

Govt to finalise mandatory jute packaging rules in Jan

STAR BUSINESS REPORT

The government is set to finalise rules for the compulsory use of jute sacks to pack food items and agricultural produces by January.

The jute ministry has prepared the rules with suggestions from the stakeholders, which will soon be sent to the law ministry for vetting.

"We just need to do a formal meeting for finalising the rules," said Md Fazlul Karim, deputy secretary of the jute ministry.

The entire process will be complete by January 15, he said.

Karim spoke at a seminar on 'State of Jute and State Owned Jute Mills' co-organised by the Jute and Jute Industry Protection Committee and Action Aid Bangladesh at the CIRDAP auditorium in Dhaka yesterday.

Although the government enacted the 'Mandatory Jute Packaging Act' in October 2010, it was not implemented due to the absence of the rules.

The government enacted the packaging law to increase the use of environment-friendly jute goods

instead of polythene or polypropylene bags.

Manufacturers will have to use packaging materials made of at least 75 percent jute fibre, according to the law.

Initially, products such as rice, paddy, wheat, sugar, seeds, fertiliser and saplings are to come under the purview of the law.

Implementation of a mandatory packaging law could help increase domestic demand and thus provide support to farmers to withstand the fall in prices.

To implement the law, the textiles and jute ministry initially planned to ensure the use of jute sacks by state agencies BADC, Department of Food, Bangladesh Chemical Industries Corporation and Bangladesh Sugar and Food Industries Corporation.

The full enforcement of the packing law will create demand for 84 crore jute bags a year for packaging of selected agricultural and non-agricultural products, said Khondaker Golam Moazzem, senior research fellow of Centre for Policy Dialogue.

By one estimate, 70 percent of

local raw jute will be used for the production of 84 crore bags, he said.

The rules will also increase the use of jute goods in domestic markets and ensure fair prices for farmers, he said.

Moazzem stressed the need for bringing efficiency of the jute mills. "State jute mills have to focus on increasing productivity with low production costs."

The government plans to reopen five state jute mills during its tenure.

Bangladesh Jute Mills Corporation (BJMC) has re-launched two mills and plans to reopen another three -- Doulatpur Jute Mills in Khulna and MM Jute Mills and RR Jute Mills in Chittagong, Karim said. BJMC has 24 mills, with 18 mills now in operation.

Currently, Bangladesh exports around 20 lakh bales of raw jute a year, while it produces 60-70 lakh bales of jute. Local factories use 40 lakh bales to make yarn and jute goods, more than 80 percent of which are exported.

Asgar Ali Sabri, director of Action Aid Bangladesh, moderated the seminar.

Local currency gains ground against dollar

Citi says in annual market update

STAR BUSINESS DESK

(CONTINUED FROM FRIDAY)

The Bangladesh Taka depreciated against the US dollar by nearly 16 percent during 2011, with rates rising from 70.75 at the beginning of the year to 81.97 at the end.

The pressure on the currency persisted on the back of a slowdown in export growth (mainly due to the prevailing crisis in Europe), a rise in imports (especially of oil), with a modest growth in remittance that could not lend much support to the balance of payments and led the forex reserves to fall to as low as \$9.3 billion in November.

Depreciation of taka against the US dollar

picked up pace at the end of 2011 with rates rising from 76.90 on December 1, 2011 to a peak of 84.48 on January 29, 2012 -- marking an increase of over 9.8 percent in a span of two months. However, the US dollar/taka rate reached a new equilibrium in early 2012 with rates dropping below 82.0 in mid February.

A slowdown in import payments coupled with a rise in remittance helped arrest the taka depreciation for most part of the year.

Since end-September taka started to appreciate against the Greenback, which further accelerated in December with rates falling from 81.45 on December 1, 2012 to 80 on December 20, 2012.

TO BE CONTINUED



BANK ASIA
Md Mehmood Husain, managing director of Bank Asia, and Syed AK Anwaruzzaman, chairman of Star Porcelain Pvt Ltd, sign a deal at a ceremony in the capital recently. The bank will arrange a syndicated loan for the export-oriented porcelain maker.



INCEPTA
Abdul Mukhtadir, centre, managing director of Incepta Pharmaceuticals, attends the company's annual sales conference for 2013 at Hotel Sea Palace in Cox's Bazar yesterday. Hasneen Mukhtadir, director planning and commercial, was also present.

Doubt over Walmart's safety vows

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Walmart has long held itself out as an industry leader in pushing for safety and ethical standards at the overseas factories that supply its stores, saying it further toughened its fire safety standards this year. It boasts that monitors did 9,737 inspections at 8,713 factories last year to verify that Walmart's suppliers were adhering to its standards. Moreover, Walmart executives have played a forceful role in industry discussions about what should be done to prevent future factory fires.

"We need to work with the industry and to find other ways to raise the bar on safety standards," Duke said at the Council on Foreign Relations.

In the days after the Tazreen disaster, Kamalanathan, the Walmart executive who acknowledged the inadequacy of factory inspections, proposed a series of recommendations to improve fire safety. But nearly all of them put the onus on Bangladeshi authorities and factory owners.

He called on the government to conduct more inspections, tighten standards and phase out factories deemed unsafe. He suggested more rigorous fire safety training and, significantly, said factory owners should pay for any corrective actions. A copy of his e-mail was provided by an official who believes Walmart has not done enough to improve factory safety.

Many workplace safety experts say Walmart's own monitoring system is part of the problem. A report on an inspection of Tazreen Fashions, conducted in May 2011, found that the factory had only 30 of the 66 required fire extinguishers.

There were no fire alarms or fire hose pipes on the factory's fourth and fifth floors and no smoke detectors in the room where yarn was stored. The evacuation plan was outdated, and the factory lacked a health and safety committee, as required by law. The factory's man-

agers said they would fix most of the problems within weeks.

The factory was again inspected seven months later, in December 2011, and again serious problems were discovered. Like the previous inspection, it was sponsored by NTD Apparel, a Montreal-based company that supplies Walmart. The inspection found an inadequate number of fire extinguishers; partly blocked exit routes; an absence of battery-powered, backup emergency lights on the work floor to help workers escape in case of a power failure; and three exit doors on the ground floor that opened inward, a feature that can prove fatal when hundreds of workers are rushing and pushing to escape a blaze.

Sajeev Jesudas, president of UL Verification Services, whose company conducted the daylong December inspection, said it did not consider itself responsible for inspecting for fire escapes or enclosed stairways. "That's the responsibility of the local building code inspector," he said in an interview. "We don't have jurisdiction to inspect the building code."

Bangladesh's government inspectors, however, are known to be overstretched and prone to frequent lapses. Scott Nova, executive director of the Worker Rights Consortium in Washington, said a major reason so many workers died was that yarn and fabric were not stored in a fire-proof warehouse, as required by law, and that the eight-story factory did not have the external fire escapes or enclosed fire-proof, smoke-proof staircases that the Walmart-backed inspector should have flagged.

"If Walmart's audits are not ensuring that a multiple-story factory in Bangladesh has functioning fire emergency exits," Nova said, "then they're not really auditing for fire safety."

Serious safety problems continued well into 2012. An inspection last April -- done by a Bangladesh

apparel contractor that often supplies Western companies -- found numerous violations, not just continuing problems with fire extinguishers and fire alarms but also that Tazreen needed to keep aisles "free from blockage at cutting section and sewing section".

Walmart has released only limited details of its own relationship with Tazreen Fashions. Documents found at the factory after the fire show that six Walmart suppliers had been using the factory in the previous 18 months, including two relying on Tazreen in the weeks just before the fire. Documents show that as recently as last Sept. 13, two months before the fire, 55 percent of the factory's production was for Walmart suppliers. Two days after the fatal fire, Walmart said it had fired a supplier who it said was using the factory without permission.

Walmart says on its Web site that it has dropped 94 factories in Bangladesh for fire safety issues since 2010; 23 other factories moved to safer buildings.

For all the problems, though, many labour advocates do not want buyers like Walmart to simply abandon factories found wanting.

"We want buyers to stay and use their power to ensure factories treat workers decently," said Akter of the Bangladesh Centre for Worker Solidarity. "Walmart did not have to leave, because they had the power and the money to make the factory safe."

In April 2011, an urgent meeting was called in Dhaka, bringing together 50 labour leaders, factory owners, government officials and representatives of retailers like Walmart, Sears, Gap and Target. The issue was fire safety. Two factory fires in 2010 had killed 50 workers.

On the table were two issues: how to improve safety and who should pay for it. Labour advocates and Bangladeshi officials hoped Western companies would pledge to help finance

improvements in fire safety, like fire alarms and fire escapes. But according to the minutes of the meeting and several participants, Walmart took the lead in blocking the proposal.

The minutes, which were made available to The Times, state that Sridevi Kalavakolanu, a Walmart director of ethical sourcing, joined by an official from the Gap, noted that the proposed improvements would involve up to 4,500 factories and would "in most cases" involve a "very extensive and costly modification."

"It is not financially feasible for the brands to make such investments," the minutes quoted them as saying.

One participant, Ineke Zeldenrust, international coordinator for the Clean Clothes Campaign, an antisweatshop group based in Amsterdam, said that Walmart was the retailer that "most strongly advocated this position" and that its opposition effectively killed the proposal.

Walmart said its remarks were taken "out of context," adding that it "has been actively developing and implementing proactive programs to raise fire safety awareness and increase fire prevention."

But Richard Locke, a factory monitoring expert at the Massachusetts Institute of Technology, questioned Walmart's approach. "If Walmart is serious about trying to improve safety," he said, "then the retailers need to contribute" to financing safety improvements.

Labour groups and some Western retailers are pressing Walmart to join an effort in which PVH, the parent of Tommy Hilfiger and Calvin Klein, and Tchibo, a German retailer, have agreed to help pay for fire and electrical safety improvements at Bangladeshi factories. Under the plan, an independent international monitor would inspect factories, and the companies would promise to pay what was

needed to bring the factories up to standard.

In the recommendations he e-mailed to officials at other retailers, Kamalanathan, Walmart's head of ethical sourcing, expressed sadness about the Tazreen fire but largely attributed the problems to inadequate fire safety preparations and poor oversight by Bangladeshi agencies, which he noted were "understaffed" and "unable to adequately and comprehensively monitor all factories." He then floated Walmart's new plan, including recommendations that Bangladeshi government officials inspect more strictly, closing unsafe factories, while factory owners' finance needed safety improvements.

Experts agree that Bangladesh's government and factories provide inadequate monitoring and enforcement on fire safety. But many also agree that it is unrealistic to expect governments to enforce labour laws aggressively and shut down unsafe factories, given the disincentives for Bangladesh and other low-wage countries that are eager to attract apparel orders to create jobs and increase exports.

"It is disingenuous," said Professor O'Rourke of Berkeley, "for a company to blame the local government for not doing its job, when the company knows very well that part of the reason there are so many factories in this country is that local labour laws and other laws are not enforced and production costs are lower because of that."

Sobhan, the former Bangladeshi diplomat, said that Walmart, for all its ambitions, was far less active on corporate social responsibility issues in Bangladesh than retailers like Carrefour and H&M. "They are certainly lagging well behind the others," Sobhan said. "We'd like to see them being more proactive in doing the right thing."



DAFFODIL COMPUTERS
Shahana Khan, chairman of Daffodil Computers Ltd, attends the company's 15th annual general meeting in the capital yesterday. Md Sabur Khan, managing director, was also present.

DCCI gets new president

STAR BUSINESS DESK

Md Sabur Khan has been elected as president of Dhaka Chamber of Commerce and Industry for 2013, the chamber said in a statement yesterday.

Nessar Maksud Khan has been elected as the senior vice president and Absar Karim Chowdhury as vice president of the chamber.

Sabur Khan is the chairman of Daffodil International University and Daffodil Group.

He is the former president of Bangladesh Computer Association and a member of the prime minister's ICT taskforce.

Nessar Maksud Khan is the chief executive of Rumne Traders and Nahean Enterprise. He established Moks Renewable Energy Company.

Absar Karim Chowdhury is a former president of Bangladesh Electrical Merchandise Manufacturers Association and the chief executive of Fazal Wire & Metal Industries and Fazal Industries.



Md Sabur Khan

ICAB elects new president

STAR BUSINESS DESK

Md Abdus Salam has been elected as president of the Institute of Chartered Accountants of Bangladesh (ICAB), the national professional accounting body said in a statement yesterday.

Showkat Hossain, Muhammad Farooq and Gopal Chandra Ghosh were elected as vice presidents of the institute for 2013.

They were elected by the new council members shortly before the institute's 40th annual general meeting held at the ICAB auditorium in Dhaka.

Salam served the ICAB as vice president since 2010. A current partner of ARTISAN-Huque and Chartered Accountant, he is also a director of



Md Abdus Salam

Non-banks to get some time to raise paid-up capital

FROM PAGE B1

"We are a little bit worried," said Asad Khan, chairman of Bangladesh Leasing and Finance Companies' Association.

Khan, also the managing director of Prime Finance, said he would sit with the association members soon to discuss the issue.

The association also had a meeting with the central bank recently, he added.

The central bank last year asked the NBFIs to raise their paid-up capital to minimum Tk 100 crore by June 30 this year. Later, the deadline was extended to December 31.

Despite the time extension, nine NBFIs have failed to meet their capital requirements.

Of these companies, Phoenix and Bangladesh Industrial Finance Company (BIFC) have applications pending with the stockmarket regulator for nearly one year to raise their capital by issuing rights shares.

Another company, Industrial and Infrastructure Development Finance Company (IIDFC), said it has taken all the preparations to meet the deadline.

GSP Finance was not allowed to increase its capital through rights offer as the company is yet to pass one year since its listing on the stockmarket. Hajj Finance has been a losing concern until this year.

However, some of these companies told The Daily Star that they were in the process to meet the BB's capital requirement, but they would require more time to do so.

Inamur Rahman, managing director of BIFC, said they are in the process and informed the central bank about their roadmap to raise the capital.

"Everything is ready. We've audited our accounts and done credit rating. Now we'll go for permission from the stockmarket regulator," said Rahman. "We need a few more months." IIDFC is well ahead to meet the capital requirement.

"Presently, we've Tk 77 crore in paid-up capital. We'll inject Tk 22 crore from our retained earnings and the rest Tk 1 crore from the sponsors," said Asaduzzaman Khan, managing director of IIDFC.

Khan said they have applied to the stockmarket regulator and will be able to meet the deadline.

A senior official of the stockmarket regulator, asking not to be named, said they would not allow any company having negative earnings to raise its capital through the offer of rights shares.

There are 31 NBFIs operating in the country. Of them, 22 are listed on the stockmarket.

The industry players said most of the 31 companies incurred losses in 2012 due to a rise in cost of funds and sluggish investment demands, coupled with competition from banks. As of 2011, the NBFIs have net investments of around Tk 20,000 crore with a net asset value of Tk 5,000 crore.