

Green finance needs a long-term perspective



SUVOJIT CHATTOPADHYAY

OVER the last decade, Bangladesh economy has sustained impressive growth in spite of significant challenges – scarce natural resources, environmental degradation, population pressure, widening economic inequality, climate-related vulnerabilities, to name a few. This has, in turn, put pressure on policymakers to rethink growth strategies to ensure that growth strategies followed by the country are sustainable.

A key element of sustainability is a green growth path, which is expected to protect the environment. Green finance is not new to Bangladesh. The government has invested significantly in the sector, creating funds managed by line ministries and the central bank for the promotion of green finances. A wide variety of funding sources – domestic and international – have been mobilised to ensure that a significant volume of green finance is available. Within this, grants and soft-credit products have typically constituted the majority.

By their very nature, most of these products are short-term instruments, with little flexibility of use and repayment. This short-termism is not without good reason. Banks by nature tend to be risk-averse, and due diligence, when carried out properly, often results in financing being directed to credit-worthy projects assured of timely returns and carried out by establishments that have a proven track-record. Such an environment is usually not conducive to innovations or risk-taking. As a result, the market for green finances remains limited, and even the allocated amounts have remained largely

underutilised in the country. To change this scenario, one must look at diversifying the portfolio mix of green financing options available in Bangladesh.

The nature of financing that would fuel the growth of green businesses is quite a specific one. Such finance must have three essential qualities: they must demonstrate a high risk-appetite; they must be scaleable, and responsive to the needs of the industry; and they must focus on impact. In sum, they must adopt a long-term perspective.

Possibly the most direct mechanism is to attract greater levels of equity finance to green businesses. Equity investors are able to fund ideas and entrepreneurs at a nascent growth stage which allows them to assume greater risk. This, in turn, opens up opportunities for entrepreneurs to experiment with new technology required to go beyond 'business as usual' approaches.

In Bangladesh, there have been both local and foreign equity financiers that have invested in successful green ventures that either ventured into new sectors contributing to environmental management or adopted technology that was still new to Bangladesh.

For instance, the first recycled PET resin manufacturer in the country, Bangladesh Petrochemical Company Ltd, received equity funding from US-based venture capital firm DEFTA Partners. A number of Nordic companies have expressed interest in green energy and clean technology in Bangladesh.

World Wide Recycling BV of the Netherlands established a joint venture with the Bangladeshi firm, Waste Concern, to produce energy out of waste using no-burn technology.

Another option for green finance is to target impact investors.

Impact investing, which is defined as investments made into companies, organisations, and funds with the intention to generate social and environmental impact alongside a financial return, is gaining ground in Bangladesh. Over a dozen impact investors have already invested more than \$1 billion in different projects in Bangladesh.



AMRAN HOSSAIN

A green factory owned by Viyellatex Group, a leading garment maker based in Gazipur. In Bangladesh, a wide variety of funding sources -- domestic and international -- have been mobilised to ensure that a significant volume of green finance is available.

Some 30 percent of this impact funding has been made in the form of equity investments.

At the UN General Assembly last year, with Prime Minister Sheikh Hasina in attendance, the United Nations Development Programme and Build Bangladesh, the social impact arm of Impress Group, a Bangladeshi conglomerate, launched an impact fund that intends to raise more than \$100 million from private investors to back ventures that create positive social and environmental impacts in Bangladesh to meet the Sustainable Development Goals. Realising returns through future initial public offerings is a core strategy of this fund, whose first project is a \$3.5

million affordable housing venture for urban migrants.

There also exist large foreign institutional investors who are increasingly looking to expand their exposure to sustainable investments, for instance, the Norwegian Sovereign Wealth Fund. Bangladesh's position at the forefront of global efforts to tackle the adverse effects of climate change makes it an attractive destination for such investors.

Encouraging equity investments requires sound regulation and safeguards. A key player in this regard is the Bangladesh Securities and Exchange Commission (BSEC) who can take substantive steps in this regard. A UNEP report from 2016 cites

the examples of the Mauritius Stock Exchange and the Egyptian Stock Exchange, which developed indices to identify companies based on sustainability practices, using international standardised criteria. This and highlighting green practices of companies listed in a stock exchange can help raise investors' awareness, and also create a foundation to offer benefits to companies that show a strong performance on green parameters.

In any case, investors in stockmarkets have a right to full disclosure about the financial health and prospects of the company they invest in, as well as to be aware of the measures taken to limit damage to the environment from their operations.

However, questions remain about the capacity of stock exchanges to undertake these reforms. At the very least, it will require sure-footed leadership to turn the focus towards green finance at a time when the financial sector, in general, is in turmoil. A top-down approach pushed by the BSEC or the government may not be enough. This is an area where businesses, investors, regulators, and policymakers need to put their heads together and come up with solutions. This promises to be an exciting space to follow in the years to come.

The writer is the country manager of Adam Smith International.

Tesco faces record \$5.6b equal pay claim



REUTERS/FILE

Tesco Group Chief Executive Dave Lewis speaks at an analyst presentation in London.

REUTERS, London

SUPERMARKET group Tesco is facing a potential bill of up to 4 billion pounds (\$5.6 billion) to bring the wages of its female employees into line with men, according to the law firm pursuing Britain's largest equal pay claim.

Tesco is Britain's biggest retailer and its largest private sector employer with more than 310,000 staff.

Law firm Leigh Day said on Wednesday the mainly male staff in the company's distribution centres were paid considerably more than its largely female store workers. The law firm said it was also working on claims at supermarket rivals Sainsbury's and Asda, the British arm of Walmart.

Unequal pay for men and women is currently a hot topic in Britain's boardrooms and corridors of power. The resignation last month of Carrie Gracie as China Editor for the BBC led to an investigation into pay differences at the public broadcaster.

British Business Secretary Greg Clark told Sky News he was "surprised" by the scale of the claim against Tesco.

A Tesco spokesman said the firm had not yet received a claim.

"Tesco has always been a place for people to get on in their career, regardless of their gender, background or education, and we work hard to make sure all our colleagues are paid fairly and equally for the jobs they do," he

said.

Tesco shares were down 0.9 percent at 1010 GMT.

Leigh Day said Tesco distribution centre staff may earn in excess of 11 pounds (\$15.4) an hour, while the most common grade for store staff saw them receive around 8 pounds per hour.

This disparity could see a full time distribution worker on the same hours earning over 100 pounds a week - or 5,000 pounds a year - more than female store staff.

The law firm said more than 200,000 Tesco employees may be underpaid and estimated shortfalls could reach 20,000 pounds each, meaning the potential bill for Tesco could be as high as 4 billion pounds.

Leigh Day said it had already started submitting claims on behalf of its clients through conciliation service ACAS, the first stage in the Employment Tribunal process.

It said it had been approached by over 1,000 employees and former employees of Tesco.

"In terms of equal worth to the company there really should be no argument that workers in stores, compared to those working in distribution centres, contribute at least equal value to the vast profits made by Tesco," said Leigh Day employment lawyer Paula Lee.

The firm said it was also representing over 20,000 shop-floor workers in equal pay claims against rival supermarket groups Sainsbury's and Asda.

As US rattles sabre on trade, Asia bites its tongue on soft dollar

REUTERS, Seoul/Tokyo

A year after US President Donald Trump took office, heightened rhetoric out of Washington about unfair trade has kept Asian policymakers reluctant to openly talk down their currencies despite the dollar's slump to multi-year lows.

Instead, central banks are looking at subtler ways to rein in their currencies as sustained weakness in the dollar erodes the competitiveness of many exporting nations.

Thailand's central bank, for example, said last week it was relaxing rules to allow retail investors to directly buy foreign securities. That seemed aimed at encouraging capital outflows to cap the baht THB=, which is at four-year highs.

While firm demand for Asian exports is seen as creating legitimate support for regional currencies, something central banks tacitly accept, analysts say Trump's aggressive posture on trade has redrawn the battle lines in foreign exchange markets.

"US President Donald Trump carries the bigger stick: the threat of protectionism," writes Joachim Fels, global economic advisor at

bond fund PIMCO. "And so Europe and Japan have acquiesced; neither has stemmed their currencies' appreciation with words or actions."

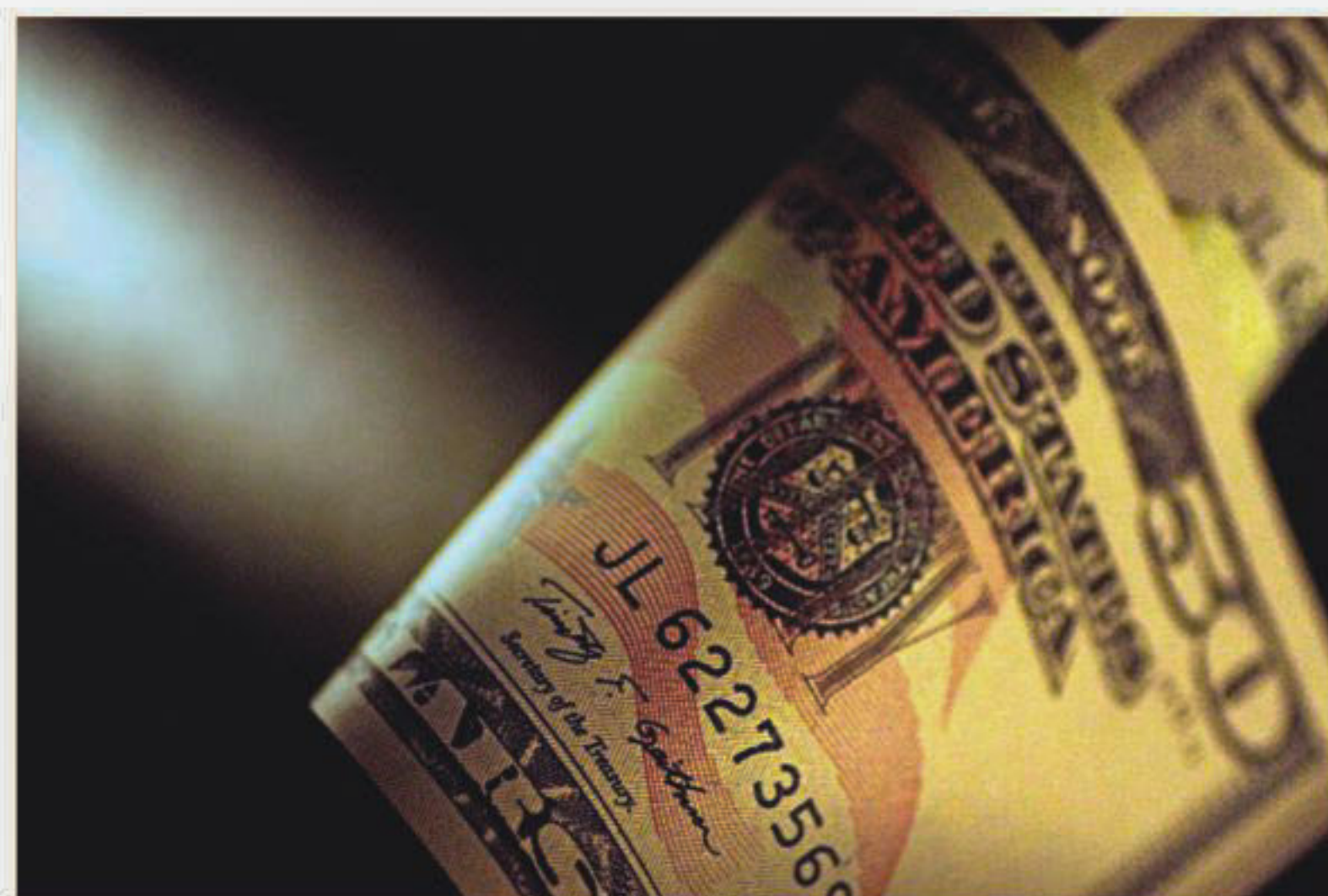
Recent trade barbs include the US administration's proposals to impose tariffs on steel imports, Korean washing machines and Chinese solar panels.

They come alongside the dollar's steady depreciation since the beginning of 2017, although it has ticked up since late last week after the fastest US employment growth in 8-1/2 years fanned expectations of more aggressive policy tightening by the Federal Reserve and caused global equities to sell off.

A key moment in the dollar's long run lower was US Treasury Secretary Steve Mnuchin's comments in late January that America prefers a weak currency.

For its part, US Treasury says its semi-annual reports that identify what it sees as currency manipulating governments have been effective in boosting investment and stabilizing foreign exchange.

"The ultimate goal is for the world financial system to be stable and growth to accelerate. We're pleased with the results that are



REUTERS/FILE

A US dollar note is seen in this illustration.

underway," US Treasury Undersecretary for International Affairs David Malpass told Reuters last week.

"We've seen a pickup both in the US and in global growth, in part because the financial system has been stable."

While many Asian central banks have been intervening in currency markets as the dollar declined, they have also been quick to affirm their

reasons were not based on trade-competitiveness.

Bank of Thailand Assistant Governor Chantavarn Sucharitakul told Reuters it was natural for the baht to appreciate, given the country's massive current account surplus, but the movements should not be too abrupt and "the exchange rate of small open economies cannot be left to benign neglect."

Britain tells business: We cannot guarantee your Brexit future

REUTERS, London

BRITAIN cannot tell businesses for certain what its future relationship with the European Union will be once it leaves the bloc, business minister Greg Clark said on Wednesday, ahead of government talks on its approach to Brexit.

Businesses want more clarity from the government over what Britain's trade and customs arrangements with the European Union will look like after it leaves the bloc in 2019.

Prime Minister Theresa May is meeting senior ministers on Wednesday to discuss the government's negotiating strategy, as the British Chambers of Commerce (BCC) called on the government to clarify what it wants from Brexit.

However, in an interview with the BBC, Clark gave no details of the end-state Britain was seeking, or a deadline by which government would

finalise its approach.

"This is a negotiation which is about to happen. We can't guarantee an end-state until it has been agreed by both sides," Clark told BBC radio. Britain has agreed in principle with the



REUTERS

An anti-Brexit demonstrator stands in front of an EU flag outside the Houses of Parliament in London.

EU to have an implementation period, which is expected to be finalised in March.

But the EU wants the power to restrict British access to the single market during the transition period as a way to punish London if it violates agreed rules, a European Commission document showed.

The British Chambers of Commerce said that while it would welcome a transition period, continued ambiguity as to where the relationship with the EU was headed would hinder firms as they make investment and hiring decisions.

"Clear UK negotiating objectives are crucial to both business and public confidence," the BCC said in an open letter to government.

"While the BCC has campaigned strongly in favour of a status-quo transition period, to give businesses time to plan for change, this transition must lead to a clear endpoint."