

HSBC honours young entrepreneurs

STAR BUSINESS REPORT

A team of four budding entrepreneurs yesterday finished as toppers of HSBC Young Entrepreneurs Challenge, after their idea of producing capsule shells from fish fins and scales was rated as the best business concept.

The team, called Fireflies comprising Makame Mahmud, Ayasha Sultana, Syeda Rizwana Zafri and Rakshanda Zihan, all students of Institute of Business Administration of Dhaka University, came out as the gold winner of the Bangladesh finale of the annual business ideas competition at Hotel Lakeshore in Dhaka.

The team, Concept Crew, was the silver winner and Foursight came out as the bronze winner. Both belong to IBA.

At the grand finale, six finalist teams presented their business ideas in front of a jury panel.

During its presentation, the Fireflies team presented how its idea will help the pharmaceuticals sector.

Presenters said their product, HealthyCaps, will provide a cheaper but good quality alternative. It will have a lead time of one week, compared to seven to eight weeks needed to make an import from abroad.

For pharmaceutical imports, local companies face a 'minimum order quantity' barrier which increases the cost of inventory management because many companies do not require such large amounts and capsule shells are hygroscopic in nature, they said.

The unpredictable demand of drugs further aggravates inventory costs as this demand cannot



Andrew Tilke, fifth from right, chief executive officer of HSBC Bangladesh, poses with the winners of young entrepreneur awards given by the bank, at Lakeshore Hotel in Dhaka yesterday.

be met without stocking, said the team.

HealthyCaps will comply with waste management and environmental protection standards by utilising fish residuals for making capsule shells.

The main ingredient of traditional capsule shells is gelatin, conventionally made of pigskin and bovine hides.

Bangladesh spends \$15 million to import capsule shells every year, according to an estimate.

The Concept Crew made a presentation on EcoCrate, a partnership enterprise that will produce packaging material from organic waste, rice husks, and mushroom roots.

The packaging material is biodegradable and readily breaks down in soil providing nutrients to it. EcoCrate will help reduce

landfill waste while reducing fossil fuel depletion. It is better packaging solution than polystyrene foam, which has many drawbacks, according to the Concept Crew.

Foursight proposed to set up a farm named Deerville that will raise deer in order to sell deer meat. It will provide venison as a healthier alternative to the conventional means in Bangladesh.

Speaking as chief guest, Andrew Tilke, chief executive officer of HSBC Bangladesh, said the HSBC YEC offers the students an international platform, which will not only allow them practical business exposure, but also offer the much-needed insight into international trade.

The champion team from Bangladesh will compete against the other best teams from Brunei, Hong Kong, Malaysia, the

Philippines, Shanghai and Thailand at a regional grand finale to be held in Hong Kong later this year.

The jury panel included Kaiser Rahman, chairman of Quality Feeds Group, Ahsan Khan Chowdhury, deputy managing director of PRAN-RFL Group, Arif Shahriar, group head of HR and corporate affairs of Rahimafrooz; and Ahmed Saiful Islam, chief operating officer, Abdullah A Mamun, head of legal and compliance and Talukdar Noman Anwar, head of marketing, communications and sustainability of HSBC Bangladesh.

The YEC is an annual, regional, competition designed to encourage young people to demonstrate their creativity and acquire a wide range of practical business knowledge and skills.

ANALYSIS

An economy operates more like a garden

WILLIAM WESTGATE

For generations, our understanding of economics has been based on the traditional model. That is, a nation's economy is like a machine; it is linear and rational. The more inputs (such as the factors of production: capital, intellect, land and labour) that are added, the more output is achieved -- in a predictable fashion.

Complexity

However, over the past few years many have come to understand that an economy operates more like a *Complex Adaptive System* found in biology. Like a garden, more inputs do not necessarily lead to more outputs. If you keep watering, fertilising or adding pesticides to a garden (more inputs), you will not get more output -- instead, you risk damaging the sensitive yet complex eco-structure and killing everything. In 2002, Daniel Kahneman won the Nobel Prize in economics for his work on the subject even though he is not even an economist -- he is a professor of psychology. What his and many behavioural economists' work has exposed is that so much of our decision-making and economic activity is not based on so called rational behaviour. Instead, humans make decisions based on a host of emotional circumstances and beliefs that confound traditional economist theory.

Emotions

The list of behavioural influences is long, so we will look at just a few to provide a flavour of where economics is going -- and why it may be difficult to get there. One key observation is that humans do not choose rationally but instead make decisions based on what happened most recently. This is called "*anchoring*"; one famous experiment has people spin a wheel with numbers on it. They are then asked to guess the percentage of countries in the UN which are African. On aver-

age those who spun a 10 guessed 25 percent, while those who spun 65 guessed 45 percent. The "*bias blind spot*" recognises that we tend to think everyone else is biased -- but not ourselves. "Confirmation bias" shows that we interpret evidence to support our existing beliefs and dismiss evidence that contradicts it. Overwhelming evidence shows we have "*false memories*" -- that how we remember things is not how they really happened (just look at the differing witness statements to a car accident). "*Loss Aversion*" shows, surprisingly, that we hate to lose more than we like to win.

A long list

There is the "*Illusion of Control*", "*Framing*", "*Representative Heuristics*", "*Gambler's Fallacy*", the list goes on and on. Like the "Placebo effect" that has confounded medical science for years, economists are scrambling to update their models to recognise and understand that economic and social behaviour does not operate under many of the logical principles we have long thought it has. Politicians and central bankers have to upgrade their understanding of how humans really behave so that fiscal and monetary policies can be adjusted accordingly. Meanwhile, heads of large organisations also have to reassess the models on everything from their pricing to marketing has been based on. For the average person on the street, at least they understand why traditional economists' forecasts have often been so dreadfully wrong. Economics has a long way to go before this area is fully explored but make no mistake -- this is where the future of economics lies.

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How do you count the world's hungry people?

REUTERS, London

TWO years ago, the U.N. Food and Agriculture Organisation (FAO) launched a petition to fight hunger with the slogan: "1,000,000,000 people live in chronic hunger and I'm mad as hell."

Since then, more than 3.4 million people, including actors, pop stars and footballers, have added their voices to the online campaign calling on governments to make the elimination of hunger their top priority.

But outrage over the "horrifying figure" of 1 billion hungry people around the world, as it was described by former FAO head Jacques Diouf, has turned to embarrassment in some quarters in light of growing doubts about the accuracy of the number.

Many researchers say the estimate was simply too high.

"The fact that it's 1 billion is a much better story, and that's why it stays in people's minds," said Richard King, a food policy expert with Oxfam. "It's a great number."

The controversy led the Committee on World Food Security, a top-level UN forum, to urge the FAO to overhaul its calculations using better data and methodology and to call for a set of internationally agreed food-security indicators.

The first fruits are due in October when a new estimate of the number of undernourished people will be published along with revisions for previous years as part of the FAO's annual report on food insecurity.

The figures will incorporate fresher data on world food supplies and more timely and comprehensive household consumption surveys from different countries, said Carlo Cafiero, a senior FAO statistician.

The report will also include supplemental indicators of hunger, such as the share of household budgets

spent on food.

"If you only present one number, there is a tendency to over-interpret it and take it as if it were capturing everything, but we want to try and be more explicit in recognising the various dimensions of food insecurity," Cafiero said.

Nutritionists working in the field have long complained that the FAO's hunger estimates focused too narrowly on calorie intake, ignoring the bigger picture - protein, vitamin and mineral deficiencies in diets and the serious health problems they cause.

Calculating the number of hungry people around the world at any given moment, let alone predicting how that number is likely to change in the future, is no easy task.

Models for working out how many people don't have enough to eat are not as precise or forward-looking as experts would like, partly due to lags in the release of national-level statistics.

Moreover, shifting economic conditions alter the buying power of the poor day by day, and food harvests -- increasingly affected by extreme weather -- fluctuate, causing price volatility.

When the FAO came under pressure to say how much hunger was increasing due to skyrocketing food prices and the global financial crisis in 2008, it decided to combine US Department of Agriculture projections of how economic turmoil would hurt food production, consumption and trade with its own hunger estimates of previous years, and extrapolate from there.

It estimated a "historic high" of 1.02 billion undernourished people, or around one-sixth of humanity, in 2009.

But problems emerged with the assumptions behind the number. Economic conditions did not turn out to be as disastrous as anticipated, and food production and



A child from Mali sits with a bowl of food in the refugee camp of M'bere near Bassikno, south east of Mauritania.

consumption held up better than expected.

In addition, prices didn't rise as much as feared in some developing countries, like India and China, because they used export bans and subsidies to keep them down.

Finally, many people were able to maintain the amount of calories they ate by switching to cheaper foods and cutting spending on other basic needs like education and healthcare, surveys suggest.

"All evidence now is pointing to

the fact that the situation was not so desperate in terms of (people's) calorie intake as, at that time, everybody thought it was," FAO's Cafiero said.

In 2010, FAO forecast a drop to 925 million undernourished people and in 2011 it didn't produce a number at all given the dispute over its methods.

The question is not whether metrics are necessary, but how to collect, interpret and share the data to present a realistic and accurate picture of the food security situation.

Improving the way hunger is calculated could have far-reaching consequences for the way governments and aid agencies respond more effectively to hunger crises, experts say.

Aid groups say information from their work with local communities can contribute to a fuller picture of hunger nationally, regionally and globally, for example.

"We have a responsibility to bring the view from the field ... to make sure it's not just a technical exercise, but reflects the reality on the ground," said Alberta Guerra, a Rome-based food policy officer for ActionAid.

In Nairobi's slums, when the cost of food soared in 2008, many poor urban families cut out meat and fish, went without medicine and took their children out of school. With post-election violence making matters worse, some even stole food, scavenged in garbage dumps, brewed illegal alcohol or turned to prostitution to survive.

But the many aid agencies based in the Kenyan capital, much more used to working in rural hunger crises, didn't have a system to pinpoint when conditions for already poor slum dwellers were becoming an emergency.

"It was very difficult to get funding for urban response, partly because

there were no metrics to say we are seeing a critical situation," said Lilly Schofield, research adviser with Concern Worldwide.

The organisation has since begun testing indicators to capture changes in household food security in Kenya's slums, where food has remained expensive.

Nyauma Nyasani, East Africa nutrition adviser for Action Against Hunger, says frequent, on-the-ground checks are far more effective at anticipating hunger problems than annual nutrition surveys.

For the past year, the aid group has been piloting a food security surveillance system in Kenya's arid northeast, based on household questionnaires conducted every three months. And in Uganda, after a similar two-year project, it is developing national guidelines to monitor food security with the health ministry.

Funding is an obstacle. Shifting to a more responsive system will require political commitment and long-term financial resources, but rich governments and U.N. agencies tend to offer money on a short timeframe.

"As long as something like this is donor-driven, the sustainability becomes questionable," Nyasani said.

Ultimately, however, it is not data, but action, that makes a difference.

Saul Guerrero, evaluations adviser with Action Against Hunger, said aid workers detected warning signs months before the onset of last year's severe hunger crisis in the Horn of Africa, where some 13 million people needed food aid because of a regional drought and conflict in Somalia.

"Whoever tells you the data let us down doesn't know what they are talking about," he said. "It was the final bit that didn't work - turning data into policy. This is the question no one has the full answer to."