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IFC Proposed Investment in Bangladesh Hotel Sector

Responsible Investment in the Sustainable Tourism Sector

The hospitality sector has the potential to contribute to the creation and sustainability of decent work and development. The United Nations Development Program recognizes that “representing 10% of world GDP, 1 in 10 jobs and 7% of global exports, tourism has a decisive role to play in the achievement of the 2030 Sustainable Development Agenda.”^[i] The OECD recognizes tourism as one of the largest and fastest growing sectors in the world economy^[ii] and the Sustainable Development Goals include the sector in Goal 8 on Decent Work and Economic Growth as well as Goals 12 and 14 on Responsible Consumption and Life Below Water.^[iii] The ILO estimates the number of jobs in the sector to grow from 284 million worldwide in 2015 to 370 million worldwide by 2026. 20% of those workers are employed within multinational enterprises operating increasingly through brand identities using management contracts and franchising models

Recognizing these opportunities and also the risks to decent work if investments do not address longstanding obstacles in the sector that have led to poverty wages, gender discrimination, and decline in union strength and access to freedom of association for workers, the International Labor Organization has issued guidelines on Decent Work and Socially Responsible Tourism (2017) also emphasize the importance of the hospitality sector raising wages above minimum floors to meet the needs of hotel workers and their families.^[iv] The ILO recognizes jobs in socially responsible tourism are not limited by national law, but are held to the standard of creating opportunities for development that prioritize employment creation at local level, contribute to social and economic development and poverty reduction and expansion of local incomes along with strengthening social dialogue mechanisms and collective bargaining which enhance working conditions, career prospects and job security to the benefit of the workers. Democratic industrial relations must be at the core as trade unions play an integral role in ensuring normative behavior of business; expressing grievance of the workers; and channelizing workers’ aspirations into new forms of collective bargaining agreements.

The IFC’s Investments in Hotels for Development

A sister organization of the World Bank, the International Finance Corporation makes private sector investments and mobilizes additional third party investments towards private sector projects that create development outcomes. The IFC recognizes that its investment is often first in the sector and able to be leveraged for additional private sector funding. The IFC has made significant investments in globally branded hotels through its sustainable tourism portfolio. Among other purported development goals, the IFC recognizes that hotels create permanent jobs with living wages with the potential to employ a higher percentage of women and youth.

The IFC loans have been structured to grant loans to real estate holding entities in developing countries that partner with U.S and European globally branded operators. Marriott International, the largest hotel chain in the world with more than 6,500 properties in 127 countries and earning more than \$22 billion in the 2017 fiscal year, has funded its global growth in part through these preferential loans.

These new loans to the sector have the potential to develop best practices or to compound longstanding obstacles through further fragmentation of employment relationships and gap between workers and entities with financial control of the project.

Background on the Proposed Bangladesh Hotels Project with Ananta Hotel and Reports Limited and Marriott International

Ananta Hotel and Resorts Limited with its managing partner Marriott, proposes to develop a greenfield mixed-use property in Dhaka, Bangladesh, consisting of: (i) a 300-room upscale business hotel;^[v] (ii) a branded residential tower with 71 units of 3-4 bedrooms each;^[vi] and; (iii) a commercial building with 15 office floors and 2 retail levels.^[vii] The proposed IFC package would finance the hotel and the residential tower.^[viii] The Project will be the first ever branded mixed-use development initiative in Bangladesh.

The hotel and the residential tower will be operated and managed by globally branded operator Marriott International Inc. under its “Marriott Hotel and Residences” brand. The loan documents call for IFC to invest up to USD \$45 million as a loan^[ix] and promises to mobilize another USD \$22.5 million from a parallel lender. The total Project cost is projected to be approximately USD \$207 million. Ananta has predicted that when operational, the hotel and residences will employ about 420 employees, including 20% women while subcontracting housekeeping and security services.

Insufficiencies in the Economic and Social Action Plan

On July 12, 2018, the **International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations** (IUF)- the international trade union federation representing workers throughout the food chain, including hotels, restaurants and catering services- and **Global Labor Justice (GLJ)** raised concerns about the insufficiencies of the Economic and Social Action Plan for the proposed loan and recommended action steps by the IFC prior to considering the loan to ensure labor standards articulated **Performance Standard 2: Labor and Working Conditions (2012)** are enforced throughout the life of the project:

- *The loan applicant Ananta relies on global brand Marriott’s insufficient human resources policies to meet obligations under the labor performance standard. Multiple examples show Marriott’s global employment policies are inadequate on their face and as applied including:*
 - *Marriott’s Global Employment Policies have not been updated since the 2013 Rana Plaza Collapse and are therefore insufficient for Bangladesh. In the Garment Sector, trade union monitoring and enforcement by the Accord on Fire and Building Safety in Bangladesh has*

proved necessary to protect workers including at loan recipient Ananta's garment production units.[x]

- *Marriott's global employment policies and statement on human rights include right to work language and do not include adequate protection for Freedom of Association or trade unions as stakeholders. IFC experience shows that these insufficiencies can be overcome with explicit policies and actions by the loan recipient absent in these documents.[xi]*
- *Women workers at Marriott Hotels across the globe allege that Marriott's global employment policies and statement on human rights do not protect them from sexual harassment and gender based violence. [xii] Marriott has refused to meet with IUF regarding a global agreement to address these issues.*
- *The loan applicant Ananta has not adequately addressed the specific roles it will hold as the loan recipient and what roles Marriott as global operator, and other contractors will hold in ensuring the labor performance standard is enforced.*

Action Steps for the International Finance Corporation

As the ILO has recognized, when undertaken with a commitment to decent work and sustainable development, investments have the potential to expand job creation especially for women and young people.[xiii] The entry of global operators like Marriott with significant financial resources offers an opportunity to model best practices when projects are undertaken in collaboration with trade unions in social dialogue and through collective bargaining. The International Finance Corporation investment including Bangladesh should be investment that brings decent jobs, is environmentally sustainable, and does not negatively impact local communities.

Towards that end, IUF and GLJ have proposed the following action steps prior to approval:

1. A stronger social and environmental action plan that guarantees compliance with all relevant international labor standards, in particular ILO Conventions 89 and 98 and commits to consultation with all relevant trade unions at all stages of the project;
2. An independent and binding plan for monitoring, verifying, and enforcing labor and building safety standards and action plan progress;
3. A plan for disbursing the loan in tranches tied to the social and environmental action plan; and
4. Sufficient disclosures to ensure long-term sustainable growth and stability of operations.

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Global Labor Justice is a strategy hub supporting transnational collaboration among worker and migrant organizations to expand labor rights and new forms of bargaining on global value chains and international labor migration corridors.

[i] United Nations Development Program, Tourism and the Sustainable Development Goals- Journey to 2030 (2018) available at

http://www.undp.org/content/dam/undp/library/Sustainable%20Development/UNWTO_UNDP_Tourism%20and%20the%20SDGs.pdf

[ii] OECD, High Level Meeting on Tourism Policies for Sustainable and Inclusive Growth (2017) available at <http://www.oecd.org/cfe/high-level-event-on-tourism-policies-france-2017.htm>

[iii] *Id.* at note i.

[iv] available at

https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/normativeinstrument/wcms_546337.pdf

[v] The hotel will have 330 keys (300 rooms) with a built-up area of about 40,000 m² over ground, two basements and 14 floors. The hotel will have the typical facilities of a top of the line hotel, including multiple food and beverage outlets, a swimming pool, spa and banquet facilities. Construction of the hotel is expected to commence in July 2019, and the hotel is expected to be fully operational in July 2023.

[vi] The branded residential tower (referred to as the “residences”) will include 71 high-end, 3-4-bedroom apartments with a built-up area of about 37,000 m² over ground, two basements, a ground +2 floor podium with amenities, and 15 floors. Construction of the residences is expected to commence at the same time as the hotel in July 2019. The apartments are expected to be sold by December 2024.

[vii] A commercial building with three basements, a ground + 2 floors podium with showrooms for luxury brands, an art gallery, lifestyle retail and food and beverages (F&B) spaces, and 15 office floors.

[viii] IFC financing will support only two parts of this three-part Project, which Marriott will operate and manage.

[ix] The Project relies upon IFC to provide long term debt funding with a sufficient grace period. This form of funding, critical for financing projects with long development and implementation periods, is currently not available in Bangladesh.

[x] The Accord is an independent, legally binding agreement between brands and trade unions designed to work towards a safe and healthy Bangladeshi Ready-Made Garment Industry. Our purpose is to enable a working environment in which no worker needs to fear fires, building collapses, or other accidents that could be prevented with reasonable health and safety measures; See <http://bangladeshaccord.org/factory-collapse-prevented/> (summary of incident by the Accord; and see

http://www.industrial-union.org/sites/default/files/uploads/documents/2017/BANGLADESH/ntfctn_on_critical_findings_at_ananta_app_ltd_9_apr_2017.pdf (Accord letter notifying brands).

[xi] In its action plan, the applicant addresses the importance of freedom of association and provides a guarantee that it will work with trade unions:

Specifically, on Freedom of Association, typically in Nepal, workers in hotels are part of one of the registered unions [e.g. Nepal Independent Hotel, Casino and Restaurant Workers Union, All Nepal Revolutionary Hotel and Restaurant Workers Union]. The union then negotiates and signs a collective bargaining agreement. Similar practice is expected to be followed at the hotel, once it is operational.

With this ongoing relationship, the conditions of work meet both the minimum standards required by law in Nepal and the Performance Standards. The employer and trade union are attentive to both; See

<https://disclosures.ifc.org/#/projectDetail/SII/35111> for disclosures.

[xii] See, e.g., Without Getting Blamed or Silenced, Female Marriott Employees urge executives to address sexual harassment, Washington Post (May 4, 2018)

<https://www.washingtonpost.com/news/business/wp/2018/05/04/without-getting-blamed-or-silenced-female-marriott-employees-urge-executives-to-address-sexual-harassment/?noredirect=on>

[xiii] *Id.* at note iv.