

Aid for trade: how to improve its effectiveness

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IN just over two decades, Bangladesh has evolved from an aid-dependent country to a vibrant outward-oriented economy. This can be attributed to domestic policies such as market-oriented reforms, tariff liberalisation and pursuance of an export-oriented growth strategy in general. Despite commendable export growth backed by supportive policy measures, the export basket has not been diversified.

The range of exports is disproportionately dependent on garments, which constitute more than 75 percent of total exports. The country has not been able to realise its full export potential because of serious lacunae in areas such as institutional, technological and human capabilities. The most problematic factors for doing business have been inadequate infrastructure and inefficient governance.

There have been various trade-related technical assistance and capacity building initiatives in Bangladesh to expedite the growth of the export sector. However, the contribution of those initiatives has been limited. The shortcomings of those programmes led to the launch of the Aid for Trade (Aft) initiative at the Sixth Ministerial Conference of the World Trade Organisation in Hong Kong in December 2005 to help the developing countries, and especially least developed countries, overcome supply-side constraints and improve their trade capacity.

A WTO Task Force on Aft recommends that the initiative shall cover six broad categories. These are: (i) trade policy and regulation, (ii) trade development, (iii) trade-related infrastructure, (iv)



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Readymade garments constitute more than 75 percent of total exports of Bangladesh.

building productive capacity, (v) trade-related adjustment, and (vi) other trade-related needs. Aft is a sub-set of official development assistance (ODA).

Since the launch of the Aft initiative, four global reviews have been conducted by the WTO and the Organisation for Economic Co-operation and Development (OECD) for the monitoring and evaluation of Aft. The main findings of these reviews indicate that there has been a significant increase in resource mobilisation for trade-related development assistance since 2005. However, results vary across countries.

In order to scrutinise how far Aft has been able to live up to the expectation at the country

level, a research has been undertaken by the Centre for Policy Dialogue in collaboration with the International Centre for Trade and Sustainable Development (ICTSD), Geneva.

In Bangladesh, Aft has addressed some key areas of trade-related needs. Both the government and donors have succeeded in implementing a number of trade-related projects that helped address some of its supply-side constraints. For example, Aft for capacity building through research, training and workshops helped policymakers understand the dynamism and emerging issues related to trade at global level. Similarly, Aft for ensuring social and environmental compliance has been useful to improve

the quality of products. However, the contribution of such support towards improving its export performance is yet to be observed.

The analysis based on the database of the OECD indicates that disbursement of Aft has not increased in recent period compared to base period. Only Aft for "trade policy and regulation" was additional, though the actual volume is far lower than that of the other sectors. On the other hand, total disbursement as a percentage of total commitment of Aft declined in recent period, and the gap between commitment and disbursement continues to widen. Such gap along with the change in the priority of donors and the delayed implementation of projects are factors

behind unpredictability.

In case of ownership, Aft projects are closely linked to the objectives of national development policies, but Bangladesh's effort to mainstream Aft into national policies is still limited. The scope for involvement of broader stakeholders in formulation, implementation and monitoring of Aft is very narrow. A positive feature of ODA flow to Bangladesh in recent past is that it has been aligned with national priorities. The number of parallel project implementation units has decreased since 2005.

Less aid is tied as well, but stakeholders view that donors continue to impose conditions and restrictions. Donor coordination has improved through a joint cooperation strategy between the government of Bangladesh and donors, which aims to improve the aid relationship in terms of discussing and planning projects together.

In order to improve the effectiveness of the Aft initiative in Bangladesh a number of measures should be undertaken.

First and foremost, the methodology of estimating Aft should be clarified. The existent OECD database takes into account all projects under the 'economic infrastructure' category as Aft even though many projects may have no link to trade activities. Therefore, the commerce ministry and the Economic Relations Division (ERD) should have a guideline and a set of criteria to calculate and analyse the actual Aft flow.

Second, as there are now several global initiatives to review the effectiveness of Aft, it is necessary that Aft data are recorded separately at the national level and maintained by a cell such as the Aid Effectiveness Unit of the ERD.

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Boeing Q3 profit soars, raises 2013 forecast

AFP, Washington

US aerospace and defense giant Boeing said Wednesday third-quarter profit soared 12 percent from a year ago and raised its 2013 earnings outlook on a pick-up in commercial aircraft deliveries.

Net earnings totaled \$1.16 billion for the July-September quarter, compared with \$1.03 billion in the same period in 2012, the Chicago-based company said in a statement. Earnings of \$1.51 per share were 12 percent higher than the year-ago EPS of \$1.35.

Third-quarter core operating earnings per share, excluding certain pension expenses, increased 16 percent to \$1.80, well above the Wall Street analysts' average estimate of \$1.55.

Revenues rose 11 percent to \$22.13 billion, reflecting higher commercial airplane deliveries. That beat analyst expectations of \$21.68 billion. The company reported a record \$415 billion order backlog, including \$27 billion net orders booked during the quarter.

"Consistently strong operating performance is driving higher earnings, revenue and cash flow as we deliver on our record backlog and return increased value to shareholders," Jim McNerney, Boeing's chairman, president and chief executive, said in the statement.

Profits from its Commercial Airplanes segment soared 40 percent to \$1.62 billion. The company booked 200 net orders and deliveries accelerated to 170 aircraft from 149 a year ago.

The Commercial Airplanes division reported a backlog of nearly 4,800 airplanes valued at a record \$345 billion.

To meet strong demand for the 787 Dreamliner, Boeing said, the 787 production rate will be increased to 12 per month, from 10, in 2016, with a target of boosting the rate to 14 per month before the end of the decade.

Profits from its smaller Defense, Space & Security segment fell 19 percent, lead by a 48 percent fall in earnings from military aircraft. Boeing said that its military aircraft's operating margin fell 6.2 percent, in part reflecting one-time charges on the F015 and C-17 programs.

The Defense division backlog was \$70 billion, with 38 percent of that representing orders from international customers. Boeing raised its 2013 core earnings outlook to between \$6.50 and \$6.65 per share, from the prior estimate of \$6.20 to \$6.40.

"Despite the uncertainty of the US defense market, overall our customer-focused business strategies and disciplined execution on our programs are producing the results we expect, and our strong year-to-date performance and positive outlook allow us to increase our 2013 guidance for earnings and operating cash flow," McNerney said.

HSBC fails to win regulatory approval for sale of Pakistan unit

REUTERS, Hong Kong

HSBG Holdings plc has failed to win regulatory approval from the State Bank of Pakistan for the sale of its business in the country, the UK-based lender said.

HSBC will now explore alternative options for its banking business in Pakistan, it said in a Hong Kong Stock Exchange filing on Wednesday.

HSBC subsidiary HSBC Bank Middle East Limited had been trying to sell the Pakistan business to JS Bank Limited as part of a global retreat from countries where it lacked scale or struggled to make a profit.

The bank had announced in April last year that it was in talks to sell the Pakistan unit, which had just 10 branches.

Germany pays highest borrowing costs for 2 years

AFP, Frankfurt

GERMANY paid its highest interest rate in two years at a 30-year bond auction on Wednesday, with demand lower as the country's safe-haven status wanes amid a gradual eurozone recovery.

The average yield for the 30-year Bund was 2.64 percent, against 2.47 in the last such quarterly issue on July 31, according to figures released by the Bundesbank.

"This is the highest rate since October 2011, when it reached 2.82 percent," said a spokesman for the financial agency. Germany sold 1.665 billion euros' (\$2.29 billion) worth of the bonds, and kept 335 million euros in bonds for its own operations.

Annalisa Piazza, economist at Newedge Strategy, said demand for the so-called ultra-long bonds, which are traded less than more-liquid short-term bonds, was not "exceptionally strong".

Germany, the eurozone's biggest economy, has enjoyed very low borrowing costs while many European partners struggled with recession and deficits and investors turned to German bonds as a secure investment.

But as economic prospects have brightened for the region in recent months, interest rates for German debt have gone up, including on the secondary market, where already-issued bonds are traded.

The low rates for its debt have allowed Germany to significantly cut its interest costs in recent years, improving its public finances and bringing it closer to its target of a balanced federal budget, which it expects to reach by 2015.

Failed malls in India point to soured retail boom

AFP, Mumbai

THE Centre One shopping mall on the outskirts of Mumbai is gloomy and bereft of customers, even during India's annual festive and wedding season when retailers traditionally cash in.

"Business is dull, usually weak," said one bored-looking fashion salesman.

The shopping centre's empty look is no exception. In the past decade, supermarkets and malls have spread across India's large cities and towns, fuelled by fast economic growth and excitement about middle-class buying power.

A "Malls in India" report released by Images Research last month found 470 shopping centres were operational this year, up from just 50 malls in 2005, and expected to soar to 720 by 2016.

"But over 90 percent of India's malls are struggling," said Susil Dungarwal, founder of Beyond Squarefeet, a mall management and advisory firm based in Mumbai.

"Just 15 of these can be counted as running successfully."

India's middle-classes with their rising disposable incomes have long been considered a dream for mall-builders.

The country's retail sector is set to grow at an annual rate of 16 to 19 percent, reaching 56.8 trillion rupees (\$901 billion) in 2016, the Images Research report shows.

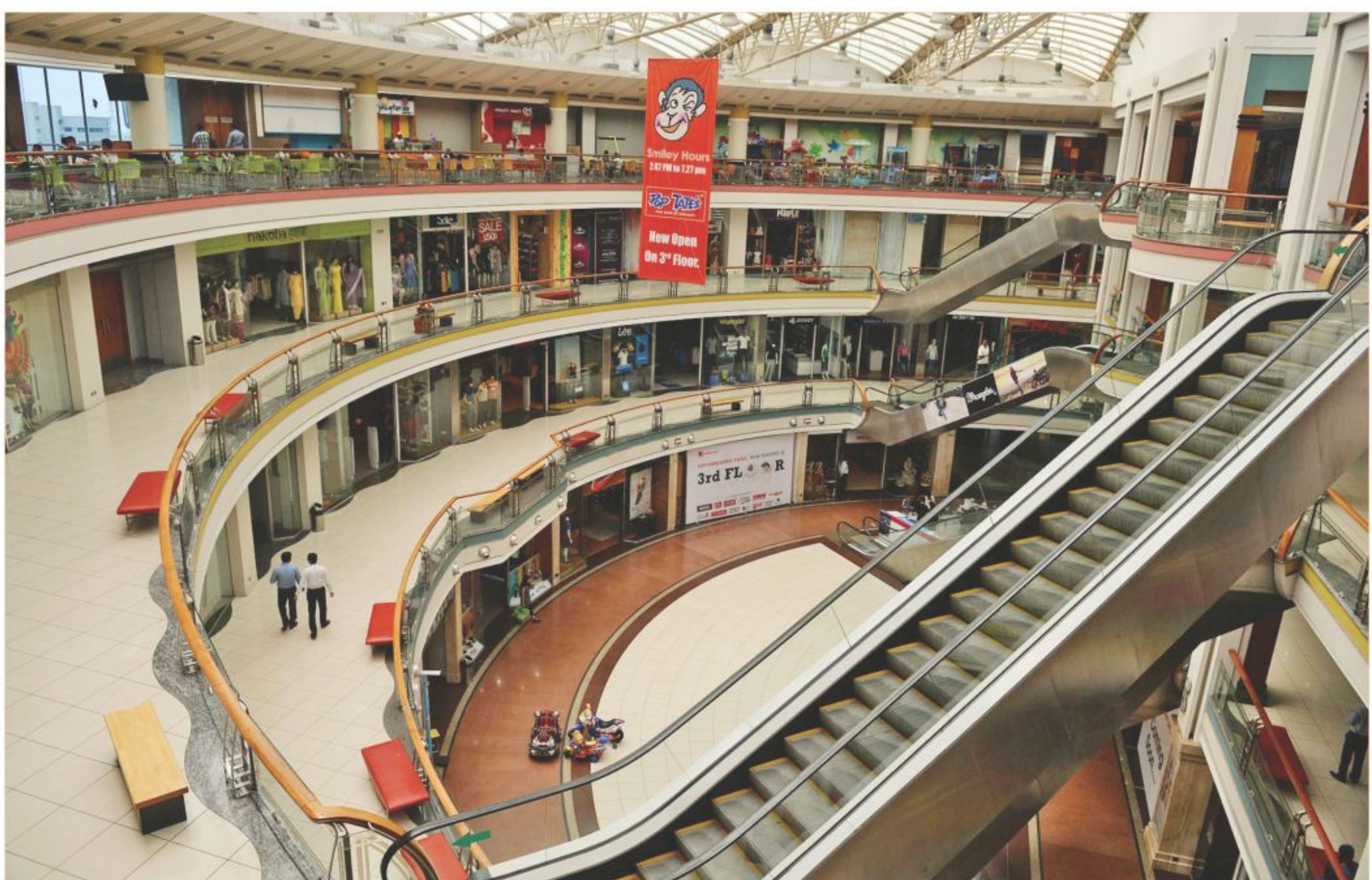
The government has also relaxed foreign investment rules in a bid to attract international supermarkets and boost the economy through retail.

But Dungarwal and other analysts say the majority of India's shopping centres are struggling with a potent mix of high real-estate prices, bad planning and sluggish demand as the economy slows.

When it opened in 2003, the 150,000-square-foot (14,000-square-metre), three-storeyed Centre One was billed as the first world-class mall in Navi Mumbai, a satellite town that is filled with apartment and office towers.

But competition from larger, better-designed malls such as Inorbit and Raghuleela, which sprung up nearby later, drew the crowds away.

In the last year alone, Mumbai suburbs have seen the Milan Mall and the City Mall shut down, while others such as



AFP

People walk through The Centre One shopping mall on the outskirts of Mumbai.

Evershine and Mega Mall are struggling to stay afloat, analysts say.

"There is a huge mismatch between the demand for consumption and the pace at which retail real estate is expanding," says Saloni Nangia, president of consultancy Technopak.

India's slowing economy, with growth at a decade-low of 5.0 percent in the year to March 2013, has put a firm dampener on spending.

But other factors are compounding the troubles at the tills.

Over the past decade, builders and developers have rushed to build without paying sufficient attention to what a mall requires to survive.

Until recently, most ignored the so-called "catchment" area, analysing the geographical area from which a mall attracts most of its visitors, experts say.

In the northern Indian city of Gurgaon

in Haryana state is the hyped "Mall-Mile" - a vast stretch of nearly a dozen shopping malls, built almost one after another.

"Not all of them are working out," said Devangshu Dutta, chief executive with retail consultancy Third Eyesight, adding that they were all chasing too few shoppers.

The oversupply of malls means many have empty space: about a fifth of Centre One lies bare and so does up to 75 percent of the Dreams Mall in Bhandup, an eastern suburb.

Mumbai's Atria, once a packed mall, now has "For Rent" signs coming up and looks deserted, with low footfalls owing to "bad designing, causing people to miss stores," Dungarwal said.

Another nearby mall, Sobo Central, is unable to draw the crowds as it does not offer a food court nor a multiplex.

"People do not go to a shopping mall to shop. They go there for the experience,

to hang around," said Dungarwal.

India's real estate is amongst the steepest in the world, and Kishore Bhatija, owner of Inorbit Mall, said costs have risen by 300 percent in Mumbai, which is 50 times more than markets such as Delhi, Bangalore, Chennai or Kolkata.

Retailers are therefore facing the double whammy of spiralling real estate prices and sluggish sales.

They also face growing competition from online retailers such as Flipkart, India's answer to Amazon, which hand-delivers goods to the front door for minimal cost.

Shoppers can buy with the click of the mouse, with no need to battle traffic jams or India's punishing weather.

"Malls will have to do everything to drive footfalls. They will have to make sure there is enough excitement to attract people," said Dutta from Third Eyesight.