

Country's stability relies on timely polls

All parties should unite behind Yunus's stance on February elections

Chief Adviser Muhammad Yunus's firm re-commitment on Sunday to holding the 13th national election in the first half of February comes as a necessary anchor in Bangladesh's turbulent political landscape. His declaration that "there is no alternative to election" provides both clarity and leadership, and should serve as a guiding principle for all political actors concerned. While the concerns of political groups such as Jamaat-e-Islami and National Citizen Party (NCP) are understandable in the broader context of reforms, their push to prioritise a constituent assembly election risks complicating the planned transition to democracy.

There's no denying that the path to a stable future for Bangladesh runs directly through a timely and credible election. Any delay or detour—whether through calls for a constituent assembly or other mechanisms—will only deepen uncertainty. As Professor Yunus warned, "If anyone thinks of any other alternative, that would be disastrous for the nation."

For one thing, prolonged uncertainty is very damaging for business. Investment decisions—from capital expenditure to hiring—are often frozen when a country's political trajectory is unclear. This hesitation suppresses economic activity and stalls growth. Data from the Bangladesh Bank illustrates the cost of the present uncertainty: industrial term loan disbursement in the January–March quarter of FY2024–25 fell to its lowest point in seven quarters.

The strain on the private sector is further evident in credit flow and import data. Private sector credit grew by only 6.49 percent in June, the weakest pace in at least three years. Such sluggishness reflects entrepreneurs' reluctance to commit resources when stability is lacking. The opening of letters of credit for capital machinery fell by a staggering 25 percent in FY25, marking the second consecutive year of decline. These figures reveal a dismal picture for domestic investment and underscore how political paralysis is directly stifling the real economy.

Foreign investors, who constantly weigh risks against rewards, are equally cautious. Political uncertainty undermines confidence, while a timely and free election would send a powerful message that Bangladesh is returning to a predictable environment. That said, recent data also offer some grounds for optimism. FDI inflows have shown signs of a rebound, with net inflows reaching \$1.71 billion in FY25, an increase of nearly 20 percent from the previous year, after hitting a three-year low in FY24 amid heated political conflict. It will be deeply counterproductive if a political stalemate jeopardises this fragile but important momentum.

The aspirations embodied in the July Charter and other reform initiatives remain important, but the proper path to meaningful, lasting change is through the establishment of a new government with a clear mandate from the people. Then, constitutional and institutional reforms can be pursued on a solid foundation. So Professor Yunus has correctly identified alternatives to a timely election as "disastrous". All relevant parties must set aside maximalist demands and unite behind the commitment to the February polls, as the stability of Bangladesh depends on it.

Rise in school dropout rate concerning

Govt must take proper measures to reverse this situation

We are deeply concerned by the surge in the school dropout rate after a steady decline over 14 years. According to the Annual Primary School Statistics (APSS) 2024 released by the Directorate of Primary Education (DPE), the primary school dropout rate increased to 16.25 percent in 2024, up from 13.15 percent in 2023. The report also revealed that dropout rates tend to increase as students advance to higher grades, indicating that many face escalating challenges as they progress through the school education cycle. Another concerning finding is that the dropout rate is high among boys, which surged to 19.02 percent in 2024 from 14.12 percent in 2023, while the rate for girls rose slightly to 13.36 percent from 12.32 percent. The authorities need to address the root causes of this sudden turnaround, otherwise we may lose the progress made over years in boosting primary school enrolment and reducing dropout rates.

In 2010, nearly four in 10 students reportedly failed to complete the primary education cycle. Since then, Bangladesh has made notable progress through measures such as free textbook distribution, expanded stipend coverage, and mid-day meals. By 2020, the rate fell to 17.02 percent from 39.8 percent in 2010, which further dropped to 13.15 percent in 2023, a remarkable improvement. However, political unrest during and after the July uprising last year caused major disruptions across the education sector, including schools and colleges. The DPE report identified several other factors behind the rise in dropout rates. It noted that rising inflation and living costs may have eroded the real value of student stipends, making education less affordable for many families. Additionally, seasonal migration, household economic shocks, and climate-related hardships intensified these challenges, particularly among the disadvantaged communities.

At a time when the country is expected to advance towards universal education as well as achieving the Sustainable Development Goals, we cannot afford to backtrack on our hard-earned progress in this regard. We urge the government to address the issue by taking targeted interventions, such as introducing inflation-adjusted stipends, reviving the school feeding programme, and providing students with free or subsidised educational materials such as exercise books, pens, and pencils. Experts believe that investing more in primary education is crucial to keeping students in school and ensuring quality education. We hope the government will act on these suggestions properly.

THIS DAY IN HISTORY

Great Fire of London

On this day in 1666, the Great Fire of London began accidentally in the house of the king's baker. It burned for four days and destroyed a large part of the city, including Old St Paul's Cathedral and about 13,000 houses.

EDITORIAL

A stronger, fairer tax system is the need of the hour



MACRO MIRROR

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Views expressed in this article are the author's own.

FAHMIDA KATUN

Bangladesh has persistently lagged behind regional peers and in global standards in terms of the tax-GDP ratio. Indeed, the country's tax-GDP ratio remains among the lowest in the region, with only marginal improvement over the past decade. According to a recent OECD report, Bangladesh's tax-GDP ratio was 7.2 percent in 2023, which was below the Asia-Pacific average of 19.5 percent. In FY2024, the ratio was 7.38 percent.

Understandably, a low tax-GDP ratio has several implications for the country's economic growth and social progress. First, it limits the government's fiscal space to invest in infrastructure, social services, climate resilience, and long-term development priorities, which has repercussions in various forms. Employment generation has been low due to low investment. Limited spending for social safety nets and climate resilience measures increases vulnerability of the poor and low-income households.

Second, it exacerbates inequalities in the tax system. When a significant number of high-income individuals and profitable companies evade taxes, the burden falls disproportionately on lower-income groups. The government relies on indirect taxes, such as value-added tax (VAT), which are paid at the same rate by everyone, irrespective of their income. Since VAT is applied on consumption, poor households spend a relatively higher share of their income on VAT compared to the higher income groups as they spend a larger share of their income on basic needs.

Third, Bangladesh's access to trade-related incentives and subsidies will diminish following its graduation from the Least Developed Country (LDC) category in November 2026. This will further constrain revenue sources in the country. Several studies have indicated that countries with low tax compliance often face compounded fiscal challenges during structural transitions, including the cessation of preferential trade benefits.

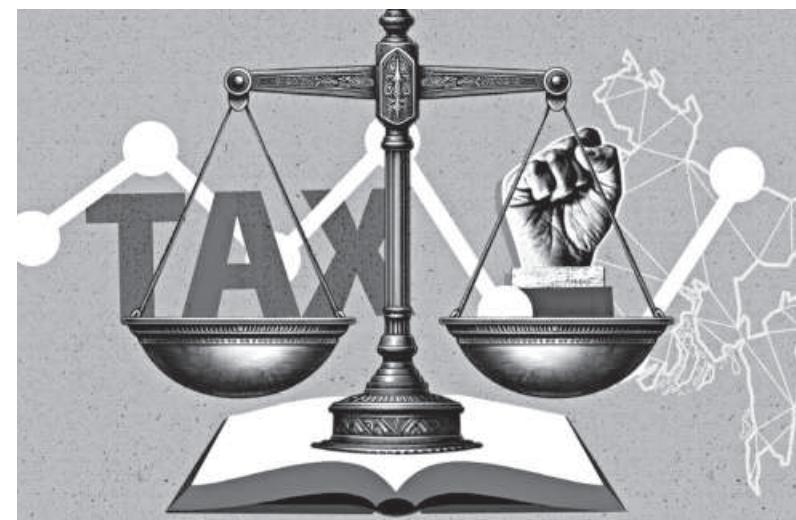
To make revenue mobilisation more efficient and improve the government's capacity to fund public services and investment, some measures are critically important. First, automation and digitisation of tax administration can enhance transparency, reduce harassment by tax officials, and make compliance easier. Adopting a comprehensive electronic tax system that integrates filing, payment, and tracking processes will attract more taxpayers. Such a system can also

facilitate cross-checking between the National Board of Revenue (NBR) and other agencies, such as the Bangladesh Bank and the customs directorate. This will minimise avenues for underreporting and evasion.

Second, simplifying the tax process is critical. Currently, the multiplicity of taxes, rebates, and sector-specific exemptions not only complicates compliance but also creates opportunities for selective evasion. Streamlined tax structures with clearly defined rates, reduced exemptions, and targeted incentives aligned with developmental priorities can simultaneously enhance revenue

audits to encourage businesses and individuals to participate in the formal tax system. Additionally, leveraging third-party information, such as financial institutions and utility payments, can assist the NBR in identifying unregistered taxpayers. Addressing corporate tax evasion is equally essential. NBR must focus on monitoring high-risk sectors such as banking, telecommunications, and large-scale manufacturing to detect and prevent sophisticated evasion techniques.

Another important task is to reduce informal incentives and tax exemptions that disproportionately benefit certain sectors. While these policies are often intended to stimulate investment, they have also led to substantial revenue leakage. For instance, the textile sector, a major contributor to the country's export earnings, enjoys multiple exemptions and rebates under existing policies. It is time to rationalise these incentives. These should be time-bound and coupled with productivity-oriented support for the genuine cause, so that they can maintain



VISUAL: ANWAR SOHEL

and promote investment. This is particularly important in the context of LDC graduation, as the removal of preferential access to the export markets must be faced with higher domestic revenue mobilisation efforts.

Third, broadening the tax base is essential. In Bangladesh, a substantial number of potential taxpayers remains outside the formal system, including high-income individuals, small-scale entrepreneurs, and emerging businesses in the digital economy. Evidence from many developing countries, such as India and Indonesia, demonstrates that integration of informal businesses into the formal tax system, coupled with supportive measures such as simplified tax regimes and incentives for compliance, has helped enhance revenue collection. NBR should conduct targeted awareness campaigns, incentives for voluntary disclosure, and periodic compliance

competitiveness while broadening the tax base. Similarly, exempting VAT on goods and services should be carefully calibrated to prevent misuse or leakage. In Bangladesh, there are many exemptions and special rates, which are often granted due to lobbying by powerful interest groups. As a result, the effective VAT base is limited. Hence the VAT system cannot capture the full revenue potential. A recent CPD study indicates that Bangladesh may have lost around Tk 188,081 crore in FY2023 due to such exemptions and evasion in the VAT system.

Administrative capacity remains a persistent bottleneck. The NBR is under-resourced, understaffed, and often criticised for inefficiency and corruption. Building a skilled, merit-based, and well-incentivised workforce within the tax administration is essential. Continuous training, technological upskilling, and clear career incentives would improve morale

and reduce rent-seeking behaviour. Moreover, taxpayer services must be improved to encourage voluntary compliance. Lengthy bureaucratic procedures, harassment, and lack of grievance redress discourage honest taxpayers and breed distrust. Establishing taxpayer service centres, strengthening e-filing, and creating fair dispute resolution mechanisms would help restore confidence in the tax authority.

Improving taxpayers' trust and compliance is also critical. Behavioural economics suggests that taxpayers respond not only to enforcement but also to perceptions of fairness and efficiency in the tax system. Studies show that countries that invest in taxpayer services, education, and grievance redress mechanisms achieve higher compliance even without drastic increases in audit intensity. In Bangladesh, reports of harassment, delays, and opaque procedures discourage voluntary compliance. Establishing a transparent and responsive taxpayer service framework, including digital communication channels, prompt grievance resolution, and public awareness campaigns, can enhance trust and participation.

Transparent public consultations and parliamentary oversight in tax policy formulation can counterbalance vested interests. Citizens are more likely to accept tax obligations when they perceive that revenues are used efficiently for public goods and social development. Publishing reports on tax expenditure, project-specific revenue use, and outcomes can strengthen social accountability, trust, and legitimacy. Input from think tanks, professional bodies, and civil society should also be institutionalised to ensure that policy design is guided by fairness and efficiency rather than short-term expediency.

The role of political economy cannot be ignored when improving the tax system. Taxation in Bangladesh has long been influenced by vested interests that lobby for exemptions, tax holidays, and amnesties. These practices not only reduce revenue but also erode public trust in fairness. Tax amnesty has been used repeatedly, allowing individuals to legalise undeclared wealth with minimal penalty, thereby rewarding evaders and discouraging honest taxpayers. Moving forward, the government must commit to phasing out discretionary exemptions and amnesties. A uniform application of tax laws can enhance fairness and efficiency.

Bangladesh has already entered a phase where concessional foreign aid has begun to decline. At the same time, its development needs have intensified. This requires decisive action in making the tax system fairer, more efficient, and more progressive. Such a tax system is not just an economic imperative—it is the foundation of democratic governance.

Faith-led messaging can mitigate plastic pollution



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Plastic pollution, particularly from single-use items such as plastic grocery bags and various food packaging, persists despite ongoing awareness campaigns and regulatory efforts. In Dhaka city alone, we generate around 646 tonnes of plastic waste daily, much of which remains unmanaged. In districts and upazila towns, markets and municipalities, the problem is more severe.

We could not properly implement the single-use plastic ban, mostly due to the lack of alternatives in the market. The National Action Plan for Sustainable Plastic Management remains elusive, and public awareness is insufficient. Moreover, the lack of a regular and effective waste collection and management system continues to worsen the problem in many places.

In fact, Bangladesh is among the top 20 mismanaged plastic waste-generating nations. A review, published in the *Lancet*, warned that plastics are a "grave, growing and under-recognised danger" to both

human and planetary health, causing at least \$1.5 trillion global health-related damage a year. Current global plastic production is about 450 million tonnes annually and only nine percent of plastic waste is recycled; the rest mostly goes to landfills and oceans.

Last month, the United Nations plastic treaty talks in Geneva failed again as representatives from over 183 countries could not reach a consensus towards a legally binding agreement to tackle plastic pollution.

However, the solution to plastic pollution is nuanced because plastic, due to its versatility, durability, and low cost, has improved modern daily lives in numerous ways. Therefore, stopping plastic pollution cannot be the solution per se; rather, the focus should be on the management of plastic waste.

For example, single-use plastics, such as thin grocery bags, wrappers, and disposable containers, are often used for a short time. They have no

post-consumer value and hence are difficult to integrate into circular plastic waste management systems. These items often end up in rivers and oceans, polluting the environment. On the other hand, plastic items with post-consumer value are mostly collected and recycled.

Therefore, the challenge is to bring about public behavioural change by making people aware of the pollution caused by single-use plastic items. This calls for consistent messaging, social influence, and a comprehensive, multi-stakeholder approach and, ultimately, the personal commitment of every citizen. Media continue to publish and broadcast reports addressing this issue; national and international NGOs are also actively conducting research and running awareness campaigns to increase plastic literacy and promote sustainable practices.

Yet, a meaningful shift in people's behaviour seems like a distant goal. In this context, the Environment, Forest and Climate Change Adviser Syeda Rizwana Hasan called upon religious scholars to leverage their influence in raising public awareness about noise and plastic pollution. Community-based solutions are often inherently sustainable and effective ways to bring about change. We have over 300,000 mosques in Bangladesh. Each one occupies a central place in community life. People gather in large numbers for weekly congregational

or Jumma prayer. Within Islamic teachings, there are many Quranic references and prophetic teachings on cleanliness, *khalifah* or stewardship of the Earth, and the responsibility to protect the environment. If our imams and faith leaders dedicate a few minutes during every weekly congregation sermon or other religious gatherings to speak about the public health and environmental concerns caused by plastic pollution, they can inspire behavioural change at the grassroots level.

To save the environment around us and for healthy living, we cannot overlook problems such as plastic and pollution. Neither can we wait for the world to reach a consensus to end plastic pollution. While inadequate waste management capacity across the country is one of the biggest challenges, with the responsibility lying mostly with government and non-government entities, the general public can also play a part here. Effective public awareness can largely mitigate this crisis. For example, people can be encouraged to reduce the use of thin plastic polythene bags by carrying reusable ones and being cautious about discarding plastic waste irresponsibly. Blaming others for plastic production and waste generation will never solve the current problem. Education, awareness, personal commitment and collective efforts will do.