

# Fashion brands face criticism for 'failure' to protect labour rights in Bangladesh

## STAR BUSINESS REPORT

Fashion brands, including H&M and Zara, are facing criticism over their lack of action to protect workers' basic rights in Bangladesh, according to Clean Clothes Campaign (CCC).

One year after a violent crackdown by state actors and employers against Bangladeshi garment workers protesting for higher wages, 40,000 workers remain at risk of arrest due to repressive legal charges brought against them through blank arrest warrants, it said in a recent statement.

Campaigners, labour rights advocates and trade union representatives have launched an international campaign condemning the inaction of fashion brands and are calling for the 36 legal cases against worker groups and protesters to be dropped.

Anne Bienias, a lead campaigner for the CCC, is urging brands to take swift action: "Brands such as H&M and Zara have a responsibility to ensure that complaints against unnamed protesters cannot be used to intimidate workers and their representatives."

"The refusal of brands to support union-backed wage demands despite extreme poverty and their lack of willingness to get these cases dropped illustrates who profits from the status quo and who doesn't. Brands clearly do," Bienias said in the statement.

The CCC has linked 45 fashion brands to suppliers who filed charges in 36 cases against garment workers in Bangladesh and has been pressuring these brands for the past year to ensure the cases are dropped.

While some brands have taken initial steps to ensure suppliers drop false allegations, one year on, all brands and suppliers have failed to follow through and not a single case has been cleared.



PHOTO: STAR/FILE

Many garment workers remain at risk of arrest due to repressive legal charges brought against them through blank arrest warrants, Clean Clothes Campaign said in a statement.

The CCC is launching a new action tracker to expose which brands are linked to the outstanding warrants, including H&M, Zara, Next, Matalan, Levi's, Bestseller, and more.

Campaigners hope this tool will shed light on the industry's complicity and ensure brands follow through with suppliers to get the charges fully dropped.

The launch of this new coordinated effort to apply pressure on brands coincides with the anniversary of last year's widespread wage protests in Bangladesh.

Police and the military cracked down on protesting workers who expressed dissatisfaction over the disappointing

outcome of the long-awaited minimum wage negotiations.

As a result of the violent police response, four workers lost their lives, hundreds were severely injured and 131 were arrested.

Kalpona Akter, president of the Bangladesh Garment and Industrial Workers Federation, said: "In an industry where union repression is rife, getting the cases dropped is just the first but very necessary step toward creating an industry where workers can live a decent life off their wages, and where barriers to freedom of association are removed. We won't live in fear. We are calling for living wages that support our families."

# Investors don't get clear picture

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Both Shahadat and Mahamud recommended slowly adopting the IFRS fully.

Among the major waivers from the central bank, the waiver on provisioning against total loans has created a big difference.

According to the IFRS, provision on total loans and advances needs to be kept on the basis of expected credit loss for one year plus on the basis of the history of the banking industry and the reality of the economy on a lifetime basis.

Apart from this, if a bank identifies that a specific borrower is facing financial difficulties and the bank assesses that there is a higher probability that this borrower will default, the bank keeps additional specific provisions on this loan.

However, Bangladesh Bank allows much smaller provisions on unclassified loans, ranging from 0.25 percent to 5 percent. It prescribes that banks need to have 20 percent provision when loans become sub-standard, 50 percent when they turn doubtful and 100 percent if it becomes bad loans.

According to several veteran chartered accountants, if banks followed IFRS for provisioning, their provision requirement would increase by roughly 10 to 13 times, mainly because of the lifetime expected credit loss based provisioning.

As of the second quarter of fiscal year 2023-24, the required loan-loss provisioning of banks collectively was Tk 98,941 crore whereas they set aside Tk 79,679 crore to cover the bad debts.

A local regulator can modify some rules considering the context and it

is not violation of the IFRS, said AF Nesaruddin, a former president of the ICAB.

"As the economic and financial condition of the country is different from other countries, the adjustment is okay," he said.

However, by not fully following the IFRS, banks can show higher disbursed loans even if loans become classified. Interest income will also vary massively if they follow international standards.

Banks should follow the basic standards of the IFRS to improve financial reporting standards to the international level, said Syed Mahbubur Rahman, a former chairman of the Association of Bankers, Bangladesh.

Several strong banks are already following some IFRS stipulations that were waived by the central bank. If all the banks followed these standards, the standard of their financial reports would improve.

The central bank should analyse whether there is anything that is not applicable to Bangladesh considering its environment, added Rahman, who is also managing director and CEO of Mutual Trust Bank.

Sayed Ahmed, an executive director of the Financial Reporting Council, said his organisation has informed the central bank about the distortion of the reporting of the financial institutions.

"It will obviously impact the financial health of banks and NBFIs if they follow the IFRS. Even, some can drown into losses."

So, an empirical analysis should be done to gauge the impact that following international standard accounting rules would have on the sector.

To improve the standards of the banking sector, the central bank management."

Islam said the overall economy of Bangladesh is facing a slowdown, and the heavy government borrowing from the banking sector could exacerbate this issue.

Towfiqul Islam Khan, senior research fellow at the Centre for Policy Dialogue, said the government does not have much option beyond bank borrowing for budget deficit financing.

"External borrowing is tied to development project implications. Sales of national savings instruments has fallen due to drop in the disposable income of the middle class," Khan said borrowing from commercial banks should not be very high.

The government should revise the budget at the earliest, keeping in view a realistic revenue mobilisation target and a budget deficit that the economy can absorb, he added.

The previous Awami League government framed a nearly Tk 8 lakh crore budget with plans to borrow over Tk 2.51 lakh crore for the FY25.

"Essentially, it will inform the likely scope for public expenditure. The government indeed will be required to prioritise its public expenditure. And it should prioritise the interest of marginalised people."

should lift waivers it has provided in phases, he said.

Ahmed recommended forming a roadmap to follow the IFRS in the financial sector gradually so that no firm faces any adverse situation suddenly.

Usually, a tripartite meeting between the management of financial institutions, external auditors and a team of the central bank gives waivers on the basis of the health of financial institutions, according to an auditor.

"It is an uncommon practice worldwide. Accounting practices should be the same for all," he added.

Currently, Bangladesh Bank is following a rule-based classification and provisioning system, according to central bank Spokesperson Husne Ara Shikha.

"To increase the risk management capacity of the scheduled banks, Bangladesh Bank has prepared a draft plan to implement IFRS 9 for the banking sector."

The central bank plans to implement the loan classification and provisioning system based on Expected Credit Loss (ECL) under IFRS 9 by 2027, she said.

She added that instructions would be issued for banks as a preparatory measure to implement the same.

IFRS 9 specifies how an entity should classify and measure financial assets, financial liabilities and some contracts to buy or sell non-financial items.

# No documents

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On top of that, the NBR on Tuesday issued an order to make the online filing of income tax returns mandatory for government employees under the jurisdiction of income tax circles located in Dhaka North, Dhaka South, Gazipur and Narayanganj city corporations.

Additionally, all scheduled banks and mobile telecom service providers now require employees to file income tax filings online.

They also brought some multinational companies under the rule, including Unilever Bangladesh Limited, British American Tobacco Bangladesh Limited, Marico Bangladesh Limited, Berger Paints Bangladesh Limited, Bata Shoe Company (Bangladesh) Limited, and Nestlé Bangladesh PLC.

"We have initially chosen the companies considered technologically sound," Khan said.

Although the NBR has focused on the e-return system, the tax administration will continue the tax week from November similar to previous years, he said.

"We won't provide services door-to-door. Rather, we will intensify our online services. If we get any specific request to educate someone about the return submission, we can serve them through volunteers."

Taxpayers can make payments through internet banking, debit and credit cards and mobile banking. Apart from this, copies of submitted returns, acknowledgment of receipt, income tax certificate, and tax identification number (TIN) can be downloaded and printed.

# Interim govt's economic initiatives yield positive results: ICCB

## STAR BUSINESS DESK

The country is witnessing the impact of initiatives taken by the interim government within two months of taking office, including increased flow of remittance, improved foreign exchange reserves, reduced fuel prices and accessible loans for export industry workers, according to the International Chamber of Commerce-Bangladesh (ICCB).

The chamber made the remarks in its editorial of the current News Bulletin (Jul-Sep. 2024) released yesterday.

"Within two months of taking office, our nation is already seeing the positive impacts of initiatives the interim government took. Key achievements include increased remittance flow, improved Bangladesh Bank reserves, reduced fuel prices, and accessible loans for export industry workers."

"Steps taken to stabilise bank operations and foster economic stability, forming a high-level task force to recover laundered money, creating six commissions, and taking the initiative to issue a White Paper on the economic condition are also notable," the ICCB said in its editorial.

"Bangladesh Bank's efforts to boost credit flow to the export sector and ease import restrictions are commendable," ICCB said. It mentioned that businesses emphasised the urgent need to address various issues, particularly the law and order situation in the country.

Despite government efforts, including deploying armed forces,

some miscreants continue to instigate unrest, affecting industries, especially the readymade garment (RMG) sector. Although all demands of RMG workers have recently been accepted, industrial areas still face disruptions due to outsiders causing disorder, said ICCB.

According to the chamber, these offenders have engaged in robbery, vandalism, arson, and looting, resulting in damages exceeding Tk 5,000 crores as estimated by the businesses.

Besides, according to BGMEA, the garment industry has suffered a collective production loss of around US\$400 million.

As the RMG sector is crucial to our export earnings, ensuring uninterrupted operations and taking comprehensive measures to stabilise the garment industry is vital, said ICCB.

It said the current law and order issues have led to adverse reactions from international brands and buyers, raising concerns about future orders. It is crucial to devise a strategy to rebuild relationships with key export markets and importers urgently.

The global business entity praised the Anti-discrimination Students' Movement, which ultimately contributed to the end of the 15-year Awami League regime and unfolded a new chapter of democracy and good governance.

This achievement, showcasing the solidarity, strength, and determination to uphold the rights of students and the people, serves as a testament to the enduring spirit of collective action, even in the face of significant challenges, it added.

# Why stocks on a downward curve

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This impacted the apparel business and ultimately had a negative effect on the stock market, added Rahman.

According to the managing director of the securities house, the regulator's rush to implement stricter measures to discipline the highly sensitive market also contributed to the plunge amid fragile investor confidence.

He said the regulator should have implemented these measures gradually. For instance, Rahman believes that the Bangladesh Securities and Exchange Commission (BSEC) should have held dialogues with 27 companies before downgrading them to the Z category.

"If such discussions took place, many of these companies could have made necessary corrections. The number of junk downgradings and their subsequent impact could have been minimised," he commented.

After the fall of the Awami League government, many foreign and institutional investors purchased blue-chip shares at low prices, hoping for major improvements in governance and the overall stock market ecosystem, Rahman added.

Meanwhile, Saiful Islam, president of the DSE Brokers Association (DBA), said, "The primary cause of the recent

decline in stock market indices is trigger or forced selling."

Islam said that many margin accounts, a type of brokerage account where investors borrow money from the broker-dealer to purchase securities using the account as collateral, have become problematic in the stock market.

This issue began in 2011 when trigger sales were deferred, leading to financial distress for many lenders.

For the past 15 years, brokers and merchant banks were prevented from executing trigger sales. However, they are now clearing their books by selling shares, anticipating stricter provisioning requirements that were previously waived, he added. Islam said brokers should not be barred from executing trigger sales, as it negatively impacts both investors and intermediaries.

As of the end of 2023, the outstanding negative equity against margin loans in the country's capital market stood at Tk 6,630 crore. Around 87 organisations, including brokers and merchant banks, continue to bear this burden.

According to the regulations, negative equity should not have occurred, as lenders were obligated to sell assets in margin accounts before their market value fell below

the borrowed amount. However, after the market collapses of 2020 and 2011, the regulator verbally instructed lenders to refrain from conducting sales in margin accounts.

This incorrect regulatory guidance ultimately led to the accumulation of negative equity, initially exceeding Tk 15,000 crore and decreasing to Tk 8,100 crore by December 2020.

Consequently, the stock market index has suffered, as intermediaries are now unable to provide adequate support to the market. DBA President Islam said nearly 50 percent of stockbrokers and merchant banks are insolvent due to continuous losses.

Islam, who is also a director of Brac EPL Stock Brokerage, mentioned that foreign investors have been hesitant to invest in recent weeks, observing 7-8 banks are going through "a soft bankruptcy".

In this situation, foreign investors are waiting but not withdrawing fund as they have belief on the existing government that the economy will rebound, he said.

To attract more local investors to the market, Islam suggested that stock market leaders must instill confidence among general investors in the regulator's ability to make sound decisions and maintain consistency.

# Govt borrowing from banks

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"While the government reduced its net borrowing from Bangladesh Bank itself, the broader banking sector has had to absorb a larger portion of the debt.

"Government borrowing from banks can lead to a crowding-out effect, where private businesses have less access to loans due to the government soaking up available funds," he said.

Islam added that the net credit to the private sector, which increased 0.09 percent in August 2024 compared to 9.84 percent in June 2024, suggests that credit expansion to the private sector is slowing, potentially due to the government's increased demand for funds.

Additionally, government borrowing can lead to higher interest rates as banks seek to compensate for the increased demand for funds.

"This might constrain private sector investment, which is crucial for stimulating economic growth."

He said the non bank borrowing of the government increased in July this year by Tk 4,360 crore compared to Tk 996 crore taka a year ago.

"Revenue collection continues to be a concern. The slower growth in tax revenues further exacerbates the need for borrowing, putting additional strain on fiscal

# Flood-hit SMEs seek

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She had also planned to use her farm's earnings for her daughter's wedding.

"But the floods have put me in great danger. How can I now pay the instalments of bank and NGO loans? It is impossible to recover if the government does not cooperate," she said in a voice filled with distress.

To highlight the gravity of the damages, the disaster management ministry and the Centre for Policy Dialogue (CPD) have released separate reports.

In both reports, the amount of financial loss was mentioned to be above Tk 14,000 crore.

The sudden August floods have

claimed 74 lives and injured 68 others nationwide, according to the disaster management ministry.

The ministry calculated the financial toll based on damages to agriculture, housing, roads and overall infrastructure across 11 districts in the eastern part of the country, with Feni being the worst affected.

Some 9.43 lakh people were affected by floods and half of them were displaced from their homes and sought shelter elsewhere, it said.

In its study, the CPD said the government would need to increase its budget for relief distribution.

The think-tank said the damage was equivalent to 1.81 percent of the

national budget and 0.26 percent of the country's projected gross domestic product (GDP) for fiscal year 2024-25.

The floods, triggered by heavy rainfall and upstream hill runoff, began on August 20 this year and rapidly spread through districts such as Feni, Cumilla, Chattogram, Khagrachhari, Noakhali, Moulvibazar, Habiganj, Brahmanbaria, Sylhet, Lakshimpur and Cox's Bazar.

Despite the widespread damage, flood victims in Mymensingh, Sherpur and Netrokona are reportedly suffering from insufficient relief supplies and a lack of drinking water.

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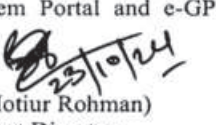
e-Tender for the Upgradation and Extension of Power Distribution System in Monpura Islands project is invited in the National e-GP system Portal ([www.eprocure.gov.bd](http://www.eprocure.gov.bd)) for the procurement of following goods:

Sl	Tender id	Name of Tender	Last Selling Date & Time	Closing Date & Time
1.	1011181	Supply and Delivery of Different type Line Accessories at Project Store Monpura Islands, Bhola for line construction of Kolatoli Char, Kazir Char and Dhal Char area under WZPDCL.	Date: 19.11.2024 Time: 16:00	Date: 20.11.2024 Time: 12:55

This is Online Tender, where only e-tenders will be accepted in the National e-GP System Portal and no offline/hard copies will be accepted.

To submit e-Tenders, registration required in the National e-GP System Portal ([www.eprocure.gov.bd](http://www.eprocure.gov.bd)). The fees for downloading the e-Tender documents from the National e-GP System Portal have to be deposited online through any registered Bank.

Further information and guidelines are available in the National e-GP System Portal and e-GP help desk ([helpdesk@eprocure.gov.bd](mailto:helpdesk@eprocure.gov.bd)).

  
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