

The Daily Star

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Stop giving free rein to the corrupt

Drastic steps needed to save SMEs from being gobbled up by corruption

That corruption is endemic in our society is a truth we have known for decades. It has seeped into every sphere of the country, impeding its development and causing unending misery for the people. Business, in particular, has borne the brunt of this onslaught. Corruption is now very much part of the administrative system, and "commissions" paid to officials at various tiers one of the costs of doing business. But for small businesses already struggling to keep afloat during these financially stressful times, it has emerged as the biggest obstacle to their survival. A survey by the Centre for Governance Studies, in partnership with the US-based Centre for International Private Enterprise, has found that 74 percent of Small and Medium Enterprises (SMEs) have been victims of various forms of corruption such as bribery, extortion and political influence.

The survey's sample size - 800 SMEs - is compelling enough to come to the conclusion that most enterprises are faced with this artificial financial burden. As per the research, SMEs are being forced to pay bribes for important official clearances, such as trade licences, to get loans from banks, to pass inspections, etc. This gives them enough motivation to operate without adhering to regulations or paying taxes. It also makes official regulation meaningless, and deprives the government of tax revenue. Bribing for license renewal purposes was cited by most of the SMEs surveyed. A third of the respondents also said that the registration and licensing offices were the most corrupt of government departments, while 18 percent said law enforcement agencies were the most corrupt.

Under such circumstances, how can we expect our SMEs, which are the driving force of our economy, to survive, let alone thrive? If SMEs fail to cope with the cost of corruption and start collapsing, it will be a disastrous consequence for the country. The SMEs need support and incentives, not barriers frequently put in their way. It should be noted that most of the stimulus packages announced for SMEs during the pandemic have still not been disbursed because of the corruption related to accessing loans. Thus, whatever well-intentioned endeavours the government has made to support them have been totally thwarted by corruption. This is unacceptable. Unfortunately, the government has done little to reduce this terrible malaise.

The US ambassador's cautionary statement during the launch of the survey - that American business leaders have said they will invest in countries with the lowest level of corruption, fewest bureaucratic obstacles, greatest respect for law, and best logistics infrastructure - should be taken seriously. Business leaders from other countries would also echo these sentiments. An administrative infrastructure that enables "ease of doing business" will not only help or attract foreign investors but local entrepreneurs as well.

We urge the government to consider the recommendations given by experts at the survey's launch ceremony. These include digitising the system of obtaining and renewing licences, which can reduce the scope for bribery, cutting the red tape, and making the anti-corruption mechanism more accessible so that citizens can file complaints and get redress easily. The government must undertake these reforms without delay.

Ensure safe water in Khulna coast

Projects on water safety should be properly funded and expanded

A longstanding problem in the country's coastal areas has been lack of access to safe drinking/usable water. This region is not only prone to the effects of climate change, but its water sources are also subject to salinity intrusion, with arsenic added to the mix in some areas. For example, as per a report by this daily, hundreds of people in Khulna's Kamarkhola union have to walk several kilometres every day to get clean water, as they cannot use water in their villages due to the intrusion of saline water and arsenic contamination. According to the Department of Public Health Engineering (DPHE), many of the 49 ponds in the Dacope upazila have dried up. Excavation work has been difficult to pursue because of disputes over the ponds. There are also not enough deep tube wells, while water in most of the upazila's 1,300 shallow tube wells is not drinkable because of the abovementioned reasons.

Unfortunately, this scenario seems to be prevalent across the coastal areas of Khulna.

Although salinity intrusion and arsenic contamination can occur naturally, there are human-made factors exacerbating this issue. For example, questions can be asked as to why the authorities are not exercising more control over shrimp cultivation in Khulna, Satkhira, and Bagerhat, given how its use of saltwater is affecting freshwater reservoirs. Also, while rainwater harvesting is recognised as one of the safest sources of water in the coast, it too has had little effect due to people's lack of awareness in this regard.

However, there are efforts underway which deserve recognition. For one, the UNDP's Gender-responsive Coastal Adaptation (GCA) project, with financial assistance from the Green Climate Fund (GCF) and the government, has helped 13,308 households in Khulna and Satkhira to harvest rainwater using a 2,000-litre tank. Moreover, this project has generated employment for 101 women (known as "Pani Apas") who have been trained to install and maintain the rainwater harvesting systems. Still, this is but a small step for a region in which at least 63 percent of the population faced difficulties in accessing drinking water in 2021, as per a UNDP survey.

We agree with the opinion of experts that the government should declare the southwestern coastal region a special zone and take proper measures to ensure its water safety. Ensuring access to safe water there will also help in achieving Goal 6 of the SDGs. The mere fact that around 68 million Bangladeshis lacked access to a reliable, safely managed source of water in 2022 (according to data from water.org) shows how big a problem this is, as well as the urgency of appropriate steps to mitigate it. As such, projects addressing this problem should be undertaken and scaled up with funding from the government and our development partners. Access to safe drinking water is a human right. We must do everything to ensure that.

Lessons from Pakistan's economic crisis



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KALLOL MUSTAFA

Pakistan is facing a severe economic crisis. Essential fuel, food and raw materials cannot be imported due to its foreign exchange crisis. Thousands of factories have been closed down and millions of workers have been laid off. Inflation stood at 31.55 percent in February 2023 - the highest ever. Prices of staple foods like wheat and sugar have skyrocketed. Queues to get wheat at subsidised prices are getting longer. As of March 2023, Pakistan's central bank reserves stand at \$4.32 billion, sufficient to cover just around one month of imports.

Pakistan is in such a crisis because its forex expenditure is higher than its earnings, and the country is increasingly dependent on foreign loans to cover this deficit. In the 2021-22 fiscal year, Pakistan's export earnings were \$32.47 billion and import expenditure was \$72.15 billion - i.e. trade deficit was \$39.68 billion. In the same year, Pakistan borrowed \$16.25 billion and spent \$12.99 billion on debt servicing. Remittances in FY2021-22 were \$31.27 billion, which were not enough to cover the trade deficit and debt repayments.

According to data provided by Topline Research, Pakistan's foreign debt doubled in seven years: from \$65 billion in FY15 (24 percent of GDP) to \$130 billion (40 percent of GDP) in FY22. Consequently, foreign debt repayment also increased - Pakistan's external debt repayment obligations are \$73 billion in three years (FY23 to FY25). So, if Pakistan cannot restructure its debt and get new loans, it will go bankrupt.

According to Topline Research's analysis, there has been a significant change in the pattern and composition of credit along with debt growth. Bilateral and commercial borrowing increased more than multilateral borrowing. As these bilateral and commercial loans are of short duration and higher interest, the debt repayment pressure is increasing every year. As of FY21, Pakistan's external debt was \$99 billion, of which 42 percent was multilateral, 38 percent bilateral, and the remaining 20 percent was commercial debt. Of the bilateral loans, the loan from China was \$23 billion. Of the commercial debt, too, the largest exposure was to Chinese banks, amounting to \$6.7 billion. In total, about 30 percent of foreign loans were taken from China, which was only 9.3 percent in 2013. Another form of commercial debt is high-interest debt through Eurobonds and Sukuk bonds, which have grown from just \$1.6 billion in 2013 to \$11 billion in 2022.

Most of the projects under the China-Pakistan Economic Corridor



Queues to get food items at subsidised prices are getting longer in Pakistan.

FILE PHOTO: REUTERS

(CPEC) have a debt-to-equity ratio of around 80:20, or in some cases 75:25. And in most cases, the return on equity (ROE) is guaranteed at either 17 percent or 20 percent. The debt service terms are seven to eight percent with many of them pegged to six-month Libor (London Inter-Bank Offered Rate). According to an estimate published in the Dawn, against a \$19 billion investment which has 80 percent debt component, the size of the outflow as debt service and ROE would be \$3.546 billion per year.

Now, if the CPEC power plants cannot be utilised to increase export earnings, this annual outflow will create additional pressure on the forex reserves. This pressure is already evident from the fact that by September 2022, the Pakistan government owed at least 269 billion rupees to 12 Chinese IPPs. Pakistan agreed to pay 50 billion rupees to four CPEC IPPs to save them from default.

Pakistan's economy was already burdened with huge capacity payments to the existing IPPs. With the commercial operation of the newly installed CPEC IPPs, this burden increased even more. Due to the reserve crisis, Pakistan cannot import enough coal to run the imported coal-based power plants in full capacity. It is estimated that the capacity payments

balance of payment crisis, then it just adds to the debt burden. According to an estimate, from 1980 to 2014, the World Bank provided 163 loans to Pakistan totalling \$20 billion, of which only 29 percent were project loans and 71 percent were programme loans. Currently, Pakistan takes about 85 percent of its total foreign loans under "non-project" loans. Consequently, it will never be able to pay back these loans without taking new loans.

While Pakistan's foreign debt was increasing, its export earning as a percentage of GDP was decreasing. According to the World Bank data, in 1992, export earnings were 17.3 percent of its GDP, which came down to just 9.1 percent in 2021.

At the same time, the pressure of debt servicing also increased, as a result of which an increasing part of export earnings was spent on debt servicing. In 2011, debt servicing as a percentage of exports was nine percent, which rose over 35 percent in 2021.

This is the circumstances under which Pakistan's economy has fallen in a vicious cycle of taking new loans to pay the old loans.

Another major reason for the forex crisis is the import dependency of Pakistan's power and energy sector. Its energy production consists of oil, natural gas and coal. However,

insufficient investment in exploration and development activities has made the country heavily reliant on imports. Due to higher energy prices in the international market, the share of energy rose to a record high at 29 percent (\$23.32 billion) in the overall imports worth \$80 billion in FY22, compared to 20 percent (\$11.38 billion) in the total imports of \$56.38 billion in

FY21. Bangladesh, too, has a huge amount of trade deficit and import dependency in its power and energy sector. Also, Bangladesh's total external debt doubled in the last seven years - from \$41.17 billion in FY16 to \$95.23 billion in FY22. Exports are increasing, but not so much compared to the GDP growth. As a result, the share of export earnings in GDP is decreasing. According to the World Bank data, in 2012, export earnings were 20.2 percent of the GDP, which dropped to 10.7 percent in 2021.

Although Bangladesh's annual debt servicing as a percentage of export earnings was just 11.4 percent in 2021, there is a serious concern among economists about the future when debt servicing for some of the largest megaprojects will begin. Bangladesh's external debt repayment obligation will double in the next three years. Looking at the crises of Sri Lanka and Pakistan, if Bangladesh does not change its course from building debt-dependent megaprojects, reduce import dependency in the power and energy sector, and fails to utilise the already built projects to generate foreign currency earnings, the very projects that are currently contributing to our GDP growth will become a huge burden for the economy.

LLA lessons feature in annual Gobeshona conference



POLITICS OF CLIMATE CHANGE

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SALEEMUL HUQ

Last week, my young colleagues at the International Centre for Climate Change and Development (ICCCAD) spent seven days at a hotel in Dhaka hosting the third annual Gobeshona Global Conference on locally led adaptation (LLA) and resilience. This is now a well-established, fully online conference that takes place round the clock, for seven days, with three eight-hour sessions each day, starting with the Asia-Pacific time zones, then the European and African time zones, and finally the Americas' time zones.

In each of these time zones, organisations who are working on LLA hosted an online session to share their respective activities and lessons they are learning while employing LLA in their localities and countries. We had over 70 such sessions from over 30 countries in all the major continents.

Over these seven days, we had nearly 2,000 registered participants who joined the sessions online, while we also livestreamed many sessions where many more thousands were able to follow the sessions live. Now, the recordings of all the sessions are available on Gobeshona's YouTube channel where they can be viewed by anyone who is interested.

Let me share some of the major outcomes from these sessions.

The first message that has become clear is that adaptation to climate change is now happening in every country, rich or poor, and that there are LLA groups and activities in each of those countries where the lessons can be shared. While each country and location is unique, there are lessons on how to implement LLA from each such location that could be useful for

others.

This has created a global community of LLA for which the annual Gobeshona conference is a major event.

The second development is the recognition that LLA requires a genuine investment in supporting local groups, particularly those most vulnerable, in planning and implementing adaptation projects and programmes. This means that there are local leaders who should be supported. The Gobeshona conference requires all host organisations to ensure that they include the voices of these local leaders, and we provide interpretation for them in their native language - be it Bangla, Urdu, Swahili or Wolof. This ensures that they are able to participate effectively and not as only a token voice.

The third development is the adoption of the eight principles of LLA which over 50 organisations and countries have already adopted to ensure that the LLA they plan and practise is genuine and not just greenwash. There is a growing realisation that LLA principles need to be adopted and implemented for genuine projects and programmes.

A fourth item that has been an important running theme since

the Gobeshona series started three years ago is the lack of funding for the most vulnerable communities who need the support the most. I am pleased to note that we have actually been able to promote better ways of providing funding for adaptation at the local level, including the LOCALE programme of the UN working with local governments, the Climate Bridge Fund (CBF) run by Brac to support local communities in urban centres, and the small grants for resilience by ICCCAD which has been supporting local leaders to carry out LLA. All these and others are already showing some effective activities and hopefully will be scaled up going forward.

Finally, there is an unfortunate realisation that adaptation is no longer sufficient once impacts of climate change start to occur and cause losses and damages. Thus, we had several sessions to address loss and damage at the local level as well. One session was hosted by the Government of Vanuatu, just after they were hit by two successive typhoons within a matter of days. We may now have to include loss and damage in the agenda of the annual Gobeshona conference from next year.