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Trade union rules to ease

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The interim government of Bangladesh has decided to lower the threshold of workers required to register a trade union by a fourth.

Previously, approval from 20 percent of the workers of a company was required to register as a trade union.

"Although the US has been advocating for a reduction to 10 percent, we have decided to reduce the threshold to 15 percent for now," said Mohammad Hossain Sarkar, joint secretary of the international organisation branch under the Ministry of Labour and Employment.

Sarkar was speaking to reporters after a meeting with a 20-member delegation led by US State Department Special Representative for International Labor Affairs Kelly M Fay Rodríguez at the Secretariat in Dhaka yesterday.

AHM Shafiquzzaman, secretary of the Ministry of Labour and Employment, said the team came to observe the labour situation in Bangladesh.

"There are roadmaps from the International Labour Organization, the European Union, and the United States of America. All those issues were discussed," he added.

Replying to a question about allegations that the Department of Labour colludes with owners to obstruct the formation of trade unions, he acknowledged it as fact.

"This has been confirmed by visiting some government offices, and we are working on it," he said, adding that labour leaders were dissatisfied with the issue and that the team from the US had also flagged it as a concern.

Mentioning how the US believes that the human rights situation is intertwined with labour rights, the labour secretary said: "Human rights are a big issue overall. The team from the US wants independent investigations to verify lawsuits against workers. We also agreed to that."

Shafiquzzaman also said if the "11-Point Labour Action Plan" demanded by the US is implemented, exports of Bangladeshi products will increase and exporters will get fairer prices.

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Govt to speed up development spending to revive economy

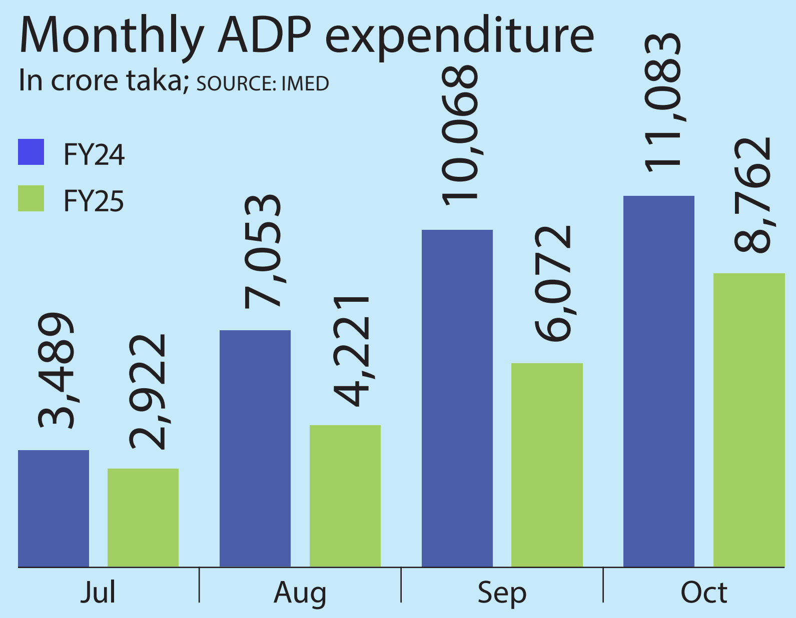
Says planning adviser

KEYPOINTS

- ADP implementation in Jul-Oct fell 31%
- Planning ministry will send letters to all ministries to speed up ADP execution
- Govt to increase allocation for health and education sectors in the revised budget
- New innovative projects will be taken in the revised budget

"Private sector is not going for fresh investment, and if the government expenditure also stagnates, it will cause economic downturn."

Wahiduddin Mahmud
Planning adviser



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The interim government is going to ask ministries to accelerate the implementation of ongoing development projects, Planning Adviser Prof Wahiduddin Mahmud said, as he believes this would help avert a further economic slowdown.

Citing how the economy is facing turbulence such as political turmoil, labour unrest, expensive loans deterring new investments and stubbornly high inflation, the adviser yesterday said that it was time for policy adjustments.

Emerging from the Executive Committee of the National Economic Council (Ecnec) meeting chaired by Chief Adviser Muhammad Yunus, the planning adviser revealed the decision.

This came a day after the government's Implementation Monitoring and Evaluation Division (IMED) reported at least 14-year low development spending in the July-October period of this fiscal year.

"It is time to shift our focus towards policy adjustments in project implementation," Mahmud told journalists.

While the government previously emphasised project selection and fighting corruption, he said the new directive prioritises the swift execution of ongoing projects by the end of the current fiscal year.

"A letter will be sent from the Planning Commission to all ministries and divisions in this regard," the adviser said.

He said he would personally send demi official (DO) letters to advisers urging them to accelerate the execution of development projects.

Regarding the slow pace of project implementation, Mahmud cited instances of project directors fleeing sites after selling project materials. He mentioned the Matarbari project director as a specific example.

The adviser said the private sector has shown no interest in investment and interest rates have risen sharply. "Consequently, entrepreneurs are reluctant to undertake new ventures right now."

"The private sector is not investing and if the government expenditure too becomes stagnant, it will cause a further slowdown."

Usually, there is a project flow during the

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BB asks banks to rebuild image

STAR BUSINESS REPORT

Bangladesh Bank yesterday asked banks to find a way to rebuild the image of the country's banking sector in the international arena as Moody's recently downgraded Bangladesh's long-term ratings to B2 from B1.

The ratings agency also changed the outlook of Bangladesh to negative from stable and downgraded Bangladesh's banking sector to "very weak" from "weak".

The central bank's instruction came during a meeting between Bangladesh Bank Governor Ahsan H Mansur and the Association of Bankers, Bangladesh (ABB), a platform of the top officials of banks, at the central bank headquarters.

Selim RF Hussain, chairman of the ABB and managing director of BRAC Bank, Syed Mahbubur Rahman, managing director of Mutual Trust Bank, Sohail RK Hussain, managing director of Bank Asia, and Ali Reza Iftekhar, managing director of Eastern Bank, were present.

The meeting discussed the overall situation of the banking sector alongside the Moody's ratings, which the bankers said would lead to further difficulties in their international trade.

Correspondent banks impose higher confirmation charges and reduce credit lines due to such types of ratings, they said.

Urging for working to brighten the country's image,

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Banks reel from liquidity crisis despite rising deposit rates

AM JAHID

Despite rising interest rates on deposits and various efforts by the central bank, Bangladesh's banking sector continues to face a liquidity crisis that has hamstrung some lenders.

The primary causes of the crisis include a high volume of non-performing loans (NPLs), slow deposit growth, slow loan recovery and a lack of confidence in the banking sector due to rampant scams, especially at Shariah-based lenders.

The Bangladesh Bank has also taken measures to find a way out of the crisis, but they have failed to ease the liquidity pressure facing lenders.

After the interim government assumed office, the new central bank governor said no new money would be printed to provide liquidity support. Instead, commercial lenders were allowed to borrow from the inter-bank money market against a BB guarantee.

However, with lenders scrambling to borrow from the inter-bank money market to meet daily operational needs, the situation has only worsened.

The rush for funds saw the interest rate in the inter-bank money market surge to an all-time high of 13.50 percent for 90-day term loans on November 23, signalling a deepening financial crisis.

Similarly, the average overnight interest rate in the call money market stood at 10.04 percent in November, up from 8.19 percent in the same month last year.

Anis A Khan, a seasoned banker, explained that the problem stems from a mismatch between assets and liabilities.

Although assets, especially in Islamic banks, have increased, a significant portion consists of distressed assets that are unlikely to be recovered.

"This has created a liquidity gap as funds from these bad loans are not being recycled into the banking system for new lending," he said.

Additionally, the absence of laundered money and the possibility that funds are being hidden outside the banking system exacerbate the liquidity crisis.

These issues are driving up interest rates in the inter-bank money market, forcing lenders to borrow at higher costs.

The volume of NPLs in Bangladesh's banking sector reached nearly Tk 285,000 crore in September, accounting for nearly 17 percent of total outstanding loans.

With more capital locked in bad loans, many lenders, particularly Shariah-compliant ones, are finding themselves unable to meet depositors' demands or extend new loans.

This limits the money available to manage daily operations and fund new lending.

"This money, which escaped the banking system in the form of NPLs, has not returned. So, lenders are struggling to make up for those lost funds," said Syed Mahbubur Rahman, managing director and CEO of Mutual Trust Bank.

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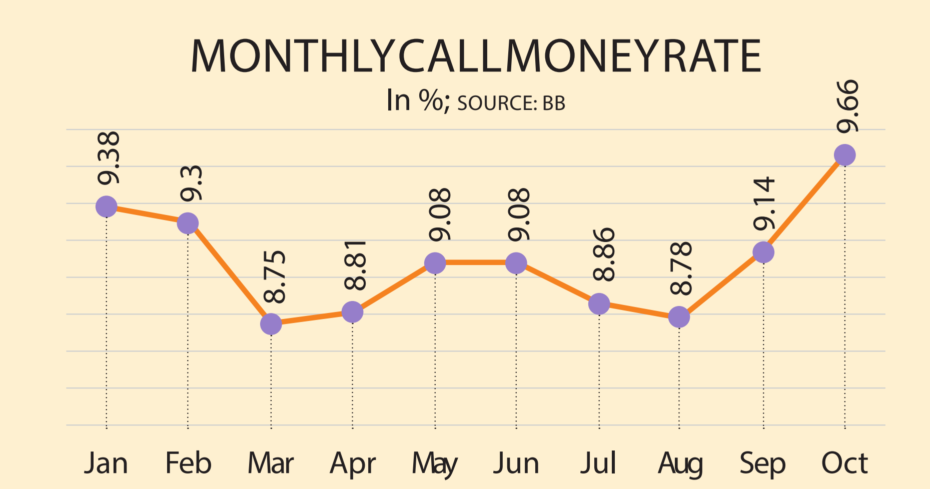

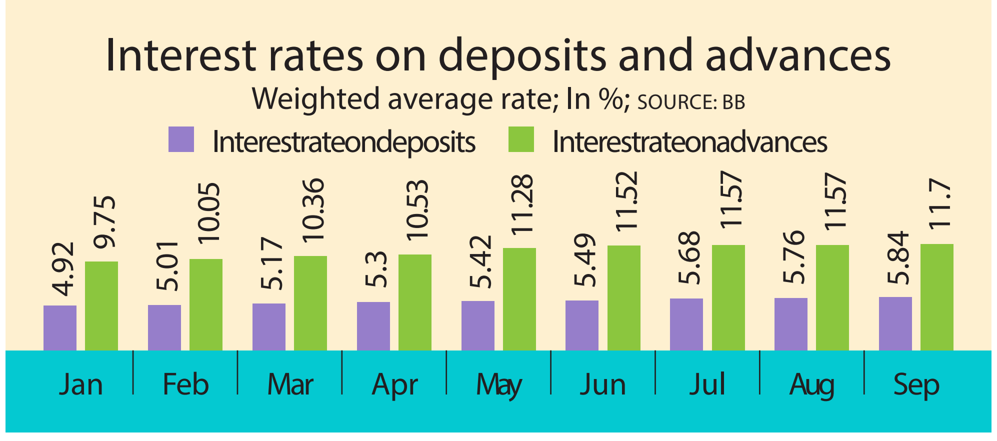

Atlas, Runner team up to grab a slice of Tk 500cr helmet market

STAR BUSINESS REPORT

State-owned Atlas Bangladesh and private manufacturer Runner Automobiles have teamed up to cater to the growing local market for motorcycle helmets, which currently relies on imported products.

On Sunday, the companies signed a memorandum of understanding to set up a manufacturing unit in Tongi in Gazipur at an initial cost of Tk 18 crore.

"Initially, we will produce six lakh helmets at this plant. The capacity will gradually be increased in line with demand," said Azibor Rahman, managing director of Atlas Bangladesh.

This collaboration will leverage Runner's technical expertise and the Atlas' resources and strong logistics, said Hafizur Rahman Khan, chairman of Runner Automobiles.

Besides, technical support will be availed from India and China to ensure that products meet international standards, according to Rahman.

He expected the "Made in Bangladesh" helmets would hit the market in September next year.

"The helmet market in Bangladesh has grown by around 20 percent annually for the past decade alongside a thriving motorcycle market," Rahman said.

He said the annual demand for helmets in the country stood at around 20 lakh and gauged the market size at around Tk 500 crore.

According to market insiders, more than 50 helmets marketed by over 20 brands are available in the domestic market, but the lion's share is imported.

There are around 45.37 lakh registered motorcycles in the country, according to the Bangladesh Road Transport Authority.

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