IPDC rolls out blockchain-based supply chain finance platform

STAR BUSINESS REPORT

IPDC Finance Ltd has rolled out a blockchain-based supply chain finance platform, the first of its kind in Bangladesh, with a view to giving out low-cost loans to micro and small entrepreneurs.

A blockchain is a database that is shared across a network of computers. Once a record has been added to the chain it is very difficult to change. To ensure all the copies of the database are the same, the network makes constant checks, according to Reuters.

Blockchains have been used to underpin cyber-currencies like bitcoin but many other possible uses in areas such as banking and supply chain are emerging.

The IPDC's digital platform, Orjon, was launched at a programme at the Radisson Blu hotel in Dhaka on Thursday.

Orjon is a supply chain financing solution that provides financial facilities to corporates and micro and small enterprises.

Under the system, small enterprises across the country will get loans easily and at a lower cost as the platform will do away with existing manual process.

The digital credit programme will play a role in reducing operational cost in loan disbursement and monitoring, the non-bank financial institution (NBFI) said.

Mominul Islam, managing director of the IPDC, said the NBFI was working to create opportunities for small enterprises.

"We have come up with Orjon for those involved in supply and distribution to further enhance the country's digital supply chain platform," he said.

The platform will provide low-cost credit facilities and support to develop more than 25,000 small enterprises and businesses over the next five years. This will generate around 20 lakh new jobs with greater financial progress than ever before, Islam said.

Speaking at the ceremony, State Minister for Information and Communication Technology Zunaid Ahmed Palak said Orjon was one of the historic landmarks of Digital Bangladesh.

"Digital Bangladesh is the philosophy of a revolution. And the latest initiative will give a boost to this end."

The country will need digital leaders to go forward and a strong workforce will help implement digital applications in the private sector, Palak said.

DFID Country Representative Judith Herbertson said Bangladesh requires skilled workforce to ensure the existing satisfactory growth trend of the economy.

The latest model initiated by the IPDC will help small entrepreneurs get financing in an easy method, which will add value to the economy, Herbertson said.

Syed Almas Kabir, president of the Bangladesh Association of Software and Information Services (BASIS), said other banks and NBFIs should come forward to introduce similar platforms.

The IPDC has shown the courage by rolling out the platform for the first time in the country which is not an easy task at all, he said.

The BASIS will extend its cooperation to both banks and NBFIs so that they can innovate technology-based financial products, Kabir said.

Shah Alam, executive director of Bangladesh Bank, also spoke.

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Zunaid Ahmed Palak, *centre*, state minister for ICT, attends the launch of IPDC Finance's Orjon, a blockchain-based supply chain finance platform, at the Radisson Blu hotel in Dhaka on Thursday. Mominul Islam, *second from right*, managing director of IPDC, was present.

WB to reduce lending to China

AFP, *Washington*

The World Bank said Saturday its lending to China has fallen sharply and will continue to be pared back, after US President Donald Trump demanded it stop altogether.

"Why is the World Bank loaning money to China? Can this be possible? China has plenty of money, and if they don't, they create it. STOP!" Trump wrote on Twitter Friday.

The bank, which is led by former US Treasury official David Malpass, defended its approach in a brief statement.

"World Bank lending to China has fallen sharply and will continue to reduce as part of our agreement with all our shareholders including the United States.

"We eliminate lending as countries get richer," it said.

Trump was reiterating a position long held by his administration, including Malpass prior to his election as the current head of the World Bank.

Treasury Secretary Steven Mnuchin told US lawmakers Thursday that the United States "has objected" to the institution's multi-year program of loans and projects in China. That program, which includes plans to reduce lending to China, was adopted on Thursday.

Canada sheds 71,000 jobs in November

AFP, *Ottawa*

Canada lost 71,000 jobs in November, pushing its unemployment rate up to 5.9 percent -- its highest level in more than a year, according to government data released Friday.

The losses were reported across Quebec, Alberta and British Columbia, mostly in manufacturing, natural resources and public administration, and affecting men in the core working ages of 25 to 54 and women over 55, Statistics Canada said. Compared with a year earlier employment was still up, with 293,000 mostly full-time jobs added over the period, the agency said.

CIBC analyst Royce Mendes said, however, the November labor market pullback was "more than a breather," describing the losses as "an apparent massive decline in employment." Canada's unemployment rate last hit this level in the fall of 2018.

Most recent indicators have heralded a slowing of the economy as the end of 2019 approaches.

Hue and cry for onion: some insights


NAZNEEN AHMED *and* MD MAINUL HOQUE

ONION price hike has been one of the most discussed issues for the last couple of months. As onion is an essential daily food ingredient, the issue of price hike has extended hue and cry among all types of households, rich or poor. While people are dissatisfied with the continuation of high price, the solution seems to be a far cry.

Many people believe that a "syndicate" prevails in the market, without even understanding what syndication means. However, according to a study conducted by the Bangladesh Institute of Development Studies (BIDS) with support from the Competition Commission, collusion or so called "syndication" is not possible in the onion market.

Effective policy and market intervention to stabilise price of essential agricultural products depend on proper understanding of the value chain of a product and the actors involved and their power to distort competition in the market. If price volatility is associated with sub-optimal level of competition in the market, correction to price volatility could be managed by bringing more competition in the markets. Often, it has been difficult to understand reasons behind price volatility because of a lack of correct insight on various actors and their roles. Roles of different actors actually frame the level of competition. If there is a lack in competition, certain groups of actors can influence the market.

The study, carried out in 2018, reveals that around 60 percent of the yearly consumption of onion is locally produced and the remaining 40 percent is imported. Around 80 percent of the imported onion comes from India. Therefore, the onion market in Bangladesh is strongly linked with the market in India. Thus, any shock in the Indian market is transmitted quickly to the onion market in Bangladesh.

Although India is a large producer of onion, its supply is often affected due to weather factors and price of onion in India is also politically-sensitive. Whenever local price of onion goes up, the Indian government imposes restriction on onion export in several ways: banning export and setting minimum export prices at a very high level to make onion import prohibitively costlier. When the local market stabilises and price returns to normal level, the trade restriction is lifted. Such actions extend heavy impact on onion price, part of which is for supply shock and part is for inflationary expectation.

The analysis reveals that consumption of onion also increases with the level of income. People of the lowest income earning 10 percent of the population consume 1.3 kg onion per month. The consumption is 5.3kg per month for the highest income group. Urban people consume more onion on an average compared to rural people. Onion comprises only small proportion of food expenditure (1.1 percent to 1.6 percent of monthly food expenditure of households). If we sum up these information, it may be noted that a rise in price of onion is not a big concern for higher income group as this comprises a tiny proportion of their food expenditure. But it is a concern for poor people and especially the poor people in urban areas. Therefore, any price stabilisation initiative for onion should target the urban poor at first.

Onion prices usually go up in the last four months of a calendar year (starting from September) as the harvesting period is March-April, starting from February in many areas. The retail-wholesale price gap exhibits high variability for local onion variety but relatively stable for imported onion.

There is no uniform market structure for onion that fits all places and regions across the country. Instead, the supply chain exhibits variation across regions and markets. The supply chain in the onion-growing region is relatively simple than the supply chain between growing and non-growing regions. More actors are added when onion moves from growing to non-growing regions and commission agents with large investment play a big role in linking actors of growing regions and the consuming regions. Importers also play a key role in the supply chain. Commission agents link importers to traders in large markets in big cities.

Our study did not find any clear indication of anti-competitive behaviour in the onion market. It appears that there are significant number of buyers and sellers in the market and entry into the market is not prohibitively costly in most of the stages in the supply chain. It is rather the inherent structure of the onion market that assigns high value to experience and market knowledge. Neither is there any strong evidence of collusive price-setting in major markets, nor does it turn out that traders are information-constrained regarding the essentials of the market. The role of traders' association is largely non-existent. In brief, the onion market appears to hold most of the pre-conditions for a competitive market.

The occasional price volatility is mainly caused by natural forces of demand and supply in the market. As apparently there is no sign of oligopoly or cartel in the onion market, the role for an organisation like the Competition Commission is not going to be that much effective in the short-run to stabilise the market. Rather, government intervention in terms of import well ahead of slack season of onion and festivals could prove to be much better strategy to stabilise onion price.

Let us try to explain the causes of this year's increase in onion price. Our study recommended that the government observe and monitor the production and price of onion both inside the country and in India, especially before the beginning of the slack season. There was clear lack in such monitoring and forecasting on part of the government. There was poor harvest in India, and we cannot expect that India would export onion (to Bangladesh) by depriving their own citizens. There was already a tendency of rice in price in Bangladesh at the end of the season. Once India imposed a ban on onion export, the information sparked speculation among both sellers and buyers of onion regarding price hike. The price spiral got fumed with inflationary expectation of the onion price with natural forces of supply and demand. Even the rich people started distress purchase without even noticing that onion constitutes a tiny share of their expenditure. However, the real hardship of the onion price hike fall on the low-income people. If the government had encouraged import of onion earlier, noting the poor harvest in India, the rapid price surge could be halted. When the decision came, it was too late. Also, the open market sale at a lower price was necessary at a larger scale. Then came the search for syndicate in the onion market, which is non-existent.

Hoarding by some actors is a very common tendency during a situation of supply shock. But the hoarding is not possible for a long period. The government needs to intervene in the market at the right time through import and low-price sale, rather than wasting time and resources in search of a "syndicate". We should not forget the natural forces of supply-demand interaction and inflationary pressure.

At this moment it is hard to stabilise the price and we will have to wait till the new harvest to stabilise the market. The onion import in the pipeline will not be able to stabilise the market to a large extent as the cost of import from distant sources is higher than the cost of import from India. In the meantime, the government needs to continue with the open market sale to support the poor people.

Going forward, initiatives should be taken to increase the productivity of onion. High-yield variety onion seed should be made available to farmers at proper time to increase the production. Onion is a commercial crop, so production strategy needs to be developed in order to increase the production at state level. Special initiatives could be taken to produce high-yield varieties in flat lands of hilly regions. Even during the dry season, onion could be produced in haor (low lands in Sylhet region) areas.

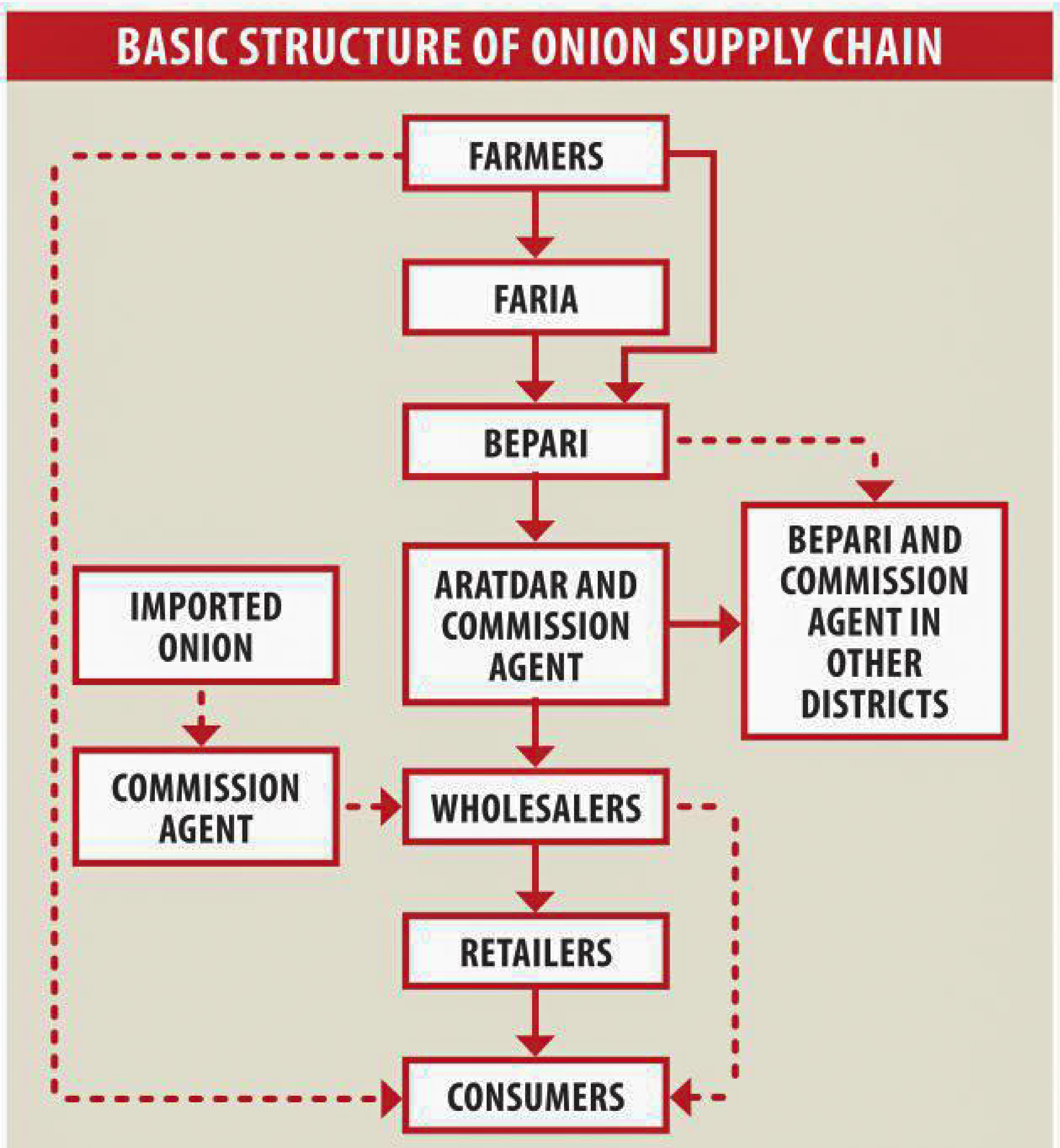
Seed treatment and selection of the variety are important technical practices for increasing the yield of onion which was not realised by farmers. Hence, the extension agencies should take up suitable training programme on these aspects so that farmers are properly educated.

During the time of sudden increase of price, government intervention in terms of low-cost open market sale has to be undertaken mainly targeting the urban poor. Sources other than India should be explored to import onion. Onion may be imported more from China, Turkey, Pakistan, Myanmar and the Netherlands (especially during the period of July-November).

Memorandum of understanding could be signed with the State Trading Corporation, India and some important essential commodities could be imported at government-to-government level arrangement.

The authors are respectively senior research fellow and research fellow at the Bangladesh Institute of Development Studies.

BASIC STRUCTURE OF ONION SUPPLY CHAIN



Trade war goes digital: countries eye tariffs on internet economy

REUTERS, *Geneva*

A 20-year global moratorium on imposing tariffs on digital trade could end next week if India or South Africa makes good on threats, according to trade officials and documents, potentially forcing people to pay duties on software and movie downloads.

Since 1998, World Trade Organization (WTO) members have renewed a ban on import duties on so-called "electronic transmissions", worth up to $255 billion a year by one estimate. Some think this favors rich countries, given it received strong backing from Washington at the outset and most of the lost customs revenues are thought to be born by developing countries.

Pressure is now growing to lift the ban as more books and movies become digital, potentially reducing revenues further.

India and South Africa circulated an internal WTO document, reviewed by Reuters this week, saying that rising digitalization compelled "a rethink of the role of the temporary moratorium" last year, citing the potential of 3D printing to manufacture products. It will be decided on next week and renewal requires full consensus.

Asked about its position, South Africa's WTO Ambassador Xolelwa Mlumbi-Peter said in an emailed response this week that it was "still consulting on this important decision." India did not respond to a request for comment.

"At the moment there are a number of countries that feel confident they can stand aside from the global consensus," said the International Chamber of Commerce's (ICC) Secretary General John Denton. "It could break the Internet." A proposal backed by 21 countries including China and Canada seeks to extend the ban for at least six months when it expires at year end. Deal-broker Switzerland said "a large part of the WTO has signaled its support for the Moratorium".

Such duties could be difficult to apply and it is not clear how it would be determined where the digital product originated from and whether it is an import. "How do you put a tariff on a byte? How would you capture millions of data flows from multiple sources flowing across countries borders every minute of every day," asked Denton.

However, the first possible answers are emerging. Indonesia created tariff codes for digital goods in 2018, fixing the level at 0 percent for now.

Should the moratorium end, it does not mean that tariffs will immediately follow, and Mlumbi-Peter stressed that. But this is seen as more likely in a new culture of permissiveness following the expected paralysis of the WTO's top ruling body after Dec. 10. "If someone tries to experiment putting customs duties on even a limited set of products or services, then there is a risk of immediate retaliation absent of the dispute settlement function," said the ICC's Andrew Wilson.

REUTERS/FILE

A boy tries to use a laptop at a computer shop in Tokyo.