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

New EC must deliver fair polls

The electoral process begins finally amid huge expectations

We welcome the formation of the new Election Commission headed by former health and energy secretary AMM Nasir Uddin. With this, the "train to the election"—as termed by Chief Adviser Prof Muhammad Yunus—has indeed started rolling. While this is just the first step in what promises to be a lengthy journey, it is a momentous one for a nation emerging from the long shadow of fascism. The announcement about the five-member commission, which will be sworn in on Sunday, seemed imminent following the chief adviser's address marking 100 days of the interim government. In the coming days, this moment will serve as a reference point for what follows, and we hope it will be for all the right reasons.

One doesn't need reminding of the immense expectations and challenges facing the new commission. The stakes are high, especially after more than 15 years of autocratic rule by the Awami League that systematically disenfranchised citizens, but also because of the enormous sacrifices that went into ousting it. During the July-August uprising, around 1,500 people lost their lives, while nearly 20,000 were injured, many critically. Their demand for democratic rights free from discrimination—underpinned by a fair and credible election—is a mandate that the commission must fulfil. There is optimism that it will not repeat the mistakes of its predecessors, but it must remain vigilant at all times given today's polarised sociopolitical climate.

An election alone will not solve all our problems, however. This is why the chief adviser's emphasis on implementing some essential reforms prior to the election, leaving the rest to a democratically elected government, resonates so strongly. For now, we must keep our eyes on the process—the journey rather than the destination—and that, for the Election Commission, begins with laying down the tracks for necessary electoral reforms. BNP and other parties are calling for an election roadmap, which will be issued once decisions on the electoral reforms are made. A commission is currently working on that and will likely submit its reports between December and January. There is a process in place to finalise the agenda, which we hope will lead to an electoral framework that is not only fair but also perceived as such by all political parties and the public alike.

We look to the Election Commission to ensure that the upcoming election, whenever it is held, genuinely reflects the will of the people. Anything less would—to echo the chief election commissioner—betray the sacrifices of all those who gave their lives in the mass uprising. The authorities must not fail them.

Restore Leinga canal in Chattogram

What's the point of excavating a canal if it gets filled up soon?

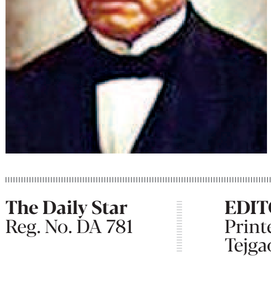
We are disappointed to learn about the fate of the Leinga canal in Chattogram's Karnaphuli upazila, which has been filled up just two years after its excavation. Reportedly, the Bangladesh Water Development Board (BWDB) dredged a nine-kilometre stretch of the canal in 2021 under a project intended to restore its natural flow. However, upon completion in 2022, heaps of excavated earth and garbage were left piled along its banks. These were eventually washed back into the canal by rain, reducing it to a narrow ditch. It's baffling why the BWDB would leave excavated earth on the banks instead of disposing of it responsibly. Wasn't it part of the project to clear it as well? Such oversight from a state agency is simply unacceptable.

A few decades ago, this 12-kilometre-long and 20-45 foot-wide canal was the lifeline of the area. Farmers relied on it for irrigation, boats used it for transporting goods, and it acted as a natural drainage channel for rainwater into the Karnaphuli River. However, siltation and indiscriminate dumping of garbage gradually blocked its flow, causing severe waterlogging along its banks. The BWDB initiated the project to address this problem, but the canal became clogged again due to its mismanagement.

Unfortunately, this counterproductive practice of leaving excavated material after dredging canals and rivers on their banks is all too common across the country. In Dhaka, for instance, city corporations often leave canal and drain waste on the banks or roads. This defeats the very purpose of cleaning or excavation drives, resulting in further public suffering. Moreover, such unplanned work squanders public funds. In the case of Leinga canal, for instance, around Tk 2 crore was effectively wasted. This is unacceptable.

Over the decades, unplanned development projects have cost the nation thousands of crores, but to little avail. The situation was particularly bad during the 15-plus years Awami League rule when corruption and irregularities regularly drained resources meant for public interest projects. This must stop. We urge the interim government to ensure transparency and accountability in all such initiatives so that public money is no longer squandered due to the inefficiency or corruption of project authorities. The BWDB must answer for the failed Leinga canal excavation and take immediate steps to restore the flow of this water body.

THIS DAY IN HISTORY



Ley Juárez passed

On this day in 1855, a special law named Ley Juárez was passed in Mexico abolishing special courts for the clergy and military, in an attempt by Justice Minister Benito Juárez to eliminate the remnants of colonialism in the North American country and promote equality.

How Bangladesh is reviving its macroeconomy

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Bangladesh's economy has been on a downward trend since early 2022, marked by high inflation, dwindling foreign exchange reserves, depreciation of the taka, poor health of the banking sector, low and stagnant tax-to-GDP ratio, and falling public spending. GDP growth rate as well as growth in exports and investment rates have been falling too. This downslide is the outcome of poor economic management and endemic corruption, especially thefts in the banking sector and corrupt practices in public procurement.

The dwindling macroeconomy, combined with autocratic and corrupt political governance, rising income inequality and human rights violation, led to the inevitable demise of the previous government on August 5, 2024. An interim government was established, charged with the responsibility of stabilising the macroeconomy and reforming the country's political governance. The most immediate action of this government was to stop the theft-related bleeding of the banking sector by making wholesale changes in the affected banks' management. Second, it fully deregulated the interest rate policy and tightened domestic liquidity by increasing the Bangladesh Bank policy rate. Third, a broad-based fight against corruption, including efforts to recover stolen assets, was announced. Several other reforms now underway include revisiting public spending priorities to cut waste and leakages, reducing corruption and increasing tax collections through online tax filing, lowering duties on essential food imports to reduce inflationary pressure, and mobilising greater financial assistance from multilateral financial institutions.

Although the reforms have just started, some positive results are already visible. The outflow of theft-related bank resources has stopped, demand for credit has slowed, remittances have increased, and deposits are growing. October saw an encouraging recovery in exports. However, inflation remains stubbornly high, the government revenue inflows remain sluggish, and the forex reserves have declined to $18.4 billion as of November 14, down from $20.4 billion in July. This is partly explained by the increase in debt payments and a pickup in imports. Additionally, the expected capital flows from multilateral institutions has not yet materialised, pending the IMF review of the ongoing programme and the time lag in negotiating new BOP financing from the multilateral institutions.

The immediate challenge is to reduce inflation sustainably. And that requires a recovery of imports and manufacturing sector production. More generally, except for domestic resource mobilisation, the demand stabilisation measures are broadly on track. Policy attention now must shift to enhancing imports and augmenting domestic supply, which is intimately linked to the recovery of production, investment and exports.

The supply-side agenda is tough and involves both short-term (one to three years) and medium-term (three-plus years) reforms related to skills, technology, domestic investment, foreign direct investment (FDI), and export diversification. These encompass policy reforms in many areas. The most immediate reforms include:

Exchange rate management: Years of controlled exchange rate management have clearly demonstrated the futility of such a system. The sharp appreciation of the real effective exchange rate between 2011 and 2022 is a major contributor to the present balance of payment crisis. The exchange rate has been slowly liberalised since May 2024 through the unification of multiple exchange rates and adoption of a crawling peg. However, the utility of staying with a crawling peg system is dubious, and it is best to move to a fully flexible market-based exchange rate. The demand management policies in place will protect the rate from fluctuating wildly. A market-based exchange rate is the best way to provide incentives to exporters and remittance senders.

The Bangladesh Bank should also carefully review the outdated foreign currency regime that is riddled with exchange controls and other restrictive practices that impose high transaction costs for exporters and importers, while providing incentives for hundi transactions. Service exports can be boosted through a deregulated and exporter-friendly foreign currency regime.

Monetary policy: As noted, the monetary policy is basically on track. However, more work may be needed to carefully examine the working of the T-bill market. While, in principle, the T-bill market is open to the public, this has become an easy option for banks to make profit for themselves instead of doing lending operations.

Fiscal policy: This presents a huge challenge. Corruption combined with an ineffective tax system has severely constrained tax revenues in Bangladesh. Excessive reliance on indirect taxes has fed into inflation while contributing to income inequality. Similarly, due to weak revenue performance, the total government spending as a share of GDP is low by international standard. Yet, the effectiveness of this limited spending has been reduced by poor spending priorities and corruption. Public spending on health, education, water resources and social protection have been grossly inadequate, while most spending has concentrated on civil service salaries and benefits, subsidies, interest cost and large infrastructure projects. The quality of infrastructure spending has been poor owing to corruption in procurement, contributing to delays and cost overruns.

VISUAL: **SALMAN SAKIB SHAHRYAR**

Clearly, overhauling both tax and expenditure systems is of the highest priority. This is not an easy task and will take several years of sustained effort. The interim government has started to reform both aspects. On the revenue side, it has rightly focused on overhauling the income tax system, where corruption is most endemic. The move to an online system is a smart policy step. But this alone will not yield the full benefits.

To provide incentives to tax filers, two related reforms are essential. First, the tax form must be simplified by doing away with the reconciliation of income, expenditure and wealth. This is a rent-seeking instrument for harassing tax filers and its revenue implications are dubious. Taxpayers enter negotiated settlements with the NBR staff, and the Treasury loses out. Eliminating this requirement would greatly simplify online tax filing and encourage many more filers to go online.

Second, tax audits must be automated based on pre-selected triggers and be highly selective, mostly focused on large taxpayers. Full documentation including income and wealth reconciliation become relevant during an audit review.

Regarding expenditure management, a top priority is to cut back on fossil fuel subsidies and large infrastructure projects and increase spending on health, education, water resources and social protection. In the present environment of high inflation, higher spending on social protection with a focus on the poor is essential.

Meaningful property tax: Local government institutions—i.e. city corporations and municipalities—are ineffective because of heavy resource constraints. Global experience shows that the best instrument for augmenting their finances is through the institution of a meaningful property tax system that is based on market value of properties and a meaningful tax rate. Substantial revenues can be collected from this reform that will ease the pressure on treasury transfers to these institutions.

State-owned enterprises (SoEs): SoEs are draining the scarce fiscal resources of the Treasury with poor financial performance. The total book value of SoE assets in FY2021 was estimated at 16 percent of GDP, yet the net fiscal transfers to these SoEs was in the range of two to three percent of GDP. I prepared a detailed report on how the financial performance of SoEs can be improved and shared this with the finance ministry in early 2024. The core reforms involve corporate governance and pricing policy. This is a low-hanging fruit, which the interim government may want to focus on.

Trade policy: A sharp reduction in trade taxes is essential to diversify and boost exports. Doing so will also reduce inflation. Government revenues must be raised through income taxation and VAT. The trade policy should focus on supporting the expansion of manufacturing exports and limited support for well-established import substitutes.

Investment climate: Reversing the downturn in private investment and attracting FDI will require sharp improvement in the investment climate. Establishing law and order, including protection of private property, is the topmost priority. Resolution of labour disputes is another priority. Restoring the confidence of the domestic private sector is essential to attract FDI. Easing of foreign currency regulations and imports, provision of uninterrupted power supply, and tax and trade policy reforms will all help improve the investment climate.

Energy transition can address global inequality

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It is well-established that the world is deep into the climate crisis, posing multi-dimensional hazards, risks, vulnerabilities, and loss and damage. Multiple studies indicate that climate-related damages have increased by five to seven percent in the last 10 years, resulting in an economic loss amounting to around $270 billion in 2023 alone, while in 2022, the loss and damage costs reached $1.5 trillion. This, unfortunately, is just the beginning. The Intergovernmental Panel on Climate Change (IPCC) introduced the concept of climate system tipping point more than two decades ago, and various studies now confirm that many of those tipping points could be exceeded much sooner than anticipated.

We are currently at 1.2 degrees Celsius above the pre-industrial period, and the Paris Agreement benchmark is 1.5 degrees Celsius. The year 2023 is the warmest year on record, but what has gone less noticed is that the average temperature between February 2023 and January 2024 was 1.52 degrees Celsius above the pre-industrial period, exceeding the Paris Agreement threshold by 0.02 degrees Celsius, according to the Copernicus Climate Change Service. Whether this shift is temporary or lasting, it is clear that our mitigation strategies and actions have proven inadequate. Bangladesh alone faced five major climatic shocks only in 2024, with a month yet to go.

Since 1750, humankind has doubled atmospheric carbon, adding 210 parts per million (ppm) of CO_2. In just the last 22 years, an additional one quarter of that doubled carbon has been added, leaving us with 422 ppm of carbon in the atmosphere today. Development and energy consumption are strongly correlated, and developed countries grew rich by emitting 92 percent of excess carbon by burning fossil fuels. On a national scale, the US alone, through its 22 mega fossil fuel projects, emits a fifth of the global carbon emission.

On an individual level, the richest 10 percent of people globally emit as much as 50 percent of carbon, while the wealthiest one percent emits double the carbon that the poorest 50 percent of the world's population emits combined. Moreover, the emissions of a single billionaire (three million tonnes) are a million times higher than the emissions of an individual (2.76 tonnes) in the bottom 90 percent of humanity. In stark contrast, the entire African continent emits less than four percent, and developing countries like Bangladesh emit less than 0.5 percent.

As the Global North and the wealthiest continue these egregious practices, global leaders like the COP28 president dismiss the science behind the 1.5-degree-Celsius threshold with calls for a fossil fuel phaseout. The world is edging closer to what UN Secretary-General António Guterres has termed "global boiling." Yet, emissions continue to rise, and an additional 16 percent increase by 2030 will push us to 2.7 degrees Celsius by 2100. To limit global warming to 1.5 degrees Celsius, we must halve the emission by 2030, and reach net zero by 2050, which eventually might prevent us from irreversible climate emergency. Ironically, despite having already surpassed 1.5 degrees Celsius and reached multiple tipping points, 82 percent of the world's energy still comes from fossil fuels, while only 6.5 percent comes from renewable sources.

There is, however, immense potential for renewables as the Earth receives about 1.52 million TWh of energy annually only from solar, which is 8,700 times more than the annual global energy demands (170,000 TWh). Additionally, there are other renewable sources feasible enough based on the geographic locations.

Energy transition is considered one of the most plausible solutions to save humanity from the brunt of climate change. If we consider the fair share of carbon, the Global North has already exceeded its limit. And yet, if they continue using fossil fuels while prescribing transitions for developing nations, it becomes an unjust, colonial approach. More importantly, we must assess the entire life cycle of the energy transition and ensure it does not place an additional burden on developing nations in terms of finance, environmental degradation through resource extraction, loss of natural resource rights for marginalised communities, job loss, etc.

The ideal recommendation is Just Energy Transition (JET). Least developed countries (LDCs) can phase out coal, then developing nations should immediately phase out fossil fuels. The Global North and wealthy nations should finance the energy transition for LDCs, and developing countries should transfer renewable energy technologies to them. Moreover, the JET must be rooted in four pillars of justice: a) historical injustices, rights, and concerns of marginalised and impacted communities must be recognised; b) affected people, associations, and civil society voices must be reflected in policies and all energy transition processes; c) responsibilities and benefits of the transition must be equitably distributed; and d) affected people must be fairly compensated for energy transition-related harm and loss and damage as part of the remedy.

The world is a shared space, and as we tackle the common climate crisis, we must do so with equity at the forefront, not vested interests. This is the way to introduce JET—the key to an equal and sustainable future.

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