# Good work, keep it up

## *The DFID chief calls for raising domestic revenue, investment in power sector*

STAR BUSINESS REPORT

BANGLADESH must continue all the good work it is doing at the moment to raise economic growth to a level that propels the nation to a middle-income status, said a leading development campaigner.

"It includes investment in basic services, macroeconomic stability and budget management. You have to keep doing the right things," said Mark Lowcock, head of UK's Department for International Development or DFID.

Lowcock came to Dhaka to monitor DFID's contribution to the country's economic growth and poverty reduction.

The UK government is Bangladesh's largest bilateral donor with an aid programme directly helping millions of the poorest people in the country. The UK is providing $300 million in grants to Bangladesh this year.

Lowcock is managing a global development programme of $16 billion this year and the size of the aid has made the UK into one of the largest development assistance providers in the world.

During an interview in Dhaka with The Daily Star, he admired the progress Bangladesh has made in accelerating economic growth consistently for 15 years.

Bangladesh has lifted a large number of people from extreme poverty and provided better healthcare, education and access to sanitation.

"I am particularly impressed to see the benefits of development and economic progress across the society."

"The bottom 40 percent of the population in Bangladesh has more than 20 percent of the national income. It is a much higher number than in many other countries."

"Developing the economy by international standards is an impressive story."

Equally, DFID is aware that the country faces a number of challenges.

"Everybody who comes here is struck by the potential of Bangladesh and wants to understand how that can be unleashed. Some of the countries that have 6 percent economic growth on average can easily grow to 10 or 11 percent," Lowcock said.

Lowcock, who began his career in DFID (formally Overseas Development Administration) in 1985, said Bangladesh would have to work on the power sector, economic governance and business environment to achieve higher economic growth.

"The UK is interested in helping Bangladesh unlock faster growth."

Boosting domestic revenue and raising it to the level fitting Bangladesh's development pace comes as a significant challenge, he said.

"It is true that the macroeconomy is stable but low domestic resource mobilisation is still a challenge."

Bangladesh is a country with one of the lowest tax-GDP ratios, which means that it is hard to generate enough domestic resources to finance its own development. "Implementing the new VAT law would be very important to raise the tax base."

Lowcock, who was appointed as the permanent secretary in June 2011, said attracting foreign direct investment is important as it allows the country to invest and grow at a faster rate.

"Investment resources are scarce globally. Every country, including the UK, has to compete to attract foreign investment. The things that matter to investors are the business environment, macroeconomic stability, ease of doing business and contract enforcement."

"No investor wants to come to a place where they would be worried about whether they would be able to make some return on their investment and take home the profit."

Political uncertainty, strikes and violence also keep investors at bay, he added.

On the ongoing stand-off between the ruling party and its rival alliance, Lowcock said politics is central to the development process.

Lowcock, who graduated in economics and history from Oxford University, said in order to attract more foreign investment in the power sector, the tariff regime has to be structured so they can recoup their investment.


Mark Lowcock

He said corruption has to be dealt with and there has to be a credible judicial system, streamlined rules and regulations, proper bureaucracy, and a transparent bidding system.

"All of these things give confidence to the investors that if they come here and risk their money, they will be treated fairly. Rule of law has to prevail."

At the moment, Bangladesh surprisingly attracts very little foreign direct investment -- $1.6 billion in 2013, he said.

"And there is a reason for that. There is a lot more investment flowing into some neighbouring and African countries. You will have to deal with deterrents to woo foreign investment."

DFID will focus on improving health and education, other poverty related outcomes, help build the country's resilience to climate change and create more jobs for the youth, he added.

Business people talk about the lack of high-level skills, which is a constraint in Bangladesh, he said. "If you are able to make some progress on that area it will help you unlock your potential."

The country has a young population and many people enter the labour market every year, he said. "That creates an enormous opportunity for demographic dividend. But it is only a dividend if you can find productive ways for these young people to engage in the labour force."

"Again, it comes back to dealing with constraints to growth and building skills in the labour force. Those are the things we are going to work on."

Bangladesh's biggest asset is its population, who are hard working entrepreneurial people, he added.

"Investing in human capital is your opportunity. You have already had success in the area as many educated people have gone abroad, and some of them are working in industries at home."

To improve the quality of education, Bangladesh will have to work on the curriculum and ensure that teachers are accountable and examination systems work, he said.

"At higher levels, you will have to provide more detailed technical knowledge so they have the ability to apply that knowledge and think critically, to be effective in the workplace of a modern economy."


REUTERS

**Inditex's Chairman and CEO Pablo Isla speaks at a news conference at a Zara factory, the headquarters of Inditex group, in Arteixo in northern Spain, yesterday.**

# Zara owner Inditex profits up 5pc

BBC NEWS

SPANISH fashion giant Inditex has reported a 5 percent rise in annual net profit to €2.5 billion (£1.8bn), thanks to a recovery in consumer spending.

The owner of the Zara fashion chain said like-for-like sales, which compare sales at stores open for at least a year, also rose 5 percent.

The retailer plans to open new stores in London, Barcelona and several US cities, including three in New York.

The company said it expected to open 420 to 480 new stores this year.

Inditex also said it would invest about €1.35 billion this year, compared with €1.24 billion in 2014.

It said the bulk of this investment continued to be earmarked for new store openings and the refurbishment and expansion of existing stores.

It confirmed a strategy of closing small stores and concentrating on larger flagship stores, such as the recent purchase of a building in New York's SoHo, which will house a new flagship Zara store.

The firm said up to 100 smaller stores would close this year.

Inditex's biggest challenge at present is to keep up with online-only fashion websites, including Germany's Zalando and the UK's Asos.

When it published half-year results in September, Inditex said Zara would be selling direct over the internet in 27 markets by the end of the month.

# Indian mobile carriers stare at costly victory as bandwidth sale ends

REUTERS, *Mumbai*

INDIAN cellphone operators are snatching up precious bandwidth in a government sale, paying top dollar for spectrum to roll out high-speed coverage across the country. The fear among investors is that the companies' balance sheets may now be under pressure.

The government had raised a record 1.07 trillion rupees ($17.07 billion) by the end of bidding on Tuesday in an auction that began on March 4. That's almost a third more than what the government had forecast for the entire duration of the auction, which is set to end this week. Analysts estimate most of the bids were from the country's biggest players.

For the government, the money raised will help plug the fiscal deficit. For India's wireless carriers, the auction is the only way to renew expiring 20-year leases and build the extra capacity needed ahead of an anticipated surge in mobile data consumption as more Indians use mobile phones to go online.

But whether the carriers, including Bharti Airtel Ltd and Idea Cellular Ltd, can recoup the huge sums of money spent on bandwidth will depend on the moves of Reliance Industries Ltd, controlled by billionaire Mukesh Ambani. The entry of the deep-pocketed conglomerate is expected to heighten competition and keep a lid on tariffs in an already cut-throat market.


REUTERS/FILE

**A rickshaw puller speaks on his mobile phone as he waits for customers in front of advertisement billboards belonging to telecom companies in Kolkata, India.**

"The point is that the operators have no choice but to bid to retain spectrum," said Aneesh Srivastava, chief investment officer at IDBI Federal Life Insurance. "My concern is whether the companies have got pricing power (to repay the debt incurred) or not."

Fierce bidding in the premium 900 megahertz band in particular, where most of the top companies see some licenses expiring this year, is set to prove a heavy cost for wireless carriers, already among the most leveraged among Asian rivals.

Idea, for instance, is expected to hold on to 900 Mhz spectrum in nine regions which account for 72 percent of its revenue. But analysts estimate that to renew all its licenses it will have to spend close to 300 billion rupees ($4.8 billion).

The company's net debt stood at $1.77 billion at end 2014 and is expected to rise to about $3.08 billion in the year ending in March 2016, according to Thomson Reuters data.

The mobile carriers participating in the auction are not allowed to speak to the media during the sale.

Among the companies in the auction are the India unit of Vodafone Group PLC and Reliance Communications Ltd, controlled by Mukesh Ambani's brother Anil. Final allocations will be confirmed at a later date.

"It's going to be very difficult for companies to make any dramatic changes in tariffs, because the fact is that companies face a very competitive market," said Mahesh Uppal, director of telecom consultancy firm Com First.

Shares in Idea and Bharti have climbed 14.6 percent and 10.7 percent, respectively, since the auctions started, as investors bet that short-term pain to hold on to key licenses will mean long-term gain.

"Maybe their debt levels will be high for two years, but beyond (that) we start to see them stabilising, once the revenue starts to grow," said an industry consultant who is advising one of the bidding companies.

He said companies could see "significantly" more data revenues after 2017. "Prices will go down but the usage and adoption will go up substantially," he said.

# Japan firms heed PM's call to boost salaries

AFP, *Tokyo*

MAJOR firms on Wednesday announced pay rises for workers after sustained pressure from the government in its attempt to push up prices in long-deflationary Japan.

Prime Minister Shinzo Abe's drive to get Japan economically ship-shape with a mix of easy money and fiscal largesse has born some fruit since its launch two years ago, in the form of soaring stock prices and a falling currency.

But stagnant salaries have been one of the main missing links in the "virtuous circle" of growth that the premier's signature "Abenomics" plan envisages.

With deals from some of Japan's biggest employers announced Wednesday following the annual labour talks -- known as "shunto", or the "spring offensive" -- it appeared the prime minister was at least partially getting his way.

The world's biggest automaker Toyota said it would raise employees' pay by an average of 4,000 yen ($33) a month -- about 1.14 percent above current pay.

Toyota employees would also get an average bonus worth 6.8 months of their base wage -- a common pay structure in Japan. The firm now expects to book a record 2.13 trillion yen ($18.1 billion) net profit in the fiscal year to March.

Last year the Corolla and Prius hybrid maker gave the first wage rise in six years.

Japan's second-largest automaker Nissan agreed to give an even bigger raise of 5,000 yen a month, and a bonus worth 5.7 months of employees' base wage, the company said.

"We've had thorough discussions on the very difficult challenge of becoming more competitive... while contributing to sustaining a good economic cycle," Toyota managing officer Tatsuro Ueda told reporters.

Major electronics firms, such as Panasonic and Toshiba, agreed to give a unified wage rise of 3,000 yen a month, bigger than last year's 2,000 yen. Pay rises have taken on an extra significance since a sales tax increase in April last year dented the economy's frail recovery.

The rise -- Japan's first in 17 years -- slammed the brakes on consumer spending, plunging the economy into recession and throwing Abe's growth-boosting programme into question. The plunge in the value of the yen, while helping exporters, reduced spending power at home because it made imports more expensive.

Official data have shown that Japanese household spending in 2014 declined at its fastest pace in eight years, underscoring how badly clobbered the average person felt.

Observers said the wage settlements looked "promising" but the question now would be whether the thousands of smaller companies that make up a huge chunk of Japan's economy would follow suit.

# Etihad Airways defends subsidies

AFP, *Washington*

ETIHAD Airways chief James Hogan defended the UAE carrier Tuesday against harsh attacks from US airlines over subsidies, saying his company was a "David" battling the US "Goliaths".

Hogan told an aviation industry summit in Washington that airlines everywhere benefit from state support, dismissing the claims of unfair competition by Gulf carriers in a report released by the top three US airlines.

As a battle heats up between Gulf airlines and rivals in Europe and the US, he accused the three US carriers -- American Airlines, Delta Airlines and United Airlines -- of themselves hiding behind protection.

"The world's two largest airline markets, the United States and the European Union, are closed, giving their own airlines a huge advantage in scale and scope," he told the US Chamber of Commerce Foundation's 14th Annual Aviation Summit.

Hogan said established aviation giants were built on various kinds of state support, including preferential market access, infrastructure and airports, hardly different from what Gulf carriers Qatar Airways, Etihad and Emirates are accused of.

He also cited the government-backed bailouts of US carriers when they failed.

"Many, many airlines, including many in this room, have benefitted from years of government bailouts, write-offs and loans, everything from bankruptcy protection to covering pension fund obligations, to straight-out financial payments."

"Etihad is a David who's been facing Goliaths since 2003," he argued.