

BB must help stabilise forex market

Stability is vital to minimise risks

More than seven months after introducing the crawling peg exchange rate system to stabilise the foreign exchange market, the Bangladesh Bank has decided to be more flexible with the rates. According to a report in this daily, it is now allowing banks to trade foreign currency freely. However, this decision comes with a caveat, which is proving to be a headache for the banks.

According to the report, while the central bank has permitted banks to negotiate foreign currency rates following market trends—based on the recommendation of the International Monetary Fund—it still maintains a firm grip on the trade. To be exact, it is still operating with an unofficial mid-rate, which climbed to Tk 119 per dollar from Tk 117 on December 31. Bank insiders say this is preventing banks from truly negotiating the rates, undermining the central bank's intent to liberalise the trade. As a result, while banks are officially quoting around Tk 121-122 per dollar, the actual rates charged to importers range between Tk 125 and Tk 128, according to a cement mill's managing director. Moreover, under the new exchange rate regime, banks are required to maintain uniform rates for remittances and export earnings, which is causing them to lose out on profits, a private bank official said.

This discrepancy is concerning, as it has worrying consequences beyond shrinking profit margins for banks. For example, importers are increasingly using a workaround system where banks show an official rate while selling dollars to some importers, but a portion of that currency is sourced from exchange houses and aggregators. This is akin to hundi, which is illegal in Bangladesh. The mismatch in exchange rates also poses a risk to the country's prospect of remittance earnings, which hit a record \$2.64 billion in December thanks to flexible exchange rates. But under the new system, remitters are more likely to turn to unofficial channels to send money to their families. If that happens, the economy will take a hit, and it will be bad news for our already shaky foreign exchange reserves.

Under this circumstance, it would be prudent for Bangladesh Bank to let go of all its control. As economists have repeatedly suggested, the central bank should allow the market to determine exchange rates while enforcing strict monitoring to prevent illegal trading and manipulation. This approach not only aligns with global best practices, but also offers an opportunity to stabilise our volatile forex market and shore up confidence in our currency.

End constant assault on nature

Save the forests of Durgapur and Kalmakanda

Words alone cannot express our frustration over the relentless destruction of forests, rivers, and hills. Despite repeated appeals from environmentalists, the devastation continues unchecked, even when there is a so-called pro-environment government in place. Illegal logging and encroachment by powerful quarters have already erased or degraded many of our natural and reserve forests over the past decades. Among them are the forests of Durgapur and Kalmakanda upazilas in Netrakona—adjacent to the Garo Hills of Mymensingh—that have long been plundered right under the nose of local authorities.

A recent report in this regard paints a grim picture of these forests. It cites local residents who allege that the authorities have not only turned a blind eye to illegal logging and encroachment but, in some cases, forest officials have themselves colluded with those responsible. These once-thriving ecosystems—home to over 100 wild species, including elephants, tigers, leopards, deer, and hanuman langurs, and rich with indigenous trees like Segun, Gazari, Sal, Jarul, and Shirish—have now been reduced to mere shadows of their former selves. The introduction of harmful exotic species in the forests has worsened the problem. Human-elephant conflicts, driven by habitat destruction, have also intensified.

This pattern of deforestation is not new. Over the years, many forests have been cleared not just by unscrupulous individuals but also by government agencies for housing projects, football training centres, roads, etc. Data from the Divisional Forest Office in Mymensingh reveals a dramatic decline in forest cover across the division, including parts of Jamalpur, Sherpur, and Netrakona. Once spanning over 71,000 acres, including 38,911 acres of reserved forest, Mymensingh alone has lost 24,895 acres to encroachment in the past three decades. This is deeply concerning.

If deforestation continues at this pace, we will soon have too little forestland left to sustain the ecological balance necessary for our survival. Moreover, we risk failing to meet our commitment to halt deforestation by 2030 under the Glasgow Leaders' Declaration on Forests and Land Use. The fast deteriorating climate crisis will only magnify the consequences of this environmental neglect.

We, therefore, urge the interim government to take decisive steps to stop illegal logging and encroachment and to restore our forest ecosystems. Since taking office, Environment, Forest, and Climate Change Adviser Syeda Rizwana Hasan has made numerous pledges for environmental protection. It's time to turn those promises into action.

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EDITORIAL

Current dynamics of the economy, reform and elections



MACRO MIRROR

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Views expressed are the author's own.

FAHMIDA KATUN

The student-led mass movement in July-August 2024 marked a significant turning point in Bangladesh's socio-political and economic history. This movement emerged in response to widespread grievances among people from all walks of life. Unemployment reached alarming levels, leaving millions of youth disenchanted and directionless. Under the false narrative of a growth miracle, economic discrimination further deepened societal divides, with wealth concentrated in the hands of a few while the majority struggled to make ends meet. The absence of democracy was palpable, with limited opportunities for citizens to express their choices through free and fair elections. Fundamental rights, including freedom of speech, were systematically curtailed, fostering an environment of fear and suppression. Corruption was pervasive across all levels of governance, eroding public trust and stifling economic, social, and political progress.

In the wake of the movement, an interim government was formed amid high expectations from all quarters. It was entrusted with the dual responsibilities of steering the nation towards economic stability and implementing political and institutional reforms. However, that journey has been fraught with challenges.

Political parties wholeheartedly supported the interim government and displayed prudence by appreciating its efforts to address the country's accumulated problems over decades. However, as time progresses, some have called for the national election as soon as possible as the reform process continues simultaneously. The students—aspire to form their political entity and participate in the upcoming national election—favour delaying elections until substantial reforms are implemented. It is widely believed that students desperately need time to organise their parties, which has so far proven to be tough for them. Many citizens, who have had enough of the defective and dysfunctional political system that gave rise to autocracy and rampant corruption undermining all rights, also want the election after substantive reforms.

Several reform commissions were established to chart a path towards a democratic and just society. Their recommendations addressed critical issues, including constitutional, electoral, anti-corruption, and police reforms. Other commissions are also set to place their recommendations to the chief adviser. However, implementing these recommendations requires political consensus and commitment—a daunting task given the divergence of positions on reforms and the interests of political parties.

Established to support the movement, these commissions have been instrumental in pushing for political reforms. Their recommendations have been widely accepted, and the government has committed to implementing them. The process is iterative, with continuous monitoring and evaluation to ensure progress. The movement has also inspired a sense of national unity and a desire for positive change.



FILE VISUAL: ALIZA RAHMAN

The proposals of some commissions, particularly those regarding the constitutional reform, have given rise to many discussions as to which proposal recommendations should be included and which should not. Removing secularism as a pillar of the constitution, reducing the minimum age of election candidates to 21 years, and introducing a two-tier parliament with a national assembly and senate are some of the issues that sparked debates, reflecting the diverse perspectives within the nation. Such debates are healthy and can contribute to refining the proposals. Moreover, as reform is a continuous process, there should always be opportunities for improvement.

A close observation of the current discussions of reforms and elections in Bangladesh reveals that some are trying to sequence these two crucial tasks: reforms first, then the election. But in reality, the interplay between reforms and elections cannot be phased. Reform and elections are not mutually exclusive—both can be pursued in parallel. Reform is a

continuous process, and the government must remain committed to it. The implementation of the Annual Development Programme (ADP) lags behind targets. Meanwhile, the World Bank has projected that economic growth during the ongoing FY2024-25 will be 4.1 percent. Even without the World Bank's prediction, economists can say that such low growth is not unexpected during a turbulent year when investment and production were low, and severe floods hampered economic activities.

Although an increase in exports and remittances halted the freefall of foreign exchange reserves, the overall volume of forex reserves remained insufficient to support robust import growth. Depreciation of the taka further compounded economic difficulties, raising the cost of imports and hindering investments and production. Meanwhile, the National Board of Revenue (NBR) struggles to

meet its revenue collection targets, exacerbating fiscal constraints. Missing the NBR target has persisted for about a decade due to high tax evasions, a narrow tax net, illicit financial flows, and several undue tax exemptions to specific business groups, organisations, and individuals over several years. The perceived fear among the public of complexities and harassment by the tax department, and the lack of adequate services in return for tax contributions, further discourage compliance. The government's limited fiscal space also curtailed its ability to expand social safety nets for the poor and low-income households, which are most vulnerable to inflationary pressures.

The interim government expanded its responsibilities to encompass a wide array of issues within a limited period. Though initially, the interim government's tenure was unclear, many felt that an unelected and non-political government consisting of well-meaning but inexperienced people—some of whom ran non-government organisations (NGOs) while others were senior retired bureaucrats—cannot govern the country for long unless backed by the military. Along with political uncertainty and economic challenges, the law and order situation weakened and must be improved to ensure people's safety. Rent seeking, corruption, bribes, and administrative hassles have not disappeared either.

Although public expectations for the interim government have been initially high, it is evident that patience is waning due to the slow pace of progress on these pressing issues.

Uncertainty about the fate of reform proposals is also a critical issue. A national consensus commission, led by the chief adviser, plans to engage with political parties and stakeholders to identify areas of consensus and recommend actions. This is critical since the reform agenda will have to be implemented by the elected government. However, concerns over the implementation of reform proposals remain. Will the elected government accept reform recommendations fully or partially? What if the elected government sets aside the reform proposals altogether and designs its reform agenda conveniently? What will be the oversight and accountability mechanism for implementing reforms?

While the interim government's intention to tackle political and economic challenges is commendable, the task appears daunting. Striking a balance between the demands of reform, the organisation of a free and fair election, and economic recovery has thus far proven to be a formidable challenge for it.

Outsourced workers and WPPF



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The Workers' Profit Participation Fund (WPPF) under the Bangladesh Labour Act, 2006, is a progressive mechanism

designed to ensure that employees share in their company's profits. However, this author has observed a concerning trend where WPPF obligations are being imposed on principal companies for outsourced employees—a move that seemingly contravenes the explicit provisions of the law.

When a principal company—a company that outsources work to a contractor—is directed to establish a Workers' Participation Fund (WPPF) that includes outsourced employees, it overlooks the fundamental principles of employment relationships under the Labour Act. This misunderstanding arises from a failure to recognise the distinctions between regular employees and outsourced workers, which has been addressed in key judicial precedents.

Section 23(1)(jha) of the Bangladesh Labour Act, 2006, defines a beneficiary (of a company's profit) as any individual, including apprentices, employed by a company for at least nine months—excluding owners, partners, or board members. However, this seemingly straightforward definition raises critical questions about its application: does it include only direct employees, or can it extend

to workers hired through third-party contractors?

The phrase in the definition, "ukto company-te...nijukto rohiyachen" (employed in the company), implies a direct relationship between the employer and the employee. Such an interpretation suggests that workers who are employed and supervised directly by the company qualify as beneficiaries. Outsourced employees, on the other hand, who are recruited and managed by contractors, typically fall outside this scope. This interpretation aligns with the intent of the legislature to prioritise workers who are integral to the company's operational structure over those connected indirectly.

Sections 232-234 of the Act, governing the WPPF, unequivocally apply to workers employed directly by the company. Section 2(49) reinforces this by defining a "worker" as someone directly engaged by the employer.

Meanwhile, Section 3A, introduced in a 2013 amendment, acknowledges contractors as employers and mandates their registration with the government. Workers hired under these arrangements are explicitly categorised as employees of the contractor, not the principal company.

Courts in Bangladesh have frequently employed the "control and supervision" test to evaluate

the employment relationship. If the principal company exercises significant authority over an outsourced worker's tasks, hours, or overall performance, the worker may be deemed an employee of the company. However, when such direct control is absent, the worker's employment remains firmly with the contractor.

A pivotal decision in the Appellate Division of the Supreme Court of Bangladesh in 2020 clarified the distinction between employees of a principal company and those employed by contractors. Justice Muhammad Imran Ali emphasised that merely working on a company's premises or under an outsourcing agreement does not establish a direct employer-employee relationship. Instead, the contractor is responsible for ensuring statutory benefits, such as appointment letters, leave, and service records.

The court also underscored the legitimacy of outsourcing as a business model while cautioning against its misuse to undermine workers' rights. If contractors fail to meet their obligations, the aggrieved workers must seek remedies against the contractors—not the principal company.

We must adhere to the legal framework and avoid imposing undue obligations on principal companies. Instead, it should be ensured that contractors fulfill their statutory responsibilities, including the establishment of WPPFs for their employees.

Furthermore, companies facing such wrongful impositions should challenge these directives through legal avenues. Courts have consistently upheld the clear distinction between direct employees and outsourced

workers, reinforcing the principle that employment obligations must follow the employer-employee relationship as defined by law.

Leveraging judicial precedents, such as the landmark case *Md Fazlul Haque Sarder vs Grameenphone Limited*, provides valuable insights into resolving ambiguities and aligning practices with the law, ensuring fairness and transparency.

Additionally, embracing technology can further enhance compliance by streamlining processes like worker registration, benefits distribution, and performance monitoring. To address the challenges of the modern labour market, the Ministry of Labour and Employment should embrace digital transformation through online registration systems, e-governance tools, and digital compliance platforms. These advancements can simplify processes, make it easier for businesses to meet their obligations, and enhance regulatory oversight.

The definition of "beneficiary" under the Bangladesh Labour Act, 2006, is both inclusive and specific, ensuring that those who are directly employed by a company receive their rightful share of profits under the WPPF. However, outsourced employees remain outside this ambit unless their employment relationship meets strict legal criteria. Judicial clarity on this issue underscores the importance of adhering to statutory obligations and protecting workers' rights at a time when outsourced workforces are being increasingly used.

By delineating the roles of principal companies and contractors, the law strikes a balance between business practices and labour welfare, fostering a more equitable and transparent system for all stakeholders.

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