The Daily Star
FOUNDER EDITOR: LATE S. M. ALI

Getting BNP to join the polls

And creating enabling conditions for it

THE prime minister has made a very significant remark, as reported in this newspaper, regarding the ruling party taking initiatives to get the BNP to participate in the forthcoming elections. She said, criticising some of her party members, that those who were not confident themselves of winning the polls did not want the BNP to join the elections. This is a million-dollar statement, given the fact that, over the last 10 years, particularly during the election time, we saw every ploy being used to make sure that the BNP did not, or could not, participate in the JS elections. And given the incredibly impolitic nature of its raw leadership, the BNP fell hook, line, and sinker for this strategy.

We have always stressed that boycotting elections is not a politically wise step. Needless to say, the BNP also rues boycotting the elections. Admittedly, BNP has had to encounter encumbrances in carrying out its political activities, but that is no reason to deprive its supporters from exercising their franchise.

We take note of the PM's remarks, but believe that it is not for the ruling party to persuade its political opponent to participate in the polls. However, as the party running the administration, it is the AL's bounden duty to ensure that the playing field is level and that all candidates are able to conduct their political activities without any hindrance. It has been evident that, for the BNP—and for all shades of opposition—the space for organising rallies, criticising government policies, and exercising the right to differ, has become constricted.

The only way that a participatory election can be held, and a free and fair poll can be conducted is by allowing the democratic institutions (the EC, in particular), and the agencies that help them to run elections, to work freely without interference from the administration. In fact, it is a good time to delineate the administration from the ruling party—an essential divide that has been almost entirely blurred over the last 10 years. The apron string that ties the police (and other law enforcing agencies) and the civil administration to the ruling party must be released for good, and must work under the direct supervision of the EC during the polls. The EC has to exercise its remit in full and apply the laws and rules without fear. It has a difficult task since much of its credibility has been denuded by the manner in which the previous EC had run elections. We would suggest that the use of EVM without the consensus of all the stakeholders would be ill-advised.

Expressed intentions must manifest in deeds. For the ruling party, its work is cut out. If it really means what it says, it should desist from using the office to influence the polls, and create confidence in the minds of stakeholders. Then, and only then, can the elections to the JS be participatory.

Railways minister should answer for wrongs done in his name

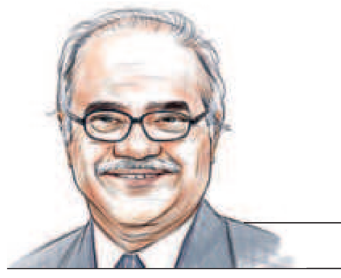
Reward, not punish, honest officials for doing their job

THE incident involving a travelling ticket examiner (TTE) of Bangladesh Railway has laid bare how difficult it is for government officials to do their job honestly and how easy it is for people with connections to exploit them or the system in which they work. Shafiqul Islam, the TTE, was suspended a day after he showed the audacity to fine three individuals who claimed to be relatives of the railways minister, after boarding a Dhaka-bound train at the Ishwardi junction without tickets. They were in an AC cabin but the TTE gave them tickets for a non-AC carriage, which wasn't to their liking. And he was punished for that. Even if their allegation of misconduct is true, the repercussion wouldn't have been as serious or prompt had the aggrieved trio not been linked to the minister.

Can the minister avoid the responsibility for what had happened in his name? The minister, on Sunday, revised his earlier comments about the identity of the trio, admitting that they are indeed his relatives and that it was his wife who had lodged a complaint against the TTE although she didn't ask the railways authorities to suspend him. He also said the suspension order was given "without following due process" and so it will be withdrawn. The whole incident was "embarrassing" for him, he added. We commend the minister for his frank admission and the quick decision to right a wrong. But is reinstating the TTE enough to counteract the wrong messages given by earlier acts/decisions? Can it remove the bad taste left by the spectacles of his relatives and eager-to-please officers? Will he do what's necessary to ensure such things are never entertained again, at least in his ministry?

We think the incident should be taken as a lesson in what happens when the mechanisms of accountability weaken and public officials become vulnerable to outside influences. This is but a symptom of a larger disease that saw politics corrupt the administrative culture to a point in which only political connections matter. Over the years, we have seen how corruption festered and became the norm of the day as a result. We have seen how honest officials got punished, and how dishonest officials, politicians and their cohorts got rewarded. If the authorities are sincere about not seeing a repeat of the TTE incident, they should make an example of these corrupt influences by holding them accountable, and reward those who still take their jobs seriously so that others may be encouraged.

Should Bangladesh worry about debt servicing?



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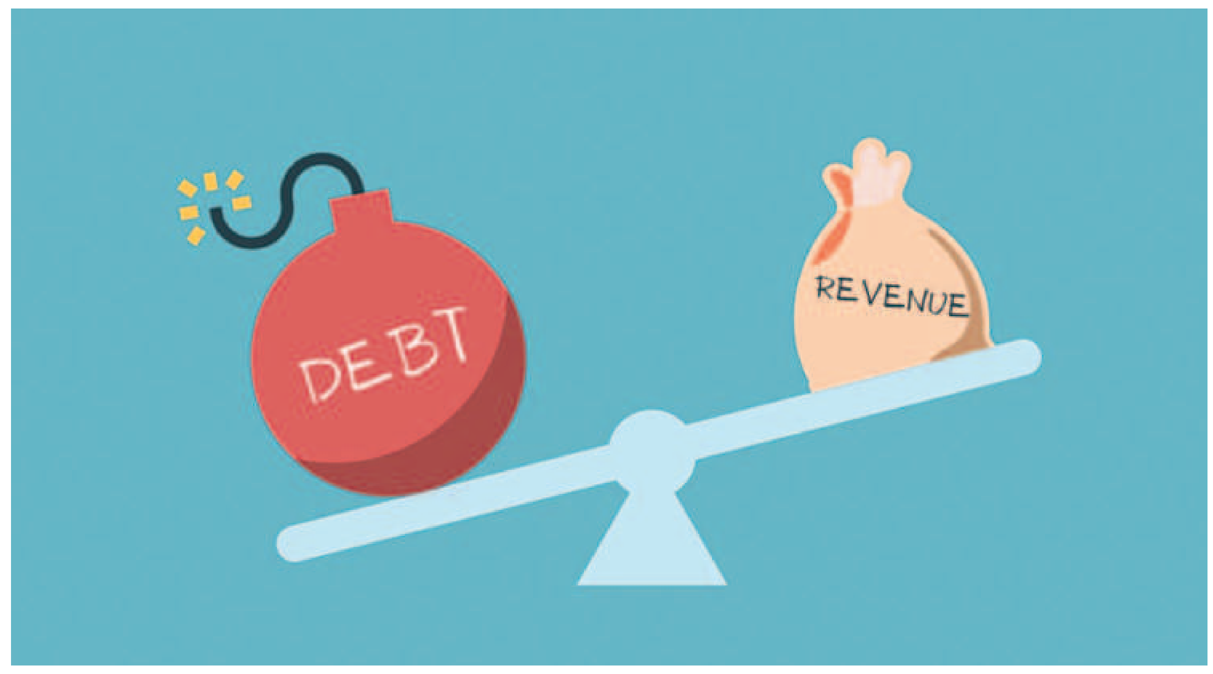
DEBT servicing has become a rising concern for developing countries in recent times. With sluggish growth worldwide, the havoc caused by Covid-19 over the past three years, and global economic instability due to the ongoing war in Ukraine, the revenues of governments in developing countries are sliding down, and the need for them to borrow is rising. As a result, debt repayment (principals and interests), as a ratio of either revenues or gross national income (GNI), has been becoming more and more difficult. For example, with the advent of Covid, the average ratio of external debt to GNI for developing economies (excluding China) jumped by 13 percentage points to 44 percent in 2020, as a result of which, developing countries had to struggle to retain their pre-Covid human development expenditures.

The concern for debt servicing has been echoed in the case of Bangladesh too. During the last fiscal year, the debt service to revenue ratio in Bangladesh rocketed to 81 percent, which was 56 percent in the pre-pandemic year. The increased level of debt service to revenue ratio means that today, if the government earns Tk 100 in taxes, it has to spend more than Tk 81 to pay off loans, as opposed to Tk 56 in 2019. This simply implies that because of higher debt servicing payment, there would be less availability of resources for development and other priority expenditures, including those required for post-pandemic economic recovery. This will put pressure on public finance. Resources that could have been spent on essential sectors like health, education or public investment are now being dedicated to interest payments.

Debt repayment has to be undertaken with regard to domestic debt as well as external debt. In this context, three points are important. First, while domestic debt can be paid in terms of domestic revenue, foreign debt has to be paid in terms of foreign exchange accumulated through export earnings. Second, because of its nature, the government may have more flexibility in managing domestic debt servicing compared to external debt servicing. And third, sometimes, governments put more focus on external debt compared to domestic debt, even though domestic debt may be substantial. In Bangladesh, total public debt stood at USD 148 billion in fiscal year 2021, about 41 percent of GDP. Of this, external debt accounted for USD 62 billion, or 18 percent of GDP.

An in-depth look at the debt servicing of Bangladesh raises some structural public debt issues. First, interest payments on debts remain high because of higher rates on national saving certificates, expensive bank borrowing, delay in executing the projects, and irrelevance and overvaluation of projects. For example, the government provides higher rates of interest on national savings certificates due to the fact that people have limited sources for investing their hard-earned money. As a result, they opt to invest in risk-free national savings certificates, leading to a rise in government borrowing from expensive sources.

Second, because of revenue constraints, the government has opted to borrow more in recent years, including through non-concessional and hard-term loans from foreign lenders, resulting in higher repayments. The borrowing has been undertaken to finance current expenditures, but also to service existing debts, accounting for the largest part of the expenditure. Sometimes, the government has to borrow to finance big projects, the debt repayment on which is also substantial.



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Third, in many cases, some multilateral and bilateral donors have increased their interest rates and service charges, but have reduced the grace periods. For example, the World Bank, Bangladesh's largest multilateral donor, has reduced the maturity period of its loans from 40 years to 30 years and grace period from 10 years to five to seven years, respectively. The government has also taken some hard loans from bilateral donors like China and Russia. Overall, the country needed to repay its interest and principal amounts simultaneously, resulting in repayment amounts to increase year-to-year.

Fourth, with Bangladesh graduating from the Least Developed Country (LDC) status, borrowing and debt repayment would become harder for Bangladesh in the future. In fact, since 2016, when Bangladesh graduated to a lower middle-income country (LMIC) category, loans started to get costlier. For example, the Asian Development Bank (ADB), the second largest multilateral donor of Bangladesh, has enhanced lending from its non-concessional window. Since Bangladesh became a LMIC, the loans from ADB's soft window—the Asian Development Fund—have been decreasing year-on-year. Japan, the largest bilateral donor of Bangladesh, has also made its lending terms harder—as it's been charging 0.10 percent interest rate in recent years against 0.01 percent a few years back.

Fifth, the average revenue mobilisation is quite weak in Bangladesh. In fiscal year 2021, the revenue mobilisation in Bangladesh was around 10 percent of its GDP. It is less than half of that of 25 percent in emerging and developing Asian countries. The revenue-GDP ratio in Nepal is 22 percent, In India, it is 20 percent and, in Pakistan, it is 15 percent. Therefore, Bangladesh has a lot of catching up to do.

In the context of the preceding discussion, a crucial question is: Is debt servicing at risk in Bangladesh? The answer is "no". Bangladesh's public debt at 41 percent of its GDP is way lower than the risk threshold of 70 percent estimated by the International Monetary Fund (IMF). The external debt service to revenue ratio in the country reached 10 percent in 2020, but it is still below the risk threshold of 23 percent. In Bangladesh, all external debt indicators are below their corresponding risk thresholds under the most extreme shock scenario, and the risks of debt distress remains low.

But there is no place for complacency. Bangladesh needs to be cautious about its debt and debt servicing. Even though the amount of external debt is still far below the risk threshold, Prime Minister Sheikh Hasina recently directed all concerned authorities to take necessary measures to ensure the maintenance of the country's current position in future, regarding external debt.

Measures must be taken both on the revenue and the debt front. On the revenue front, the tax-base of Bangladesh must be expanded. The government had set an annual revenue collection target of 13.5 percent of GDP in 2020. Yet, last year, the actual revenue collection of Bangladesh was 9.4 percent of GDP. The government has expressed its commitment towards automating revenue administration and tax expenditure rationalisation. Thus, widening the tax base would require using technology for tax enforcement, while reducing expenditures on losing state-owned enterprises. The issue of export-diversification is a long-standing issue in Bangladesh. With global growth being sluggish, this is extremely important for Bangladesh if foreign exchange revenue is to be enhanced.

On the debt side, Bangladesh should continue seeking concessional financing to the extent that is possible, even though with LDC graduation it may prove to be a major challenge for the country. After graduation, Bangladesh would have to borrow loans at higher rates, which would further increase its debt-repayment amounts in the near future. In that context, the country should also look to attract non-debt creating financial inflows, such as foreign direct investment (FDI). Furthermore, Bangladesh should ensure best use of the costly loans through quality implementation of projects as well as checking misuse and leakage of funds. Domestic borrowing should be further scrutinised, as it costs the economy more because of borrowing at higher commercial rates.

As far as the debt servicing of Bangladesh is concerned, right now, there is no need for anyone to panic. However, the country needs to be cautious so that unforeseen future shocks does not create any debt distress.

LETTERS TO THE EDITOR

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The emergence of alternate reality

The emergence of the Metaverse is perhaps a complete game changer for our world. Metaverse blurs the line between reality and virtual reality. Hence, whether people try to resist or ignore its features, it is possible that eventually people will get imprisoned in this alternate reality.

Metaverse will bring immense changes to the business world and the concept of investment. Already we see some companies trying to have their own currencies and economies for the virtual world. Facebook, for example, recently started its own currency called Libra—which failed because of a lack of trust among people towards Facebook and how it deals with people's data.

Covid-19 has taught us how reliant the world has become on technology. That is why if we here in Bangladesh fail to take full advantage of it, our companies and industries will surely get left behind. It is, therefore, essential for us to adopt these new technologies.

Companies should start building, exploring and trying to understand what virtual reality is really capable of. Organisations that rely heavily on having an online presence might try and find ways to incorporate it into their business models. Financial transactions of the future might be very different, thus, we should start experimenting with crypto currencies, which could possibly become a big part of the virtual world.

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PHOTO: AFP