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

A relentless burden of debt servicing

How will the government pay its dues?

When it comes to paying back loans, timing is everything. The BNP government has come to power during one of the most challenging times for Bangladesh, considering our external debt. The government has inherited a debt burden of about $4.94 billion in 2026, which has been projected to almost double to $7.6 billion by 2027. Debt repayments are made mainly in the US dollar, which has become increasingly stronger, making credit bills all the more expensive. Tackling this burden will require a combination of fiscal, monetary, export, and debt management measures.

The formidable level of external debt is attributed to rising interest payments, shorter loan maturities, and repayments for several mega projects, all of which weigh on public finances. After announcing a mammoth budget of Tk 9,38,000 crore, the finance minister has said that the government is determined to shift Bangladesh from a debt-driven economy to an investment-led one, which is essential for sustainable growth. He has talked about overhauling the public financial architecture to fund the budget and minimise the debt burden on the economy. At a Centre for Policy Dialogue (CPD) event, he stated that the country should not keep looking towards the World Bank, International Monetary Fund (IMF), and Asian Development Bank (ADB) and instead restructure our own public financing.

While these words are meant to reassure, the sheer amount of foreign debt burden, accumulated over the years and now due for payment, cannot help but be a cause for worry. How are we going to pay off the existing dues?

Fiscal analysts believe that both expenditure composition and revenue mobilisation must go hand in hand. Which means increasing the revenue-to-GDP ratio is essential. Bangladesh's tax-to-GDP ratio, among the lowest in the world, must be improved. The current government is considered to be business-friendly, but this should not deter it from improving income tax collection from higher earners, especially corporations.

External borrowing must be far more cautious and conservative than in the past. During the AL regime, jumping into innumerable exorbitant mega projects without proper assessments led to this punishing debt burden. The Karnaphuli Tunnel, for instance, which cost Tk 10,689.42 crore, is considered one such project built without a proper feasibility study. This has led to huge losses and an interest payment on the $705 million loan taken from China for the tunnel. The government must therefore take lessons from the AL government's blunders and ensure that all future borrowing focuses on projects with strong economic returns. Policies must rebuild foreign exchange reserves and encourage remittances through formal channels. Besides, a credible monetary policy must be in place. Export diversification must be prioritised by expanding sectors other than ready-made garments—such as pharmaceuticals, leather, and IT services.

The government must also attract foreign direct investment to reduce dependence on external debt by simplifying regulations, improving energy reliability, and developing special economic zones. Above all, the government's ability to manage external debt efficiently will largely depend on its political will to drastically clamp down on corruption in all its ministries and institutions, borrow strategically, spend wisely and tax fairly.

Don't neglect student hygiene in schools

Female students deserve separate WASH blocks for safe sanitation

It is concerning that a significant gap persists in ensuring a hygienic environment in educational institutions in our country. Despite the government's continued emphasis on expanding girls' and women's education, safe and separate sanitation—the fundamental prerequisite for girls' schooling—remains grossly neglected, according to a recent inspection report by the Monitoring and Evaluation Wing (MEW) of the Directorate of Secondary and Higher Education (DSHE). Many schools across the country still lack separate WASH (water, sanitation, and hygiene) blocks for boys and girls, while many others feature severely inadequate and unhygienic facilities.

The DSHE evaluated 740 educational institutions around the country and found that 52 completely lack separate WASH blocks for female students. Furthermore, 146 institutions have an insufficient number of WASH blocks, and 131 have heavily unclean facilities. This infrastructural deficit causes more than mere inconvenience. The lack of gender-segregated, clean sanitation facilities in schools is universally recognised as a critical barrier to female education and well-being.

Health experts and educators rightly point out that unsafe sanitation creates profound psychological discomfort and severe health risks for girls. Fearing the use of unhygienic, shared toilets, many students deliberately avoid eating or drinking water during school hours, which leads to malnutrition and dehydration. Furthermore, during menstruation, lack of privacy and hygiene often forces female students to skip school altogether, directly impacting their academic performance and exacerbating dropout risks. It is a cruel irony that while female enrolment outpaces male enrolment at the primary and secondary levels, our schools fail to provide facilities to ensure basic dignity for young girls.

While the inspection and the DSHE director general's assurance to forward the list of deficient schools to the Education Engineering Department are necessary steps, this is not a complete solution. A widespread survey on the issues is necessary. Besides, building infrastructure is only half the battle, as maintaining these facilities requires dedicated financial allocations. We urge the concerned authorities to treat this as the urgent public health crisis and an impediment to education that it is. Dedicated funds must be allocated for the construction, regular maintenance, and cleaning of school sanitation facilities. Ensuring a safe, clean, and gender-segregated WASH block is not a luxury—it is a right. We cannot expect to build an empowered and educated generation of women if we cannot even guarantee private and safe sanitation within the school premises.

The new retailer advance tax policy needs greater clarity

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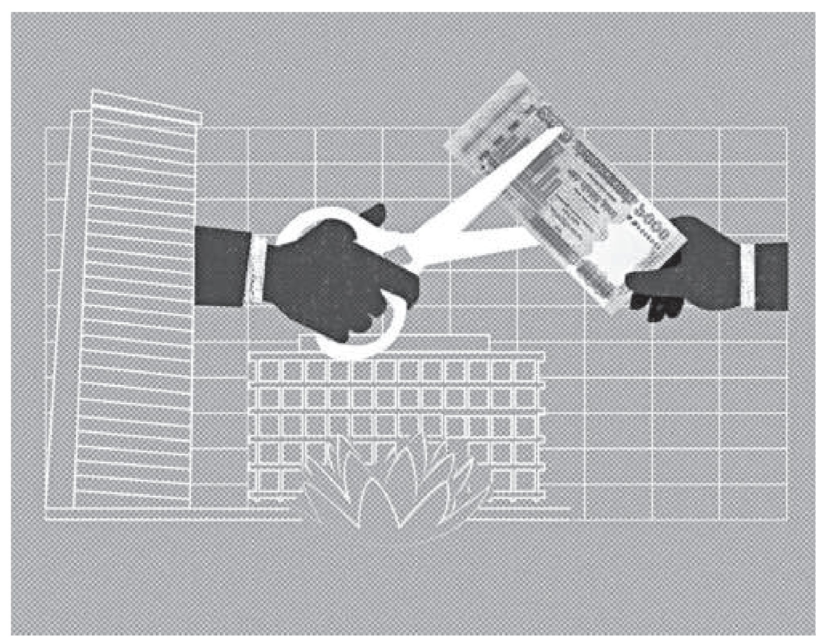
MD EMDADUL HAQUE

The story begins quite simply. One morning, a finance manager sits with his sales report and notices a new instruction. From now on, on every supply to retailers, a small amount—just Tk 2 per Tk 1,000—has to be deducted as advance tax. At first glance, it feels almost insignificant. After all, the government's idea seems reasonable: bring millions of small retailers under the tax net, without chasing each one individually. This proposal, introduced in the Finance Bill for FY2026-27 under the broader framework of the Income Tax Act, 2023, aims to expand the country's narrow tax base by collecting a nominal 0.20 percent advance income tax on supplies to retailers.

But by afternoon, that initial comfort begins to fade. Because the moment the rule is applied in real life, a simple but critical question emerges: who exactly is the retailer in this chain? A manufacturer sells to distributors, distributors sell to dealers, and dealers finally sell to retailers. In practice, goods often pass through multiple layers before reaching the final shop. At times, the same buyer may act as a dealer in one transaction and a retailer in another. In such a fragmented and fluid market structure, identifying the "retailer" is not a theoretical exercise; it amounts to a daily operational challenge. And within that challenge lies the first tension of this policy.

The proposal further states that the supplier must deduct the tax and that, if the deduction is not made, the liability rests with the supplier. This single provision fundamentally changes the dynamic. While the tax is notionally imposed on the retailer, the compliance burden—and, more importantly, the risk—shifts to upstream businesses. What comes across as a retailer-focused policy quickly turns into a significant compliance obligation for manufacturers, importers, and distributors.

A particularly uncomfortable situation arises when classification goes wrong. Suppose a supplier reasonably treats a buyer as a distributor based on transaction patterns and documentation and, therefore, does not deduct advance tax. Later, during an audit or assessment, the tax authority reclassifies that same buyer as a retailer. At that point, commercial judgement offers little protection as the liability, including any unpaid tax and potential penalties, may fall back on the supplier. The issue thus extends beyond interpretation; it becomes a question of who bears the risk of misclassification. In the absence of clear guidance, that risk appears to rest disproportionately on compliant businesses operating in good faith.



VISUAL: ANWAR SOHEL

And as implementation begins, operational challenges quickly accumulate. Each invoice now demands additional scrutiny. Is the buyer a retailer? Does the buyer have a valid TIN? Should tax be deducted? If deducted, under whose identification will it be deposited? In Bangladesh, where inconsistencies between trade licences, business names, and TIN records are not uncommon, these questions are far from trivial. While the system is expected to operate through digital platforms such as e-Challan, its effectiveness ultimately depends on the quality and consistency of data entered at the transaction level.

A deeper concern also emerges around the fundamental assumption behind this mechanism. The policy presumes that the retailer will eventually adjust this advance tax against its final tax liability. However, a large portion of Bangladesh's retail economy remains informal. Many small shopkeepers do not file tax returns regularly, often not out of intent, but due to limited awareness and capacity. Analysts have already cautioned that, in such cases, tax deducted at source may never be adjusted, effectively turning an "advance tax" into a permanent cost.

And once a cost becomes unrecoverable, it does not disappear. It moves. The retailer adjusts margins. The distributor adjusts prices. The manufacturer absorbs pressure or passes it forward. Ultimately, the burden diffuses across the supply chain and reaches the consumer. A tax that begins as Tk 2 at one stage does not always remain Tk 2 by the time it reaches the end.

Meanwhile, the role of businesses undergoes a subtle shift. The finance manager finds himself acting less as a business enabler and more as a compliance intermediary. Every transaction now carries a tax implication. Every customer interaction involves a documentation check. The company is no longer only selling goods; it is also performing a quasi-administrative function on behalf of the tax system. This approach aligns with a broader policy direction in which governments rely on upstream entities to widen the tax net and drive formalisation across the economy.

Yet, while responsibility has clearly moved upward, clarity has not fully caught up. Market discussions, which initially focused on the low tax rate, are now centred on unresolved practical questions. How will multi-layer transactions be treated? Can there be duplicate deductions as goods pass through multiple hands? What happens if the buyer refuses or fails to provide a TIN? If a distributor fails to deduct, does the risk flow back to the manufacturer? These are not abstract policy issues; they are operational realities to be faced daily by businesses.

It is important to note that the policy objective itself is not under dispute. Bangladesh must broaden its tax base. For too long, a relatively small number of compliant taxpayers have carried a disproportionate burden while a vast informal sector has remained largely outside the system. Bringing retailers into the documentation net is both necessary and overdue. The approach—collecting small, manageable amounts at source rather than pursuing millions of individual taxpayers—is administratively sound and widely practised. However, a sound objective does not guarantee a smooth outcome as policy success is determined less by design and more by execution. A measure is not tested in the budget speech; it is tested in the daily interaction between supplier and buyer, invoice and system, rule and exception.

Over time, the finance manager's perspective becomes more balanced. The policy is no longer dismissed as insignificant, nor is it seen as inherently problematic. Instead, it appears as something in between: a well-intentioned reform that is still evolving in its execution. Thus, the call from businesses is not for reversal, but for refinement. What is needed now is clarity—practical, field-level clarity. Clear definitions of "retailer" and "distributor". Clear identification of the exact point in the supply chain at which deduction applies. Clear procedures for handling transactions involving buyers without TINs. Clear documentation requirements to support classification decisions. Because, ultimately, businesses do not operate on policy intent but rather on certainty. And at present, this measure stands at an uncomfortable midpoint.

Yes, the intention is right, the mechanism promising. But the operational framework is still incomplete. Until that gap is addressed through clear guidance and structured implementation, this seemingly small Tk 2 provision will continue to raise disproportionately large questions across the business community. Unless that certainty is ensured, even important reforms like this may risk becoming ineffective.

Amid rising water risks, rainwater harvesting deserves attention

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AHMED MUKTA

Bangladesh has nine months left on a treaty it cannot afford to lose, and no fallback plan if it does. The 1996 Ganges Water Treaty, which has governed dry-season flows from the Farakka Barrage for three decades, expires this December. Renewal talks between Dhaka and New Delhi have still not begun formally, and West Bengal's domestic politics continue to complicate any future agreement. Meanwhile, the Himalayan glaciers that feed the Ganges, Brahmaputra, and Meghna are retreating faster than at any point in recorded history. Even in the best-case scenario, where the treaty is renewed on favourable terms for Bangladesh, downstream water supply would still be tied to a melting ice reserve it cannot control and an upstream negotiation it cannot dictate.

These realities underscore the need for a parallel strategy, one that can reduce Bangladesh's vulnerabilities and help secure the water future of almost 18 crore people.

What is striking is that Bangladesh does not actually have a water scarcity problem. It has a water management problem. The country receives between 1,500 and 3,000 millimetres of rainfall a year, among the highest averages anywhere in the world. Almost all of it runs straight off the land, contributing to the flooding and waterlogging that paralyse Dhaka, Chattogram, and Khulna every monsoon, instead of being captured and stored for the dry months when water is needed most.

FILE PHOTO: STAR

'A nationally scaled rainwater harvesting network could extend safe water access to tens of millions of additional citizens within a few years.'

That is a paradox worth solving, and the technology to solve it is there already. Rainwater harvesting at scale, supported by tiered reservoir networks, treatment to international drinking-water standards, and dual distribution systems for households and farms, is already practised successfully in water-stressed regions elsewhere. Bangladesh's own nationwide canal excavation programme provides a ready-made structure that such a system could be built around, rather than requiring new infrastructure corridors from scratch.

A nationally scaled rainwater harvesting network could extend safe water access to tens of millions of additional citizens within a few years, cut national groundwater extraction, ease urban waterlogging that costs the economy dearly every rainy season, and open many additional agricultural hectares to reliable surface irrigation, while creating substantial employment along the way.

None of this is an argument against pursuing a strong, fair renewal of the Ganges treaty. Bangladesh should absolutely continue pressing for an agreement that reflects climate realities and guarantees proper flows. But treaty diplomacy and domestic water self-sufficiency are not competing priorities; they are complementary, and conflating them is precisely what leaves Bangladesh exposed. A country should never let its water security depend entirely on the goodwill of a neighbour or the pace of a glacier's retreat, however constructive that neighbour intends to be.

To its credit, the BNP government has already signalled urgency on the treaty front, with the foreign ministers of both countries meeting in April to discuss renewal terms. That same urgency now needs to be matched on the domestic side of the equation.

A feasibility review of a national rainwater harvesting programme, anchored by pilot projects in each of the country's distinct hydrological zones, could be commissioned within months and begin generating real performance data before the December deadline arrives. Bangladesh spends every monsoon fighting its own rainfall as a hazard to be drained away. It would do far better to instead start treating this water as the national asset it actually is. The only question is whether the country captures and stores it sufficiently, or watches it disappear while continuing to place its water security in the hands of upstream politics and a shrinking Himalayan ice reserve.

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