

# India overhauls monetary policy using inflation targets

REUTERS, Mumbai/New Delhi

The government and Reserve Bank have agreed to commit to inflation targeting, in the biggest change to monetary policy since India's economy was opened up more than two decades ago, putting priority on subduing almost chronically volatile prices.

In a document dated Feb. 20 but published on the ministry website on Monday, the two sides set a consumer inflation target of 4 percent, with a band of plus or minus 2 percentage points, for the financial year ending in March 2017.

Reserve Bank of India Governor Raghuram Rajan has championed the move to inflation targeting, increasingly popular among large emerging markets, and the document shows he has won a commitment from Prime Minister Narendra Modi's 10-month-old government.

Rajan has long argued that inflation has to be subdued for India to achieve sustainable long term growth, but has sometimes encountered impatience among government officials wanting faster reductions in interest rates to boost the economy.

In a break with the RBI's past practice, Rajan first set inflation targets at the start of last year, but those central bank targets did not have the government's formal buy-in.

India has suffered from almost chronic inflation volatility, due in part to its dependence on energy imports and the uncertain impact of monsoon rains on its large farm sector, and the difficulties transporting food items to market because of its poor roads and infrastructure.

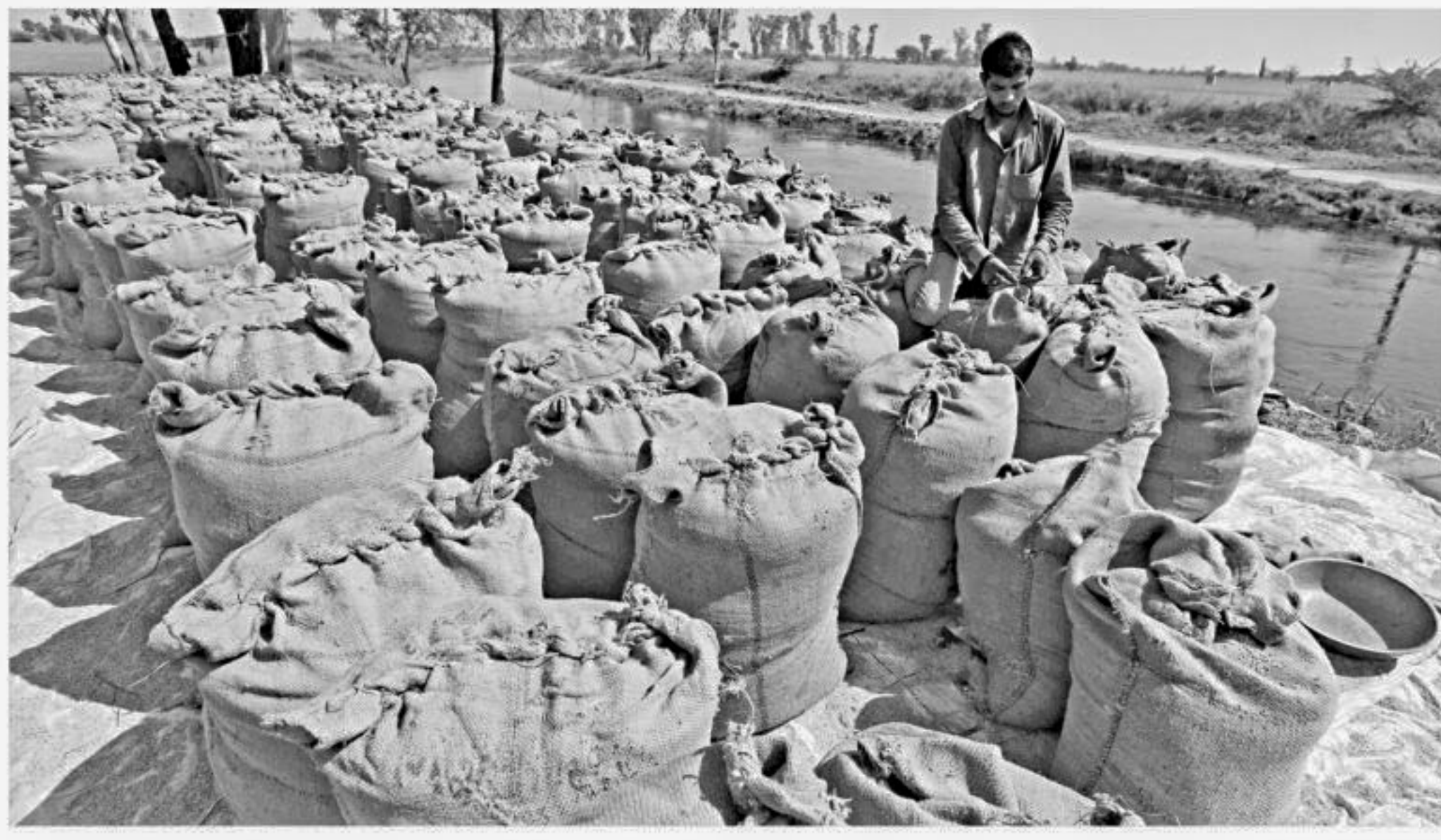
Fixing the infrastructure bottlenecks was a major part of a federal budget unveiled by the government on Saturday. The budget had also delayed fiscal consolidation to encourage growth.

Prioritising the fight against inflation using targets marks a radical change.

During the past few decades, interest rate policy has taken into account several other criteria aside from inflation, including a the government's borrowing needs, the health of the banking sector, and at times the stability of the rupee exchange rate.

Rupa Rege Nitsure, group chief economist at L&T Financial Services, who was part of a panel that proposed inflation targeting, said the changed framework for policy-setting marked a "paradigm shift".

"This framework will decrease the uncertainty around the decision-making process and there



REUTERS

A worker packs a sack filled with rice on the outskirts of the western Indian city of Ahmedabad.

will be limited possibility of any speculation," she said. "Transparency and predictability in monetary policy decisions is significant progress."

The government will now need to amend the RBI Act to reflect a new mandate for the central bank, ushering in the biggest overhaul to monetary policy since the big bang reforms of 1991 that saw India open its up economy to foreign investors.

Any amendments will need to be approved by parliament, which finance ministry officials have said they will pursue within months.

The agreement between RBI and the finance ministry formalises what has already been effective RBI policy since a central bank committee unveiled the proposal for inflation targeting in January 2014.

The RBI is widely expected to continue cutting interest rates after lowering the key repo rate by a quarter percentage point to 7.75 percent on Jan. 15.

Inflation has moderated sharply as oil prices slumped since last year. In January, consumer prices rose an annual 5.11 percent, well within the target.

Under the document, the RBI will first aim to have consumer inflation fall below 6 percent by January 2016, in line with objectives already spelt out by the central bank.

The central bank will be deemed to have missed its target if consumer inflation is at more than 6 percent for three consecutive quarters starting in the 2015/16 fiscal year. It will also need to stay above 2 percent starting the year after.

If it misses, the bank will have to write to the government to explain the causes, and what steps it intends taking to bring inflation back on target within a given time.

The document shed no light on a proposed monetary policy committee that will form a key plank of reform. Neither the composition of the committee or the timing of its introduction, were mentioned in the paper.

It does, however, make clear the RBI governor will continue to determine rates and any measures needed to hit the inflation target. He is currently informally advised by bank officials and an external panel of advisers.

Inflation targeting, used by the European Central Bank and the Federal Reserve, is also becoming increasingly common among emerging markets, with South Africa and Brazil among the countries that have adopted the practice in the last two decades. Many, including Brazil where inflation remains a major issue, have struggled to hit the official target.

# Eurozone prices, jobs firm but deflation threat remains

AFP, Brussels

The eurozone's fall in consumer prices eased while jobless figures fell slightly Monday, but the modest improvements were not enough to reduce fears of a deflationary spiral.

Analysts said the figures were welcome but the European Central Bank will still have to pull out the stops to prevent the economy stalling as oil prices continue to fall sharply, stoking the deflation threat.

Consumer prices in the 19-nation eurozone were down 0.3 percent in February, less than the drop of 0.6 percent in January when tumbling energy prices slashed the cost of living, the EU statistics agency Eurostat said.

Energy prices alone were down 7.9 percent, slowing only slightly after a fall of 9.3 percent in January, Eurostat said.

The jobless figures were modestly encouraging, with unemployment down to 11.2 percent from 11.3 percent in December to hit its lowest level since April 2012.

The eurozone economy has recovered only slowly from its prolonged debt crisis and virtually stalled in the third quarter of 2014 with growth of just 0.2 percent, followed by a slightly better 0.3 percent in the fourth. Analysts feared especially that falling prices would see consumers put off purchases to buy goods when they are cheaper.

This classic change in behaviour undercuts demand, which in turn hits company investment and jobs in a vicious deflationary cycle.

Aiming to head off deflation, the ECB in January launched a massive 1.1 trillion euro stimulus programme to flood the financial system with cheap money and so boost investment.

Analysts were guarded in their response to the data, suggesting that the improvement was very modest and that the ECB faced a real struggle to get the economy firing again.

"February's continued fall in eurozone consumer prices and the still high rate of unemployment in January confirm that the ECB faces an uphill battle against the threat of deflation," said Jennifer McKeown of Capital Economics.

The improvement in the consumer price report "failed fully to reverse last month's fall and the rate is still lower than at any other time since 2009," McKeown said.

Falling energy prices were likely to undercut the headline figure for the next six months while the unemployment rate was still uncomfortably close to record levels near 12 percent, she said.

In all, the data show the economy was not growing fast enough to absorb all the slack, McKeown added.

Fears about Greece's international bailout under its new government have further clouded sentiment.

# GSK, Novartis complete deals to reshape both drugmakers

REUTERS, London

GlaxoSmithKline and Novartis said yesterday they had completed a series of asset swaps worth more than \$20 billion that will reshape both drugmakers.

GSK is forming a consumer health joint venture with Novartis, while at the same time buying the Swiss company's vaccines business and divesting its cancer drugs portfolio to Novartis.

The two companies originally announced the transactions in April 2014 to bolster their best businesses and exit weaker ones as the drugs industry contends with healthcare spending cuts and increased generic competition.

GSK, which now plans to return 4 billion pounds (\$6.2 billion) to shareholders, said it would provide an in-depth view of its prospects at an investor meeting to be held when it reports first-quarter results on May 6.

The complex deals are more significant for GSK than for Novartis, reflecting the fact that the British group's market value is less than half that of its Swiss rival.

After holding off from providing financial guidance for this year when it reported annual results last month, GSK said it would provide 2015 earnings guidance and "profile the medium and long-term shape and opportunities" of the group on May 6.

The transactions come at a critical time for the British drugmaker, which will see new chairman Philip Hampton take over on May 7.

Hampton, who chairs Royal Bank of Scotland, takes the reins following a tough year at GSK, which was hit by a record fine of nearly \$500 million in China for bribing doctors and has disappointed investors with weak lung drug sales.

The poor performance resulted in the bonus paid to Chief Executive Andrew Witty for 2014 being cut by 51 percent.

GSK is receiving net after tax proceeds from the Novartis transactions of \$7.8 billion, the majority of which will be distributed to shareholders through a so-called Bshare scheme.

For Novartis, the asset swaps will boost the company's already substantial presence in oncology and are expected to lift core margins immediately.

# French firm sets up fund to boost energy access in Africa

AFP, Paris

Electrical equipment giant Schneider has set up a fund to finance projects aimed at boosting access to energy in sub-Saharan Africa, the French group said Monday.

Some "625 million inhabitants of sub-Saharan Africa do not have access to electricity," Schneider said in a statement announcing the 54.5 million euro (\$61 million) Energy Access Ventures Fund.

"This lack of electricity impedes social progress and economic development and harms the environment," it said.

The goal is to bring electricity to one million households by 2020 through investments in around 20 small and medium-sized African businesses.

It will provide technical assistance and focus on businesses that are developing cheap, low-carbon energy for semi-urban and rural populations.



REUTERS

People are seen at the entrance of a shop in Athens, Greece yesterday.

# Excessive salaries 'damage' UK firms

BBC NEWS

Public anger over the size of top executives' salaries is damaging the reputation of UK firms, according to a survey of business leaders.

In a poll of more than 1,000 members of the Institute of Directors (IoD), 52 percent said excessive pay packets were eroding people's trust in big companies.

More than half of those surveyed also agreed performance-related pay should be deferred by up to three years.

The poll was carried out on behalf of the High Pay Centre think tank.

The High Pay Centre was formed following a report by the High Pay Commission in 2011, which argued that the high salaries of UK executives were "corrosive".

The commission, set up by a pressure group, said the disparity between what top executives and average workers earn had been growing for 30 years.

In 2013, new rules were introduced, forcing listed firms to give shareholders a binding vote on directors' pay.

## Government of the People's Republic of Bangladesh

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### Invitation for Tenders

|   |  |  |   |  |   |
|---|--|--|---|--|---|
| 1   | Ministry/Division  | Ministry of Education.   |   |  |   |
| 2   | Agency   | Directorate of Technical Education.  |   |  |   |
| 3   | Procuring entity name  | Principal, Habiganj Polytechnic Institute, Gopaya, Habiganj.   |   |  |   |
| 4   | Procuring entity code  | Not used at present.   |   |  |   |
| 5   | Procuring entity district  | Habiganj.  |   |  |   |
| 6   | Invitation for   | Procurement of Goods.  |   |  |   |
| 7   | Invitation Ref. No.  | HPI/Procurement/Tender/2015/738  |   |  |   |
| 8   | Date   | 19-02-2015   |   |  |   |
| <b>KEY INFORMATION</b>  |  |  |   |  |   |
| 9   | Procurement method   | Open Tendering Method (National).  |   |  |   |
| <b>FUNDING INFORMATION</b>  |  |  |   |  |   |
| 10  | Budget and source of funds   | Development Budget (Government & IDA Credit).  |   |  |   |
| 11  | Development partners (if applicable)   | International Development Association (IDA).   |   |  |   |
| <b>PARTICULAR INFORMATION</b>   |  |  |   |  |   |
| 12  | Project/programme code (if applicable)   | N/A.   |   |  |   |
| 13  | Project/programme name (if applicable)   | Skills and Training Enhancement Project (STEP).  |   |  |   |
| 14  | Tender package No.   | HPI/GD-17, HPI/GD-18, HPI/GD-19, HPI/GD-20.  |   |  |   |
| 15  | Tender package name  | GD-17 Machineries for Civil Technology.<br>GD-18 Machineries for Electronics Technology.<br>GD-19 Split Air Conditioner.<br>GD-20 Desktop Computer.  |   |  |   |
| 16  | Tender publication date  | 27-02-2015.  |   |  |   |
| 17  | Tender last selling date   | 22-03-2015 up to 5:00pm.   |   |  |   |
| 18  | Tender closing date and time   | 23-03-2015 at 12:00 noon.  |   |  |   |
| 19  | Tender opening date and time   | 23-03-2015 at 12:30pm.   |   |  |   |
| 20  | Name & address of the office(s)  |  |   |  |   |
|   | -Selling tender document (principal)   | Agrani Bank Limited, Gopaya Branch, Habiganj, Phone: 0831-61723  |   |  |   |
|   | -Selling tender document (others)  | Directorate of Technical Education, F-4/B, Agargaon, Sher-e-Bangla Nagar, Dhaka-1207.  |   |  |   |
| No conditions apply for sale, purchase or distribution of tender documents                            |  |  |   |  |   |
|   | - Receiving tender document  | Directorate of Technical Education, F-4/B, Agargaon, Sher-e-Bangla Nagar, Dhaka-1207.  |   |  |   |
|   | - Opening tender document  | Directorate of Technical Education, F-4/B, Agargaon, Sher-e-Bangla Nagar, Dhaka-1207.  |   |  |   |
| 21  | Place/date/time of pre-tender meeting (optional)   | Habiganj Polytechnic Institute, Gopaya, Habiganj.<br>09-03-2015 at 2:00pm for GD-17<br>09-03-2015 at 2:30pm for GD-18<br>09-03-2015 at 3:00pm for GD-19<br>09-03-2015 at 3:30pm for GD-20  |   |  |   |
| <b>INFORMATION FOR TENDERER</b>   |  |  |   |  |   |
| 22  | Eligibility of tenderer  | (i) Trade licence valid for 2014-2015;<br>(ii) Up-to-date income tax clearance certificate for the fiscal year 2014-2015 with TIN number.<br>(iii) Certificate of liquid assets on a date within selling tender document & dropping date indicating the amount of liquid assets/working capital/credited facility.<br>(iv) VAT registration certificate up-to-date.<br>(v) 5 years experience certificate mentioning the amount of supply in a single work order of similar goods (supported by appropriate papers).<br>(vi) Bank solvency certificate with liquid money minimum liquid assets:<br>GD-17 BD Tk 80,00,000.00 (eighty lac) only.<br>GD-18 BD Tk 50,00,000.00 (fifty lac) only.<br>GD-19 BD Tk 10,00,000.00 (ten lac) only.<br>GD-20 BD Tk 40,00,000.00 (forty lac) only.<br>Tenderer must have past supply experience of similar nature of goods in an amount of minimum<br>GD-17 BD Tk 80,00,000.00 (eighty lac) only.<br>GD-18 BD Tk 50,00,000.00 (fifty lac) only.<br>GD-19 BD Tk 10,00,000.00 (ten lac) only.<br>GD-20 BD Tk 40,00,000.00 (forty lac) only.<br>in a single contract during last five years. Must enclose users list with their contact phone number against the contract of similar successful supply. |   |  |   |
| 23  | Brief description of goods   | HPI/GD-17: Machineries for Civil Technology.<br>HPI/GD-18: Machineries for Electronics Technology.<br>HPI/GD-19: Air Conditioner.<br>HPI/GD-20: Desktop Computer.  |   |  |   |
| 24  | Brief description of related services  | Installing, testing.   |   |  |   |
| 25  | Price of tender document (Tk)  | HPI/GD-17: 2000.00 (two thousand) only.<br>HPI/GD-18: 1000.00 (one thousand) only.<br>HPI/GD-19: 1000.00 (one thousand) only.<br>HPI/GD-20: 1000.00 (one thousand) only.   |   |  |   |
| 26  | Lot No.  | Identification of lot  | Location  | Tender security amount (Tk)  | Completion time in weeks/months                     |
|   | Single Lot   | HPI/GD-17:   | Habiganj Polytechnic Institute, Gopaya, Habiganj  | BDT 2,00,000.00 (two lac) only   | 12 (twelve) weeks from the date of contract signing |
|   | Single Lot   | HPI/GD-18:   |   | BDT 1,25,000.00 (one lac twenty-five thousand) only                          | 12 (twelve) weeks from the date of contract signing |
|   | Single Lot   | HPI/GD-19:   |   | BDT 26,000.00 (twenty-six thousand) only                                     | 04 (four) weeks from the date of contract signing   |
|   | Single Lot   | HPI/GD-20:   |   | BDT 1,00,000.00 (one lac) only   | 04 (four) weeks from the date of contract signing   |
| <b>PROCURING ENTITY DETAILS</b>   |  |  |   |  |   |
| 30  | Name of official inviting tender   |  | Mohsinur Rahman.                                  |  |   |
| 31  | Designation of official inviting tender  |  | Principal (In-Charge).                            |  |   |
| 32  | Address of official inviting tender  |  | Habiganj Polytechnic Institute, Gopaya, Habiganj. |  |   |
| 33  | Contact details of official inviting tender  |  | Phone: 0831-62553                                 | E-mail: <a href="mailto:principal.hpi@gmail.com">principal.hpi@gmail.com</a> |   |
| 34  | The procuring entity reserves the right to reject all tenders or annul the tender proceedings. |  |   |  |   |
| <b>Mohsinur Rahman</b><br>Principal (In-Charge)<br>Habiganj Polytechnic Institute<br>Gopaya, Habiganj |  |  |   |  |   |
| GD-841  |  |  |   |  |   |