

UN for immediate social protection in Bangladesh

STAR BUSINESS REPORT

THE United Nations yesterday called for sustained political leadership, a sense of urgency in actions, allocation of sufficient national resources, and integrity of the programmes and their implementation, for a comprehensive social protection system.

"This is how Bangladesh can achieve, in record time, the objectives of social protection, of sustainable, equitable economic growth and of middle income status," said Neal Walker, UN resident coordinator in Dhaka.

The UN cannot think of social protection as an issue that is to be addressed over the next several decades, he said.

"In fact, I do understand that effective action may require decades, but it is my view--- that kind of thinking will only lead to failure."

"Let's push for immediate action. Let's define results to be achieved in the next three months, in the next 6 months, over one year and beyond. Let's demand action on those results."

One lesson that Walker has learnt in Bangladesh is that it simply takes longer to get things done here than in many countries he has lived in.

"To achieve sustainable results on an issue as complex as social protection requires us to think, every day, of the results we will define, push and achieve. Without a sense of urgency, the problem resolution and political will, somehow, will stall out."

The UN official spoke at the launch of a book --- Social Protection in Bangladesh: Building Effective Social Safety Nets and Ladders out of Poverty --- at Bangabandhu International Conference Centre.

The event was jointly organised by United Nations Development Programme, University Press Ltd (UPL), Power and Participation Research Centre, Brooks World Poverty Institute and the University of Manchester.



Planning Minister AHM Mustafa Kamal joins others at the launch of a book titled "Social Protection in Bangladesh: Building Effective Social Safety Nets and Ladders out of Poverty" at Bangabandhu International Conference Centre in Dhaka yesterday.

The book, based on an international conference held in Dhaka in 2011, has been edited by Hossain Zillur Rahman, executive chairman of PPRC; David Hulme and Mathilde Maitrot, professors at Brooks World Poverty Institute; and Luigi Peter Ragno, head of Social Protection Programme for UNICEF in Ghana, and published by UPL.

The book provides a timely overview of international lessons, national experiences and reform opportunities as Bangladesh is engaged in the formulation of a national social protection strategy (NSPS), said Pauline Tamesis, country director of UNDP Bangladesh.

"It is evident that social protection is one of the necessary conditions for pro-poor economic growth. It can be a catalyst for Bangladesh's aspirations to attain middle income status by 2021."

The UNDP is supporting the government to develop the NSPS.

According to the UN, the country is currently putting nearly 2 percent of its gross domestic product into social protection programmes.

Bangladesh has 80 to 95 social protection programmes operated by 20 minis-

tries, said Prof Hulme.

"These schemes have been successful in disaster management, food relief and income poverty reduction, but they are now not meeting contemporary needs and are not effective and efficient."

"Bangladesh needs an effective social protection system to reduce socially unacceptable levels of poverty and vulnerability."

Planning Minister AHM Mustafa Kamal said at 17 percent, Bangladesh has already brought down the number of people living in extreme poverty close to the world average of 16 percent.

"Hopefully, we will be able to make Bangladesh a hunger-free nation by 2030," he said, calling for investment in education to give people the means to get out of the poverty on their own.

Binayak Sen, research director of Bangladesh Institute of Development Studies, said there would not be a shortage of resources to lift the extreme poor out of poverty.

"Only 3 percent of our national income will be needed to be redistributed to lift all extreme poor out of poverty."

"Bangladesh needs to lift one million families living in extreme poverty every

year until 2020. This will not cost more than 0.5 percent of GDP."

The economist said the government should step up efforts to collect more revenue in the form of wealth and property taxes to finance the social protection scheme.

Hossain Zillur said the NSPS would be central to achieving the much-desired middle income status.

"But we don't want to become a middle income country where there is disparity, the poorest live side by side with the richest and the cities are not liveable."

Walker emphasised the importance of leadership, if Bangladesh is to successfully tackle the problem of equitable growth and eliminate poverty.

"We know the issue of social protection is of personal importance to the prime minister; success in achieving sustainable and equitable economic growth towards middle income status will require her serious attention, today and in the future."

Quazi Kholiqzaman Ahmed, chairman of Palli Karma-Sahayak Foundation, and Mahabub Hossain, executive director of BRAC, also spoke.

Tesco seeks Asia pick-up after fresh profit setback

AFP, London

SUPERMARKET giant Tesco announced a second drop in annual profits in a row on Wednesday, leaving Britain's biggest retailer hoping that recent expansion into India and China can offset weakness in Europe.

The world's third-biggest supermarket group said its trading profit dropped 6.0 percent to £3.31 billion (\$5.54 billion, 4.0 billion euros) in the year to late February, compared with its performance in 2012/13.

But annual profit after tax soared to £974 million from £28 million in the previous trading year when Tesco was hit by its decision to close the group's underperforming US business.

Following the better-than-expected results update, the group's share price jumped 3.88 percent to 297.4 pence in early deals on London's benchmark FTSE 100 index, which was up 0.64-percent overall to 6,583.62 points.

Tesco shares have however slumped by a quarter in value over the past 12 months.

"While the decline in profitability and like-for-like UK sales comes as no surprise, it marks the end of a disappointing year for Tesco," said Bryan Roberts, analyst at consultancy group Kantar Retail.

Speaking of 2013/14, Tesco said in its earnings statement: "Our performance in the year was not where we had planned it to be."

It noted that in Britain, the company "faced a weaker and increasingly competitive market in the second half" and had experienced "difficult trading conditions" elsewhere in Europe.

Chief executive Philip Clarke said on Wednesday that Tesco had significantly reduced its new investment in Europe to focus the majority of its overseas capital "on targeted, high-returning investments in Korea, Malaysia and Thailand".

He added in the group's statement: "We have completed our exit from the US and established partnerships ... (in China and India) which provide continued access to two of the world's most exciting markets, consistent with a sustainable level of future investment."

Roberts said that while "Clarke is coming in for a lot of harsh criticism from assorted commentators and ex-colleagues... he has made some tough but necessary decisions" on the group's overseas operations.

Ahead of the latest results, Tesco was rocked by the resignation of its finance director Laurie McLlwee.

But last month, it struck a joint venture deal with India's Tata Group to become the first foreign supermarket to enter the country's \$500-billion (362 billion-euro) retail sector.

Samsung executive says Galaxy S5 to outsell S4

REUTERS, Seoul

SAMSUNG Electronics Co Ltd's new Galaxy S5 smartphone should outsell its predecessor and defy predictions that the South Korean titan's latest model will struggle in a tough market for high-end handsets, a top executive said.

The world's biggest smartphone maker has slashed prices of the S5, which rolled out globally on Friday, offered a gift pack worth \$600, and more than doubled the number of initial launching countries to 125 in a bid to sustain growth in the mobile business, which generates 70 percent of its total profit.

A smooth launch is crucial for Samsung, which reported its second

straight quarter of profit decline earlier this month as margins in the key smartphone business come under growing pressure from cheaper Chinese rivals.

"(The S5) is selling faster than the S4 so far, though it's difficult to share specific numbers as we're still at early stages," Yoon Han-kil, senior vice president of Samsung's product strategy team, told Reuters in an interview.

"S5 sales should be much better than the S4."

Though Samsung did not offer any sales target for the S5, the company sold more than 10 million S4s in the first month of the phone's launch. Yoon said the S5 should do significantly better than this.

Initial sales are important to gauge the longer-term chances of success for a product which represents a shift in approach by Samsung.

Until now, Samsung phones have been known for hardware innovations like the S4's full high-definition screen, while their software was seen as gimmicky compared to the more useful applications on rival Apple Inc devices.

With the S5, however, Samsung has offered few if any hardware revelations. Instead, its focus has been on key enhancements such as water-resistance, a better camera and "ultra power-savings mode" which automatically turns off unnecessary apps when the battery runs low.



Nobel laureate Prof Muhammad Yunus and Dr Jing-Yang Jou, president of National Central University, Taiwan, stand before the press after signing a memorandum of understanding to set up Yunus Social Business Centre at the university recently. Prof Yunus visited Taiwan from April 10-14 at the invitation of the university and Rotary Club of

Challenges for new banks

REAZ ISLAM

OVER the past decade, Bangladesh economy enjoyed favourable economic environment and grew at approximately 6 percent with tolerable inflation. Major economic indicators like GDP, exports and imports have tripled in the last 10 years; industrialisation and trade have soared to unprecedented heights.

Growth in the "real" economy has fuelled the growth of the country's banking sector which has seen an increase in deposits by over 400 percent and assets by around 500 percent in the last 10 years. Simultaneously, per capita GDP has more than doubled and yet more than half the population is still unbanked.

The central bank's decision to allow licences to nine new banks has the merit. Regardless of political motivations, a logical argument can be made beyond the unbanked population argument that more competition will improve service quality and ultimately benefit the consumers.

From the sponsors standpoint, a logical argument can be made about the potential economic benefit for the sponsors based upon past record, which is estimated to be 25 percent+ over 10 years from inception of a bank approximately 15 percent higher than the risk free rate in Bangladesh.

Past performance do not guarantee future returns

These all sound great theoretically but the ground reality is different, and challenges faced by the management and shareholders of new banks cannot be minimised. The banking industry is already highly competitive. Therefore, unless these new banks get their act together fast, shareholders could suffer a major setback and even some could face extinction.

Show me the money

Let us refresh our memory about how banks make profit. Banks make money primarily in three ways. Firstly, from the spread between the deposit and lending rates; Secondly, from the fees they charge for various products and services, and thirdly from proprietary investments.

This is obviously overly simplified; however, all these modes of earnings potential are possible to some extent provided that the demand is growing, banks are well capitalised and have the proper human resource; and the rest happens automatically. So what are the challenges?

It is all about people

At present, the banking sector is suffering from an acute shortage of skilled and adept professionals.

Except for a few foreign and local banks, unfortunately the quality of staff beyond the CEO, managing director and DMD levels

With around half the population unbanked, the biggest opportunity for new banks exists for targeting unbanked rural populations with the right products and services.

drops drastically. Depth and breadth of knowledge unfortunately is poor. This is an ominous sign for the industry since professional human resource is essential for the growth and development of the industry. These weaknesses obviously facilitate frauds, mismanagement, and value destruction for shareholders and encourage and breed standard corporate governance culture in the financial sector.

The first challenge for new banks will be attracting the right leadership. It will not be easy to attract talents for a newly established entity. The most likely outcomes are - either you end up recruiting an unqualified team due to budget constraints or you end up paying a significant premium for talents.

If you recruit weak managers, then they end up attracting even weaker subordinates and we all know how that works.

Attracting deposits

While most banks offer similar commodity type products, they are combating with each other in most cases on price/yield, realistically, the new entrants can gain an initial advantage and capture market share by offering higher deposit rates.

Falling deposit rates at present driven by recent political uncertainty, risk averseness, lack of demand for loans and recent spike in demand for short-term government securities provide a lower rate environment, nevertheless provide no relative advantage to the new banks.

Lending to the right clients

Contrary to popular believe that aggressive marketing or in this case aggressive lending may help quickly capture market share and drive banks' profitability, in reality success of these new banks in the long-run depends on ensuring that they lend to the right clients. Most of us are aware of the result of aggressive growth in the lending portfolios.

As a lender, you only get the stated interest

and the principal within the maturity date at best and you have no upside like equity investors. This is why one must wonder why many banks even today tend to entities with no real capital or a sliver of capital created from revaluation and other financial engineering.

If the new banks fall into this temptation, this could be the first nail in the coffin. Chasing yield and risking principal is the fastest way to go bankrupt.

Tapping the untapped

With around half the population unbanked, the biggest opportunity for new banks exists for targeting unbanked rural populations with the right products and services. Opening cost-efficient branches and nimble service centres in suburban and rural areas can substantially boost asset size and simultaneously, bring the much-needed diversification that every lender requires to spread-out its risk.

Last mover advantage

Despite the challenges, new banks have some vantage points comparing to the existing banks. Currently the industry maintains NPL of 8.93 percent+, which is similar to the levels back in 2007. While all the other government and private commercial banks have been working hard to clean their books, new banks have the luxury to formulate carefully thought-out strategies for market penetration.

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