

How smart solutions to tax reform can help develop infrastructure

BJORN LOMBORG

BANGLADESH'S public sector faces serious challenges. Poor infrastructure is one of the main factors that hold back economic growth. Government-funded health clinics struggle to provide the population with quality, specialised services. And beyond primary school, quality public education opportunities are extremely limited. These are just a handful of the challenges, and they are partly due to a stark fact: the country has one of the lowest tax-to-GDP ratios in the world.

Government tax revenue is equal to just 11 percent of the size of the entire economy. So despite the fact that Bangladesh has great potential to boost revenue earnings, much of it goes untapped.

Over the next five years, the government aims to increase this tax-to-GDP share to 14 percent. What are the best ways to accomplish this, providing the government with resources to improve public services that the people rely upon?

Bangladesh Priorities aims to answer this question, along with many others that relate to the country's development efforts. Our teams of economists have researched dozens of topics to find which solutions will do the most good for Bangladesh for each taka spent.

When it comes to strengthening the tax base, the VAT is a crucial issue, because

revenues collected from it and income tax combine to account for 70 percent of all tax revenue. Bazlul H. Khondker, Professor of Economics at the University of Dhaka, and Biplob Kumar Nandi, Senior Lecturer of Economics at East West University, find that modifying the VAT and its collection is one of the most promising strategies to mobilise more resources for government.

The economists first analysed the effects of changing the way that the 15 percent VAT is calculated. Currently, the National Board of Revenue (NBR) sets tariff values for all goods and services, and these values consequently determine VAT revenues. If you are a vendor who sells soybean oil for Tk. 105 per litre, for instance, the VAT is not calculated on Tk. 105 - the actual price paid for the litre of cooking oil. Instead, the 15-percent VAT is calculated based on what the NBR decided the value of soybean should be, which is only Tk. 43.

The economists examined the effects of abolishing those tariff values and replacing them with actual market prices. Because the NBR undervalues many goods and services, the effect would be great - the change would more than double VAT revenue, adding Tk. 76.4 billion in extra tax revenue.

The second part of the strategy relates to automating the system by which the government collects the VAT. If you are that

soybean-oil vendor, then you have to calculate and pay the VAT each year based on your revenues. But this process can be fraught with difficulty and is also very costly.

The research proposes streamlining this process to make it much easier to comply with tax regulations and to file returns. Instead of having to navigate paperwork, vendors would be able to use an electronic submission and return process. This would lower the costs of complying with the tax code, encouraging more compliance. The researchers estimate that the number of registered online VAT payers would increase from 35,000 to 85,000 - fully 50,000 more companies would voluntarily pay their taxes.

Automating the system would raise tax revenue by Tk. 24.2 billion. And vendors would also benefit, because they save money on expensive auditors and other accounting services needed to comply with the currently convoluted tax code.

The two-part solution - abolishing the tariff-setting process and automating VAT collection - would raise the nation's tax-to-GDP ratio by nearly 1 percentage point. That's still short of the government's five-year goal of 14 percent, but its progress is equivalent to Tk. 100.4 billion of additional tax revenues per year.

The true benefits of mobilising more

government resources, however, would depend entirely upon what the extra tax revenue accomplishes. If the money is not spent wisely, then the efforts to raise revenues could be for naught. But wise spending can

Mobilising more resources for government could help improve many public services and goods, including the massive infrastructure needs of the country. But is mobilising more government resources the best way to help Bangladesh?

yield great results.

Our analysis assumes that the additional funds are most likely to be spent on infrastructure projects that Bangladesh greatly needs - road and rail transportation, the

electrical grid, and water supply systems. But implementing the tax reforms will cost money. And while raising revenue may benefit the government, it raises prices for consumers, so it has to be counted as a cost for citizens.

It turns out, however, that when you calculate the net effects of the tax reforms, plus the benefits from infrastructure spending, the strategy has respectable results - every taka spent toward making the VAT system more efficient and effective in this way would do almost do Tk. 6 of good, assuming the revenues are spent on infrastructure projects.

Mobilising more resources for government could help improve many public services and goods, including the massive infrastructure needs of the country. But is mobilising more government resources the best way to help Bangladesh? And how could the government best use extra revenue that it does raise? Let us hear from you at <https://copenhagen.fbapp.io/financepriorities>. We want to continue the conversation about how Bangladesh can do the most good, and which solutions she should prioritise for her future.

The writer is president of the Copenhagen Consensus Center, ranking the smartest solutions to the world's biggest problems by cost-benefit. He was ranked one of the world's 100 most influential people by *Time* magazine.

The last of the Tigers

SHAH RAFAYAT CHOWDHURY

THE mighty beast's hypnotic eyes may strike fear into the hearts of its prey, while its majestic thick orange-black striped fur serves as a reminder of its supremacy in the swampland, as it roams around like a king, ruling over the tropical kingdom of the Sundarbans. The spirit of a Bengal Tiger lives in the heart of every Bangladeshi. Hence, the nickname 'Tigers' for our beloved cricket team. Yet, it is a shame that our tigers, the ones in the forest, are in peril, struggling to survive in the kingdom they rule over. Our negligence in protecting our national asset has resulted in those with selfish motives to take advantage of the scenario, as their activities threaten to push these mighty

in our efforts of mitigating tiger loss and achieving a sustainable increase in tiger population, for even with a tiger population size this close to extinction, our approach to the issue in hand has been rather half-hearted.

Fifty tigers had been killed in the last 14 years, and actions are yet to be taken against those responsible. Projects like the Rampal Power Plant, which threatens to cause a biodiversity catastrophe in the Sundarbans, questions our government's motives regarding safeguarding our wildlife. Only recently have we observed a couple of ambitious initiatives taken regarding tiger conservation since the protocol signed by our PM and her then Indian counterpart Manmohan Singh in 2011, with the USAID-backed Wild Team launching its high-tech

through both crowdsourcing and Corporate Social Responsibility (CSR) activities. With a fan following of over 8 million on Facebook, a social media campaign on the Tigers' page will generate widespread awareness, starting from a student in Dhaka to a photocopy shop owner in Khulna. Companies looking for publicity will be encouraged to partner with the programme associated with the cricket team because of its magnitude within the community. The potential of the partnership with the national team can bring tremendous impetus to the cause. For, the sport has the tendency of bringing the nation together, and the concerned authority should capitalise on this to inspire people to come together in mitigating our tiger crisis.

An ample portion of funding for tiger conservation needs to be directed in renovating our national zoo, for the zoo provides a platform for the community to understand and appreciate the importance of tigers by observing the handful of tigers albeit, held in captivity. By creating a better environment and focussing on activities for visitors in the zoo, the programme would be able to generate both awareness and funding for the cause in a city which possesses an educated community that can influence effective results in terms of conservation.

Perhaps our biggest threat to the protection of the Bengal Tigers would be poaching, for which a new approach is needed. Understanding the mentality of the poachers is important in solving this particular problem. Body parts of tigers, such as bones and skin, fetch large amounts of money. In order to discourage poachers from poaching, we must create alternative job opportunities in the Sundarbans. And by job opportunities I don't mean industrialising the area,

but rather prioritising on ecotourism and sustainable development. Research centres and tiger breeding zones need to be developed, where these poachers can instead be trained as breeders, guides and trackers which will definitely put a dent in tiger poaching in the future.

A renowned conservationist mentioned that Bangladesh is yet to attain remarkable progress in biodiversity conservation due to many institutional limitations and lack of law implementation. We have a number of resources that are extremely capable of achieving results for the tiger conservation programme, and we must concentrate on utilising those resources at hand, instead of wasting our time and limited funds on creating new, unnecessary ones. And more importantly, if we are to address the conservation of the Royal Bengal Tiger, whom we consider our national symbol, then we must do it together in order to succeed. It is not only the government or conservation specialists who will bring a change in the scenario, but all of us in the community should work together to safeguard the 106 tigers and increase their numbers over time. The crisis at hand is a challenge for us Bangladeshis. Letting these tigers fade into extinction will be considered a failure for us as a nation and expose our negligence towards one of our most valuable heritage. Therefore, we must attempt to amplify the fading roars of the majestic beasts in the Sundarbans, for it is a golden opportunity for us to show the potential of our people in resolving a crisis as a united community.

The writer is an Environmental Economics and Policy major at Pennsylvania State University and co-founder and President of Footsteps Foundation.

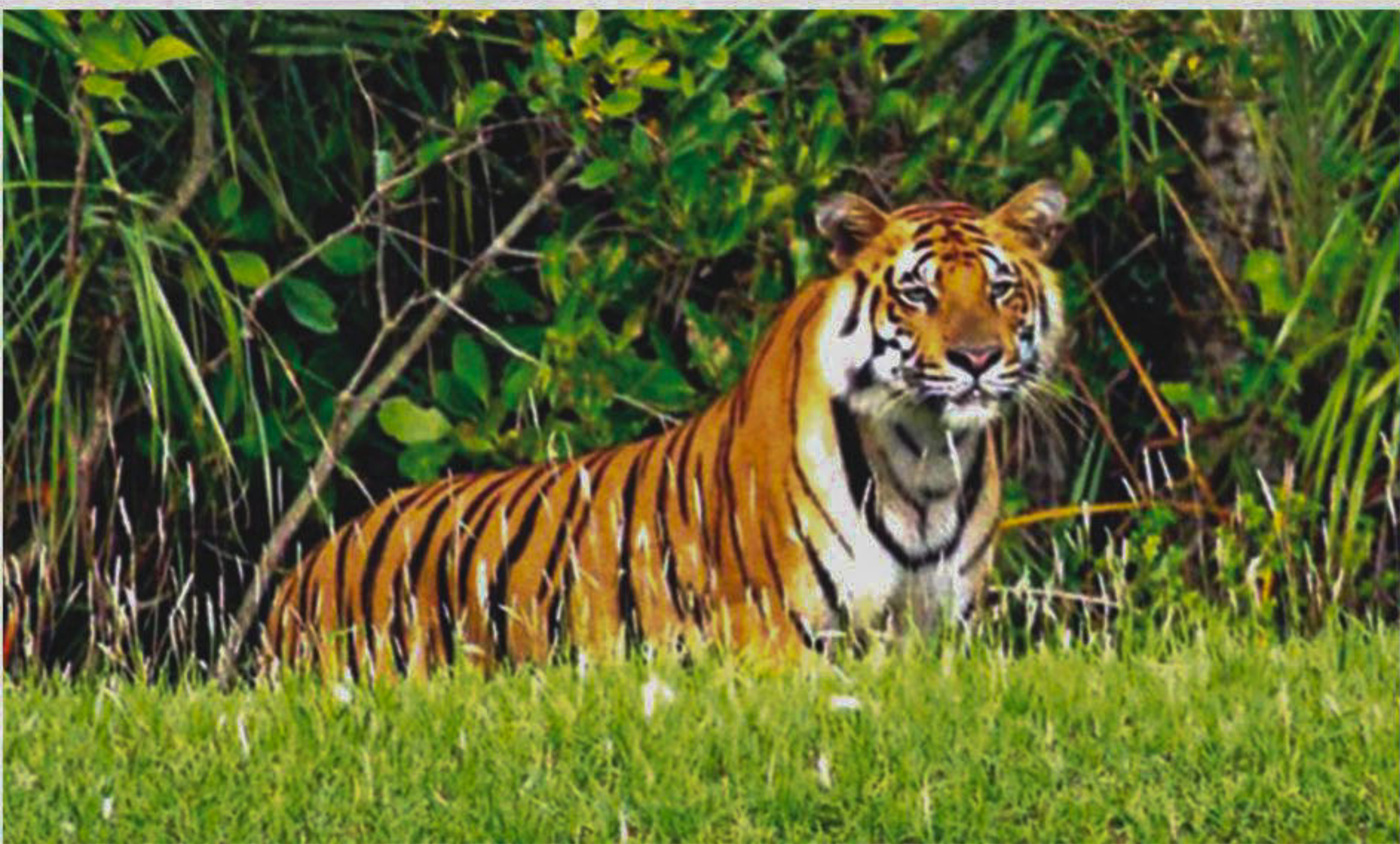


PHOTO: STAR

creatures further towards extinction.

A land known as the home of the Royal Bengal Tiger now has a tiger population of a negligible 106, according to the latest census in 2015. The decline of the Bengal Tigers is directly linked to deforestation in the Sundarbans, a byproduct of exploding population growth and economic activity. The Bengal Tigers are known to lead solitary lives, and their ferociously territorial behaviour requires large areas of land where they can roam around. The decreasing amount of land in the Sundarbans conflicts with their natural behaviour, as competition for the limited food available increases by the day. It isn't a herculean task to figure out how the combination of habitat loss, lack of food and human conflict have resulted in the tiger population dropping in the past few decades. However, the main struggle remains

Tiger Caravan to create awareness in 100 strategic locations around the country through exhibitions and social media. Although their effort in finally addressing the issue is noteworthy, the strategy taken to create awareness seems incompetent on a personal note. Time is an important factor in mitigating a problem of this magnitude, and instead of constructing new resources to create awareness, I would suggest redirecting both time and money on two very capable national assets that we already have in hand: our treasured national cricket team, whom we affectionately call 'Tigers', and the Dhaka national zoo.

A partnership with the national cricket team will not only amplify widespread awareness of tiger conservation amongst the whole national community, but will also likely pave way for other platforms, such as fundraising

VACANCY



NORTH SOUTH UNIVERSITY

Center of Excellence in Higher Education

Pro-Vice Chancellor

Applications are invited for the post of Pro-Vice Chancellor at North South University (NSU). The position assists the Vice Chancellor in planning, implementing and administering all academic and administrative matters and performs related duties, adhering to the university rules and policies, the Statutes and the Private University Act 2010. The appointment is subject to the approval of the Honorable Chancellor and initially for a term of four-years.

Qualifications:

- First class or equivalent in both Bachelor and Master Degrees with Ph.D. from a reputable university;
- At least 15 years academic, administrative and research experience, including minimum of 10 years of teaching experience, in reputable universities;
- Experience of working in senior administrative position, in any reputed university will be an added advantage.

Salary & Benefits:

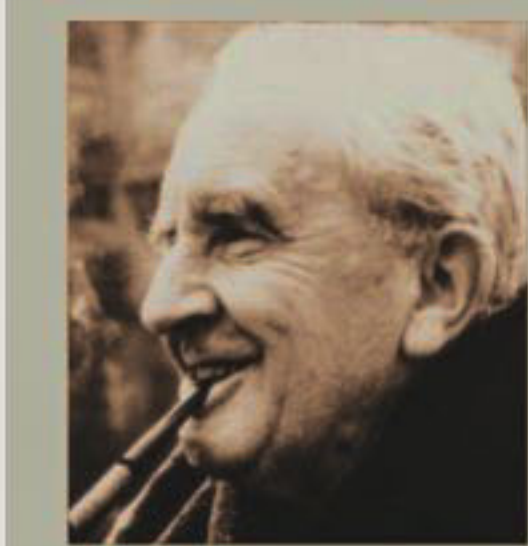
- An Attractive compensation package will be offered based on academic background and experience.

Please send a detailed Resume with a color photograph by 20 April 2016.

The Chairman

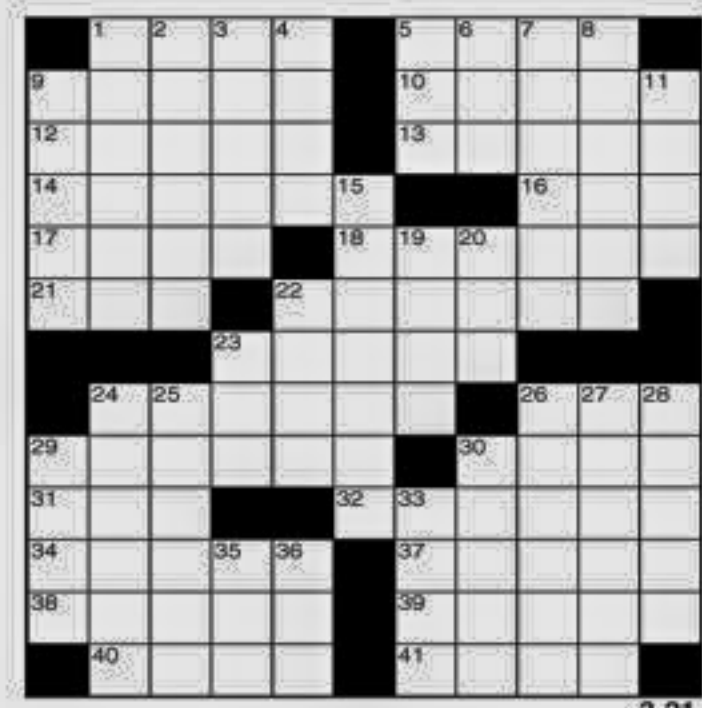
Board of Trustees
North South University
Bashundhara, Dhaka-1229
E-mail: chairman@northsouth.edu
Web: www.northsouth.edu

QUOTABLE Quote



J. R. R. TOLKIEN
English writer, poet, philologist, and university professor

If more of us valued food and cheer and song above hoarded gold, it would be a merrier world.



YESTERDAY'S ANSWER

REFS B A S I C
A X I O M A R E N A
K I N D A G E N T S
E L I T P S T E E
S E T S T O B I N D
D E T E R R E N T
A S T E R
D E T E R G E N T
L U X E A R T U R O
A S H D Y E M A P
S T A G E S T E V E
T U L I P S I R E N
S P E N T P O L S

CROSSWORD BY THOMAS JOSEPH

ACROSS

- 1 Paddy crop
- 5 Fey of "30 Rock"
- 9 Dug coal
- 10 Spoken tests
- 12 Steer clear of
- 13 Syrup source
- 14 Stand up for
- 16 Relatives
- 17 Like the desert
- 18 Spotted
- 21 Indulgent
- 22 Poplar trees
- 23 More polite
- 24 Led the way
- 26 Valuable rock
- 29 Occur
- 30 Reach across
- 31 Fireplace bit
- 32 Rely
- 34 Recoils
- 37 Hint of color
- 38 Phone greeting
- 39 Guiding principle
- 40 Glided
- 41 Towel word

DOWN

- 1 Muralist Diego
- 2 Facing trouble
- 3 Handed over
- 4 Genesis site
- 5 Singer Waits
- 6 Lyricist Gershwin
- 7 Bib's kin
- 8 Axis foes
- 9 Military award
- 11 Transmit
- 15 Move down
- 19 Went 90
- 20 For each
- 22 Staff member
- 23 Quick bite
- 24 Deep cuts
- 25 Like arduous walks
- 26 Starting bid
- 27 Mountain chains
- 28 Stopped
- 29 Diner dish
- 30 Church topper
- 33 Make printing plates
- 35 Quarterback Manning
- 36 Lawn makeup