



Workers left out of FY26 budget priorities

Says Labour Reform Commission chairman

Syed Sultan Uddin Ahmed

SUKANTA HALDER

The proposed budget for the fiscal year 2025-26 has drawn criticism from the government-appointed Labour Reform Commission, which had earlier called for formal recognition of workers and stronger financial and legal safeguards. The commission says the budget has largely ignored the needs of the country's working population.

Despite rising living costs and repeated calls for fair wages and broader social protection, the budget offers no clear measures to support millions of workers, said Syed Sultan Uddin Ahmed, chairman of the commission.

Following the political changeover in August last year, the interim government appointed the Labour Reform Commission in November. The commission submitted its recommendations to Chief Adviser Muhammad Yunus in April this year.

Among its proposals, the commission urged the government to provide legal protection and formal recognition for all workers. This would cover those in both the formal and informal sectors, as well as migrant workers and self-employed individuals, under a comprehensive labour law.

It also recommended setting national minimum wages that would ensure a decent standard of living. The report suggested revising both national and sectoral wages every three years to reflect inflation and the cost of living.

In an interview with The Daily Star recently, Ahmed said, "We had hoped that the government would seriously consider our proposals, but in reality, that was not reflected."

He noted that although the budget speech outlined 11 priorities, not one focused on workers. "There are seven crore working people in Bangladesh who deserve attention."

Ahmed pointed out that the Bangladesh Labour Welfare Foundation, a state-backed body meant to support workers, has never received an allocation in the national budget.

"This is in no way expected," he added.

He said that 85 percent of workers are employed in the informal sector

in Bangladesh, yet no social safety net exists for them. There is also no protection for people who are unemployed or seasonally jobless.

"Our expectation was that at least the government would call us and ask how much money it would initially cost. But that did not happen," commented Ahmed, who is also the executive director of the Bangladesh Institute of Labour Studies (BILS).

He said that their recommendations were not only for the ministry concerned but also for other bodies

such as the National Pension Authority.

The formation of such institutions, he said, should be shaped by discussions about social safety for domestic workers, rickshaw pullers, construction workers and others. So far, no such talks have taken place.

Regarding the commission report, he said the chief adviser, the labour adviser and the labour ministry all responded positively and welcomed the recommendations.

"The government, including the chief adviser, assured us that the report would be implemented word for word, which was very encouraging," he said.

While he acknowledged that the labour ministry is working on the matter, Ahmed insisted there should have been consultation and budget allocations before any review began.

"The public, workers and labour organisations want some visible steps," he said. "I am not saying the government is ignoring our report, but we expect proactiveness."

Ahmed noted that vulnerability among workers is rising by the day due to factory closures, political instability and international issues.

"We feel that while some of our recommendations require political consensus, most of them need administrative restructuring, change and reform," he said.

"Political consensus is the main priority, and discussions are now focused on election reform, constitutional reforms and related matters; people think other reports are being sidelined," Ahmed said.

"This is our main concern."

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Do we learn anything from loan failures?

MAMUN RASHID

Despite having spent more than three decades in the financial sector, I faced the real test as a credit officer when I was appointed head of restructuring and recovery at Standard Chartered Bank. This was particularly so during audit, portfolio review and due diligence assignments following the Asian financial meltdown in 1997, in East Africa, Greater China and Europe.

Younger bankers often ask me: do we learn enough from credit or loan failures? My background as a risk officer has taught me that loans often go bad due to several reasons, including improper assessment of need, poor facility structuring, security or collateral shortfall, and weak internal cash generation within the business, leading to recurring past-due payments.

The reasons also include lending based on the borrower's name rather than the business fundamentals, ignorance of competition and economic downturns or investing in business segments unrelated to core operations or future prospects.

I have seen many credits go bad in Indonesia because lending officers failed to understand foreign currency conversion or fluctuation risks. In Malaysia, loans often turned sour when working capital was misused to finance projects, not unlike what we see in Bangladesh. In Taiwan, many middle-market loans went bad because the tenor provided was shorter than the trade cycle. Serious competition in India sometimes led banks to overlook security or collateral shortfalls.

In East Africa, many loans failed due to poor structuring, with borrowers diverting large sums to unrelated purposes.

Even in Bangladesh, we have seen industrial credits diverted to the stock market or siphoned off altogether. In Pakistan, "name lending" or "influenced lending" caused banks to go belly-up. In Latin America, many cases stemmed from exposure to foreign currency risk, while in Europe and North America, a drastic reduction in underlying asset values made exit impossible.

A proper assessment of need is essential, a "deep dive" into how much the client truly requires to run their business, and in what form. We must examine the business model: projected turnover, the tenor of an end-to-end transaction, and derive a figure. Even after arriving at this figure, we must assess how much will be financed by the bank and how much by the owners. I have seen loans go bad because the loan term was shorter than the trade cycle.

I have also seen loans fail because of non-compliance with regulatory requirements. For example, lacking a waste treatment plant, or causing river or neighbourhood pollution in India. Social activists forced agencies to shut down plants. Faulty land titles, or land grabs involving school or prayer sites, created problems in setting up plants, forcing relocation and pushing up project costs. The death of a key person without succession planning has also jeopardised many loans.

Bangladesh's banking sector has long struggled with loan defaults. Despite many corrective measures, defaults continue to plague the financial system. As of March 2025, bad loans totalled more than Tk 4.2 lakh crore. Borrowers owed Tk 17.42 lakh crore to banks, with an NPL ratio of more than 24 percent. In Bangladesh, loans have mainly turned non-performing due to weak loan assessment or facility structuring, lending officers' failure to understand the inherent risks of specific industries or business segments, including cross-border or foreign exchange risk, working capital loans being turned into term loans, "name lending" or "push lending" caused by intense competition, dictated loans or insider loans at state-owned and some large private banks, and, most crucially, lack of timely monitoring and action.

Our central bank, with help from development partners, has made notable progress in tackling default loans. This time, they seem more determined. However, we must develop a stronger risk management culture in every financial institution to avoid future surprises.

Mamun Rashid is an economic analyst and chairman at Financial Excellence Ltd.



TAKEAWAYS FROM INTERVIEW

Reforms

Reforms like re-skilling existing workers and building a national worker database are urgent needs

Worker rights and social justice

Workers' livelihood tools, like rickshaws, must not be seized and destroyed for legal violations

A national minimum wage is both feasible and necessary to stabilise the labour market

POLICY NEGLECT

FY26 budget ignores the needs of 7 crore workers

No allocation has ever been made for Workers' Welfare Foundation

Informal workers remain excluded from social safety schemes

No consultation was held with labour organisations on budget allocations

Qatar holds talks with energy companies on risk of conflict

REUTERS, Doha/London

Qatar held crisis talks this week with energy majors after Israeli strikes on Iran's huge gas field, which it shares with Qatar, an industry source and a diplomat in the region told Reuters.

Saad Al Kaabi, CEO of state-owned QatarEnergy and the Gulf Arab state's energy minister, urged companies to warn the US, Britain and European governments about the risks the conflict poses to gas exports from Qatar and the increasing threat to the global gas supply, they said.

An interruption to Qatar's liquefied natural gas (LNG) operation could cut off around 20 percent of the global supply, which Doha exports from the world's largest gas reservoir.

"QatarEnergy is making sure that foreign governments are fully aware of the implications and repercussions the situation and further escalation pose to gas production from Qatar," said the diplomat, who spoke on condition of anonymity because of the sensitivity of the situation.

An interruption to Qatar's liquefied natural gas operation could cut off around 20 percent of the global supply

QatarEnergy did not immediately respond to a request for comment.

Kaabi also met this week in Doha with ambassadors representing countries whose companies are involved in QatarEnergy's North Field expansion project, the diplomat said.

US majors ExxonMobil and ConocoPhillips, Britain's Shell, Italy's Eni and France's TotalEnergies all have stakes in the expansion, which is set to boost exports from Qatar by around 82 percent in the coming years. Qatar currently produces 77 million tonnes of liquefied gas a year.

So far, there have been no disruptions to QatarEnergy's exports, and cargo deliveries are on schedule.

Israel began attacking Iran last Friday, saying its longtime enemy was on the verge of developing nuclear weapons. Iran, which says its nuclear programme is only for peaceful purposes, retaliated with missile and drone strikes on Israel.

The White House said on Thursday President Donald Trump would decide on US involvement in the conflict in the next two weeks.

COMPLEX RISKS

A further expansion of the biggest ever conflict between Israel and Iran poses multiple risks to operations at QatarEnergy, the world's largest exporter of LNG.

European Commission on Tuesday proposed that the EU bans imports of Russian gas by the end of 2027.

Qatar said Israel's strike on Iran's portion of the shared gas field, some 200 km (124 miles) from QatarEnergy's installations was a reckless move.

"The companies operating in the fields are international, and there is a global presence, especially in the North Field," Majed Al Ansari, spokesperson for Qatar's foreign ministry, told reporters on Tuesday.

WB approves \$500m for governance, financial reforms

STAR BUSINESS REPORT

The World Bank (WB) yesterday approved \$500 million in financing to enhance trust in Bangladesh's public institutions through increased accountability and transparency.

This credit support, under the Strengthening Governance and Institutional Resilience Development Policy, will also improve corporate governance and stability in the financial sector, said the multilateral lender.

"Improvements in how public finances are managed are important for Bangladesh's economy to grow sustainably. The government is taking ambitious steps to make its institutions more open and answerable, so they can serve the people better," said World Bank's Interim Country Director for Bangladesh Gayle Martin.

"Through another project that was approved last week, we are supporting the government to implement these reforms."

The WB had approved \$640 million for Bangladesh last week.



The Washington-based lender said Bangladesh has one of the lowest revenue-to-GDP ratios among middle-income countries, which significantly limits the government's ability to deliver quality services.

This new finance supports reforms to boost domestic revenue mobilisation, making tax administration and policy-making more transparent and efficient,

aligning with international best practices.

It will also promote a more strategic and transparent approach to managing tax exemptions, requiring parliamentary approval for all exemptions, a significant departure from current ad hoc practices.

The WB said the financing will also strengthen corporate governance and risk management by aligning financial reporting with international standards and increasing transparency.

It will enhance financial sector stability by providing the Bangladesh Bank with comprehensive resolution powers to address banking sector vulnerabilities.

A third set of reforms will improve public sector transparency, accountability, and efficiency.

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Middle East tensions put investors on alert, weighing worst-case scenarios

REUTERS, New York

Investors are mulling a host of different market scenarios should the US deepen its involvement in the Middle East conflict, with the potential for ripple effects if energy prices skyrocket.

They have honed in on the evolving situation between Israel and Iran, which have exchanged missile strikes, and are closely monitoring whether the US decides to join Israel in its bombing campaign.

Potential scenarios could send inflation higher, dampening consumer confidence and lessening the chance of near-term interest rate cuts. This would likely cause an initial selloff in equities and possible safe-haven bid for the dollar.

While US crude prices have climbed some 10 percent over the past week, the S&P 500 has been little changed as of yet, following an initial drop when Israel launched its attacks.

However, if attacks were to take out Iranian oil supply, "that's when the market is going to sit up and take notice," said Art Hogan, chief market strategist at B Riley Wealth.

"If you get disruption to supply of oil product on the global marketplace, that is not reflected in today's WTI price and that is where things get negative," Hogan said.

The White House said on Thursday President Donald Trump would decide on US involvement in the conflict in the next two weeks.

Analysts at Oxford Economics modeled three scenarios, ranging from a

de-escalation in the conflict, a complete shutdown in Iranian production, and a closure of the Strait of Hormuz, "each with increasingly large impacts on global oil prices," the firm said in a note.

In the most severe case, global oil prices

jump to around \$130 per barrel, driving US inflation near 6 percent by the end of this year, Oxford said in the note.

"Although the price shock inevitably dampens consumer spending because of the hit to real incomes, the scale of the rise in inflation and concerns about the potential for second-round inflation effects likely ruin any chance of rate cuts in the US this year," Oxford said in the note.

OIL IMPACT

The biggest market impact from the escalating conflict has been restricted to oil, with oil prices soaring on worries that the Iran-Israel conflict could disrupt supplies. Brent crude futures have risen as much as 18 percent since June 10, hitting a near 5-month high of \$79.04 on Thursday.

The accompanying rise in investors' expectations for further near-term volatility in oil prices has outpaced the rise in volatility expectations for other major asset classes, including stocks and bonds.

But other asset classes, including stocks, could still feel the knock-on effects of higher oil prices, especially if there is a larger surge in oil prices if the worst market fears of supply disruptions come true, analysts said.

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Traders work on the floor of the New York Stock Exchange on June 18. US stocks have so far weathered rising Middle East tensions with little sign of panic. A more direct US involvement in the conflict could, however, spook markets, investors said.

PHOTO: AFP