

Zimbabwe suspends bank lending

Bid to arrest currency decline

REUTERS, Harare

Zimbabwe's government on Saturday ordered banks to stop lending with immediate effect in a move Harare said was designed to stop speculation against the Zimbabwean dollar and was part of a raft of measures to arrest its rapid devaluation on the black market.

The southern African country reintroduced a local currency in 2019 after abandoning it in 2009 when it was hit by hyperinflation.

However, the Zimbabwean dollar, which is officially quoted at 165.94 against the US dollar, has continued to slide on the black market, where it is trading between 330 and 400 to the greenback.

The devaluation of the Zimbabwe dollar's black market exchange rate has been driving up inflation

The black market exchange rate has moved from about 200 Zimbabwe dollars at the beginning of the year.

President Emmerson Mnangagwa on Saturday announced measures he said were meant to arrest the currency's depreciation, which he said threatened Zimbabwe's economic stability.

"Lending by banks to both the government and the private sector is hereby suspended with immediate effect, until further notice," Mnangagwa said in a statement.

He accused unnamed speculators of borrowing Zimbabwe dollars at below-inflation interest rates and using the money to trade in forex.

Other measures include an increased tax on forex bank transfers, higher levies on forex cash withdrawals above \$1,000, and the payment of taxes which used to be charged in forex in local currency.

The devaluation of the Zimbabwe dollar's black market exchange rate, which is used in most financial transactions in the economy, has been driving up inflation.

Year-on-year inflation quickened to 96.4 per cent in April, from 60.6 per cent in January.



Workers are seen harvesting onion seed crops at a field in Gobindapur village under Faridpur sadar upazila. Untimely rains followed by extreme heat and pest infestations during the cultivating season have left farmers with little hope of getting their expected yields this year.

PHOTO: SUZIT KUMAR DAS

Onion seed growers face production shortfall

Drought, pest infestations, lack of pollination to blame

SUZIT KUMAR DAS, Faridpur

Onion seed growers in Faridpur are worried about being able to attain their expected production levels this year due to unfavourable weather conditions, swarming caterpillar infestations and low bee pollination.

Most onion seed growers claim that the bulbs were damaged due to excessive rain amid cyclone Jawad during the cultivation period.

The farmers then planted fresh bulbs but the extreme heat just before harvest have burnt the seeds.

According to sources at the Department of Agricultural Extension (DAE) in Faridpur, a total 1,714 hectares of land across nine upazilas of Faridpur are being used to cultivate onion seeds this year while it was 1,711 hectares last year.

Farmers in the district have cultivated different varieties of onion seed, including the Rajshahi Tahirpur, Super King, Sukhsagar, Bari-4, Nasik King and also some hybrid ones. A new variety of onion seed called "Summer Season Onion" was introduced this year as well.

While visiting some farms in the Vashanchar, Purba Vashanchar and Dhuldi Gobindapur villages under Faridpur sadar upazila, this correspondent saw that most of the onion seed stems had dried up while many failed to flower due to a lack of pollination.

What's worse, some of the blubs had become detached from their stems as swarming caterpillars continue to eat away at them.

Almas Mandal, an onion seed farmer in Gobindapur village, said he cultivated onion seeds on two acres this year at a cost of Tk 3.5 lakh.

"All the bulbs were damaged due to excessive rain during the primary cultivation period in the first week of December. So, I had to replant the crops in the last week of the same month," he said.

"Still though, extreme heat has dried up most of the stems and now I worry about getting even 50 kilogrammes (kgs) of seed this year," Mandal added.

Abul Hasan Tuhin, a famer of Vashanchar village, said the time between the first week of November and the second week of December is the perfect time to cultivate onion seeds. The crops would then be ready for harvest by the last week of March and first week of April.

"But I had to cultivate onion seeds in the last week of December as rainwater was stuck on my land. I have cultivated just one acre of land this year and hope to get only 120 kgs of seed," he added.

Jalil Jamadar, another onion seed grower of the same area, said he cultivated the crop on two acres last year by spending Tk 2 lakh to get about 200 kgs of seed.

"From the seeds I got profit of Tk 1 lakh

and so, I cultivated 2.5 acres this year at a cost of Tk 3.5 lakh but I will not get more than 50 kgs of seed due to various issues," he added.

Shahida Begum, one of the biggest onion seed growers in Faridpur, said she had cultivated the crop on 35 acres last year to get about 74,000 kgs of seed.

She sold each maund (37 kgs) of seed for between Tk 70,000 and Tk 250,000. But this year she cultivated only 30 acres as the rain damaged her bulbs during the initial cultivation period.

As such, onion seed production is not expected to exceed more than 30 per cent to 40 per cent of previous levels amid droughts, insect infestations and a lack of pollination this year.

Still though, she hoped that the price of onion seeds would higher than what was last year in order to offset the loss of sales.

"This year, I have cultivated a new variety of onion seed. The name is Summer Season Onion and it can be cultivated year-round," she added.

Hazrat Ali, deputy director of the Faridpur DAE, said the district was the first in Bangladesh to produce onion seeds.

Last year, a total of 890 tonnes of onion seeds were produced in 1,711 hectares of land across Faridpur.

"Although our target was to secure 850 tonnes this year, we expect that production will not exceed 500 tonnes," Ali said.

"Last year, each decimal of land produced about 1-1.25 kilogrammes of onion seed but this year, it is tough to get only 500 grams of seed from the same amount of land," he added.

Understanding country risk

MAMUN RASHID

Investors typically take 5 to 10 years of historical data as a basis for projections of the future. But in cases such as Russia's invasion of Ukraine or Sri Lanka's rapid economic deterioration, the past is not a metric that can be relied on for the future.

Although the global financial system is based on faith and investors seeking to maximize risk adjusted returns, the risk amplifies when it comes to investing abroad as you need to account for the myriad of risks that come with investing in an unfamiliar territory and economy, not just the ones focused on the individual characteristics of the asset. Mature fundamental analysis in cross country investment also considers how the stock is positioned relative to its industry peers with respect to trends affecting the industry or country.

The level of country-risk must be examined for any country before it can be selected as an attractive destination as the level of returns on offer are immaterial if the returns cannot be recouped from the country.

This form of investment ranges from investments in the stock market of different countries to the foreign direct

investments which are often so crucial for developing countries. Therefore, developing countries like Bangladesh who are competing to attract international funds should focus on improving their risk profile. Bangladesh needs to do a lot better on these metrics before we can expect significant inflows of FDI that will move the needle on our development.

Sovereign rating agencies are often viewed as the authority on the riskiness of the countries that are invested in. They take cognisance of the macroeconomic performance, fundamental structure of the financial system, tax system, policies for investment promotion and protection among other things while determining a country's risk rating. International investment community does look up to them for their investment decision making.

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Investors want a consistent set of policies which will protect the rights of investors in the long run. They do not want to simply cash out immediately but focus on growing their investment. In such a situation, flexible laws that adapt quickly but are based on the same principles are very important.

Country risk can be defined by different institutions into many complex and interrelated factors, but it can largely be divided into four types of risks: economic, political, market and security. Each of them can be broken down and there is no universal agreement on exactly what constitutes each type of risk, however, a few are generally accepted as being part of each bracket.

1) Economic and financial risk: This largely concerns the sovereign risk, exchange rate environment and trade credit risk.

a) Sovereign risk: It concerns the inability/unwillingness of a borrowing government to repay loans that it has taken. Since governments cannot be forced to pay the risk that a government might default on, its obligations are significant and investors all over the world treat this as one of the highest risks. For example, Argentina defaulted on its debt obligations in

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Companies envision taxis flying above jammed traffic

AFP, San Francisco

As urban traffic gets more miserable, entrepreneurs are looking to a future in which commuters hop into "air taxis" that whisk them over clogged roads.

Companies such as Archer, Joby and Wisk are working on electric-powered aircraft that take off and land vertically like helicopters then propel forward like planes.

"The Jetsons' is definitely a reference that people make a lot when trying to contextualize what we are doing," Archer Vice President Louise Bristow told AFP, referring to a 1960s animated comedy about a family living in a high-tech future. "The easiest way to think about it is a flying car, but that's not what we're doing." What Archer envisions is an age of aerial ride-sharing, an "Uber or Lyft of the skies," Bristow said.

Neighborhood parking garage rooftops or shopping mall lots could serve as departure or arrival pads for electric vertical take-off and landing (eVTOL) aircraft.

Commuters would make it the rest of the way however they wish, even synching trips with car rideshare services such as Uber which owns a stake in Santa Cruz, California-based Joby. Joby executives said on a recent earnings call that its first production model aircraft should be in the skies later this year.

That comes despite a Joby prototype crashing early this year while being tested at speeds and altitudes far greater than it would have to handle as part of an air taxi fleet.

Joby has declined to discuss details of the remotely piloted aircraft's crash, which occurred in an uninhabited area, saying it is waiting for US aviation regulators to finish an investigation.

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Two visitors look at a scale model of an electric air vehicle made by Supernal, a company developing a family of electric air vehicles, displayed at Air-One, the world's first vertiport for flying taxis and autonomous delivery drones at the Urban-Air Port in Coventry, the UK on April 25.

PHOTO: AFP

AIIB may give Lanka \$100m in emergency funding

REUTERS, Colombo

The China-backed Asian Infrastructure Investment Bank (AIIB) is considering granting \$100 million in emergency support to Sri Lanka, the country's finance ministry said on Sunday.

Sri Lanka has requested foreign-exchange liquidity support for state banks from the lender, it said in a statement.

Hit hard by the pandemic, rising oil prices and populist tax cuts by the government of President Gotabaya Rajapaksa, the South Asian island's economy is in crisis, with usable foreign reserves down to \$50 million, Finance Minister Ali Sabry said last week.

Shortages of imported food, fuel and medicines have brought thousands onto the streets in over a month of mostly peaceful protests. Rajapaksa declared a second state emergency in five weeks on Friday.