

A controversy we didn't need

President's contradictory remarks raised questions

The recent statement by President Mohammed Shahabuddin regarding the resignation letter of ousted Prime Minister Sheikh Hasina has sparked a controversy that should not have occurred at all. On October 19, during a conversation with the editor-in-chief of daily *Manab Zamin*, the president said that he had heard about Hasina's resignation but had no documentary evidence. This directly contradicts his address to the nation on August 5, where he said that the former prime minister had submitted her resignation to him, and he had accepted it.

Did the president not grasp the gravity of the confusion he created through his contradictory statement? Did he not consider that his statement raises concerns that are far more consequential? As far as we see it, the issue of the former prime minister's resignation is a settled matter. Thus, the president's decision to make the statement that stirred such controversy was unwise. And it also raises questions about whether the president has taken his role seriously enough.

Following widespread criticism, the Bangabhaban issued a statement saying that the former PM's resignation was a settled matter. The point is, it is the president himself who created the controversy. He should have been far more circumspect about his remarks, instead of being so casual about it, particularly given the weight and responsibility of his office.

On the other hand, the law adviser reacted to the president's statement and went public saying to the press that the president committed serious misconduct. He questioned his mental capacity, and literally accused him of indulging in falsehood. He also stated that he would go to the cabinet to discuss the president's actions. We believe, however, that the law adviser should have consulted with the cabinet or, at the very least, the chief adviser before publicly questioning the president's fitness to continue in office. His actions created further confusion and chaos, which the country can ill afford right now. Therefore, when it comes to such important matters, the government should speak collectively, rather than have separate advisers speak individually.

Water bodies vital for Dhaka's survival

Restore the water body of airport area, solve waterlogging

At a time when Dhaka has already lost most of its water bodies and canals to numerous so-called development and housing projects, it is unfortunate to witness yet another water body filled for a railway project. Reportedly, Bangladesh Railway (BR) filled a water body near the Airport Railway Station over six months ago as part of the Dhaka-Tongi-Joydebpur railway expansion project. As a result, areas such as Uttara, Ashkona, Dakshinkhan, and even the airport premises are now experiencing severe waterlogging. This water body used to play a crucial role in managing rainwater and reducing flooding during the monsoon season. Now, residents face inundation even after a slight rain. The question is, why did the BR fill up such a reservoir that was marked as a water body in Dhaka's Detailed Area Plan?

The lack of coordination between the Dhaka North City Corporation (DNCC) and BR in this regard is also concerning. Reportedly, DNCC wrote to the railway ministry in June of this year regarding the situation and requested the restoration of the reservoir to its original state. However, it appears that BR did not take the request seriously. When our correspondent recently visited the spot, he found it fenced off, with excavators levelling the filled land.

Over the years, we have consistently written about such environmental degradation occurring across the country, yet we see little change in the actions of the authorities concerned. Water bodies in Dhaka play a vital role in flood control and help maintain the city's temperature at a tolerable level. We must protect them at all costs. We must keep in mind that one reason behind the prolonged floods in some districts this year, particularly Noakhali, was the clogging and grabbing of water bodies including rivers. Chattogram's persistent waterlogging problems also stem from the destruction of water bodies, along with unplanned development projects. This monsoon season, several areas of Dhaka were also inundated by heavy rains. If these instances do not raise our awareness, what will?

It can be recalled that a few months ago, Syeda Rizwana Hasan, the environment adviser, called upon the railway authorities to restore the water body near the Airport Railway Station. We now hope that her ministry will take action against the BR for pursuing the project while neglecting environmental concerns. Furthermore, we urge the interim government to put an end to all forms of anti-environment activities that have persisted for decades, even after the government came to power in August.

THIS DAY IN HISTORY

iPod launched

On this day in 2001, Apple introduced the iPod, a portable media player that became one of the most successful and revolutionary products in the early 2000s.



A paradox in Bangladesh's tax system



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Revenue efforts—i.e., revenue generated from the national income or GDP, which is defined as tax to GDP ratio—have historically been low in Bangladesh. Between 2011 and 2023, the country's revenue efforts declined from 11 percent to 8.3 percent in 2023—a 2.7 percentage point drop over the 12-year period when the per capita GDP increased by about 200 percent. Since the trend in per capita GDP is increasing, suggesting that income is increasing (hence broader tax base), more revenue should be generated (even when the tax rates remain the same). Thus, the falling trend of revenue efforts point to an inefficient revenue system in Bangladesh.

A paradox in our tax system is maintaining a high tax expenditure ratio (or simply put, revenue forgone) when the revenue efforts are dismal. Tax expenditure refers to special provisions of the tax code, such as exclusions, deductions, deferrals, credits, and tax rates that benefit specific activities or groups of taxpayers. The outcome is a loss of revenue. Although data on tax expenditure in Bangladesh is not available every year, according to a recent study (March 2024) by the National Board of Revenue (NBR), the estimated total tax expenditure for direct tax in FY21 amounts to 3.56 percent of GDP. Although some of the tax expenditures may be justified on merit grounds, such a high level of tax expenditure against very low revenue efforts is clearly untenable. If one adds VAT and custom duty, the total tax expenditure may well be above five percent of GDP.

Furthermore, since the methodology to estimate tax expenditure is usually subjective, the final estimate is generally underestimated. The Global Tax Expenditure Database (GTED) progress report published in 2022 highlights this aspect. According to the report, over the past three decades, "the global average of reported revenue forgone from TEs was close to four percent of GDP and more than 24 percent of tax revenues. Yet, real numbers are probably significantly higher, since one of the main issues we encountered when building up the GTED was widespread underreporting." If this aspect is considered in Bangladesh,

LMICs (20 countries), four percent for UMICs (23 countries), and 4.7 percent for HICs (38 countries). Compared to this data, Bangladesh's tax expenditure estimate (only for the direct tax) of 3.6 percent appears to be high.

Since transparency in this field has been limited, it is difficult to measure the benefits of this mechanism. Thus, a major concern with such high tax expenditure is uncertainty or ambiguity regarding its impacts on the economy and society. Since there has been no assessment to justify the existing tax expenditure, this practice

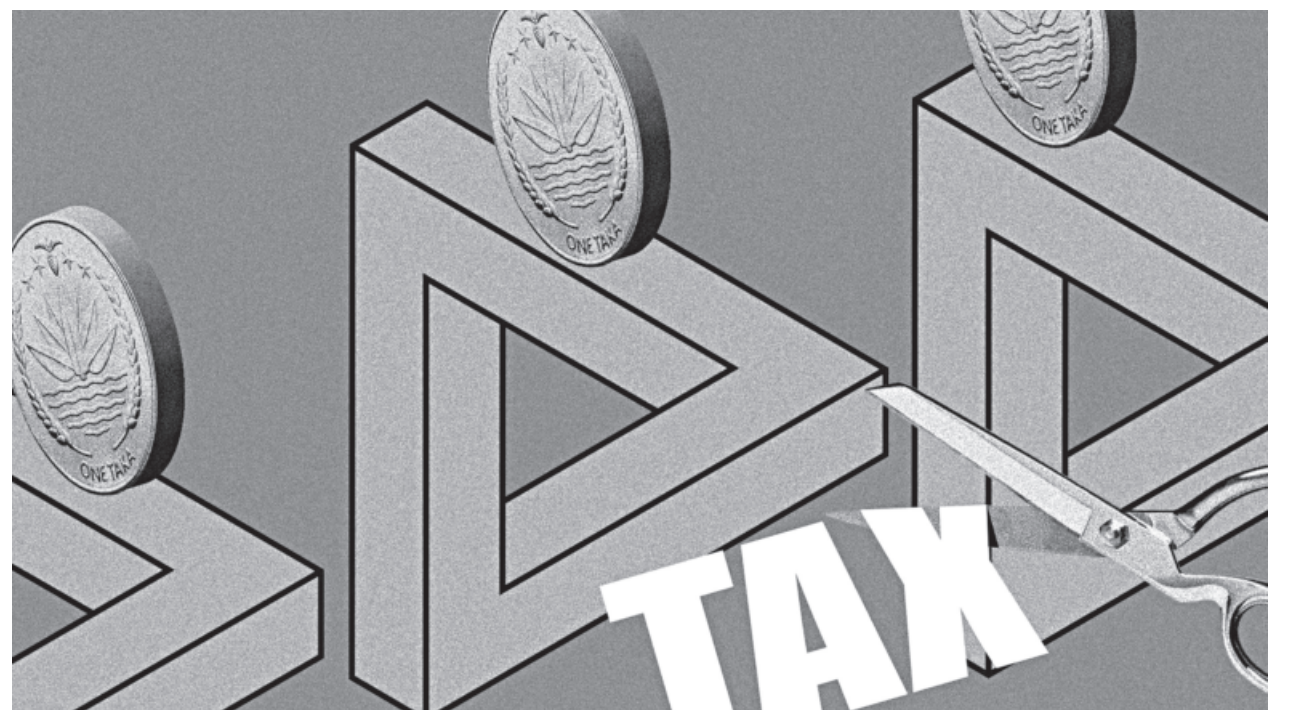
should be limited. Consider a situation where a one percent cap has been imposed on the tax expenditure, which would release revenue of about four percent. In such a situation, revenue efforts will jump to 15 percent of GDP. The forgone revenue of four percent may be put to better use where one percent may go to social sectors, one percent may go to infrastructure, one percent to agriculture, and the rest to skills and productivity enhancement programmes.

Another justification for such an approach—i.e., enhanced public expenditure through realised revenue by capping the tax expenditure—is that expenditure allocations are usually subject to better transparency and scrutiny via the medium-term budget framework (MBTF) carried out by line ministries and the finance ministry, and the Annual Development Programme (ADP) conducted by the Planning Commission.

In 2023, the PRI Centre for Domestic

sectors, as is currently the case. The core finding from PRI's exercise shows that increases in personal income tax led to increases in GDP growth and labour income. This is primarily through the effect of allowing the government to invest more in public services. If revenue from personal income tax were to increase by two percentage points, economic growth would likely rise by 0.5 percent on top of the existing growth rates. Moreover, such a move may increase labour income by three percent.

The above analysis suggests that the practice of maintaining high tax expenditure is not feasible on grounds of forgone revenue, lack of transparency, and low value for money. Immediate action must be taken to improve the fiscal system in Bangladesh utilising this low-hanging fruit. Some strategic recommendations in this regard are: i) put a cap on the overall size of tax expenditure at the maximum level of one percent of GDP for the



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Revenue Mobilisation (DRM) carried out an exercise to justify the need to enhance expenditure in the merits sector through additional revenue mobilised through the direct tax system. Simulations were conducted to identify the impact of raising revenue from personal income tax with an analysis to understand the effects on the national economy. The simulations assume that the additional revenue raised is spent on infrastructure, social sector, social protection, agriculture and other public spending areas. Specifying public spending assumes the same proportional split between

next two fiscal years; ii) form a high power committee to make decisions on who should be eligible for receiving tax expenditure benefits. The criteria may focus on employment generation, poverty reduction, productivity growth, and welfare of women, children and minority groups; and iii) the NBR/government should earn the right to provide tax expenditure. For instance, it could implement a formula where an additional 0.25 percent of tax expenditure is provided for every two-percentage-point gain in tax efforts. However, the overall ceiling should be around two percent of GDP.

A blueprint for public sector reforms



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The strategic objectives of the Public Administration Reform Commission in Bangladesh should be designed to improve the public sector's transparency, efficiency, accountability, and responsiveness. The overarching goal should be to create a public administration that can meet the evolving needs of the citizens and contribute to their socio-economic development. However, implementing the objectives warrants a cautious approach by the reform commission.

One of the main strategic objectives should be simplifying the bureaucratic procedures to reduce delays in decision-making, service delivery, and resource allocation. Measures for efficient governance can be introduced to enhance transparency, while public servants can be made accountable through periodic monitoring and evaluation by elected people's representatives. Also, local governments should be delegated more authority and resources to improve the delivery of services at the grassroots level so that they can address the needs of local communities more effectively.

The commission should also look into reforming the recruitment and career advancement process so that public servants are selected and promoted purely based on merit,

qualifications, and performance. Besides, they should be provided with continuous opportunities for professional development to enhance their skills, knowledge, and effectiveness focusing on leadership building, strategic thinking, policy analysis, and service delivery. Promoting a culture of professionalism, ethical behaviour, and integrity within the public service through properly enforced codes of conduct and regular ethics training is a must.

Above and beyond, modernising the public administration should be prioritised by leveraging technologies like artificial intelligence and machine learning to encourage innovation and the adoption of best practices to respond more effectively to new challenges, including environmental, economic, and social changes. Reforms that improve revenue collection, resource allocation, and fiscal management should be introduced to ensure long-term financial stability and efficiency in public sector spending.

In addition, public service's capacity must be enhanced to respond to disasters, adapt to climate change, and integrate resilience into governance practices. Strengthening the institutional capacity to manage crises—including health emergencies

and socio-political disruptions—will ensure continued service delivery in times of need.

Another objective should be to improve coordination and collaboration among different ministries, agencies, and departments to avoid overlapping efforts and ensure the coherence of policy implementation. Public service reforms must be integrated with our broader development goals and policies, such as the Sustainable Development Goals (SDGs).

Lastly, reforming the salary structures and benefit packages to make public sector jobs more competitive, thereby attracting and retaining skilled professionals. Policies that ensure a healthy work-life balance, improving job satisfaction and motivation among public servants, should be promoted.

However, the formulation and implementation of these objectives can be challenging. One crucial barrier is the entrenched culture of corruption in many areas of public administration, continuing to affect service delivery and resource management. Corruption distorts policy implementation and creates significant obstacles to reforms. Institutions such as the Anti-Corruption Commission often lack the power or autonomy to effectively hold public servants accountable.

Also, policies aimed at decentralisation have not succeeded so far because local government institutions often lack the necessary authority, resources, and capacity to manage community issues efficiently and improve public service delivery at the grassroots level. Moreover, public sector reforms often require significant financial

resources, particularly for capacity building, technology upgrades, and institutional restructuring. Budgetary constraints can, and do, limit the government's ability to fund comprehensive reforms.

In addition to these issues, public spending often does not align with priority areas, leading to inefficient resource allocation and wastage. This further complicates the implementation of reforms. Moreover, limited access to technology and the Internet, particularly in rural areas, exacerbates disparities in public service delivery and hampers the rollout of technology-driven reforms.

Past trends show that public service reform measures often lack coordination among ministries, departments, and agencies, leading to fragmentation and inconsistency in implementation. Competing priorities among stakeholders and the absence of central oversight can result in duplicated efforts or gaps in reform initiatives.

In short, the strategic objectives of public service reforms should focus on transparency, meritocracy, digital transformation, decentralisation, and inclusivity to modernise governance and improve the quality of public services. These reforms are essential for advancing Bangladesh's development goals. Addressing the existing challenges requires a comprehensive, multi-dimensional approach that includes political will, strong and impartial institutions, investment in human resources, and the integration of Industry 4.0 technologies. Although the reform process is complex, overcoming the challenges outlined above is crucial for enhancing governance and ensuring citizen satisfaction.