

Making markets work for SDGs

UPASHANA SALAM

AS Bangladesh is growing at an exponential speed, its markets are expanding in such ways where intervention is necessary, thereby giving rise to the potential of creating a new transformative economy.

In Bangladesh, the market works for the SDGs in the products it produces, services it offers, where its capital flow, and where the employment and supply chain hires and serves the bottom of the pyramid.

Bangladesh has seen a surge of entrepreneurs, venture capital networks, policies and development projects in recent years and with the right directional support these entities can work towards the same goal – ensuring a quality life for all.

If given the opportunity, each of these bodies can come up with unique social business solutions that cater to everyone, particularly the least disadvantaged communities of the society.

In order to assess whether these endeavours have succeeded in their goal, feedback can be drawn from the people themselves through a ground-up approach on an implementation level, as well as through a top-bottom approach where policymakers and agencies collaborate on an institutional level.

Through its Innovation Hub launched in 2017, UNDP Bangladesh seeks to identify and understand the modifications in the market machinery that can create an economy where social goals are synonymous to economic prosperity; where businesses are another medium of achieving a quality life; where financial profit equals investment into human development.

One might wonder about the neces-



sity of a social business model when many businesses engage in CSR activities. While CSR provides aid or support in money or kind, these activities are rarely sustainable.

On the other hand, in its first year, Innovation Hub has been investigating new tools that can channel private sector resources into projects that can be scaled for impact and investment opportunities.

The model was inspired by venture capital technical assistance units where an agile team can accommodate the learning and changes over time. Multiple services and pilots were

tested, after which the Hub consolidated and expanded its activities in 2018.

En route to creating a community of responsible business leaders, Innovation Hub accumulated in its network over 200 companies, including 17 financial institutions, eight accelerators, small and medium-sized enterprises (SMEs), multinational corporations (MNCs) and national corporations (NCs) across sectors.

It offered several crucial services to its network, including the roll-out of Business Call to Action services and membership, support to youth entre-

preneurship, testing of financial management capacity building, and plugging private sector partners into existing UNDP projects, among others.

It also served as the focal point for regional and global private sector initiatives in Bangladesh on a country level and in a national context.

Business Call to Action (BCtA) is a platform, launched in 2008, through which companies are encouraged to develop inclusive business models that engage people at the base of the pyramid.

This can take many forms; supporting bottom-of-the pyramid consumers, producers, suppliers, distributors of goods and services, and employees.

Under the umbrella of UNDP's Innovation Hub, member companies in Bangladesh have impacted 21.6 million people across the SDGs through their core business.

In supporting youth entrepreneurship for decent work and growing innovative and social businesses, the Hub launched Youth Co:Lab.

To address socio-economic alienation, UNDP, in partnership with Citi Foundation and other partners, promotes entrepreneurship, empowerment, and civic participation under this programme to create an enabling ecosystem for youth leadership and entrepreneurship.

As one of the most innovative UNDP programmes and an effective UNDP RBAP platform, working directly with and for young people, Youth Co:Lab positions UNDP as a connector by engaging a multitude of different private sector partners, and linking to a variety of ecosystem elements.

UNDP also supported a private sector ecosystem transformation. There are at least 15 impact investors currently active in Bangladesh with a total

of \$955 million in deployed capital, of which \$834 million has been deployed by the Development Finance Institutions (DFI), while other impact investors have deployed \$121 million.

After the establishment of the Alternative Investment Rule 2015, the UNDP-SDG Impact Finance (UNSIF) supported the establishment of the first National Advisory Board (NAB) for Impact Investment in Bangladesh.

In 2018, Bangladesh NAB secured its membership at the Global Steering Group (GSG) for Impact Investing.

While Bangladesh's capacity for investment into SDGs is expanding with the growth of its economy, there are gaps in the system to make the market work for the SDGs.

Firstly, there seems to be a gap in knowledge; advisory services and guidance in planning and measuring the impact of private sector can further the leadership which people can model after and learn from for a larger social movement.

Secondly, the financial and institutional mechanisms need to be bolstered to provide the vehicle through which resources can be channelled and allocated.

To compliment this, stakeholder relations building and convening investors with the implementing bodies and human resources need to be put in place.

Thirdly, the implementing bodies and human resources themselves can be developed in its capacity to deliver, so to maximise the allocated resources in a methodology that generates returns at a speed and effectiveness; thereafter and only thereafter sustainability can be ensured – through scalable and inclusive business models.

The writer is a contributor to The Daily Star.

Productivity setback adds to worries for UK economy

REUTERS, London

British productivity growth slowed to a two-year low during the three months to last September, official figures showed on Wednesday, reinforcing concerns about the underlying health of the economy ahead of Brexit.

Weak productivity growth has bedevilled rich economies around the world since the global financial crisis, but the problem has been particularly acute in Britain.

Most economists see it as the main reason wages have failed to rise materially despite the lowest unemployment rate in a generation.

Britain's departure from the European Union is adding headwinds, with business investment falling as firms hold off while it remains unclear if they will retain tariff-free access to EU markets after March 29.

Britain's overall economy has slowed since the 2016 Brexit referendum and appears to have lost more momentum in late 2018 as Prime Minister Theresa May struggled to get support in parliament for her plan for a smooth exit from the bloc.

Indian rupee facing more punishment, but no new record low

REUTERS, Bengaluru

THE battered Indian rupee will take another bruising this year, despite a recent revival, weighed down by uncertainty around national elections in May and an expected economic slowdown, a Reuters poll found.

While the currency recovered nearly 6 percent after touching a record low of 74.485 per dollar on Oct. 11, the Jan. 2-8 poll of more than 65 analysts showed the rupee will weaken again.

However, fewer than 20 percent of contributors in the latest poll expected the rupee to breach that all-time low in the next 12 months, compared to nearly 50 percent in a November survey and about one-third in December.

After falling about 9 percent in 2018 - its biggest decline since Prime Minister Narendra Modi took office in 2014 - the Indian currency was forecast to weaken 1.9 percent to 71.50 per dollar in a year, from about 70.20 on Tuesday.

Two-thirds of those who gave a year-ahead forecast predicted the currency to be weaker - trading at more than 70 per dollar, with the most pessimistic call at 80.

The others either had it around where it is now or a touch stronger.

"Overall there's nothing to be greatly optimistic about the rupee. There are lots of uncertainties, both on economic and political fronts lingering as we enter into 2019," said Prakash Sakpal, Asia economist at ING, adding that elections and political uncertainty pose "the biggest risk". "Things could go either way. We might see the BJP (Bharatiya Janata Party) retaining its power by a very thin margin. On the other extreme, there could be a coalition. This would obviously not be viewed by the international community positively, which of course is going to be

bad for the currency," Sakpal said.

A deep sell-off in emerging market currencies last year was triggered by a resurgent dollar and the US-China trade war, making the rupee the worst-performing major Asian currency in 2018.

In recent weeks, the dollar has lost momentum on economic growth worries in the US and a dialing back of rate hike expectations, benefiting emerging market currencies - with the MSCI emerging market currency index rising to levels last seen in late July.

But growth conditions in most emerging economies aren't much to write home about either, potentially limiting the upside for those currencies.

The rupee's path this year will largely be determined by the results of national elections in May, oil price moves and the Reserve Bank of India's policy.

With foreign outflows from Asian equities the biggest in at least seven years in 2018, the US-China trade war and a widening Indian fiscal deficit at a time of slowing economic growth globally, the rupee is not likely to rise.

India's government is expected to miss its deficit target of 3.3 percent of gross domestic product this fiscal year as data showed the April-November deficit was already 115 percent of the budgeted target.

That poses a big threat to economic expansion. India's annual economic growth fell to a worse-than-expected 7.1 percent in the July-September quarter.

"Slowdown will become a trend this year, especially as external demand will remain on a weakening path, whereas without much downside in oil prices, imports will remain elevated, so we should see a bigger hit to GDP growth from continued widening in the trade deficit this year," added ING's Sakpal.



REUTERS/FILE

A cashier checks Indian rupee notes inside a room at a fuel station in Ahmedabad, India.

New documents link Huawei to suspected firms in Iran, Syria

REUTERS, London/Hong Kong

THE US case against the chief financial officer of China's Huawei Technologies, who was arrested in Canada last month, centers on the company's suspected ties to two obscure companies. One is a telecom equipment seller that operated in Tehran; the other is that firm's owner, a holding company registered in Mauritius.

US authorities allege CFO Meng Wanzhou deceived international banks into clearing transactions with Iran by claiming the two companies were independent of Huawei, when in fact Huawei controlled them. Huawei has maintained the two are independent: equipment seller Skycom Tech Co Ltd and shell company Canicula Holdings Ltd.

But corporate filings and other documents found by Reuters in Iran and Syria show that Huawei, the world's largest supplier of telecommunications network equipment, is more closely linked to both firms than previously known.

The documents reveal that a high-level Huawei executive appears to have been appointed Skycom's Iran manager. They also show that at least three Chinese-named individuals had signing rights for both Huawei and Skycom bank accounts in Iran. Reuters also discovered that a Middle Eastern lawyer said Huawei conducted operations in Syria through Canicula.

The previously unreported ties between Huawei and the two companies could bear on the US case against Meng, who is the daughter of Huawei founder Ren Zhengfei, by further undermining Huawei's claims that Skycom was merely an arms-length business partner.

Huawei, US authorities assert, retained control of Skycom, using it to sell telecom equipment to Iran and move money out via the international banking system. As a result of the deception, US authorities say, banks unwittingly cleared hundreds of millions of dollars of transactions that potentially violated economic sanctions Washington had in place at the time against doing business with Iran.

Meng did not respond to a request for comment by Reuters, and Huawei declined to answer questions for this story. Canicula's offices could not be reached. A Justice Department spokesman in Washington declined to comment. Meng was released on C\$10



AFP

An attendee walks by the Huawei booth at Consumer Electronics Show in Nevada, US on Tuesday.

million (\$7.5 million) bail on Dec. 11 and remains in Vancouver while Washington tries to extradite her. In the United States, Meng would face charges in connection with an alleged conspiracy to defraud multiple financial institutions, with a maximum sentence of 30 years for each charge. The exact charges have not been made public.

Huawei said last month it has been given little information about the US allegations "and is not aware of any wrongdoing by Ms. Meng." The company has described its relationship with Skycom as "a normal business partnership." It has said it has fully complied with all laws and regulations and required Skycom to do the same.

Meng's arrest on a US warrant has caused an uproar in China. It comes at a time of growing trade and military tensions between Washington and Beijing, and amid worries by US intelligence that Huawei's telecommunications equipment could contain "backdoors" for Chinese espionage. The firm has repeatedly denied such claims. Nevertheless, Australia and New Zealand recently banned Huawei from building their next generation of mobile phone networks, and British authorities have also expressed concerns.

Articles published by Reuters in 2012 here and 2013 here about Huawei, Skycom and Meng figure prominently in the US case against her. Reuters reported that

Skycom had offered to sell at least 1.3 million euros worth of embargoed Hewlett-Packard computer equipment to Iran's largest mobile-phone operator in 2010. At least 13 pages of the proposal were marked "Huawei confidential" and carried Huawei's logo. Huawei has said neither it nor Skycom ultimately provided the US equipment.

Reuters also reported numerous financial and personnel links between Huawei and Skycom, including that Meng had served on Skycom's board of directors between February 2008 and April 2009.

Several banks questioned Huawei about the Reuters articles, according to court documents filed by Canadian authorities at the request of the US for Meng's bail hearing in Vancouver last month.

According to the documents, US investigators allege that in responding to the banks, which weren't named, Meng and other Huawei employees "repeatedly lied" about the company's relationship with Skycom and failed to disclose that "Skycom was entirely controlled by Huawei."

US authorities also allege that at a private meeting with a bank executive, in or about August 2013, Meng said Huawei had sold its shares in Skycom, but didn't disclose that the buyer was "a company also controlled by Huawei."

The court documents allege that Huawei told the executive's bank that the Chinese company had sold its shares in Skycom in

2009 - the same year Meng stepped down from Skycom's board. Skycom's buyer wasn't identified in the documents.

But Skycom records filed in Hong Kong, where the company was registered, show that its shares were transferred in November 2007 to Canicula. Canicula, which was registered in Mauritius in 2006, continued to hold Skycom shares for about a decade, Skycom records show.

A "Summary of Facts" filed by US authorities for Meng's Canadian bail hearing states: "Documents and email records show that persons listed as 'Managing Directors' for Skycom were Huawei employees." None of those individuals were named.

A company record filed by Skycom in Iran that was entered in the Iranian registry in December 2011 states that a "Shi Yaohong" had been elected as manager of Skycom's Iran branch for two years. Huawei employs an executive named Shi Yaohong.

According to his LinkedIn profile, Shi was named Huawei's "President Middle East Region" in June 2012. An Emirates News Agency press release identified him in November 2010 as "President of Huawei Etisalat Key Account." Etisalat is a major Middle Eastern telecommunications group and a Huawei partner.

Shi, now president of Huawei's software business unit, hung up the phone when Reuters asked him about his relationship with Skycom.