



Faulty NIDs deprive RMG workers of welfare fund benefits

Star Business Report

Garment workers have been facing challenges in accessing financial benefits from the Central Fund for the industry because of inaccuracies in their national identity (NID) cards.

The Central Fund for the welfare of garment workers was set up in 2016, with the country's apparel makers contributing 0.03 percent of their export proceeds to the fund each fiscal year.

As per the conditions of the fund, the workers must submit their NIDs to take financial benefits from the fund.

However, at the end of the day, not all workers can access the money as their NID cards are littered with mistakes, speakers said.

They made the comments at a roundtable discussion, titled "Social Protection for RMG Workers in Bangladesh", jointly organised by The Daily Star and the UN Capital Development Fund at The Daily Star Centre in Dhaka.

According to the ministry sources, there is around Tk 1,000 crore in the Central Fund at present.

Md Abdus Samad Al Azad, director of the Central Fund under the Ministry of Labour and Employment, said his ministry plans to remove barriers in fund disbursement by correcting complexities related to Mobile Financial Services (MFS) and finding an alternative to NIDs.

He said faulty NIDs are the biggest factor depriving workers of social protection measures.

Azad added that payments from the Central Fund would gradually be digitised so workers could avail funds easily and without hassle.

Government officials, senior officials from different garment factories, international cooperation bodies, union leaders and officials from different NGOs also participated in the discussion, which was moderated by Tanjim Ferdous, in-Charge (NGOs and foreign mission) of The Daily Star.

The Central Fund is one of many social protection measures for garment workers. Other such schemes include the Social Protection Programme for Unemployed Workers by the European Union and Germany, the National Social Insurance Scheme, the Employment Injury Scheme, the Mental Health Initiative for RMG Workers, the Mother and Child Benefit Program, Child Daycare Centers and the Universal Pension Scheme.

Unfortunately, most workers cannot enjoy such benefits as they lack awareness about these facilities. Bureaucratic hassles and complex processes present other major barriers.

While presenting the keynote paper, Shariful Islam Chowdhury, project analyst of UNCDF Bangladesh, said most RMG workers are unaware of such programmes.

He recommended increasing awareness, collaborating with industry associations, integrating factories with the universal pension scheme, and digitising the central fund so workers can benefit from these measures.

Banks mostly gave loans to their owners rather than creditworthy borrowers

World Bank's senior official speaks on lending culture in Bangladesh

OBSERVATIONS

- Earlier implementation of flexible exchange rate could ward off liquidity crisis
- Bangladesh missed out on attracting FDIs and creating new jobs
- The country's banking sector should have more transparency
- Capital should be taken out from unsuccessful ventures and redirected
- Some of Bangladesh's tax policies have company-specific exemptions
- Inflation to decrease as the supply chain recovers from Jul-Aug disruptions



People here are ready to invest, to be busy and to try and improve their livelihoods. This could have led to more growth if they had access to credit.

MARTIN RAISER
World Bank vice president for South Asia

REJAUL KARIM BYRON and SOHEL PARVEZ

Bangladesh's banking sector was not well-managed in recent years. Banks mostly gave loans to their owners, rather than to creditworthy entities. Consequently, several banks are now in difficulty.

Besides, the previous administration could not effectively manage the exchange rate. It acted opposite to conventional economic wisdom.

They opted to defend a fixed exchange rate, even though the Reserve Bank of India (RBI) allowed the Indian rupee to depreciate to ensure that its competitiveness was not negatively affected.

"This caused losses of a lot of reserves. As a result, liquidity was getting tighter," said Martin Raiser, the World Bank (WB) vice-president for the South Asia region.

"If Bangladesh had instituted this kind of policy five-six years ago, it would not have faced the kind of liquidity shortages that the economy experienced."

In an interview with The Daily Star at the end of last week in Dhaka, he said the Bangladesh Bank is currently addressing these issues.

"I think they are doing a good job, but clearly, the financial sector needs to be one of the focuses of reform efforts now to create stronger banks and ultimately to provide more credit to SMEs [small and medium-sized enterprises]," he said.

Raiser, who visited Dhaka in the second half of the last month, also spoke about Bangladesh's economic performance, the reasons for persistent inflation, implications of

low revenue collection, and necessary reforms to salvage the ailing banking sector.

The WB official also responded to questions regarding the overall support that the Washington-based agency is considering in response to a request from the interim government, which was sworn in after a mass uprising ousted the Sheikh Hasina-led government on August 5.

Raiser said Bangladesh has indeed done very well, not just recently. Its transformation has been remarkable since independence.

"We have always regarded Bangladesh as a success story."

He said in recent years, the Covid-19 crisis has adversely affected all countries and also had an impact on Bangladesh.

The country could not recover fully due to the slowdown in global trade.

Raiser said Bangladesh is getting more developed, so remaining specialised solely in readymade garments is not so sustainable. Because there are limits to the productivity increases that one can get from a single sector.

"Bangladesh has missed the opportunity to diversify the economy, bring in more foreign investment, bring more technologies, and create different kinds of jobs since the global financial crisis."

NEED A LEVEL PLAYING FIELD

Raiser said he visited Bangladesh five to six times and saw the strength of entrepreneurship.

"Lots of people are ready to invest themselves, to be busy and to try and improve their livelihoods, from the rickshaw drivers to, you know, small manufacturing to fashion

designers to the gig economy. Now, a lot of dynamism could lead to more growth and more jobs if they had access to credit."

However, the nation is not getting all the benefits in the absence of a level playing field.

"So, those are some areas where Bangladesh didn't do very well in recent years and could have done much better."

"But there, you know that they can benefit. The last administration invested a lot in infrastructure and that got better. Connectivity is better, so there are some positive foundations on which Bangladesh can and should build."

OVERALL FUNDING ENVELOPE TO BE ROUGHLY \$3.5 BILLION

Raiser said the interim government requested budget support for the energy sector and banking reforms.

The envelope of fresh money would be about \$2.2 billion and, including over \$1 billion in repurposed loans, overall funding would be roughly \$3.5 billion.

The official said the WB and the government have been in discussions on what will be done to support banking, tax reform, better governance, and transparency, to support the energy sector and social assistance.

"Some of these discussions predate the recent changes. Some of them are new."

NEED FOR TRANSPARENCY IN THE BANKING SECTOR

Raiser said the multilateral lender wants to get more transparency in the banking sector.

He said people who park deposits in banks should know who the beneficiary owners

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