

More success stories will take social business to next level

Analysts say the concept made a good start

MD FAZLUR RAHMAN

SOcial business, which is already off to a good start, now needs some success stories to take off in a big way, experts said.

Martin Loeffler, chief executive officer (CEO) of Grameen Caldas, a social business consulting firm and incubation centre in Colombia, said the fledgling concept, which is the brainchild of Prof Muhammad Yunus, has already gained much momentum.

"The idea has already got so much attention -- you just need to look at the number of people that took part in the Social Business Day event. Among them were a lot of corporations -- they already believe in it."

For the final jump to becoming a mainstream and well-established programme, he said the advocates would now have to present more concrete and successful examples.

Loeffler, also the director of California Institute for Social Business, however, does not think that social business would completely eliminate the traditional forms of business.

"We are not against anything. We are not saying that normal businesses are bad -- they create a lot of social values by generating employment and giving services to consumers."

The expert said many corporations could set up a social business arm to solve the social problems they are creating.

"Every company or institution has its footprint in terms of carbon, garbage, water usage and waste.



Martin Loeffler

Those problems can be taken out in a self-sustainable manner by creating social businesses around the for-profit businesses."

Loeffler's comments came on the sidelines of the fourth Social Business Day, which took place in Dhaka on Friday, attracting about 1,000 participants from around the world.

According to Prof Muhammad Yunus, social business is a cause-driven business where the investors or owners can gradually recoup the money invested but cannot take any dividend beyond that point.

The purpose of the investment is purely to achieve one or more social objectives through the operation of the company; no personal gain is desired by the investors.

Saskia Bruysten, co-founder and CEO of Yunus Social Business in Germany, said the idea is going places.

"Big development agencies are slowly opening their doors to



Saskia Bruysten

social business, although they had initially said that it did not fit in their boxes. Governments, too, are getting engaged."

She cited the invitation from the government of Sweden to solve the country's nagging unemployment problem.

"Social business is such a fundamental concept -- it is not just for international development or poor countries. It is something that addresses any social ills."

Bruysten, who helped the EU Commission's expert group on social business and has assisted Prof Yunus on UN Secretary General Ban Ki-Moon's MDG Advocacy Group, said they are introducing crowd funding, a concept which allows people with even \$25 dollars to invest to set up a business.

The German said their goal is to reach a target when none would ask what social business is, and is very optimistic about achieving it. "The African Development Bank



Larry Reed

has invited the Yunus Social Business to come to Africa. That is a whole new continent we have not tapped."

Meanwhile, Larry Reed, director of Microcredit Summit Campaign, a US-based organisation that promotes microfinance, said: "If I were a Bangladeshi, I would have been very proud to know that something that has been created in my country is now taking hold worldwide."

Social business, he says, taps the desire that many people have to invest in the world's problems and see it become a better place to live. "It provides a vehicle for people to do something."

He said the West, which is grappling with its own problems, is also looking towards the concept conceived by Prof Yunus. "It is not just for developing countries -- there are also poor people in the West."

About keeping social businesses ethical, the anti-poverty campaigner called for some set

rules and guidelines and transparency reporting system for the purpose of evaluation.

"People would then be able to back up their claims that they are doing something for the society with numbers."

He also touched upon the current situation at the microcredit industry, where the total number of clients has gone down globally for the first time since 1997.

"The drop is largely because of the crisis in the Indian state of Andhra Pradesh. There is also slow growth in Bangladesh and some other countries."

He said the number of clients is growing tremendously in Sub-Saharan Africa, and tipped the continent to be "the next big destination" for microcredit. "In fact, the highest growth in clients last year took place there," he added.

About the Grameen Bank issue, Reed said: "It is a tragedy to see that the government is trying to step in and take over something that has been very successful. It is a wrong approach."

"We have seen worldwide that when governments tried to run microfinance programmes they failed. It is because people do not pay the money back and the money does not go to the poor."

"I think it is very important to recognise that the owners of Grameen Bank are the women who invested their money. No government should try to take away what the poor people have worked so hard to gain for themselves -- that is just not an appropriate thing for a government to do."

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Cheap, trendy fast fashion in demand, despite factory dangers

THE WASHINGTON POST

CATHY Anderson likes clothes -- trendy, cutting-edge clothes that look as if they've come right off the runway. And she wants them now and she wants them at bargain prices.

Anderson, a 28-year-old District resident, could be a poster child for those who graduated in a down economy but still feel the need to look fashionable.

Anderson, who worked at Cosmo Girl and People magazine's StyleWatch, created Poor Little It Girl, a blog that focuses on items that are right on trend and relatively cheap, usually under \$100.

Young men and women like Anderson have turned to stores such as H&M, Zara and the Gap. Inexpensive clothing has always existed, but these retailers have racked up huge sales by mastering the art of "fast fashion": identifying hot designer trends immediately, ordering up inexpensive copies and stocking their stores with the look-alikes, often within weeks of their runway debuts. And they do so at a fraction of the designer price, making them accessible to a broad range of consumers. (These are not knockoffs in the traditional sense because no one is trying to pass them off as designer originals.)

"Fashion used to be . . . really an elite thing to do. Now it's not," says Daniel Benkendorf, an assistant professor at the Fashion Institute of Technology.

In April, a factory in Bangladesh involved in producing "fast fashion" collapsed, killing nearly 1,300 people and seriously injuring scores of others. Advocacy campaigns for safe conditions and worker protections swung into high gear. Protests, including one scheduled for Saturday at a Gap in downtown Washington, are part of an effort to urge -- some would say shame -- retailers into signing a legally binding accord aimed at improving safety conditions and standards in Bangladesh factories. H&M and Zara have already signed on; the Gap has declined and is pushing its own agreement. (On Thursday, the Obama administration also announced the suspension of US trade privileges for Bangladesh, although this action does not apply to textiles.)

Have the revelations about the dangers to faraway workers turned off consumers -- often educated and otherwise globally conscience consumers -- from clamouring for the latest peplum top or high-low skirt?

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China banking system stable despite fund squeeze

AFP, Shanghai

CHINA'S bank regulator said Saturday that a recent liquidity squeeze would not hurt the stability of the banking system, in the latest government effort to soothe concerns over the funding shortage.

For three weeks, funds have been in short supply on China's interbank market, and the interest rates banks charge to lend to each other have surged to record highs.

Head of the China Banking Regulatory Commission, Shang Fulin, said the overall banking system had adequate liquidity, echoing comments by the central bank earlier in the week.

"These days the issue with tight liquidity in the interbank market has started to ease," Shang told a financial forum in Shanghai.

"This situation will not affect the overall pattern of stable operations in the domestic banking sector," he said, adding domestic financial institutions had excess reserves of 1.5 trillion yuan (\$244 billion) on Friday.

China's central bank chief Zhou Xiaochuan, speaking a day earlier, offered assurances that the People's Bank of China would use multiple tools to "ensure the overall stability of the market".

There are worries tight liquidity among banks could prompt them to tighten lending, which threatens to carry over into the real economy.

State media has reported that banks are struggling to meet their payment obligations as around 1.5 trillion yuan worth of wealth management products mature at the end of June.

A top official of one of China's big four banks, the Agricultural Bank of China, said Friday that lenders should step up risk control and allocate financial resources to the right places.

"The recent liquidity shortage in the market to some extent has something to do with overly high financial leverage and rapid expansion of shadow banking," Agricultural Bank deputy chairman Zhang Yun told the forum.

Shang, the banking regulator, also called for more attention by domestic banks for risk control and liquidity management.

But he played down risks from local government debts, another issue which has sparked worries over China's economy.

"Recently some foreign institutions and industry players showed concern about risk in areas including local government debts," Shang said.

"As long as we apply the right risk-management measures, these risks are controllable," he said.

China's top auditor recently put outstanding debts held by 18 of the country's 31 provinces and major municipalities at 3.85 trillion yuan in 2012, the official Xinhua news agency reported Thursday.

World Bank chief faces challenges as he makes his mark



Jim Yong Kim

AFP, Washington

IN his first year as president of the World Bank, Jim Yong Kim has tried to refocus the institution on fighting poverty and climate change -- but challenges lie ahead.

The pick of the Korean-American, an academic and doctor by training, marked a radical departure from other recent heads of the Washington-based global body.

Both Robert Zoellick and Paul Wolfowitz -- fellow Americans recruited when George W. Bush was in the White House -- did not have development experience on their resumes.

Less well-known and controversial than those before him, "Doctor Kim" quickly tried to make his mark on the development giant amid competition from new players, such as China, willing to drop large sums, especially in Africa.

"Dr. Kim has been a welcome breath of fresh air compared to some of past World Bank presidents who had no experience in development but we can't yet assess if he will change the bank for the better," said Peter Chowla of the Bretton Woods Project that keeps a close eye on the institution.

But according to an insider at the

Bank, people are split on the director's personality and his actions.

"There are those who admire him and others feel he is too focused on talking," the source said.

Under his leadership, the Bank garnered attention when it published a report warning of "cataclysmic" climate change, unfamiliar territory usually occupied by the United Nations.

"I feel that the World Bank has an enormous responsibility to first tell the world about climate change, but then really move our investments in a direction so that we can limit carbon emissions and really slow down the pace of climate change," Kim told AFP in an exclusive interview.

This new approach is not without contradictions.

Intent on helping the 1.2 billion still living without electricity, the Bank continues to finance development projects based on fossil fuels, such as a coal plant in Kosovo -- much to the chagrin of environmentalists.

"It's going to be impossible for us to move right now to a completely fossil free world," Kim acknowledged.

His other big project won't be easy to tackle either.

In early April, he set the goal of eradicating extreme poverty by 2030 by reducing the proportion of people

living on less than \$1.25 a day from 21 percent to 3 percent.

"We expected that the Bank set a strategy and refocus its mission on reducing poverty. It's already a big success," said Nicolas Mombrial, head of the Washington office of Oxfam International.

It's an admirable goal but the challenge is immense. Going forward, the Bank has to find ways to increase economic growth to reduce poverty without further damage to the environment.

Kim is "in a difficult position," said Lawrence MacDonald of the Center for Global Development. "He's right to sound the alarm on climate but I'm afraid that the poverty goal and climate change could be conflicting."

The president is confident solutions exist but he has to convince the Bank's 188 member countries and some 10,000 employees.

It won't be an easy task.

In a recent internal document obtained by AFP, Kim denounced the "culture of fear" that allegedly curbs initiatives at the heart of the institution and is used to justify inaction.

Certain reactions, published on the Bank's intranet, reflect a climate of mistrust.

Financial crisis cripples Spain's top medical research

AFP, Valencia, Spain

IN blue gloves and goggles, Maria Jesus Vicent's team of young researchers busily mix chemicals in their laboratory, where they work at improving medications for cancer and Alzheimer's disease.

Theirs is a well-equipped lab, but like researchers across Spain, they warn that steep funding cuts made during the financial and economic crisis are threatening to ground their potentially life-saving work -- and driving the country's most talented scientists away.

Vicent's team at the Prince Felipe Research Centre (CIPF) in the eastern city of Valencia specialises in nanomedicine, a way of developing compounds that boost the efficacy of vital drugs.

"We were set to be among the best in this field in Spain," she said. "We have made great advances in prostate cancer research. We wanted to go to the next stage with animal tests," she added.

"But I am waiting to get specific financing for that because I don't have enough money and it's much more expensive than chemical research."

The 52,000 square-metre centre was opened in 2005 at the height of the boom that preceded Spain's economic bust, with 60 million euros (\$78 million) of investment.

But as Spain scrambled to shore up its public finances, the centre's state subsidies were slashed in 2011 from just under 10 million euros (\$13 million) to less than five million, forcing Vicent to rely on European Union funds to continue.

The centre had to close half of its 28 labs and fire 114 of its 244 workers. "It was tragic to see such talented people having to leave," Vicent said.

Now the centre's hi-tech installations are falling into disuse, with its two mechanised operating theatres for animal research now being used for training courses instead.

The Confederation of Scientific Associations of Spain (COSCE) said in a recent report that public investment in scientific research fell by 45 percent from nine billion to five billion euros between 2009, the year after the crisis started, and 2013.

Scientists warn this leaves much hard-won progress in a crucial sector at risk of evaporating.

"It is a mistake that will cost us very dear," said Josep Maria Gatell of IDIBAPS, a leading biomedical research centre in Barcelona, who has spent the past five years developing a vaccine against AIDS.

"In the past 10 or 15 years Spain has made a major effort, which has borne fruit. We had a very good position internationally in research. And with these budget cuts we risk losing gains that took 20 years to achieve. It could take another 20 years for us to catch up again."

Three of Gatell's products are being tested on humans, but their progress has slowed due to a lack of funds.

"If you have more money you can develop three products at the same time. With less, you have to do one at a time. That delays things," he said.

The renowned Vall d'Hebron Research Institute in Barcelona is surviving with three-quarters of its funding coming from international and private investors, according to its director, Joan Comella.