

## Peace on campaign trail non-negotiable

Govt, political contenders must ensure order in 'high-risk' areas

As the nation approaches the February 12 election, the campaign has devolved into a turf war in some constituencies. A new intelligence report from the Bangladesh Police identifies 13 constituencies as "highly risky" due to escalating violence surrounding the election. The geography of this violence is telling. It is not concentrated solely in the former strongholds of the fallen Awami League, such as Gopalganj or Faridpur (though security there remains tight). Instead, the flashpoints are in districts such as Dhaka, Cumilla, and Pabna, where heavyweights from the BNP and Jamaat-e-Islami are turning on one another.

Data from the police headquarters paints a disturbing picture of conflict. Since the polling schedule was announced in December, there have been at least 57 clashes in 50 constituencies which have left 257 people injured and four dead. Nearly half of these clashes occurred between members of the BNP and Jamaat. Another eight were internal clashes within the BNP itself.

In Dhaka-8, the BNP's standing committee member Mirza Abbas faces Jamaat-allied NCP's Nasiruddin Patwary. In this constituency, there have been reports not of disagreements over policy, but of "eggings" and intimidation that suggest a reversion to the muscular politics that key stakeholders of the July uprising, including the interim government, pledged to eradicate. The high-risk designation of this seat shows how quickly, and easily, the fight for democracy can descend into a fight for territorial dominance. The tension is also acute in Dhaka-15, where the contest pits the national clout of the Jamaat head, Shafiqur Rahman, against the entrenched local influence of his BNP rival, Shafiqul Islam Khan Milton.

The police, under Operation Devil Hunt phase two, have arrested over 24,000 and recovered hundreds of firearms since mid-December. The sheer scale of the dragnet—averaging hundreds of arrests a day—suggests a jittery security apparatus trying to establish stability. But the violence still erupting in some constituencies of BNP and Jamaat stalwarts also bodes ill for post-election stability. The vicious competition for these "high-risk" seats reveals a political culture still addicted to zero-sum games. If the BNP and Jamaat cannot campaign without hurting each other, they will struggle to govern without doing the same.

We urge the police to fortify vulnerable polling centres and deploy mobile teams to patrol the streets. But the state alone cannot guarantee order; the onus also lies with the contenders, who must demonstrate political maturity. All parties and independent candidates must immediately rein in unruly members and supporters. The singular objective must be to ensure a peaceful vote. As the interim government enters the twilight of its term, its success will be partly measured by the confidence of voters on polling day. The political maturity of the next government will also be defined by the conduct of the very election that brings it to power.

## Green funds must prioritise SMEs

Let no political influence, bureaucratic barriers undermine our green transition

At a time when the government urges industries to go green and reduce reliance on fossil fuels, small and medium-sized entrepreneurs willing to invest in renewable energy are being trapped in endless delays, paperwork, and silence from banks. The Tk 10,000 crore Green Transformation Fund (GTF) was created to support such initiatives, yet for many SMEs, the fund exists only on paper. While financing mechanisms are in place and banks are enrolled, loan disbursement remains sluggish, with large portions of the fund untouched.

Reportedly, excessive documentation requirements, rigid equity thresholds, and bureaucratic barriers, including the absence of accountability for banks, have made access to green finance very difficult for smaller firms. The story of Humayun Kabir Salim makes the situation painfully clear. Seeking to install a 1-megawatt rooftop solar system at his textile factory, he approached several banks for financing under an existing government-backed scheme. None rejected his proposal outright, but repeated demands for documents and prolonged delays left the process stalled indefinitely. Eventually, Salim was forced to abandon the effort.

There are also allegations that political pressure, relaxed risk assessments, and regulatory bias allowed powerful companies to obtain green financing, while smaller firms were left behind. For instance, many influential business groups including the S Alam Group and its subsidiaries have accessed large sums from the same fund with ease. Many of these companies later defaulted on their loans, leaving banks burdened with losses.

Climate-linked funds are failing to deliver their intended benefits and defaults are weakening the banking sector. While public funds meant to support sustainable growth are misallocated, the cost of failure is ultimately borne by depositors and the economy. Equally concerning is Bangladesh Bank's (BB) position that it bears no financial strain because commercial banks must absorb the losses under the refinancing model. This arrangement discourages banks from supporting SMEs.

To make the GTF truly effective, urgent reforms are needed. BB must employ an oversight mechanism to ensure that green financing delivers real environmental and economic benefits. It must simplify lending procedures, enforce strict timelines for disbursement, and ensure transparency at every stage of approval. Political influence and regulatory bias must be eliminated, and banks should be held accountable for fair and timely lending to SMEs. The government should also earmark a significant portion of green funds for SMEs and innovators, while providing support such as partial equity grants or low-interest loans. Only through such measures can the government ensure that our green transition is equitable, effective, and sustainable.

## THIS DAY IN HISTORY

### US ends trade embargo of Vietnam

On this day in 1994, US President Bill Clinton lifted a 19-year-old trade embargo on the Republic of Vietnam. The embargo had been in place since 1975, when North Vietnamese forces captured the city of Saigon in South Vietnam during the Vietnam War.

# A tough fiscal test awaits the next government

## MACRO MIRROR

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## FAHMIDA KHATUN



In the run-up to the national election, political parties in Bangladesh are making an array of commitments to voters, such as job creation for the youth, increased allocation for health and education, support for households, social protection, and price relief. These are attractive pledges at a time when citizens are facing prolonged economic hardship. However, in most cases, these pledges are not accompanied by detailed, fully costed fiscal plans explaining how they will be financed. What will be the timeline for implementation? How much additional cost will be required? How much revenue will be forgone if various cuts are offered? What are the implications for the budget deficit and government debt? In the absence of detailed proposals within a concrete fiscal framework, these promises remain only broad economic aspirations.

The lack of fiscal details is problematic on several fronts. The elected government will face a mounting challenge to create fiscal space in an economy already stretched to its limits. Due to weak revenue mobilisation, rising public liabilities, and growing contingent obligations, the manoeuvring space has narrowed sharply. But the demands on public funds, from development spending and social protection to debt servicing and institutional reform, are high. How the next government manages this fiscal balancing act will largely determine the country's economic trajectory in the post-election period.

At the heart of this challenge lies an alarmingly low tax-GDP ratio. Bangladesh's tax effort has fallen to a historic low, placing it among the lowest performers globally. In FY2025, the tax-GDP ratio was 6.8 percent, down from 7.38 percent in FY2024. During the first half (July-December) of FY2026, the National Board of Revenue recorded a shortfall of Tk 46,000 crore in revenue collection. This reflects deep structural weaknesses in the revenue system. For over a decade, revenue targets have been repeatedly missed, undermining budget credibility. This has forced the government to rely on external and domestic borrowing. Therefore, fiscal policy has increasingly become reactive rather than strategic.

Expenditure pressures are set to intensify sharply in the coming years. The government faces a growing list of financial obligations that cannot be postponed further. The Bangladesh Power Development Board needs to clear unpaid bills amounting to more than Tk 20,000 crore, largely owed to power producers. The government has also committed to injecting Tk 20,000 crore into Sammilito Islami Bank as part of its efforts to stabilise the banking sector. These fiscal burdens are likely to constrain the government's policy choices.

Another challenge would be implementing the recommendations of the pay commission set up by the interim government. The proposal includes salary increases for government

employees by 100 to 142 percent. While there is a legitimate case for adjusting wages after years of high inflation, the fiscal implications are substantial. Implementing these recommendations without adequate preparation could crowd out development expenditures and exacerbate fiscal deficits.

External vulnerabilities compound these domestic pressures. Although the foreign exchange reserves have recovered to \$28.68 billion as of January 29, 2026 from \$20.49 billion on July 31, 2024, they remain insufficient to comfortably meet rising import bills and external debt obligations. Though remittance increase in July-November of FY2026 is high at 17.07 percent,

the growth is lower than that in July-November of FY2025. The recent trend in export income shows a worrying sign as export growth was only 0.62 percent in July-November of FY2026 compared to 9.76 percent during the corresponding period in FY2025. The country's external debt reached \$12 billion by September 2025, reflecting years of heavy reliance on foreign borrowing to finance infrastructure and budget deficits. Servicing this debt will place increasing strain on public finances, particularly as concessional financing becomes scarcer after graduation from the Least Developed Country category in November this year.

Domestic borrowing has emerged as a double-edged sword. To address persistent revenue shortfalls, the government has increasingly relied on the banking system. While this has provided short-term relief, it has also inflated domestic debt. Reduced liquidity in the banking system raises borrowing costs for businesses. Net credit to the government sector has increased by 32.19 percent between December 2024 and December 2025.

Another aspect of fiscal management is public expenditure. Political parties

and social protection. A culture of fiscal discipline should replace the politics of entitlement. Misuse of public resources, such as tax-free luxury vehicles and excessive perks for MPs and ministers, has undermined public trust. Recent reports about plans to build large luxury apartments for ministers only deepen concerns, particularly at a time when the government lacks sufficient resources for urgent development activities. When hospitals lack basic equipment, schools struggle with overcrowded classrooms, social safety nets are under strain, and the line for low-priced essentials under the government's open market sales (OMS) programme keeps getting longer, such expenditures are economically indefensible and morally shameful.

The incoming government will have to make austerity a top priority at the leadership level for fiscal consolidation. Enhancing accountability mechanisms is essential to improving expenditure efficiency. Parliamentary oversight of public funds must be strengthened, and regular sharing of budget execution data can help ensure value for money and prevent misappropriation.



FILE VISUAL: REHNUMA PROSHOON

Medium-term fiscal planning should underpin annual budget preparation. Usually, budgets focus on the short term, overlooking future liabilities and risks.

The incoming government's success will depend on how effectively it manages this complex fiscal transition. Restoring fiscal space involves more than just balancing budgets. The new government should redefine the social contract between the state and the people. A fair and efficient tax system and public spending that clearly benefit people could help rebuild trust and legitimacy.

# As Saarc remains dormant, South Asia must look elsewhere

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In this part of the world, we often maintain appearances while the foundation rots. The South Asian Association for Regional Cooperation (SAARC) faces a similar fate. The four-decade-old regional instrument has been idling since 2014, following the last summit in Kathmandu, while the rest of the world speeds ahead towards sophisticated multipolarity.

The numbers disappointingly represent an indictment of a shared, regional setback. While blocs like ASEAN have managed to weave their economies together into a 25 percent intra-regional trade powerhouse, South Asia remains a collection of neighbours who share a fence but refuse to trade through the gate. Our intra-regional trade is barely five percent. We have chosen to pay "poverty taxes" through expensive global shipping routes over building the simple, logical corridors using our own geography.

At the centre of this paralysis lies a gaping hole that no amount of diplomatic tea can fix. We must confront the paradox of power defining India's role in this region. By sheer physical mass and strategic weight, India is undeniably the centre of gravity. Despite this perceived

power, India has failed to take its neighbours into confidence using the "Neighbourhood First Policy."

The India-Pakistan rivalry, a relic of a 1947 divorce that never truly ended, continues to hold the aspirations of billions of people hostage. We've allowed a bilateral grudge to function as a regional veto. India must realise that asserting dominance is the quickest way to lose a neighbour; only trust and equitable partnership can build a prosperous region.

On the other side, China is already a neighbour to five SAARC states. Through the China-Pakistan Economic Corridor, China has helped create the backbone of Pakistan's energy and transport. In Bangladesh, China has partnered in many critical infrastructure projects, from power plants to bridges. In Sri Lanka, Nepal, and the Maldives, China's footprint is measured in billions of dollars in infrastructure financing. To talk about "South Asian cooperation" while pretending China isn't a central actor is a form of geopolitical delusion.

By formalising the inclusion of China into a revamped bloc—perhaps a SAC+ (South Asian Cooperation Plus) or ASIA CORE—we can create a platform that limits the monopoly of any single state. Yes, there are risks of debt dependency, but we must consider the benefits of enhanced connectivity and bargaining power that smaller countries can get through the existing Belt and Road Initiative.

The other country to consider is the United States. From maritime security in our chokepoints to climate diplomacy for our sinking islands, the US provides a necessary "geopolitical counterbalance." By bringing in "plus

partners" such as the US, Japan, and Australia, we will be able to dilute the regional friction and gain access to the technology and markets that can lift our people out of poverty.

We should consider SACNet (South Asian Cooperation Network), a name that suggests flexible, modular cooperation, or BIPSA (Bay of Bengal-Indo-Pacific-South Asia), which anchors us in the maritime reality of our future. We need "issue-based

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working groups" that can bypass political deadlocks. If two capitals won't speak, let the scientists, the environmentalists, and the academics build a SAC+ network that functions on an "opt-in projects" basis. This is "flexible regionalism"—a system where cooperation isn't an "all-or-nothing" gamble.

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displaced because we lack a collective regional response. It is seen in our vulnerability to global crises—from the Ukraine war to the Gaza conflict—which hit our economies harder because we have no regional buffer, no shared prosperity to lean on.

Our current inter-state relations are held hostage to the political parties in power, rather than a reflection of the people's aspirations. The common citizen of South Asia doesn't understand international relations based on borders; they care about the cost of electricity, the survival of their farms against climate change, and the ability to travel and learn from their neighbours. We must transform these shared "vulnerabilities into collective strength."

Bangladesh has a unique moral authority in this discussion. We were the ones who perceived and proposed this vision. We are the bridge for peace and prosperity in a region that is currently building moats. Our role is to lead with vision and inclusivity, pushing for a forum that is open to form and not limited by rigid numbers. If one forum is blocked by a rivalry, we should have another in parallel. We need a secretariat with actual autonomy and stamina to pursue the purpose, not a place where ambitious policies go to be filed and forgotten.

SAARC is dormant, but the need for cooperation is demanding our attention. We stand at a crossroads where we can either continue to be a collection of fragmented states being picked apart by global interests, or we can build a multipolar bloc that actually commands respect.