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DHAKA THURSDAY OCTOBER 10, 2013, e-mail:business@thedailystar.net

## FRESH FACTORY FIRE Not enough being done, ILO says

DIPLMATIC CORRESPONDENT

The International Labour Organisation (ILO) yesterday expressed dismay over the death of seven workers from a fire at Aswad Composite Mills on Tuesday night.

"This latest fire to affect the readymade garment sector in Bangladesh reflects the sad and shocking truth that not enough is being done to address the safety and health of garment factory workers," Guy Ryder, director-general of the ILO, said in a statement.

He said workers are "still dying for reasons that could well be avoided if decent working conditions were in place" following the "staggering" loss of lives over the past year.

The ILO director-general, however, went on to acknowledge that the government and its social partners have been collaborating to improve working conditions, strengthen labour inspections and upgrade building and fire safety in RMG factories, following the Rana Plaza collapse in April.

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Atiqul Islam, president of BGMEA, and Nafis Sikder, managing director of Palmal Group, the parent company of Aswad Composite Mills, observe a one-minute silence for the seven people who died in a factory fire on Tuesday in Gazipur.

## It's an accident: Aswad owner

The company to give Tk 5 lakh to each of the dead as compensation

REFAYET ULLAH MIRDHA

The fire at Aswad Composite Mills in Gazipur was an accident, not an act of sabotage, the owner of the factory said yesterday.

The fire originated in the chimney of a heating machine, said Nafis Sikder, managing director of Palmal Group, the owning company of the factory.

"However, the way the fire spread across

the entire factory was mysterious. It spread in only 15 minutes," Nafis said at a press conference at BGMEA office in Dhaka.

Separate probe teams of the government and the garment makers' trade body are working to find out the cause of the fire that claimed seven lives on Tuesday night.

Nafis said they are yet to assess the losses and will try to reopen the factory as soon as possible.

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## Democracy's impact on economic growth—not so much: study

STAR BUSINESS REPORT

Democracy in Bangladesh does not seem to have a statistically significant impact on economic growth as elected regimes become authoritarian in nature, inflicting a substantial negative impact on the economy, a new study found.

The study by three researchers from the Centre for Policy Dialogue (CPD) said the reasons behind democracy having no significant impact on economic growth in the country are also likely causing autocracy to have a negative impact.

"This is supplemented by the fact that in Bangladesh, even under a democratic regime, policy making institutions required to promote and foster economic growth do not alter their decision making behaviour and continue to be inefficient," it said.

The study said this could be as a result of inefficient economic policy design, lack of a consensus on economic policy and policy continuation, inadequate democratic decision making process, pressures from lobbying groups, weak institutions and a lack of institutional reforms required to promote economic growth.

Debabriya Bhattacharya, distinguished fellow at CPD, Shouro Dasgupta, junior consultant, and Dwitiya Jawher Neethi, programme associate, conducted the study.

The study, 'Does democracy impact economic growth? Exploring the Case of Bangladesh' was published by CPD and Chr. Michelsen Institute in Norway under a joint initiative.

The study said major expansion in the export-oriented garments sector (from \$31.6 million in 1983-84 to \$21.52 billion in 2012-13) and the contribution of increased remittance from expatriate workers (from \$237 million in 1979-80 to \$14.5 billion in 2012-13), along with trebling of crop production in the last four decades had been the major drivers of economic development.

As a result, while growth in the services sector remained consistently high and agricultural growth had been appreciable, industrial growth took the lead in bringing about changes in the sector-wise composition of the country's economy.

Bangladesh provides a unique case to study the democracy and economic growth relationship in the sense that there have been periods of both democracy and autocracy in the last three decades, the paper said.

These regimes were broadly divided into three phases: elected civilian regime (1972-1975), military and quasi military rule (1975-1990) and democratic civilian governance (1991-2009).

The economic growth rate was 3.4 percent in the 1980s, 4.8 percent in the 1990s and 5.8 percent in the 2000s.

Between 1980 and 2010, the GDP size expanded four-fold, when the GDP growth rate increased by 1 percentage point each decade on average.

During the democratic period (1991-2011), the average GDP growth was 1.6 percentage points higher than in the military and quasi-military periods. Average government expenditure during the two decades of democracy was 4.9 percent of GDP, compared to 4.3 percent in the preceding decade.

The researchers said it is often argued that democracy in Bangladesh is essentially limited to casting votes once in five years; this could be another reason why democratic stock has no significant impact on economic growth in Bangladesh as yet.

Rather, one year after the national elections, democratically elected executive power tends to become autocratic in practice, the study said.

"At the same time, investment or capital formation in the economy has remained low and democratic regimes have often failed to promote investment friendly environments, which in turn, affected the employment scenario," said the study.

## Only 16pc private firms involved in CSR: survey

STAR BUSINESS REPORT

Only 16 percent of private companies in Bangladesh are contributing to social development through their corporate social responsibility activities, Save the Children-Bangladesh said in a report yesterday.

The survey conducted on 24 companies from July to August this year found that only four of them have CSR activities, said Shahida Begum, programme director of the education for youth empowerment wing of Save the Children-Bangladesh.

Forty-six percent of the surveyed companies mentioned that CSR and compliance would increase their business opportunities, she said while presenting the report at Youth Convention 2013 as part of the formulation of 'National CSR Policy for Children'.

The labour and employment ministry and Save the Children-Bangladesh jointly organised the programme in Osmani Memorial Hall in Dhaka. Around 700 youth representatives attended the convention.

The labour ministry included a provision in the latest amendment of the Labour Act- 2013 that all private companies must have at least a 10 percent apprenticeship system for young job seekers.

But the report mentioned that around 79 percent companies do not have any apprenticeship system while around 80 percent of them lack sufficient skilled manpower.

Labour Secretary Mikail Shipar said they were working to encourage all private companies to reserve 10 percent for apprenticeship for the unemployed youth so that they can be skilled and engaged in work at home and abroad.

Private companies coming forward to remove unemployment through their CSR activities could boost the country's development, he said.

Save the Children-Bangladesh is currently implementing a project to combat child labour through CSR in Bangladesh.

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## IMF forecasts lower GDP growth

REJAUL KARIM BYRON

The country is set for a lower GDP growth this year due to a precarious political situation, the International Monetary Fund (IMF) said on Tuesday.

The multilateral lender tipped the country's GDP to grow at 5.8 percent in 2013 and 6 percent in 2014 in its World Economic Outlook released on the sidelines of the annual meeting of the World Bank and IMF currently being held in Washington. The GDP growth in 2012 stood at 6.1 percent.

For fiscal 2013-14, the IMF expects the GDP growth to be 5.5 percent, significantly less than the government target of 7.2 percent.

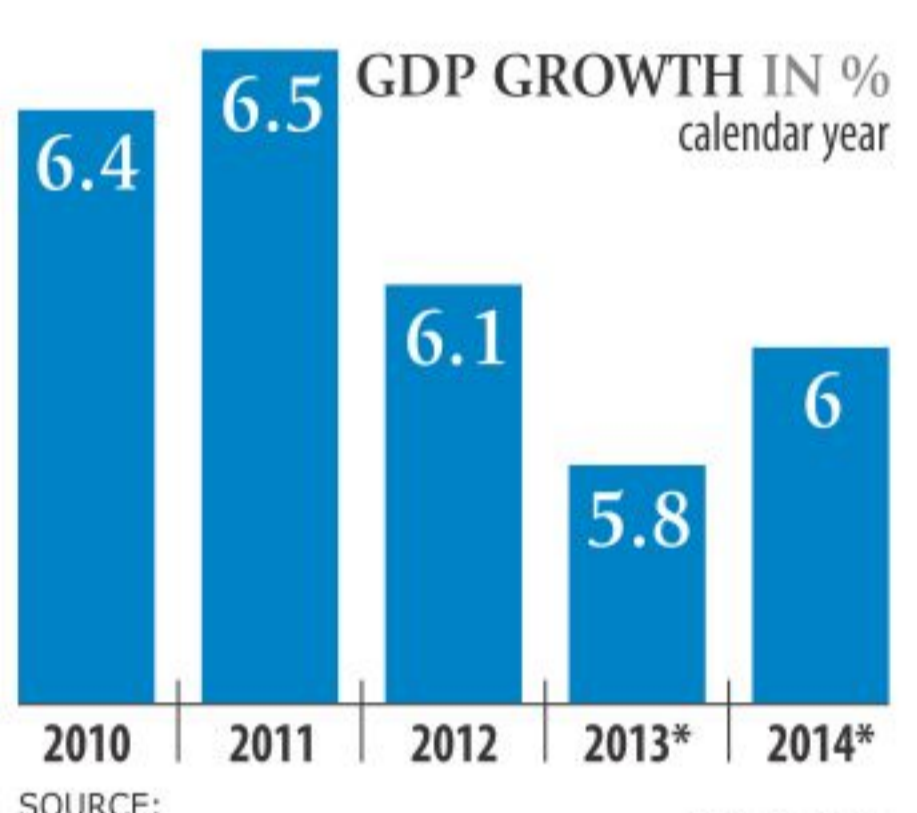
"The political uncertainty and probable violence centring on the ensuing national elections would cause less growth," Zahid Hussain, lead economist of the World Bank's Dhaka office, told The Daily Star.

Zaid Bakht, research director of Bangladesh Institute of Development Studies (BIDS), said the political uncertainty has reined in private investment and with the approaching Jatiya Sangsad election public investment, too, is likely to decrease.

"Bureaucracy will develop sluggishness as the government's whole attention would be on the polls."

Bakht, also a director of the state-owned Sonali Bank, said the investment is not picking up despite pressure from the board to increase loan disbursement.

The IMF was also cautious about the perspectives for emerging markets without



SOURCE: WORLD ECONOMIC OUTLOOK \* PROJECTION

sliding into pessimism over the impact of US monetary policy on growth.

"Medium-term prospects for emerging market economies are weaker," the IMF said.

Growth rates in emerging market and developing economies are now down some three percentage points from 2010 levels, mostly due to a slowdown in Brazil, China, and India, the IMF said.

"Projections for 2016 real GDP levels for Brazil, China, and India have been successively reduced by some 8 to 14 percent over the past two years," the organisation said.

The IMF also reduced China's 2013 growth forecast by 0.2 points to 7.6 percent and the 2014 forecast by 0.4 points to 7.3 percent.

India's 2013 growth forecast was cut sharply by 1.8 points to 3.8 percent and the 2014 forecast reduced by 1.1 points to 5.1 percent.

## Garment exports buoyant in Q1

STAR BUSINESS REPORT

Garment exports registered robust growth in the first quarter this fiscal year despite some domestic odds, thanks to the sector's price competitiveness in international markets.

Between July and September, knitwear exports raked in \$3.16 billion, up 24.43 percent from a year ago, according to data from the Export Promotion Bureau. At the same time, woven garments fetched \$3.05 billion, a 23.89 percent year-on-year rise.

"This growth indicates buyers want to work with the local garment makers so that Bangladesh garment factories can be more compliant," said Mustafizur Rahman, executive director of Centre for Policy Dialogue (CPD).

Buyers have chosen Bangladesh to source apparel items as the country can offer competitive prices, proper shipment and lead time, he added.

Overall exports rose to about \$2.6 billion in September, which is over 36 percent higher than in the same month last year.

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## BB offers Tk 100cr to ensure fair prices for jute growers

STAR BUSINESS REPORT

The central bank yesterday announced a Tk 100 crore refinancing scheme to ensure fair prices for jute farmers who are walking a tightrope this season.

Banks will receive funds to extend low-cost loans to jute traders so that the growers get fair prices, Bangladesh Bank Deputy Governor SK Sur Chowdhury said at a press conference at the BB headquarters.

Chowdhury said the jute farmers will indirectly be benefitted from this. If a farmer sees there are no buyers in the market, he will be compelled to sell his produce at throwaway prices. But the fund will increase cash flow as well as the number of buyers, he added.

Private jute mill owners and jute traders will receive loans from the fund at 8-9 percent, while the present interest rate in the market is 15-16 percent.

Loans will also be disbursed with minimum required formalities; if one owns a factory or warehouse, he will be eligible for the loan, the deputy governor said.

However, the government had asked the central bank to build a fund of Tk 200 crore, Chowdhury said.

Bangladesh Jute Mills Corporation, the biggest buyer of raw jute in the public sector, is running low on cash and is struggling to buy jute from the farmers and traders in the peak season now. This has made the jute market lose competitiveness and a depressed market is forcing growers to sell jute at lower prices.

From Tk 1,400-Tk 1,500 a maund last year, farmers are getting only Tk 950-Tk 1,100 this season from the sale of raw jute, according to market sources and field reports.

The BJMC had sought Tk 500 crore from state-owned commercial banks a few months ago to cope with a cash crunch, but it received only Tk 125 crore.

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