Role of taxation, domestic resource mobilisation in attaining SDGs

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BANGLADESH is well accredited in the global arena as one of the frontrunners in achieving the millennium development goals, and the Seventh Five-Year Plan and other policy documents of ours also reflect the high level of commitment of the government to meet the sustainable development goals (SDGs).

In this mission, the National Board of Revenue (NBR) as the apex revenue authority plays the role of the kick-starter as the 'source of funds' in achieving the SDGs by strengthening the domestic resource mobilisation and improving the domestic capacity for tax and revenue collection.

However, it is very important to understand how taxation and fiscal policies can play a fundamental role in achieving the SDGs and why the mobilisation and effective use of domestic resources are central to the pursuit of sustainable development that goes beyond financing.

In addition to generating funding for investments in the SDGs, efficient taxation and fiscal policies can certainly play a critical role in reducing inequalities and promoting inclusive sustainable development patterns.

Bangladesh has been able to substantially reduce poverty in the recent years and on the right track to meeting the relevant SDG goals in this regard. However, a few related issues have clouded this prospect, which demand urgent attention.

One of the key issues is the growing income disparity, which alienates a large segment of population, including women, minorities, ethnic groups and disadvantaged segments of population, from the economic and social benefits the country has to offer.

At one level, Bangladesh has made commendable progress in women empowerment, but at another level more work needs to be done to achieve equality in capacity for appropriately utilising the economic and social opportunities.

In this context, fiscal policies can be used to promote gender equality and may help achieve SDG 5 on gender equality and women empowerment. For instance, the VAT exemption given in this year's budget to the small and medium women entrepreneurs is a classic example of how providing fiscal incentives to economic sectors where women are prominent economic actors can help reducing the inequality and thus promote balanced growth.

A more progressive taxation system also helps to address the income inequality persisting in the society. Fiscal policies can also be targeted to encourage healthy lives and well-being (for instance, by highly taxing harmful products like tobacco and alcohol while exempting healthy foods and basic necessities) and achieve better health related outcomes.

Taxation can also be used as a very effective tool to promote social inclusiveness. Businesses employing physically challenged people attracting higher tax rebate is another classic example in this regard. Tax policies may also have an impact on other areas in sustainable development, such as infrastructure investment (domestic tax incentives) and environmental sustainability (environmental surcharge) and hence it is very important to realise the interrelationships of taxation with the goals outlined in the 2030 SDG Agenda.

Simultaneously, it needs to be taken into cognizance that protection of the poorest, including through basic public spending, is an overarching concern and the fairness of a tax system cannot meaningfully be assessed in isolation of the spending it finances.

This makes it important not only to examine the distributional impact of tax reforms themselves but also to identify specific spending measures to address any concerns they raise.

Better persuading taxpayers of the value of the public spending financed by the taxes they pay, including by improving the management and quality of that spending, can further bolster trust in and compliance with the tax system.

Having realised this, the NBR is continuously engaged in building partnerships with all the relevant stakeholders both in the public and private sector. Several reform activities, including tax policy and tax administration reforms, are underway aiming at revenue mobilisation, building taxpayers' trust and confidence.

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The headquarters building of the National Board of Revenue in Dhaka. Efficient taxation and fiscal policies can play a critical role in reducing inequalities and promoting inclusive sustainable development.

VAT Online platform has been launched and Value Added Tax and Supplementary Duty Act 2012 has been implemented from July 1, 2019. The legislation for customs operations is also under review of the parliamentary standing committee and several projects like National Single Window and Bond Automation has been taken to modernise the customs wing in order to protect the community and the environment, ensure efficient and effective revenue collection while facilitating legitimate trade and travel in compliance with domestic and international standards.

The NBR is working to provide fair, equitable and quality service to clients; encourage voluntary tax compliance; serve as the central repository for the collection and management of trade statistics; use risk based and intelligence-led approach in enforcement activities maintaining high professional standards that reflects quality, transparency and teamwork.

All these are very positive signs indicating that Bangladesh is gradually moving towards the right direction in regards to efficient domestic resource mobilisation.

However, in the face of continuously changing economic environment and the digitisation of the economy, capacity building of the NBR's field officers based on an international standard competency framework and providing appropriate logistics and infrastructure support for the field offices remain as the two major challenges as well as success factors for achieving the financing objective and other broader SDG goals.

Both funds and technical assistance would be required to address these challenges where different international organisations and donor agencies can play a vital role by showing their commitment to help NBR in this regard.

The political will of the government, the institutional mechanism of the organisation, the stakeholders, the citizens and the united effort of the broader international community can certainly lead to more efficient domestic resource mobilisation in attaining the SDGs which goes way beyond financing.

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China's Xi turns to financial experts to tame economic risks

Reuters, *Singapore/Beijing*

AS China struggles to deal with the slowdown of the world's second-largest economy, it has embarked on a new strategy of placing financial experts in provinces to manage risks and rebuild regional economies.

Since 2018, President Xi Jinping has put 12 former executives at state-run financial institutions or regulators in top posts across China's 31 provinces, regions and municipalities, including some who have grappled with banking and debt difficulties that have raised fears of financial meltdown.

Only two top provincial officials had such financial background before the last big leadership reshuffle in 2012, according to Reuters research.

Among financial experts recently promoted is Beijing vice mayor Yin Yong, a former deputy central bank governor, and Shandong deputy provincial governor Liu Qiang, who rose through the country's biggest commercial banks, from Agricultural Bank of China to Bank of China. Another newly promoted official, Chongqing vice mayor Li Bo, had until this year led the central bank's monetary policy department.

The appointments - overseeing economies larger than those of small countries - would appear to put those officials in the fast lane as China prepares a personnel reshuffle in 2022, when about half of the 25 members of the Politburo could be replaced, including Liu He, a vice-premier who is leading economic reform while doubling as chief negotiator in US trade talks.

"Bankers are now in demand, as local governments are increasingly exposed to financial risks," said Chucheng Feng, a partner at Plenum, an independent research platform in Hong Kong.

"These ex-bankers and regulators are given the task of preventing and mitigating major financial risks."

The appointments have come as economic growth has slowed to its weakest in nearly three decades, while government infrastructure investment has fallen.

Five regional banks were hit with management or liquidity problem this year, raising the prospect of devastating debt bombs lurking in unexpected corners.

"We need to be well prepared with contingency plans," the state Xinhua news agency said after a major annual economic meeting headed by Xi this month.

The economy faced "increasing downward economic pressure amid intertwined structural, institutional and cyclical problems", the news agency said.

With pressures mounting, local governments are expecting to take the lead in managing their financial scares and cutting the cost of rescue with local intervention, analysts say.

"Appointing financial vice governors to provinces can help better integrate financial policies into local practice, and to prevent financial risks beforehand," said He Haifeng, director of Institute of Financial Policy at Chinese Academy of Social Science, a government think-tank.

"Such appointments have also showcased a change of manner in official appointments." Financial executives were long shunned for leadership positions.

China's President Xi Jinping

Banks were nationalised after the Communist Party took power in 1949 and many bankers were purged during the Cultural Revolution.

Xi started to stress the importance of financial expertise, and to elevate the status of executives, in 2017.

"Political cadres, especially the senior ones, must work hard to learn financial knowledge and be familiar with financial sectors," Xi said in a national meeting on financial affairs.

Half of the 12 former financial executives elevated to provincial leadership posts under Xi were born after 1970.

Liaoning's vice governor Zhang Lilin, 48, a veteran banker who spent two decades in the country's third largest lender, Agricultural Bank of China, was appointed days after three state-controlled financial institutions announced investment in the then troubled Bank of Jinzhou.

A risk disposal plan for the lender was a milestone this year in resolving problems facing high-risk financial institutions.

Tan Jiong, 53, former deputy head of Industrial & Commercial Bank of China, the world's largest lender by assets, was appointed in September to Guizhou.

Sixty years on, Africa still seeks right model for growth

Afp, *Paris*

AS 1960 dawned, sub-Saharan Africa braced for historic change: that year, 17 of its countries were destined to gain independence from European colonial powers.

But six decades on, the continent is mired in many problems. It is struggling to build an economic model that encourages enduring growth, addresses poverty and provides a future for its youth.

Here are some of the key issues:

Africa's population grew from 227 million in 1960 to more than one billion in 2018. More than 60 percent are aged under 25, according to the Brookings Institution, a US think tank.

"The most striking change for me is the increasing reality of disaffected youth... a younger population that is ready to explode at any moment," Cameroonian sociologist Francis Nyamnjoh told AFP.

"They are hungry for political freedoms, they are hungry for economic opportunities and they are hungry for social fulfilment ."

Joblessness is a major peril. Unemployed youths are an easy prey for armed groups, particularly jihadist movements in the Sahel, or may be tempted to risk clandestine emigration, often at the cost of their lives.

The continent's population is expected to double by 2050, led by Nigeria, Ethiopia and Democratic Republic of Congo (DRC).

The proportion of Africa's population living below the poverty line -- less than $1.90 (1.7 euros) per day -- fell from 54.7 percent in 1990 to 41.4 percent in 2015, according to the World Bank. But this average masks enormous differences from one country to another, exemplified by Gabon (3.4 percent of the population in 2017) and Madagascar (77.6 percent in 2012).

"The inequalities between countries are as extreme as in Asia and the inequalities within countries as high as in Latin America, where landless peasants coexist with huge landowners," said Togolese economist Kako Nubukpo.

Christophe Cottet, an economist at the French Development Agency (AFD), pointed out that inequality in Africa is "very poorly measured."

"There are notably no figures on inequalities of inherited wealth, a key issue in Africa."

Recent decades have seen the expansion of megacities like Lagos and Kinshasa, typically ringed by shantytowns where people live in extreme poverty, although many medium-sized cities have also grown.

More than 40 percent of Africans now live in urban areas, compared with 14.6 percent in 1960, according to the World Bank.

In 1960, Cairo and Johannesburg were the only African cities with more than a million residents. Consultant McKinsey and Company estimates that by 2030, about 100 cities will have a million inhabitants, twice as many as in Latin America.

But this urban growth is not necessarily the outcome of a rural exodus, said Cottet.

"The population is rising across Africa as a whole, rather faster in towns than in rural areas," said Cottet.

"There is also the problem of unemployment in towns -- (rural) people have little interest in migrating there."

Growth in Africa slammed to a halt in the early 1980s, braked by a debt crisis and structural adjustment policies. It took two decades to recover.

Per-capita GDP, as measured in constant US dollars, shows the up-and-downs, although these figures are official and do not cover Africa's large informal economy: $1,112 in 1960, $1,531 in 1974, $1,166 in 1994 and $1,657 in 2018.

"If you do an assessment over 60 years, something serious happened in Africa, with the loss of 20 years. But there is no denying that what is happening now is more positive," Cottet said.

The IMF's and World Bank's structural adjustment programmes "broke the motors of growth," said Nubukpo, whose book, "L'Urgence Africaine," (The African Emergency) makes the case for a revamped growth model.

The belt-tightening programmes "emphasised the short term, to the detriment of investments in education, health and training."

Africa has a low rate of industrialisation, is heavily dependent on agriculture and its service sector has only recently started to emerge.

"We have not escaped the colonial model. Basically, Africa remains a producer and exporter of raw materials," said Nubukpo.

He gave the example of cotton: 97 percent of Africa's cotton fibre is exported without processing -- the phase which adds value to raw materials and provides jobs.

For Jean-Joseph Boillot, a researcher attached to the French Institute for International and Strategic Affairs, "Africa is still seeking an economic model of development."

"There is very little development of local industries," he said.

"This can only be achieved through a very strong approach, of continental industrial protection -- but this is undermined by the great powers in order to pursue free trade.

AFP/FILE

A fisherman poses on a boat as he waits to go overnight fishing at Lake Kivu, western Rwanda.

"The Chinese, the Indians and Westerners want to be able to go on distributing their products." Lack of democracy, transparency and efficient judicial systems are major brakes on African growth, and wealth is concentrated in the hands of a few, said the experts.

Of the 40 states deemed last year to be the most world's most corrupt countries, 20 are in sub-Saharan Africa, according to Transparency International.

"Africa is not developing because it is caught in the trap of private wealth and the top wealth holders are African leaders," said Nubukpo.

"We must promote democracy, free and transparent elections to have legitimate leaders who have the public interest at heart, which we absolutely do not have."