

Cement consumption still low

MD of Lafarge Surma, Bangladesh talks about potentials of the country

SAJJADUR RAHMAN

CEMENT production in Bangladesh almost doubled in the past five years, but the country's per capita consumption is still one of the lowest in the world.

Even under-developed West Bengal of India consumes cement one and a half times higher than Bangladesh does.

"Per capita cement consumption in Bangladesh is less than 100 kilograms (kg), which is 150kg in West Bengal and more than 1,000kg in China," said Mike Cowell, managing director of Lafarge Surma Cement, Bangladesh.

Cowell was talking to The Daily Star recently at his office in Gulshan. He has been heading the cement company in Bangladesh for the past five years.

The \$280 million Lafarge Surma Cement is the only cross-border project involving Bangladesh and India. It has a production capacity of 1.5 million tonnes a year.

The company is already meeting about 8 percent of the total market need for cement and 10 percent of total clinker requirements of Bangladesh market with strong growth rates.

By supplying clinker to other cement producers in the market, it contributes some \$50-60 million per annum worth of foreign currency savings for Bangladesh.

The venture is financed by Lafarge of France, Cementos Molins of Spain, International Finance Corporation, the Asian Development Bank, German Development Bank, European Investment Bank, and the Netherlands Development Finance Company.

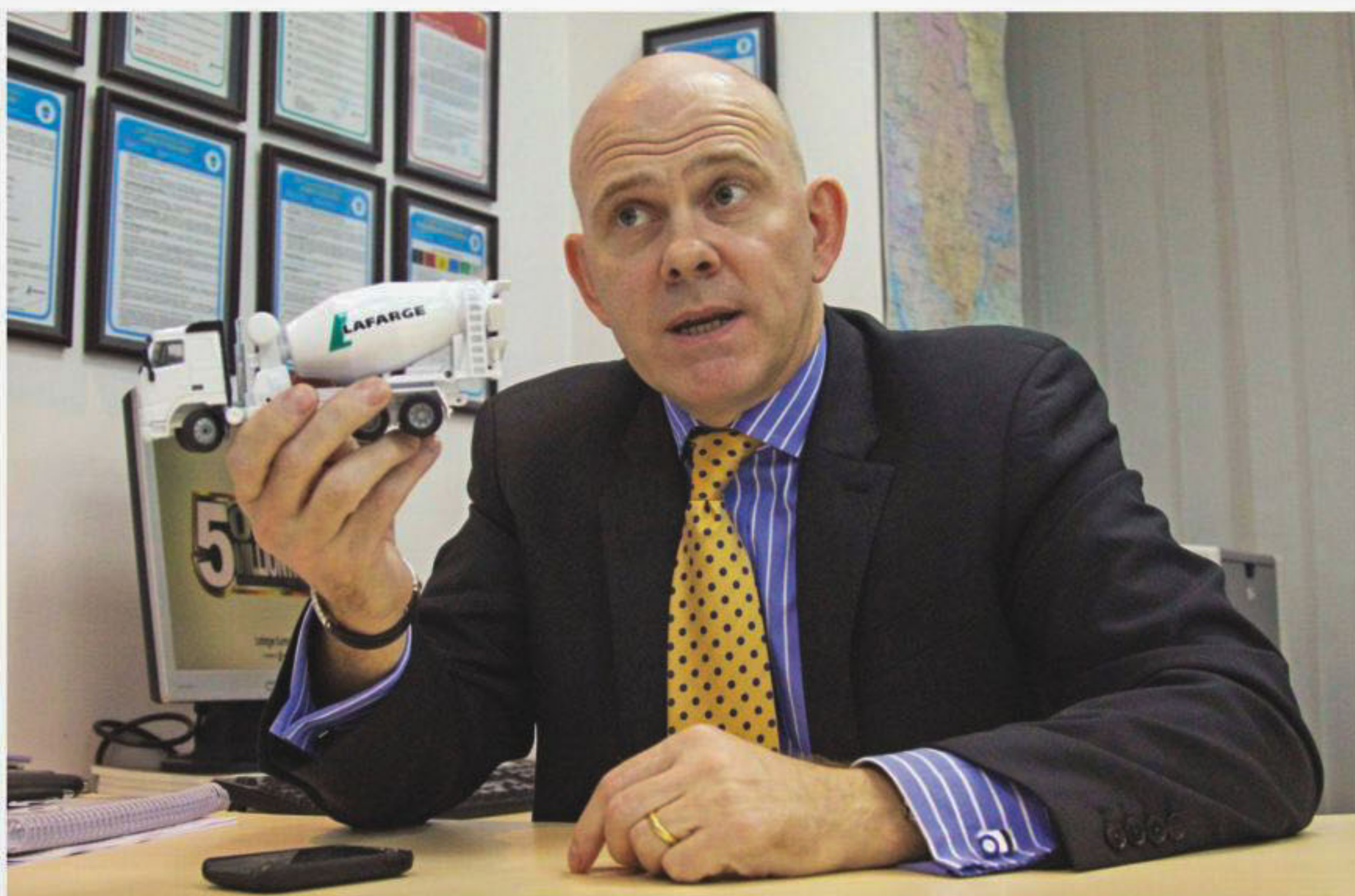
Though there are dozens of cement factories across the country, Cowell said only 30 are active in supply. These factories' combined production capacity has increased to 15 million tonnes a year now from 8.5 million tonnes five years ago.

"That's not a bad growth," Cowell said. "Still there is a huge gap when you look at other developing countries in Asia."

"We are very hopeful and that's why we are here," he said.

He said Lafarge, which is the world's largest cement manufacturer, is working to bring its knowledge and products to Bangladesh.

Global cement consumption increased at a CAGR (compounded annual growth rate) of 6.8 percent



Mike Cowell

to reach 3,120 million tonnes during 2000-2010, according to Davy Research, an Ireland-based firm.

The growth was fuelled by the strong demand in developing countries, particularly in China and India, Davy said.

Production capacity has also grown in tandem with the consumption. Global cement supply increased at a CAGR of 5.8 percent in 2000-2010. China has the world's largest cement capacity and accounts for almost 50 percent of the world capacity.

On Bangladesh's cement supply, Cowell said around 15 percent is consumed by the government and the rest by the private sector. But he said, this 15 percent is very influential as the government buys it to build infrastructures on which the country's development relies.

Besides cement production and consumption, Lafarge's Bangladesh boss talked on the country's economic potentials, raw materials and cement prices.

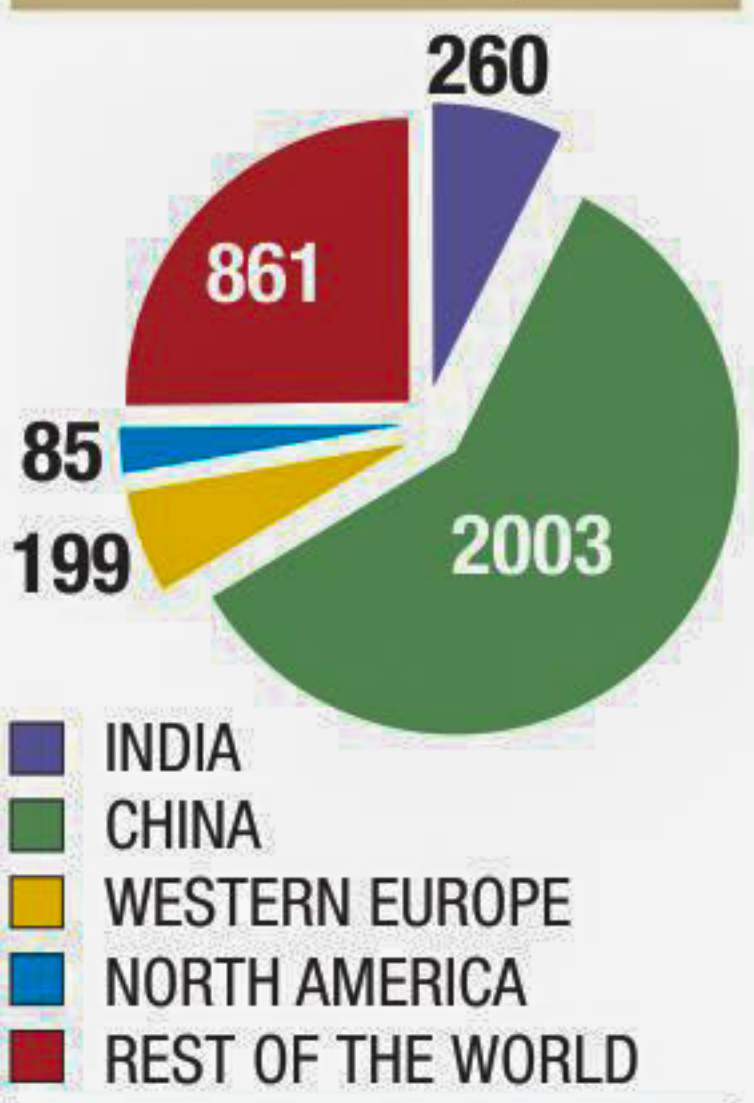
Cowell also shed lights on India's apex court's judgement relating to limestone mining from Meghalaya to Lafarge's Chatak plant in Sunamganj in Bangladesh through a 17-kilometre cross-border conveyor belt. In February 2010, Indian Supreme Court had halted limestone mining by Lafarge on environmental grounds.

"We have a strong feeling of consolation. We are very happy and

things are operating very well," he said on the Indian court's judgement that goes in favour of Lafarge.

After the judgment Lafarge has no problem in transporting

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mined limestone from Meghalaya to its plant in Chatak.

After a few years of slow production, the factory is now running at a full capacity. "We hope to sell more than a million tonnes of cement this year," he said.

Other cement factories in Bangladesh also buy clinker from

Lafarge. Clinker, which is made mainly from limestone and was totally import-dependent before, is a must ingredient for cement manufacturing.

On the price volatility of cement, Cowell said 25 factories out of 30 import 100 percent of their raw materials. So the price is directly linked to the international market and the exchange rate, he said.

Replying to a query on why Lafarge cannot sell cement at lower price as it does not need to import raw materials like other companies, he said no shareholders want that his product is sold at lower prices.

He said Lafarge will continue to grow with the market in Bangladesh.

Cowell said his factory distributes cement mostly by barge, a cost effective carrier in Bangladesh.

Cowell, who is a civil engineering graduate, is married and has two daughters living with him in Dhaka. Lafarge Surma Cement that was incorporated in November 1997 employs 5,000 Bangladeshis directly and indirectly. Four experts work in the plant and all of them are Bangladeshis.

On January 20, 2003, Lafarge was made into a public limited company. The company is listed on Dhaka and Chittagong bourses. Now the company has more than 10,000 shareholders.

sajjad@thedailystar.net

ADB: It needs a new agenda for change

MG QUIBRIA

The Asian Development Bank has recently concluded its 45th annual meeting of board of governors in Manila. Established in the mid-sixties, ADB has grown in size and prestige over the decades.

It has more than doubled its membership from 31 to 67, provided loans, grants and other forms of development assistance amounting to a quarter of a trillion dollars, raised its capital base five times to \$165 billion, and maintained consistently highest ratings from international credit rating agencies.

The bank has justifiably earned a reputation as an efficient financial institution.

Yet the more important question is: how has the bank fared in its role as a development institution? It is true that ADB provides only a tiny fraction of financing even for countries that are most aid-dependent. It is also true that its lending to its member countries has achieved at best mixed results.

According to the bank's evaluation department, the performance of its sovereign lending kept on declining since 2000 after reaching a peak success rate of 70 percent, though the performance of its non-sovereign lending is somewhat better.

Nevertheless, the bank played a laudatory role in providing finance to poorer countries with few financing options or in offering liquidity to distressed economies that were in financial turmoil.

During the last half century, Asia has attained spectacular economic success that brought more people out of poverty than any comparable period in human history.

Despite this enormous success, a large swathe of humanity in developing Asia remains trapped in abject poverty, with 1.8 billion people subsisting on less than two-dollars a day.

This spectre of human deprivation manifests itself in many forms -- pervasive hunger, ubiquitous illiteracy, widespread malnutrition and high infant and maternal mortality rates. Two thirds of the world's hungry, three-fourths of the world's illiterates and two-thirds of the world's malnourished children live in Asia.

The magnitude and complexity of the human development challenge facing Asia far exceeds that of the rest of the world combined. The bank, whose motto is to fight poverty in Asia and the Pacific, has its work cut out for it.

Moving forward, the bank needs to further improve on its past performance. This would require ADB to embrace changes in its operations, internal governance and current personnel practices, research and evaluation.

First, the bank needs to adopt a more holistic approach to development that goes beyond a single-minded pursuit of growth to incorporate -- more directly -- concerns of sustainability, equity, and other human development dimensions.

It needs to be more innovative and strategic in its development assistance. The bank should maintain -- except in two areas -- a hands-off policy while allowing borrowing countries a freer hand in planning and implementing investments and formulating policies.

The first relates to corruption that it should pursue aggressively when it suspects of malfeasance; the second relates to policy advice, which it should offer generously, only when sought.

Second, in a recent op-ed in the Wall Street Journal, the former US ambassador to ADB Curtin Chin has noted about a governance deficit at the bank. The top leadership of the bank is currently determined by an unwritten quota-system.

According to this system, the president of the bank is selected among its senior officials by the ministry of finance of Japan, which -- along with the United States -- is the single majority shareholder of the bank.

While the president is supposed to be elected by a simple majority, it is currently conducted through a mock consensus, where a senior official from the ministry of finance of Japan is selected without any alternative candidates from other countries.

Not only is the president selected in an uncompetitive and nontransparent way, senior positions from vice presidents to department heads are similarly rationed. It is a quota system where other considerations often override merit.

As Ambassador Chin has summed up, the bank's personnel practices have been "less than world class".

Abandoning the current practices for a transparent, competitive and merit-based system will augur well for ADB.

The quota system is an antithetical to a competitive, globalised world and is incongruent with the concept of good governance that the bank so eloquently advocates to its member countries.

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G8 leaders tackle Europe's woes

AFP, Camp David, Maryland

G8 leaders tried to bridge divisions over how to halt Europe's rapidly-deepening economic crisis Saturday, as host President Barack Obama backed more pro-growth policies in the face of German opposition.

With the future of Europe's currency union in serious doubt, leaders gathered at Obama's Camp David lodge to weigh competing demands for growth-friendly spending with Germany's long-standing focus on spending cuts.

Obama on Friday set the stage for a testy meeting by forging an alliance with new French President Francois Hollande over the need to jolt Europe back to growth.

The drive could upend two years of Berlin-led austerity-first policies, which critics say have fuelled rampant unemployment, brought Greece to the verge of bankruptcy and deepened crises in Italy and Spain.

Fearing the outlook is deteriorating -- with dangerous repercussions for the US economy and perhaps his chances of re-election -- Obama signaled he was ready to wade deeper into a debate that has largely been left to Europe.

Before welcoming leaders to the storied presidential retreat, Obama stressed Europe's "extraordinary" importance for the United States and said the G8 needs to discuss "a responsible approach to fiscal consolidation that is coupled with a strong growth agenda."

That risked the ire of his guest and Europe's paymaster German Chancellor Angela Merkel, who faces stiff opposition at home to repeated taxpayer-funded bailouts.

The tension between the pair was evident when a dressed-down Obama greeted G8 leaders at his wood cabin for an informal dinner that would last more than two hours Friday. Obama welcomed Merkel with a cordial: "How've you been?"

When her response came: a shrug and pursed lips, Obama conceded: "Well, you have a few things on your mind."

Diplomats say G8 leaders will ultimately stress the need for both growth and jobs, and publicly European



AFP

US President Barack Obama greets German Chancellor Angela Merkel upon her arrival at the Camp David presidential retreat in Maryland on Friday at the G8 summit.

leaders have attempted to smooth over the split, insisting austerity and stimulus are not mutually exclusive.

"We need to take action for growth while staying the course in terms of putting our public finances in order. Stability and growth go together, they are two sides of the same coin," European Commission chief Jose Manuel Barroso said ahead of the summit.

But with Greece's fiscal crisis apparently approaching denouement, those words may be sorely tested.

The recent clobbering of Greek parties that back austerity measures under the country's massive bailout has left the two-year-old effort to prevent a Greek default on life support.

Fresh Greek polls are scheduled for June 17, but there is no certainty that supporters of the painful reforms will win.

That would leave G8 members with a tough choice: Loosen demands on Greece by backing more pro-growth

policies, or stop assistance.

The markets are already betting that if anti-austerity parties win again, Germany will turn off the bailout faucet, a decision that would force a Greek default and would likely spell an exit from the eurozone.

For now European leaders are insisting that Greece must meet its commitments. It is a stance that they hope will put Greek voters choices in sharp focus.

Looking to the longer-term, Commission president Barroso said there was growing consensus around the idea of specific investments funded by common European bonds -- a measure he said would satisfy the need for austerity and stimulus.

"We need to compliment the fiscal consolidation efforts for reforms with investment," he told AFP on the margins of the summit.

But according to one senior European politician not taking part in the discussions at Camp David, finding projects that could quickly stimulate the Greek or other economies may not be easy and the plan may be overtaken by events.

Greek and Spanish citizens have been pulling cash from their bank accounts at a clip, risking a fully fledged bank run.

Friday night's discussions at Camp David's rustic collection of cabins in the wooded Catoctin Mountains in Maryland focused heavily on the ongoing bloodshed in Syria.

According to a senior US official there was broad agreement on the need for political transition in Syria, where a revolt and government crack down has left 12,000 dead.

But as UN weighs sending more military observers to the country, it was not clear whether Russia and the rest of the G8 had bridged differences over the fate of Bashar al-Assad's regime.

There was broad G8 agreement about how to tackle talks with Iran later this month and there were also discussions about North Korea and Myanmar.

The G8 club of developed nations includes Britain, Canada, France, Germany, Italy, Japan, Russia and the United States.