executive officer, was also present.



PRINCE BAZAR
Kazi Ruhul Amin, chairman of Prince Group, attends a prize giving ceremony held in honour of the firm's customers, at Grand Prince Thai and Chinese Restaurant at Mirpur in Dhaka recently.