February-2011 KNOWLEDGE UPDATE: 143

IFIC BANK LIMITED
TRAINING & RESEARCH DIVISION
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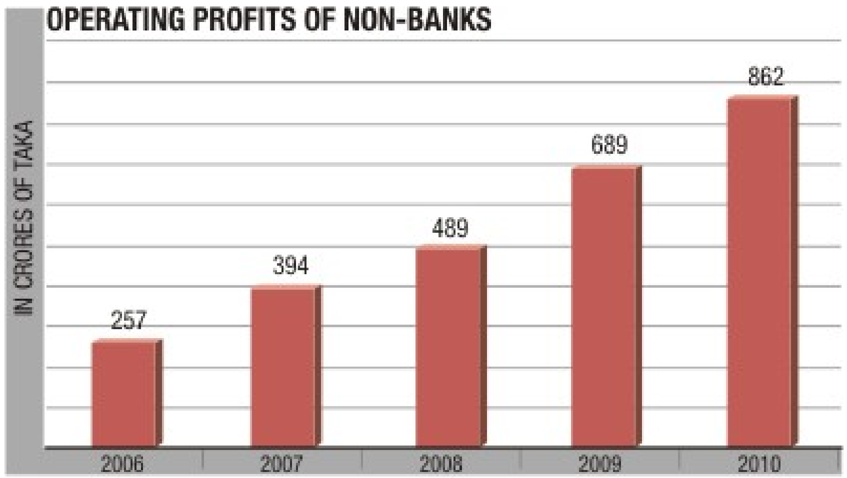
Non-banks drift away from core

Non-bank financial institutions (NBFIs) have logged huge profits from the booming stockmarket in step with banks, meandering away from their core business. NBFIs recorded 25 percent growth in operating profits in 2010, statistics show. On average, 60 percent of the profits were generated through the capital market operations alone. Some institutions earned as high as 80-90 percent of their profits from the stock business. .



Twenty-nine non-bank financial institutions are operating in the market and 21 of them are listed on the stockmarket. All these 29 NBFIs made combined operating profits worth Tk 862 crore in 2010, 25 percent more than the profit in 2009. Their operating profits were only Tk 489 crore in 2008. IDLC, LankaBangla and Prime Finance, which are the market leaders in terms of business size, made most of their profits from the capital market operations. Companies such as United Leasing and Uttara Finance pocketed the least from stockmarket business. High concentration of NBFIs in the capital markets has been shrinking their exposure to the core business, such as lease financing. Sensing increasing restrictions on NBFI's exposure to the stockmarket, the companies are now thinking of alternative windows for income .

Daily Star: 01.02.2011

Birla Group buys Columbian Chem

Aditya Birla Group on 31.01.2011 said it has agreed to buy U.S.-based Columbian Chemicals for $875 million, doubling its capacity and boosting its position to the largest carbon black manufacturer in the world. The acquisition, through three units, will give the diversified Indian group access to markets in North America, Canada, Brazil, Germany, Italy and China. The Indian conglomerate has interests ranging from telecom to retail and is led by Kumar Mangalam Birla, listed by Forbes as India's tenth richest man with a net worth of $8.5 billion. It also controls India's largest cement maker UltraTech Cement and aluminium maker Hindalco, which acquired Canada's Novelis for $6 billion in 2007. Carbon black is used as a pigment in dyes and paints and for reinforcement in tyres. Columbian, the world's third-largest manufacturer of carbon black, manufactures specialty carbon black and has 16 percent of the global market share in the segment. The Indian group's carbon black business had capacity of 0.94 million tonnes per year. The global carbon black industry is expected to touch capacity of 14.3 million tonnes in 2011, with growth seen at 3.5 percent a year

Daily Star: 01.02.2011

Local software solutions on a roll

Locally developed software solutions attracted huge attention from local, national and multinational clients at the BASIS SoftExpo 2011, as demand for homegrown products continues to grow. This year, Bangladesh Association of Software and Information Services (BASIS) organised its annual expo in association with the science and technology ministry and Access to Information programme of the Prime Minister's Office. About 110 local companies and 10 firms from Denmark and the Netherlands took part in the ninth edition of the country's largest exposition for software and ICT-enabled services, which also featured over 20 seminars on IT and a job fair for IT professionals.

Daily Star: 06.02.2011

Banks head into deep credit risks

Banks' capacity to protect depositors and promote financial stability is waning, according to a quarterly Bangladesh Bank (BB) report released last week. The report shows risk-weighted capital asset ratio (RWCAR), which is an important cushion against unexpected shocks, shrunk to 7.91 percent in June 2010 for all banks, from 11.68 percent in the same period a year ago. The present ratio is much lower than the minimum regulatory requirements of 10 percent under Basel II capital adequacy framework. Latest BB data shows the RWCAR for all banks came down to 7.91 percent in June 2010 from 11.68 percent in the same month of 2009. The ratio was 11.67 percent in December 2009. State-owned commercial and specialised banks are in the worst condition in maintaining the capital ratio. For state-owned commercial banks the RWCAR has gone down to 5.67 percent in June 2010 from over 9 percent six months ago. It was negative 2.56 percent for specialised banks. The ratio for private commercial banks (PCBs) stood at 8.69 percent in June 2010, down from over 12 percent a year ago. It was 10.38 percent for PCBs in June 2004. Although the ratio for foreign commercial banks (FCBs) still remains well above the minimum regulatory requirements, it went down to 16.71 percent at the end of June 2010 from 28.13 percent six months ago and 28.26 percent a year ago

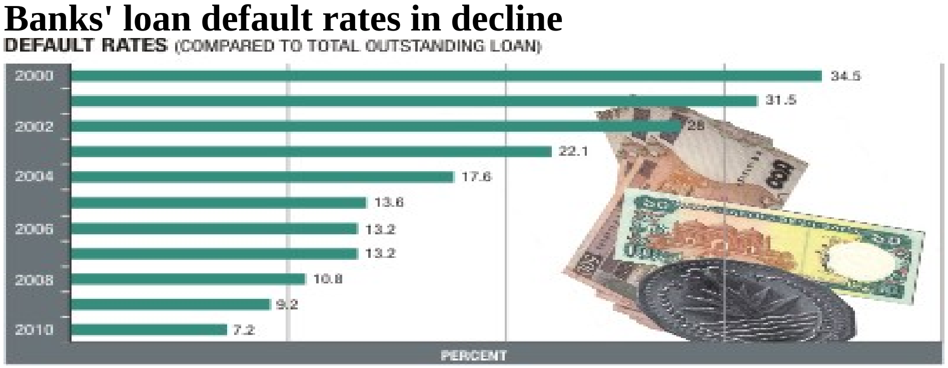
Daily Star: 06.02.2011

Saarc chamber rejects proposal to tighten business visa

The leadership of Saarc Chamber of Commerce and Industry has unanimously adopted a resolution rejecting a proposal to cut the Saarc business visa period from one year to three months. It also emphasised that the member countries adopt a liberal visa policy at foreign ministers' meeting scheduled for February 7-8 in Bhutan for promotion of business and trade in the region. According to the resolution, Saarc interior ministers' proposal to curtail the period of business visa was against the fundamental principle of a liberal visa regime for businessmen and other categories to promote harmony and bring closer the people of the region. India has moved a proposal to cut the business visa regime from one year to three months and, in some cases, to one month. The proposal has irked all other Saarc member countries and business leaders.

Daily Star: 07.02.2011

Banks' loan default rates in decline



Default rates declined compared to outstanding loans last year, but showed a slight rise in volume, as some banks could not rein in their bad loans. According to Bangladesh Bank statistics, state banks succeeded in cutting their loan default rates, but private, foreign and specialised banks saw their bad loans shoot up. On December 31, 2010, the defaulted loans of the banks were Tk 22,709 crore or 7.27 percent of the outstanding loans. A year ago, it was Tk 22,482 crore or 9.21 percent of the outstanding loans. The volume of total defaulted loans increased by Tk 227 crore or 1 percent last year compared to the previous year. The central bank evaluates the loan default situation on a quarterly basis. The situation improved substantially on December 31, 2010 over the third quarter. In the third quarter, the defaulted loans reached Tk 24,088 crore but the banks brought down the figure by around Tk 2,000 crore at the end of the year. The amount of bad loans in the banking sector is still huge if the loans being written off are taken into account. According to the statistics updated until June last year, the banks wrote off bad loans worth about Tk 17,400 crore since June 2004. Of the amount, Tk 2,100 crore was written off in the last fiscal year. Following a central bank guideline, the banks for the first time introduced a system of writing off loans in 2003. In the state banks, the percentage of the defaulted loans of their outstanding loans has come down to 15.66 percent on December 31, 2010, which was 21.38 percent a year ago. In amount, their defaulted loans decreased by about Tk 990 crore during the one year period. In the private commercial banks, the defaulted loans came down to 3.15 percent of their outstanding loans in December 2010, which was 3.92 percent a year ago, but the volume of their defaulted loans increased by Tk 254 crore in the same year. In volume, the defaulted loans of the foreign banks increased by Tk 205 crore, and in the specialised banks, the amount went up by Tk 758 crore .

Daily Star: 15.02.2011

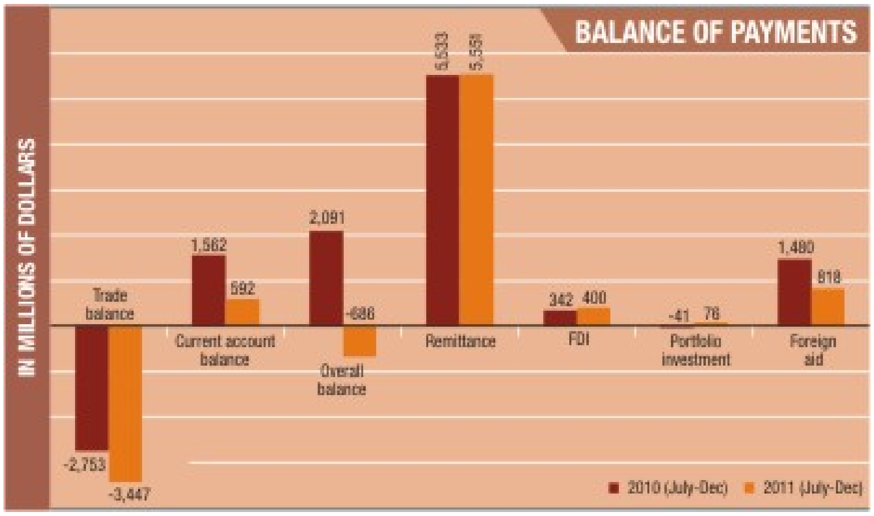
BB sets banks deadline to cut credit-deposit ratio

The central bank on 20.02.2011 asked commercial banks to bring down their credit-deposit ratio by June 30. General banks will have to cut down the ratio to 85 percent, while Islamic banks to 90 percent, according to a Bangladesh Bank (BB) directive. At a meeting with Deputy Governor Nazrul Huda in the chair, the central bank issued a warning to the banks that they can no longer provide "any purpose loans". It also said no banks can collect deposits by offering aggressive interest rates. If any bank fails to abide by the rules, it will face legal action. BB held the meeting with 24 banks whose credit-deposit ratio was more than 85 percent till February 4. Of them, 18 are general commercial banks and the rest Islamic banks. The central bank said the directives will be sent to all the banks subsequently. BB told the meeting that in 2011 the prime objective of the banks will be to ensure stability, while profit earning will be a secondary priority. At the meeting, BB placed a report which showed that the average credit growth of the banks was 29 percent but the deposit growth was 22 percent, which pointed to flaws in the banks' fund management. BB asked the banks to submit an action plan on how they will bring down the credit-deposit ratio by the next week. The central bank will monitor the banks' performance every month. Slow growth of time deposits than demand deposits (20.6 percent and 42.4 percent year-on-year growth in November 2010 respectively) signified high liquidity preference among the public, presumably for engagements in the capital market, evidenced by hectic trading at the stock exchange. According to BB, in 2010 the credit-deposit ratio for private banks was 89 percent, which was 73 percent in state banks and 83 percent in foreign banks. The banks are allowed to lend up to 82 percent after maintaining a statutory liquidity requirement against deposits. If any bank wants to go for aggressive banking, it can raise the ratio to 85 percent by adding capital alongside deposits. It was revealed that 20 out of 30 private banks lend up to 85 percent against deposits. Some banks lend more than 100 percent, which means they lend by borrowing from the call-money market at higher interest rates. Lending growth of 30 out of 43 local and foreign commercial banks was found to be much higher than their deposit growth.

Daily Star: 21.02.2011

External balance sheet under stress

Slowing remittance and higher imports are setbacks



The country's external balance sheet is now under tremendous pressure largely due to low growth in remittance and foreign aid. Next comes higher import growth. All are piling stress on the economy. In the first six months of the current fiscal year, the deficit in overall balance stood at $686 million, while it was a $2.09 billion surplus in the same period of the last fiscal year. The government being in deficit in overall balance, the exchange rate is under pressure, hiking costs of import which in turn creates risks of inflation. Although the Foreign Direct Investment (FDI) and export increased, this uneasy situation has been created mainly due to a fall in foreign aid and remittance. As a result, the current account balance surplus dropped by about two-thirds compared to a surplus in the same period of the previous fiscal year. In July-December of the current fiscal year, the surplus came down to $592 million from a $1.56 billion surplus in the same period of the previous year. According to Bangladesh Bank data, exports increased by about 41 percent in the first six months of the current fiscal year but import went up by 37 percent. Traditionally, Bangladesh's import tends to be much more in volume widening the trade deficit to $3.44 billion in the six months from $2.75 billion in the same period of the previous year. On the other hand, remittance growth has been rather slim. It increased by only 0.33 percent in the first six months. Foreign aid fell to about half in the six months compared to the same year-ago-period. The figure stood at $818 million. The repayment increased slightly over the last fiscal year. As a result, the net foreign aid fell by 161 percent and stood at only $437 million in the first six months. Portfolio investment, export and FDI increased slightly but fall in foreign aid and halt in remittance growth offset the benefit. Due to pressure on balance of payments, the average exchange rate of the taka against the dollar was Tk 71.17 on February 15 which was Tk 69.35 a year back .

Daily Star: 22.02.2011

Russia imposes first rate hike since crisis

The Russian central bank on 25.02.2011 said it was raising its main refinancing rate 0.25 basis points to 8.0 percent, its first hike in interest rates since the economic crisis over two years ago. The rate hike was the first since December 2008, when the economic crisis was starting to rock the country. The bank subsequently imposed 14 consecutive rate cuts to help bring the economy out of the slowdown

Daily Star: 27.02.11

Taka depreciates by 2.5 pc in last one month

Bangladesh Taka (BDT) depreciated by over 2.50 per cent against the US dollar in the last one month at customer level. The US dollar was quoted at Tk 73.0992 on 02.02.2011 for bills for collection (BC) selling for opening letters of credit (LC) against imports. It was at Tk 71.2763 on December 30 last, according to the

Bangladesh Foreign Exchange Dealers Association (BAFEDA) statistics. The US dollar was quoted at Tk 71.15 on 02.02.2011 in the inter-bank foreign exchange market while the rate of greenback reached between Tk 73.25 and Tk 73.30 through third curriencies route. The country's imports grew by nearly 40 per cent during the first half of the current fiscal over that of the corresponding period of the last fiscal. LCs against imports worth US$ 15.001 billion were settled during July-December period of fiscal 2010-11 compared to $10.717 billion in the corresponding period of fiscal 2009-10. Pressure on foreign exchange reserve has increased gradually due mainly to higher import payments, the central bank officials said, adding that the country's foreign exchange reserve came down to US$10.381 billion Wednesday from $10.440 billion of the previous day. The central bank will take measures to discourage imports of less essential items aiming to minimise mismatch between demand and supply of the greenback in the market .

Fin. Exp: 03.02.2011

Remittance flow slightly down in Jan

The flow of inward remittances decreased slightly in the first month of the current calendar year over that of the previous month which reflects declining growth of manpower export. Bangladeshi nationals working abroad sent US$960.093 million in January this year, a fall of $8.997 million from the previous month. In December 2010, the remittance was $969.09 million, according to the central bank statistics released Thursday. At least 390,702 Bangladeshis found jobs in different countries in 2010, down from 476, 278 in the previous year, according to the Bureau of Manpower, Employment and Training (BMET) statistics. The country received $6.510 billion during the July-January period of fiscal 2010-11, registering a 0.386 per cent growth over the same period of the previous fiscal, the BB's data showed. The sluggish growth comes despite the central bank took a series of measures to encourage expatriate Bangladeshis to send their hard-earned money through formal banking channel instead of the illegal "hundi" system. Currently, some private commercial banks along with the state-owned commercial banks are desperately trying to increase the flow of inward remittances from the Middle East, the United Kingdom, Japan, Canada, Australia, Malaysia, Singapore, Italy and the United States.

Fin. Exp: 04.02.2011

Interest rate spread declines in Sept

Interest rate spread of commercial banks declined slightly in September last year due to rising deposit rates, according to the latest statistics by the central bank. The weighted average spread between lending and deposit rates in the country's banking sector came down to 5.18 per cent on September 30, 2010 from 5.27 per cent in June that year. The weighted average interest rate on lending stood at 11.18 per cent in September while the interest rate on deposit during the month was 6.00 per cent, up slightly from 5.96 per cent in June, 2010. The spread being maintained by 25 of the country's 47 commercial banks hovered between a little over 5.0 per cent and 10.88 per cent in September, according to the BB statistics. The average spread of the state-owned four commercial banks, private commercial banks, foreign commercial banks, specialised banks were 3.63 per cent, 5.42 per cent, 9.06 per cent and 2.11 per cent respectively.

Fin. Exp: 09.02.2011

DITF receives Tk 25cr spot orders

Businessmen bagged export orders worth around Tk 25 crore at the 15th Dhaka International Trade Fair, which came to a close on 31.01.2011. The DITF-2011 is a successful one and holding of trade fair in a free atmosphere speaks for growing business and trade activities in the country. Officials of Export Promotion Bureau earlier projected that businesses might get sport orders worth around Tk 40 crore from the month-long fair, which had received Tk 23 crore spot orders in 2010. Government was planning to establish a permanent multi-storey fair complex in a suitable area in the city to meet the growing demand for displaying diversified local products. The fair, an annual event organised by EPB and commerce ministry, might not be held at Sher-E-Bangla Nagar next year.

New Age: 01.02.2011

Revenue grows by 27 per cent

Revenue collection for six months since July has increased by 27.11 per cent over that of the same period last year. National Board of Revenue chairman said that its collection had exceeded the target. He said the board collected Tk 335.49 billion against a target of Tk 307.20 billion for the first half of the fiscal beginning July. The revenue board was given a target of Tk 725.90 billion according to the national budget. The most growth in revenue collection came from income tax which fetched Tk 80.20 billion against its target of Tk 72.43 billion with a growth of 34 per cent over last year. Value added tax saw a growth of 30.6 percent fetching about Tk 126.27 billion against a target of Tk 113.03 billion. The third highest growth came from trade at 20.68 per cent netting Tk 126.91 billion against a target of about Tk 119.20 billion. The growth in revenue collection in the remaining sectors is 14.38 per cent and but remains about 10 per cent short of its target.
New Age: 01.02.2011

Merchant bankers, stockbrokers to set margin loan ratio

The Securities and Exchange Commission on 01.02.20111 decided that from now on it would not set any margin loan ratio for investors and asked merchant banks and stock exchanges to set the ratio for their clients. The commission directed the merchant banks and stockbrokers to submit their own guidelines of margin loans to the SEC by February 10. In preparing the loan guidelines merchant bankers and stockbrokers should follow three issues that included number of shares in an individual client account, maximum ratio of margin loan and trigger sales. Margin loan ratio should be set for each individual client. Margin loan ratio could not be changed within six months. Before changing the ratio, the bankers and brokers would submit a guideline to the SEC. To increase professionalism of merchant banks and brokers in the capital market the SEC has took the decisions, said the SEC official. In every month the stockholders should submit a monthly loan statement to the bourses and the merchant banks should submit statements to the SEC. The SEC also gave the bourses authority to halt or to send any securities to the spot mark and to form an investigation committee if the price of a company fluctuates unusually. The bourses, however, will inform the SEC immediately after taking such decision. At present the merchant bankers followed the margin loans ratio at 1:2 as set by the SEC, but most of the merchant banks failed to give the maximum limit of margin loans due to credit crisis.
New Age: 02.02.2011

Tea production crawls down

The country's tea production had declined by around 7 lakh kilograms in 2010 due to unfavourable weather, diminished soil-fertility, and ageing of tea plants. A growing domestic demand of tea, on the other hand, is forcing Bangladesh, once the world's fifth largest tea exporter, to import up to 4 million kgs of tea in the current financial year. Bangladesh Tea Board officials said the country produced around 5.92 million kilograms of tea in 2010 compared to 5.99 million kilos in 2009. The authorities of a number of teagardens said an arid weather in the beginning and a lack of rain in the middle of 2010 affected tea production, especially in the greater Sylhet region. Production in the teagardens that are dependent on artificial irrigation also dropped last year as the water streams in the hills dried up. The owners and staffs of several teagardens also blamed an untimely fog in July-August 2010 causing red spiders and insects to spread and blight the teagardens for the production fall. Moreover, the tea plants in many teagardens have grown old, up to 50 years, and the soil-fertility has also declined because of continuous use of chemical fertilisers and insecticides. The country's tea exports, meanwhile, fell to about 3 million kilos in the financial year to June 2010 against 6.15 million kgs in the previous year, Reuters quoted. Traders said imports of tea over the past seven months

already amounted to more than 2 million kgs and they expected to buy nearly the same quantity in the rest of the fiscal year, taking the total amount to 4 million kilos. India and Sri Lanka have been the major sources of supply so far. Most of Bangladesh's more than 150 million people, nearly 40 per cent of them living below the poverty line, sip two or more cups of tea every day, and the number is going up. Bangladesh exported nearly 32 million kgs in 1993, and the figures fell to 8 million kgs in 2008, according to the BTB records. Pakistan, the Commonwealth of Independent States, Afghanistan, and Middle East countries were the main importers of Bangladeshi teas. A total of 56.70 million kgs of tea was sold in auctions in 2010, compared to 54.25 million kilos sold in the previous year.
New Age: 04.02.2011

Remittance on the wane

The country's monthly remittance inflow continued to decline for the second month standing at $960.09 million in January due to a decrease in manpower export, said Bangladesh Bank officials on 03.02.2011. The remittance inflow has decreased by percentage .93 in January from the $969.39 million remittance received in December while the remittance inflow in November was $29.55 million higher than that of December. The total remittance inflow in the fiscal year 2009-2010 was $10,987.40 million and in the first seven months of the current fiscal year it has reached $6,510.63 million or $7.70 million more than that in the corresponding period of the last fiscal year. The decelerating growth in remittance has been attributed to a declining trend in manpower export in recent months as most of the Gulf and Southeast Asian countries faced the brunt of the global recession, BB sources said. The declining trend of remittance and increasing cost of imports have put the central bank in a tight corner. In January, the highest amount of remittance, $247.30 million, was channelled thorough Islami Bank Bangladesh, followed by $100.62 million coming in through the state-owned Sonali Bank.
New Age: 04.02.2011

SoftExpo ends with high hopes

BASIS SoftExpo-2011, the flagship software exposition of the country, ended 05.02.2011 with the vision to increase the earning from software and IT-enabled services exports from the present level of $37 millions in two years. Earning from software exports would rise considerably in the coming years as the possibility of outsourcing is on the rise and the local market is growing as well. With ten companies from Europe and 110 local outfits showcased their products in the five-day exhibition at Bangabandhu International Conference Centre in the city. If we can take just 0.50 per cent share of the present global software and IT services market of $500 billion, country's income from this sector will rise to $150 million in two years, experts say. BASIS, a platform of 400 software and IT services providers, arranged the annual event to project the development of software and IT services industry in Bangladesh. Exhibitors were software and ITES companies providing business solutions, e-governance solution, mobile content and application developers, communication solution providers, e- commerce portals, IT training institutes and outsourcing companies.
New Age: 06.02.2011

India battles with illicit flow of funds

Big Indian outflows of illicit funds have come into the spotlight with the country's top court criticising prime minister's failure to crack down on flows to Swiss banks and other tax havens. GFI estimates the present value of India's total illicit flows from 1948 to 2008 at $462 billion, while a report from the main opposition party, has put the total at $500 billion to $1.4 trillion. Global Financial Integrity (GFI) estimates the size of the underground economy at $640 billion, roughly half of the India's GDP, although that figure does not include funds from drug trafficking, contraband, illegal foreign exchange transactions or under-invoiced international trade. Close to three-quarters of illegal funds are deposited overseas, GFI estimates. The international corruption watchdog, Transparency International, in its latest report, has ranked India 87th on its corruption perception index of 178 countries, a worse rating than Columbia, Brazil and China. Analysts say the Indian economy could grow at 10-11 per cent a year from a current 8-9 per cent if the government brought back illegal funds from abroad and stamped out corruption in government. The estimated $462 billion of illegal funds held abroad could wipe out India's external debt, plug the fiscal and trade deficits, and leave enough to fund the defence budget.

New Age: 07.02.2011

Afghan central bank sees Islamic banking law enacted in 2011

Afghanistan's central bank expects an Islamic banking law to be enacted by September, drawing billions in deposits from citizens wary of the conventional banking system. The central bank's sharia board meets 06.02.2011 to finalise the law, said director general of the central bank's financial supervision department. It will then go to the justice ministry and parliament for approval. Most of the people who can access banking services don't use them just because of the interest, which is not allowed in Islam. Of 17 banks in Afghanistan, six have Islamic banking windows. The central bank hopes to approve the creation of fully fledged Islamic banks after the law is passed. Total deposits stood at $3.58 billion as of August 2010, according to a central bank report. But bankers estimate that there is close to $30 billion in circulation that remains untapped by the banking sector. An Islamic banking law could revive an industry hit by scandal in recent months. The central bank took over Kabulbank in September, the country's largest private bank, after irregularities of about $579 million raised red flags with authorities. The crisis added another layer of uncertainty for the country, which already struggles with record levels of military and civilian casualties as well as corruption concerns. But Islamic banking could renew trust in the sector.

New Age: 07.02.2011

Egypt exports down 6pc

Egypt's exports fell six per cent in January because of the mass protests and curfew, trade minister said on 05.02.2011. Exports in January stood at 7.7 billion Egyptian pounds ($1.32 billion), down from 8.2 billion pounds, she said, without saying whether the comparison was with December or January 2010. She said authorities were providing extra food supplies to stabilise prices in the market and avoid shortages. Many shops have been closed during 12 days of protests against president and banks have been shut, making it hard for Egyptians to stock up on basic goods. Witnesses have said that some prices have been pushed up.

New Age: 07.02.2011

Exports rise by 35pc in Jan

The country's exports in January rose 34 per cent to US$ 1.921 billion from the figures of same month of last year, the Export Promotion Bureau said on 08.02.2011. With January's figure, the total export proceeds for the seven months of the current year totaled $ 12.184 billion, growing 40 per cent over the same period of last year. All major exports including readymade garments, frozen foods, home textiles, leather and footwear saw growth over the target, but few items including bicycles and pharmaceuticals had negative growths. Shipments of garments and other major items continued with strong growths keeping exports earnings very much satisfactory. The bureau data showed that export of knitwear increased by 43 per cent to US$ 5,073 million in the seven months of FY 10-11 while shipments of woven or cut and sewn garments grew 39 per cent to US$ 4,386 million. Exports of home textiles increased by 87 per cent to $ 377 million, frozen shrimp shipments grew 54 per cent to $ 299 million and frozen fish 50 per cent to $ 76 million. Finished leather exports grew 30 per cent to $ 149 million in seven months of the current fiscal year, raw-jute 91 per cent to $ 215 million, jute yarns grew by 51 per cent to $ 291 million. Footwear exports grew 50 per cent to $ 173 million in the seven months of the current fiscal year. Export of fresh and processed agricultural products amounted worth $ 194 million, growing 12 per cent year-on-year. Proceeds from bicycle shipment amounted worth $ 54 million with growth at minus 11 per cent while pharmaceuticals exports amounted $ 25 million with growth at minus two per cent. Tea exports amounted less than $ 2 million in seven months with proceeds declined 68 per cent of that of last year's same period. The government has targeted exports for the current fiscal at $ 18.5 billion, but

industry people hope that export earnings may even cross the target.
New Age: 09.02.2011

Investment scenario remains depressed

The investment scenario in the country remained depressed during the second quarter (October-December) of the current fiscal year, but the situation is improving steadily this quarter, said the Metropolitan Chamber of Commerce and Industries in its quarterly economic review on 07.02.2011. '[But] the acceleration of growth would depend on a speedier implementation of the government's annual development programme but most importantly on increased investment in the private sector,' said the report. In the Review of Economic Situation in Bangladesh October-December 2010 (Q2 of FY 11), the trade body said the actual increase in investment would depend on the effectiveness of government to pull out the obstacles to investment growth and to resolve the power and electricity crisis on an urgent basis. On the current stock market collapse, it has suggested that state-owned enterprises and big companies should enter into stock market immediately for sustaining the development of, and consolidating the stock market, strengthening supply side of stocks in the market. The report said, 'Despite a slight easing of price pressure, the inflation rate remains high, and that the upward inflationary pressure is likely to continue during the coming month.' The review includes the sectors-wise analysis of economic growth in the country, especially in agriculture, different industries such as manufacturing, construction, power, monetary policy, export and import, and price situation. The MCCI highlighted that the external competitiveness of the country's exports had been destabilised for power and gas shortage with readymade garments industry facing the highest obstacles.
New Age: 08.02.2011

Spanish banks display risky appetite for property

They are officially banks but they have become Spain's main real estate agents, according to data from the country's banking sector which reveals the extent of their risky property assets. The Bank of Spain had asked all 17 of the country's fragile regional savings banks, which account for about half of all lenders, to supply it with details of their exposure to the collapsed real estate market. Unsurprisingly, the savings banks held far more risky assets than the main banks, based on a calculation of the figures last week by the AFP. The nation's seven main banks held 45 billion euros ($61 billion) in risky assets and the 15 of the savings banks that have so far published their figures had around double that, or 90 billion euros. The difference is due to the huge amount of mortgage loans — some 164.9 billion euros worth — that the savings banks handed out during the property bubble, whereas the main banks only issued some 77.5 billion euros. The savings banks are at the heart of market fears that Spain could need a bailout like the ones granted Ireland and Greece last year. If the savings banks are unable to cope with losses from their exposure to the collapsed property sector, investors fear they will need massive government help. But analysts noted that the total declared amount of risky assets, 135 billion euros, is much less than the Bank of Spain's estimate at the end of June, which put figure at 180.6 billion euros. Of the 90 billion euros in risky property assets held by the savings banks, 29.4 billion euros are non-performing loans, or those that may not be repaid, and 27.5 billion euros of 'sub-standard' loans at risk of default. The bad loan rate even reached as high as 45 per cent at the Cajasur BBK savings bank. The savings banks also have 33.1 billion euros of real estate assets from seizures, the value of which approximate because they have depreciated since the bubble burst on the country's property market in 2008.
New Age: 08.02.2011

S Korea probes Deutsche Bank over market plunge

South Korean financial authorities are investigating whether two Deutsche Bank units caused a stock market plunge last November through market manipulation or unfair transactions, the Financial Services Commission said on 07.02.2011. Authorities are investigating the bank's Hong Kong unit as well as its securities unit in South Korea, but have not decided when they will issue a ruling. FSC vice-chairman said last month the commission would announce the results of the investigation by March at the latest. Deutsche Bank declined to

comment. Authorities have been probing Deutsche Bank's involvement in an incident in which Seoul's benchmark KOSPI index fell 48 points in the last 10 minutes of trading, due to arbitrage trading between the spot and futures markets.
New Age: 08.02.2011

India launches 'common man' price index

India launched a new consumer price index on 18.02.2011 aimed at measuring the cost of living across rural and urban areas as it battles to bring inflation under control. Billed as the 'common man' index, it will not replace India's main price measure — the Wholesale Price Index — but it will give the central bank an extra tool to assess rising costs that are fanning public anger. A national poll last weekend found inflation, stoked by soaring food prices, was beginning to 'seriously hurt' family household budgets. The new index estimated consumer price inflation at six per cent nationwide in January, more than two percentage points below the Wholesale Price Index, which measures a wider basket of goods such as machinery and basic metals. The new tool joins a series of separate consumer price indices for industrial workers, agricultural labourers, and urban non-manual employees. It will measure price rises in food, beverages and tobacco, fuel, housing, clothing, bedding, footwear and other goods. Official data showed India's food inflation slipped to 11.05 per cent, the lowest figure for more than two months, helped by a large fall in vegetable prices, including onions, a culinary staple in the subcontinent. The central bank, the most hawkish in Asia, has raised interest rates seven times in less than a year to wrestle inflation.
New Age: 19.02.2011

Bank fears rise on ECB emergency borrowing spike

Emergency overnight borrowing from the European Central Bank remained exceptionally elevated for the second day running on 18.02.2011, strengthening fears that a euro zone bank could be facing serious funding problems. ECB figures showed banks borrowed more than 16 billion euros in high-cost emergency overnight funding — the highest amount since June 2009. The sum compared with the 1.2 billion euros borrowed before the figures spiked to more than 15 billion on 17.02.2011. The ECB gives no breakdown of the borrowing figures and declined to comment when asked for an explanation for the sudden spike. Traders remained unsure whether the jump was down to a serious funding issue or whether a bank had made an error earlier in the week by not borrowing enough at the ECB's regular weekly tender. A number of banks, mainly from the euro zone's most debt-strained countries but also troubled banks in core countries, remain barred from open money markets and almost completely dependent on the ECB for funding. The extra 0.75 per cent banks have to pay for overnight funding normally means it is used only as a last resort. The surprise jump came just days after banks received their regular injection of weekly ECB funding.
New Age: 19.02.2011

BB to fund agro-based industry in CHT

Bangladesh Bank is to provide potential entrepreneurs with adequate financial assistance for setting up agro-processing industry in the Chittagong Hill Tracts. The central bank is ready to help develop agro-processing industry in the CHT area for the benefit of the farmers who produce large amount of fruit, vegetables and other perishable goods every year, the BB governor told BSS in an interview. The governor came to the hill district last week to inaugurate the first ever conference of the ginger and turmeric producers of the country said that the central bank was ready to finance agro-processing industry. 'But potential entrepreneurs should come forward first'. Hundreds of farmers in the three hill districts produce plenty of pineapple, orange, banana, papaya, jackfruit and mango every year, but do not get fair prices of the perishable produces only because of lack of proper marketing facilities. Apart from these fruit and vegetable, a large number of farmers in the area are now producing some major spices including ginger and turmeric, which are meeting around one-forth of the local demands. The farmers in this area believe that they would get proper prices of their produces with development of agro-processing industry and proper marketing chain.
New Age: 20.02.2011

Banks given June deadline to reduce credit growth

Bangladesh Bank on 20.02.2011 asked commercial banks to bring down the credit growth in line with their deposit growth by June. The central bank warned the banks that it would take stern actions against them if they failed to adjust the credit-deposit ratio. Currently, the credit and deposit growths of the commercial banks are 29 per cent and 22 per cent respectively which reflects a seven per cent gap between credit growth and deposit growth. At a meeting with the chief executive officers of 26 commercial banks the central bank asked them to match their credit growth and deposit growth. At the meeting, the conventional commercial banks were also asked to reduce their investment to 85 per cent of their total deposit and Islamic banks to 90 per cent. Conventional banks are allowed to invest 81 per cent of their total deposit and the rest 19 per cent must be deposited in the central bank as statutory liquidity ratio while rates for Islamic banks are 89 per cent and 11 per cent respectively.

New Age: 21.02.2011

UN unveils vision for global 'green economy'

The United Nations unveiled a strategy to ensure a sustainable future for the planet by investing two percent of wealth generated by the global economy, or some $1.3 trillion annually, in 10 key sectors. This paradigm shift toward a 'green economy' would also help alleviate chronic poverty, the UN Environment Programme (UNEP) said in a report, released as more than 100 environment ministers meet in Nairobi. Under the UN strategy, individual incomes would outstrip trajectories forecast by traditional economic models while halving humanity's per capita ecological footprint by 2050. Reshuffling the global economic mix will challenge vested interests and disrupt employment, UNEP acknowledged. But the plan promises to generate growth rates equal to or higher than a business-as-usual approach which — even as it stoked two centuries of breakneck industrialisation — slowly eroded Earth's capacity to cope. The report notes that long-simmering crises erupted into plain view during the first decade of the 21st century. Accelerating climate change, the dramatic loss of biodiversity, flaring food shortages, a growing gap between demand and supply for fresh water, the destruction of life-giving tropical forests were reminders that Earth's balance and bounty cannot be taken for granted, it said. At the same time, the financial meltdown of 2008 points to deep-seated structural problems in the global economy. A green economy is defined as one that is 'low carbon, resource efficient and socially inclusive.' Future investment, it argues, must shift to renewable energy, public transportation, energy efficiency, sustainable agriculture and measures to protect ecosystems and biodiversity. Energy-related investment alone would top $350 billion a year, followed by nearly $200 billion for developing and greening the transport sector, and $134 billion each for the building and tourism sectors. More than $100 billion dollars is earmarked in the plan for both waste and water management, with another $76 billion going toward improving efficiency in industry. The report aims to help set the agenda for 'Rio+20', a global summit next year slated to take stock of Earth's environmental health two decades after the landmark Earth Summit in Brazil laid out bedrock principles for sustainable development.

New Age: 21.02.2011

Arab world unrest to affect manpower export

The ongoing unrest in the Middle East and African countries is likely to affect Bangladesh's manpower export, the stakeholders said. Violent street protests have been raging on against the governments and rulers in Iran, Yemen, Libya, Bahrain, Iraq, and Jordan for the last few days in the wake of ouster of Egyptian president Hosni Mubarak and Tunisian president Zine El Abidine Ben Ali. Iraqi people recently staged demonstrations in demand of jobs. Only two Bangladeshi workers went to Iraq in January 2011 against around 2,288 workers in 2010. Libya hired 12,132 workers from Bangladesh in 2010 but is yet to hire a single worker this year. According to the expatriates' welfare and overseas employment ministry data, as of January, 25,81,171 Bangladeshi nationals are working in Saudi Arabia, 18,06,601 in United Arab Emirates, 47,962 in Kuwait, 4,07,538 in Oman, 2,14,959 in Bahrain, 49,402 in Lebanon, 27,542 in Jordan, 95,194 in Libya, 7,803 in

Sudan, 10,638 in Egypt, and 2,702 in Iraq. Bangladesh received about $11,004 million in remittances in 2010 against $10,717 million received in 2009 and $8,979 million in 2008, according to the Bangladesh Bank.
New Age: 22.02.2011

Knitters suffer as yarn price nears $7

With local spinners exploiting the argument of the record rise of the cotton price in international market, the price of yarn soared to about $ 7 per kilogram on 22.02.2011. More than 10 per cent hike just in less than a couple of weeks and 20 per cent in one-and-a-half-month in the price of yarn brought unbearable miseries to the knitwear manufacturers and exporters. Price was $6.95 per kilogram for 30S yarn on 22.02.2011. Price was recorded at $6.45 per kilogram a week ago and $6.30 per kilogram two weeks back. Just one and a half months back 30S yarn had been sold at around $5.3 per kilogram. 30S cotton yarn is a widely used category of yarn required for knitting ordinary grade T-Shirts and Polo Shirts which are the main categories among made-in-Bangladesh knitwear products. Including sweater, knitted wears consist more than 50 per cent of Bangladesh's apparel exports and more than four-fifth of the country's knitwear shipments are cotton-based.
New Age: 23.02.2011

FCBs, PCBs lag behind in disbursement

Both foreign and local private commercial banks are lagging behind the state-run commercial and specialised banks in disbursing agricultural loans. The farm loans disbursed by the foreign commercial banks and local private commercial banks in the first seven months of the current fiscal year amounted to Tk 1,660.25 crore or 45.72 per cent of the Tk 3,631.40 crore target set for the year, posting a 6.48 per cent year-on-year decline in their agricultural loan disbursement, according to Bangladesh Bank data. In the corresponding period of FY2009-10, the FCBs and PCBs distributed Tk 1,596.99 crore, or 52.20 per cent, of their Tk 3,059.30 crore annual farm loan disbursement target. The BB data show, the total target of disbursement of agricultural loans in the current fiscal year was set at Tk 12,617 crore, of which Tk 7,112.65 crore, or 56.37 per cent, has already been dealt out in July 2010 to January 2011.
New Age: 25.02.2011

Major global banks warn of oil shortage, growth impact

Major Banks warned OPEC needs to act quickly to arrest the oil price rally, which could get out of control and derail economic recovery should unrest spread beyond Libya to other major oil nations. Brent oil prices jumped by over $8.50 a barrel on 24.02.2011 to as high as $119.79 a barrel as oil firms said they halted output in Libya because of unrest, with over a quarter of output of the OPEC member now estimated to be lost. Deutsche Bank said oil above $120 a barrel would be an inflection point for global economic growth. 'It (oil) is certainly edging closer to a level that is viewed by our colleagues as a key threat to global growth,' Deutsche said in its morning fixed income research note. $120/barrel is the level that oil as a share of global GDP starts to move above 5.5 per cent of GDP, which has historically been an environment where global growth has come under pressure. A climb above $120 a barrel would entail serious disruption to supplies from Saudi Arabia or another major producer. BNP Paribas said it expected Brent to average $117 a barrel in the second quarter and US crude $105. It raised annual averages by $13 for US crude to $102 and by $24 for Brent to $112. Given the level of uncertainty, the revision is a conservative stab in the dark and marking to market, with risks skewed to the upside.
New Age: 25.02.2011

British investors wary on Libya, look to bank results

Stocks next week face an uncertain time as investors try to focus on the basics of the economy and earnings while keeping a wary eye on developments in Libya and the Middle East. After an easing of tensions on 25.02.2011 allowed for some profit-taking in oil and gains in stocks, the markets will be hoping that the situation in Libya can be resolved sooner rather than later. Moamer Gaddafi, however, the Libyan leader of 41

years, pledged again Friday to fight to the end, stoking fears of a destabilising civil war in a key oil producer. The longer the crisis drags on, the more concerned the markets will get. At the same time, investors will be digesting the results of Ireland's general election — which the opposition is widely expected to win — and closely scrutinising the new government's make-up and stated intention of renegotiating last year's massive bailout package.
New Age: 27.02.2011

BB issues guideline for green banking

Bangladesh Bank on 27.02.2011 issued a guideline for introducing green banking in line with global development and response to the environmental degradation. According to a circular, the central bank outlined a roadmap for green banking, to be implemented by December 2013 in three phases. The guideline, in the first phase, suggested all banks to develop green banking policies, establish separate green banking cells and incorporate environmental risk management strategies by December 31 this year. In this phase, the banks are also advised to introduce green banking and create climate risk funds to finance flood, cyclone and drought-prone areas at a regular interest rate without charging additional risk premium. Promoting eco-friendly products, supporting training and events for raising awareness for environmental risk management are also suggested to include in the regular activities of the bank in next six months. In the second phase, banks are advised to take specific policies for different environmental sensitive sectors such as agriculture, poultry, dairy, farming, tannery, fisheries, textile and apparels, renewable energy, pulp and paper, sugar and distilleries, construction and housing, engineering and basic metal, chemicals, rubber and plastic industry, hospital and clinic, chemical trading, brick manufacturing and ship breaking. During this period, all banks should also set up green branches to use maximum natural light, renewable energy, energy- saving light bulbs and other equipment. According to the guideline, banks will also adopt a green strategic plan, determining their target for green banking and developing a system of environment management by December 2012. In this final stage, banks are expected to address the whole ecosystem through environment-friendly initiatives and introducing innovative products. Standard environmental reporting with external verification should be also part of the phase, to be completed by December 2013. The guideline said the compliant banks would get preferential treatment that includes reward points for CAMELS rating and priority in getting approval for new branches. Besides, the names of top ten banks for their overall performance in green banking will be posted on the central bank websites.
New Age: 28.02.2011

BB launches online inter-bank fund transfer network

The Bangladesh Bank on 27.02.2011 inaugurated "Bangladesh Electronic Fund Transfer Network" with the participation of 40 scheduled banks to modernise the banking transaction. The electronic fund transfer network is a online inter-banking technique funded by British Department for International Development which would facilitate different kinds of banking transactions including disbursement of salary, remittances, payment of utility bills, dividends and refund warrant. Earlier in 2006, BB had taken initiative to introduce automated clearance house and as a part of the initiative the central bank introduced Automated Cheque Processing System in October 2010. As a sequence, the central bank introduced the electronic fund transfer network through a credit transaction. The new system would enable the banks to go for mobile banking and the central bank has already given licence to 10 banks for mobile banking and by the next month at least one bank would come up with mobile banking facility. **New Age: 28.02.2011**

Bangladesh bank Circulars during February, 2011

Date	Circular Number	Subject
23/02/2011	DFIM Circular Letter No. 06	Cancellation of FID Circular Letter No:06, Dated 07 July, 2002
15/02/2011	DFIM Circular Letter No. 05	Banks in Dhaka City area to remain closed from 2.00 pm on the occasion of the opening ceremony of the ICC Cricket World Cup-2011
10/02/2011	DFIM Circular Letter No. 04	Duration of Maternity Leave
03/02/2011	DFIM Circular No. 02	Issuance of licence in favour of Agrani SME Financing company Limited as Financial Institution
27/02/2011	BRPD Circular No. 02	Policy Guidelines for Green Banking
14/02/2011	BRPD Circular Letter No. 03	Re-fixing the time limit for repayment of the loans for the procurement of rice by mill owners and traders
14/02/2011	BRPD Circular Letter No. 04	Fixing Rate of Interest on Import Financing
10/02/2011	BRPD Circular Letter No. 02	Duration of Maternity Leave
23/02/2011	DOS Circular No. 1	Revised Guidelines on Stress Testing
15/02/2011	DOS Circular Letter No. 04	Banks in Dhaka City area to remain closed from 2.00 pm on the occasion of the opening ceremony of the ICC Cricket World Cup-2011

Source: BB Website.

Information on Economy

	Amount	Previous year's/ month's Position
1. Foreign Trade:	Million US$	Million US$
a. Exports (2009-10)	**16204.60**	**16204.60**
b. Exports (November -2010)	16204.60	1688.20
c. Imports (2009-10)	**23738.00**	**23738.00**
d. Imports (November -2010)	2699.60	2532.30
2.Workers' Remittance (October -2010)	923.85	837.71
3.Inflation: point to point (November-2010)	7.54	6.86

Export= f O B Value, Import = CFR Value
Economic Trends: December, 2010

Banking Sector and Economic Information

	Amount (TK in Cr.)	Amount (TK in Cr.)
	October- 2010	**September-2010**
1.Bank Deposit (excluding inter bank)	357247.10	34955.10
2.Bank Credit (excluding inter bank)	357512.90	349910.20
3. Money Supply		
a. Currency Outside Banks	48623.30	49738.30
b. Demand Deposit	43979.60	41832.80
c. Deposit with BB other than DMBs	182.00	237.10
d. Narrow Money (a+b+c)	**92784.90**	**91808.20**
e. Time Deposit	292446.40	287287.80
02. Broad money (d+e)	**385231.30**	**379096.00**
4. Excess Reserve (Liquidity)	**7138.00**	**8713.80**
5. Weighted average rate of Deposits of Schedule Banks(Quarterly)	6.03	6.00
6. Weighted average rate of Advances of Schedule Banks(Quarterly)	11.21	11.18
7. Ratio of DMBs Credit to Deposits (%)	100.07	100.10
8. DMBs Total Assets/Liabilities	948394.20	926169.00
9. F.E. Reserve (million $US)	**11160.30**	**10883.50**
10. Cash Base of the Economy	80782.10	82355.30

- **Narrow Money (M1)** = Currency outside Banks+ Demand Deposits +Deposit with Bangladesh Bank
- **Broad Money (M2)** = M1 + Time Deposit
- **DMBs** = Deposit Money Banks
- **Cash Base of the Economy** = Currency in Circulation+ Balances with Bangladesh Bank
- P= Provisional
- *** = data not published in the Economic Trends- December' 2010 yet.**
- Monthly Economic Trends: December, 2010

Performance of IFIC Bank as on December 31, 2010 :

(Tk. in Crore)

Loans & Advances	Deposits	Profit	Total capital
4756.34	5466.04	418.35	671.39

Finance and Accounts Division

Academic Activities in February- 2011:

I. Short Training Program on "**SWIFT Operator of IFIC Bank Ltd.":** IFIC Bank Ltd. conducted a half day Training Program on "**SWIFT Operator of IFIC Bank Ltd."** on February 06, 2011. The course was inaugurated by Mr. Sk. Rashid Ahmed, Motijheel Branch, Dhaka, at IFIC Bank Academy premises. It may be mentioned that, this was the 04th program of IFIC Bank Academy in the year 2011. Officers working at different branches have attended the program.

II. Workshop on "**BEFTN":** IFIC Bank Ltd. conducted a day long Workshop on "**BEFTN"** on February 22, 2011. The course was inaugurated by Mr. Mati-ul-Hasan, Deputy Managing Director (Business), Head Office, Dhaka at IFIC Bank Academy premises. It may be mentioned that, this was the 05th program of IFIC Bank Academy in the year 2011. Officers working at different branches have attended the program.

III. **"Foundation Course for Probationary Officers (11th Batch) 2nd Group: CRM":** IFIC Bank Ltd. conducted **"Foundation Course for Probationary Officers (11th Batch) 2nd Group: CRM"** from February-27 to March-16, 2011. The Foundation Course was inaugurated by Ms. Zaitun Sayef, Deputy Managing Director (Risk Management), Head Office, Dhaka at IFIC Bank Academy premises. It may be mentioned that, this was the 6th program of IFIC Bank Academy in the year 2011. Officers working at different branches & Head Office have attended the program.

IV. **"Basic Course for Cash/Computer Officers":** IFIC Bank Ltd. conducted a **"Basic Course for Cash/Computer Officers"** on February 26-27, 2011. The Basic Course was inaugurated by Mr. Mati-ul-Hasan, Deputy Managing Director (Business), Head Office, Dhaka at IFIC Bank Academy premises. It may be mentioned that, this was the 7th program of IFIC Bank Academy in the year 2011. Officers working at different branches & Head Office have attended the program.

V. A Training Program on **"Anti Money Laundering for the officials of UDDIPAN":** IFIC Bank Ltd. conducted a daylong **"Anti Money Laundering for the officials of UDDIPAN"** on February 26, 2011. The program was inaugurated by Mr. Mati-ul-Hasan, Deputy Managing Director (Business), Head Office, Dhaka at IFIC Bank Academy premises. It may be mentioned that, this was the 8th program of IFIC Bank Academy in the year 2011. Officers working at different branches & Head Office of UDDIPAN, a renowned NGO have attended the Training.

Readers please: Through how many phases Green Banking Policy in our country will be adopted?

Match our answer with yours: Knowledge Update: 142

Answer: The elaboration of SEDF is South-Asia Enterprise Development Facility.

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Revisiting Basics

ASIAN DEVELOPMENT BANK

Introduction

The **Asian Development Bank (ADB)** is a multilateral regional development bank established on 22 August 1966 in Manila to facilitate economic development of countries in Asia. From 31 members at its establishment, ADB now has 67 members - of which 48 are from within the region of Asia and the Pacific and 19 from outside the region.

History

ADB was conceived during the postwar rehabilitation and reconstruction of the early 1960s. The vision was of a financial institution that would be Asian in character and foster economic growth and cooperation in the region. ADB was originally imagined by some influential Japanese who formulated a "private plan" for a regional development bank in 1962, which was later endorsed by the government. The Japanese felt that its interest in Asia was not served by the World Bank and wanted to establish a bank in which Japan was institutionally advantaged. Then ADB was conceived of at Economic Commission for Asia & the Far East's (ECAFE) First Ministerial Conference on Asian Economic Cooperation held in Manila in December, 1963. Subsequently different expert committees worked on its feasibility and structure. They prepared the charter which was subsequently adopted at the Second Ministerial Conference on Asian Economic Cooperation held in Manila in November, 1965. The Philippines capital of Manila was chosen to host the new institution - the Asian Development Bank - which opened its doors on 19 December 1966, with 31 members to serve a predominantly agricultural region. Once the ADB was founded in 1966, Japan took a prominent position in the bank; it received the presidency and some other crucial "reserve positions" such as the director of the administration department. The ADB served Japan's economic interests because its loans went largely to Indonesia, Thailand, Malaysia, South Korea and the Philippines, the countries with which Japan had crucial trading ties; these nations accounted for 78.48 percent of the total ADB loans in 1967-72. Moreover, Japan tied its special funds contributions to its preferred sectors and regions and procurements of its goods and services, as reflected in its $100 million donation for the Agricultural Special Fund in April 1968.

Takeshi Watanabe served as the first ADB President from 1966 to 1972. The name of the current President is Haruhiko Kuroda.

Objects

The Asian Development Bank was founded for lending funds, promoting investment and providing technical assistance to its developing member countries to accelerate economic growth and cooperation in the region of Asia and the Pacific.

Vision - an Asia and Pacific Free of Poverty

ADB's mission is to help its developing member countries, reduce poverty and improve the quality of life of their people. Its main partners are governments, the private_sector, nongovernmental organizations, development agencies, community-based organizations, and foundations. Under Strategy_2020, a long-term strategic framework adopted in 2008, ADB will follow three complementary strategic agendas: inclusive growth, environmentally sustainable growth, and regional integration. ADB's vision is – "An Asia and Pacific Free of Poverty". In pursuing its vision, ADB's main instruments comprise loans, technical assistance, grants, advice, and knowledge. Although most lending is in the public sector - and to governments - ADB also provides direct assistance to private enterprises of developing countries through equity investments, guarantees, and loans. In addition, its triple-A credit rating helps mobilize funds for development.

Goals

- Promoting economic growth
- Reducing poverty
- Developing human resources
- Improving the status of women
- Protecting the environment.

Financial Resources

Carrying a triple-A credit rating, ADB raises funds through bond issues on the world's capital markets. It also utilizes its members' contributions and retained earnings from lending operations. These sources comprise ADB's ordinary capital resources. Ordinary Capital Resources are a pool of funds available for ADB's lending operations, replaced by borrowings from the world's capital markets. Loans are also provided from Special Funds Resources - financed mostly from contributions of donor members for ADB's concessional loan and technical assistance programs. The Bank may augment its funds through an increase in capital, issuance and selling of bonds or acceptances of contributions to what are known as ‘special funds’.

Membership

Membership in the ADB is open to members and associate members of ESCAP and other regional countries and non-regional developed countries which are members of the United Nations or any of its specialized agencies. Unlike many regional financial institutions, the bank has membership from outside the region, capital and professional staffs have also been drawn from non-Asian countries.

Organization

The highest decision making tier at ADB is its Board of Governors, to which each of ADB's members nominate one Governor and an Alternate Governor to represent them. All the powers of the Bank are vested in the Board of Governors which may delegate its powers to the Board of Directors except on certain matters, such as admission of new members, change in the authorized capital, election of Directors and the President and amendment of the Charter. The Board of Governors meets formally once a year at an Annual Meeting held in a member country. Below the Board of Governors is the Board of Directors which consists of 12 Directors and 12 alternate Directors. The Directors are elected by member countries on the basis of groups for a term of two years. The board exercises all power delegated to it by the Board of Governors, and in conformity with the charter, takes decision for concerning loans, guarantees and other investments by the bank, borrowing programs, technical assistances and other operations of the Bank; it also approves the administrative budget of the bank and submits accounts pertaining to each financial year for approval by the Board of Governors. All matters are to be decided by majority vote except where expressly provided otherwise in the charter. The Board of Governors also elects the bank's President who is the chairperson of the Board of Directors. The ADB President, under the Board's direction, conducts the business of ADB. The president has a term of office lasting five years, and may be reelected. The Vice President is the deputy of the President in the management and operation of the bank. In the event of the President being absent or incapacitated the Vice President exercises the authority and performs the functions of the President. Traditionally, and because Japan is one of the largest shareholders of the bank, the President has always been Japanese. The headquarters of the bank is at 6 ADB Avenue, Mandaluyong City, Metro Manila, Philippines, and it has representative offices around the world. ADB also has field offices, including resident and regional missions, a country office, a liaison office, and representative offices. The field offices give vital support to the operations and outreach work of ADB's Manila Headquarters. They carry out much of ADB's operational roles of country programming, processing of loan and grant assistance, project administration, and economic and sector analysis.