

Why are we failing to curb inflation?



A CLOSER LOOK

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That the world is grappling with rising inflationary pressure in the wake of the Russia-Ukraine war is not new information. This is the reference that is used every time the issue of domestic inflation is raised at discussions with policymakers. This is perhaps because it is easier to reflect on the problems than on solutions. The reality is that there are many other factors that are contributing to our inflationary woes – factors that we could have managed better.

For instance, the price of liquefied natural gas (LNG) has dropped in the international market. According to a recent CNN Business report, wholesale European gas prices dropped almost 48 percent since mid-December to trade at 71 euros per megawatt-hour in early January – roughly where they stood on February 15 last year. In the US, according to the report, the cost of wholesale gas flowing through the Henry Hub pipeline dropped 50 percent to \$3.68 per million British thermal units (mbtu) since late November, back to around levels last seen in December 2021.

Bangladeshi consumers, however, did not get the benefits of this global fall in energy prices.

While Bangladesh recently bought an LNG shipment from the spot market after an eight-month pause for delivery, the cost of energy in the country remains high. In fact, at the retail level, the electricity price was increased again last month – the third such hike since the

beginning of the year. With general inflation rising to 8.78 percent in February this year, up from 8.57 percent in January, and February witnessing food inflation at 8.13 percent and non-food inflation standing at 9.82 percent, adding extra pressure on people would only take away from their already significantly compromised purchasing capacity. Although it is understandable that the government is now under added pressure to reduce energy subsidy – with the International Monetary Fund (IMF) making it one of the critical loan sanctioning considerations – there are other, more urgent steps it should take, such as phase out capacity charges to private firms, rather than push the burden onto consumers alone.

The second factor is the taxation structure that is currently more favourable towards the rich and punishing for the groups with limited income. Think tanks have advised the government to design the taxation structure for FY 2023-24 in a way that is more equitable for all. The Centre for Policy Dialogue (CPD) suggested that the tax-free income limit of individual taxpayers be increased to Tk 350,000 from the current Tk 300,000, and in the second slab, the amount of taxable income be increased to Tk 300,000 from the existing Tk 100,000, so that the middle income groups get some respite from the burden of taxation and inflation. It has also been recommended that the highest tax rate be reinstated to the previous 30 percent from



the slashed 25 percent to ensure tax justice, or else, while the rich get away by paying less income tax, the limited income groups will be at the receiving end of a greater tax burden.

Keeping the taka's value artificially high has contributed to the inflation further. While the US dollar kept gaining strength since the beginning of 2022, it was only in April that the central bank decided to act on the situation and devalued the taka, with small corrections through to August, which enabled the banks to trade dollars at a much inflated rate. In the process, the dollar price rose to Tk 113.114 in the formal market and to Tk 120 in the kerb market. This mismatch led to the sliding of the taka by about 25 percent. Businesses that had previously borrowed in dollars from local and foreign banks are now

having to pay extra to pay back. Importers are also having to pay extra to settle import bills. This situation is taking a toll on our foreign exchange reserves. It should be noted that Bangladesh's foreign reserves dropped to a six-year low of \$31.5 billion, post the central bank settling import bills of \$1.05 billion with the Asian Clearing Union on March 6 this year.

Rocky remittance inflow and slower growth in export also contributed to the unfavourable forex situation, making it difficult for businesses to open import line of credit (LC), leading to supply-related risks for goods.

There is another risk: the government is borrowing heavily from the Bangladesh Bank – between July 1, 2022 and March 2, 2023, the

government has borrowed Tk 50,043 crore, according to the central bank data. Given the liquidity crunch in the commercial banks caused by the lack of corporate governance, high related-party lending, and subsequent high non-performing loan (NPL) burden – defaulted loans increased by Tk 17,383 crore in 2022, with 88 percent of them turning into bad debt – these banks are themselves having to borrow from the central bank.

Foreign aid commitment and disbursement for development projects are also on the decline – in the first seven months of the current fiscal year, commitments fell by around 62 percent year on year, according to the Economic Relations Division (ERD) – and revenue mobilisation remains low. Under these circumstances, if the government keeps borrowing from the central bank, it will by default create additional pressure on the inflationary situation.

The government should, in this situation, seriously consider the advice of the think tanks on the overall macroeconomic management approach. While our policymakers have their own agenda to address in view of the upcoming general elections – easing the inflationary pressure should be one of them – they are not always best-equipped to handle delicate situations. That is why they should sit with the subject matter experts, take their opinions with an open mind, and work on them to pull the economy out of this mess that to some extent has been created as a result of incompetent governance.

With Ramadan coming up, people's woes will increase. Many are already forced to give up on basic necessities as they are unable to make ends meet. We cannot allow our people to live undernourished because there is a war going on thousands of miles away. Every challenge creates an opportunity, and we must capitalise on what is available to us to support our people.

RTI for transparency in parliamentary democracy

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SHAMSUL BARI and RUHI NAZ

In recent years, our neighbour Sri Lanka has weathered difficult times – economically, politically, and socially – but its right to information (RTI) regime survived and even thrived. We have cited critical RTI decisions from the country in these columns in the past. We are pleased to now update this with a story of exemplary value. This case shows the vast potential of RTI law to promote transparency in an important branch of democracy – the parliament.

RTI requests that are initially denied by the authorities concerned usually get resolved through the intervention of the Information Commission or a similar dispute-resolving body. However, if a party feels aggrieved by a decision of the Information Commission, it

designated officer of the Speaker's Office, who also refused disclosure on similar grounds.

Aggrieved by the denials, Sampath next applied to the Information Commission to resolve the dispute. He cited Section 31 of the law which, similar to other countries, allows for the RTI Act to override other laws of the land. After a long hiatus, in February 2021, the commission decided in favour of releasing the requested information. The commission determined that the public authority in terms of the RTI Act was the Parliament of Sri Lanka, and not the Secretariat or the Speaker's Office. Hence, it was the duty of the secretary-general of the parliament to provide the desired information to the applicant. The secretary-general then challenged

a culture of transparency and accountability in public authorities and institutions by giving effect to the right of access to information in combating corruption and promoting accountability and good governance.

He concluded that "any person who comes under the provisions of the (Declaration of Assets and Liabilities) law (and) fails to provide the relevant declaration of assets and liabilities as required, would be committing an offence punishable with a fine or imprisonment of either description or both such fine and imprisonment. It is therefore important for the public to know whether the relevant authorities have acted as required by law or not."

He had no hesitation, therefore, to concur with the decision for disclosure by the Information Commission, adding that "providing the list of names of the Members of Parliament who have tendered their declaration of assets and liabilities as required by law is not disclosing the information they have provided in the declarations. I find that the argument advanced on that basis had also been an attempt to frustrate the purposes of the RTI Act." This is strong language indeed!

The judgment went on to underline that the MPs are "persons who are elected by the people and maintained by the people. They are expected to abide by the laws of the country at all times and provide examples for others to follow." No wonder

that the judgment received wide coverage in the Sri Lankan media. Many saw in it a glimmer of hope for transparency and accountability in the country, providing for a more solid basis for transparent and accountable governance, which may help avoid recurrence of the type of crisis the nation has faced in recent years. There was a sense of rejuvenation in the air.

may appeal to a higher court for a ruling on the contested issues. In our story, a decision of the Right to Information Commission of Sri Lanka was challenged at the Court of Appeal, which delivered its judgment just a few weeks ago on February 28.

Chamara Sampath, a young Sri Lankan journalist, submitted an RTI request on June 21, 2018 to the designated officer of the Secretariat of the Parliament of Sri Lanka. Sampath sought the list of MPs who had submitted their asset declarations, from 2010 onwards, under the provisions of the Declaration of the Assets and Liabilities Act No 1 of 1975 (amended by Act No 74 of 1988). The designated officer refused the request, stating that parliamentary privilege protects the "confidentiality" of the list and that declarations were submitted to the Speaker's Office, which holds the information. The applicant then made the same request to the

the decision of the Information Commission at the Court of Appeal, claiming among other things that the commission had "erred in fact and law."

On February 28, 2023, the Court of Appeal dismissed the appeal, upheld the decision of the Information Commission, and ordered the release of information pertaining to the Sri Lankan MPs who had submitted their declarations of assets to the parliament. The court concurred with the commission on all its conclusions, including that the RTI Act supersedes the Declaration of Assets and Liabilities Law, enacted before the RTI law.

Our readers will find the observations of the court on the matter to be very educational. In the 17-page judgment delivered by Justice Sampath B Abeykoon (with Justice P Kumararatnam agreeing), the court held that the intention of the RTI legislation was "fostering

the decision of the Information Commission at the Court of Appeal, claiming among other things that the commission had "erred in fact and law."

From all indications, RTI has thrived in Sri Lanka due largely to the efforts of many diehard activists from the civil society and a committed educated class. In addition, a few dedicated members of the Information Commission have been promoting the efficacy of the law. The ranks of such promoters in Bangladesh are still very thin. We hope that the Sri Lankan example will spur us to greater and more transformative use of the RTI Act in our country. We often hear of the government abusing some laws against the citizens, forgetting that as citizens we, too, are "abusing" a law of such great potential for public good through our indifference and neglect.

Government of the People's Republic of Bangladesh
Local Government Engineering Department
Office of the Executive Engineer
District: Thakurgaon
www.lged.gov.bd

Memo No. 46.02.9400.000.07.001.23-830

Date: 12.03.2023

Specific Procurement Notice

Country: Bangladesh
Name of Project: "Rangpur Division Agriculture and Rural Development Project" in Bangladesh
Procurement of Works

Sector: Agriculture and Rural Development

Mode of Financing: Loan

Financing No: IBD-0185

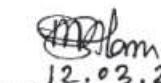
Contract Title: "Package W-15(Lot-3): Improvement of Markets in Thakurgaon District"

NCB Reference No. 01/2022-2023

1. The People's Republic of Bangladesh has received financing from the Islamic Development Bank (IsDB) towards the cost of **Rangpur Division Agriculture and Rural Development Project** and intends to apply part of the proceeds toward payments under the contract as mentioned in table below.
2. The Executive Engineer, Local Government Engineering Department (LGED), District: Thakurgaon, Bangladesh now invites sealed bids from eligible bidders for the following works under the above project.

Sl. No.	Contract No.	Description of works	Price of bidding documents (in BDT)	Amount of bid security in BDT	Contract completion time (days)
1	LGED/RARDP/Thakurgaon/W-15(Lot-3)	1) Improvement of Baksa Hat at Ranishankail Upazila, 2) Improvement of Dhamer Hat (Ratore UP) at Ranishankail Upazila & 3) Improvement of Chowesta Bazar (Kashipur UP) at Ranishankail Upazila under Upazila-Ranishankail, District- Thakurgaon.	2000.00	1,55,000.00	270 days
3.					
4.					
5.					
6.					
7.					
8.					

3. Bidding will be conducted through the National Competitive Bidding (NCB) procedures as specified in The IsDB's Guidelines for Procurement of Goods and Works under Islamic Development Bank Financing (Current Edition), and is open to all eligible bidders as defined in the Guidelines. In addition, please refer to paragraphs 1.18-21 setting forth IsDB's policy on conflict of interest.
4. Interested eligible bidders may obtain further information and inspect the bidding documents during the office hours 09:00 to 15:30 hours on all working days upto 16 April 2023 to Md. Shaharul Alam Mondol, XEN, Office of the Executive Engineer, LGED, Gobindonagar, Thakurgaon.
5. A complete set of bidding documents (in English) may be purchased by interested bidders on the submission of a written application to the office of the Executive Engineer, LGED, District: Thakurgaon, Bangladesh, Telephone: 0561-52042, Email: xen.thakurgaon@lged.gov.bd and upon payment of a non-refundable fee as mentioned in table above only during office hours on all working days until 11:00 hours on 16 April 2023. The method of payment will be in the form of Cash, Pay Order/Bank Draft from any scheduled bank in Bangladesh, drawn in favor of Executive Engineer, LGED, District: Thakurgaon. The document may be sent by air mail or courier or may be collected through authorized representatives of the bidders.
6. Bid must be delivered to the address below on or before 11:30 hours on 17 April 2023. Electronic Bidding will not be permitted. Late bids will be rejected. Bids will be publicly opened at 11:30 hours on 17 April 2023 in the presence of the bidders' designated representatives and anyone who choose to attend at the address below.
7. All bids must be accompanied by a Bid security of amount BDT. 1,55,000.00.
8. Address referred to the above is: Office of the Executive Engineer, LGED, Gobindonagar, Thakurgaon.


12.03.2023
Md. Shaharul Alam Mondol
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