

The Daily Star

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## Who gets the subsidies in power sector?

Squandering of funds in the name of capacity charges must stop

In a frustrating if predictable move, the government has once again allocated a third of the budget for subsidies to the power sector, an overwhelming majority of which will be used to pay off capacity charges. It seems no amount of expert logic, public outrage, or even IMF prescriptions can discourage the government from wasting public funds on paying private power plants to sit idle. It has already spent more than Tk 1 lakh crore in capacity charges over the last 14 years. Research by the Centre for Policy Dialogue (CPD) reveals that capacity payments have skyrocketed from Tk 5,600 crore in 2017-18 to a staggering Tk 32,000 crore in the outgoing fiscal year, accounting for a whopping 81 percent of total subsidies in the power sector.

Instead of bringing down capacity charges as a matter of priority, the government is constructing an additional 27 power plants, which can only translate to a further increase in capacity charges in the coming year(s). What's more outrageous is that the government has decided to raise power tariffs three to four times a year apparently to lower subsidies over the next three years. Electricity prices were raised by 8.5 percent in February this year, and thrice by 5 percent each last year. Why is the public being asked to pay higher prices in the name of reducing subsidies when, in fact, the government is increasing subsidy allocation in the power sector—from 32 percent of the total allocation last year to 37 percent in the proposed budget?

As always, it is the people who are being unfairly tasked with absorbing the burden of chronic mismanagement, collusion, and corruption in the power sector. This is simply unacceptable, particularly given that the government does not seem to be taking any visible steps to address the root causes of high production costs—a lack of transparency and accountability in awarding contracts, overreliance on expensive imported fuels, and neglecting domestic gas exploration and renewable energy sources. Subsidies make sense when they ensure cheaper and more accessible services and amenities to the public, not when they prop up big business groups at enormous cost to the country and ordinary citizens.

As we have argued time and time again, the power sector needs an overhaul. At the very least, and on an immediate basis, the government needs to renegotiate power purchase agreements with the private power plants, replace outdated plants with efficient ones to reduce overall power generation costs, and diversify its fuel sources. The energy sector has been allowed to remain unaccountable for far too long. Such looting of public funds must stop.

## Fragile embankments must be fortified

Five unions in Khulna at risk of serious flooding

We are worried about the constant threat of displacement facing the residents of five unions at the Koyra upazila of Khulna. Flooding is a seasonal occurrence in this part of the land where embankments are often breached leading to the inundation of homes and croplands. However, the situation seems particularly bleak this year after Cyclone Remal has battered most of the embankments, leaving many areas already submerged and eroded. Come monsoon, residents fear they may have no choice but to relocate unless the embankments are urgently repaired and reinforced.

The question is, why are these structures so fragile? They are meant to be a critical line of defence; what's the point of having them if they cannot withstand the pressure of water for long? Experts attribute their delicate state to poor planning and use of substandard construction materials. As per a report, many embankments and sluice gates along key rivers in this area are presently in a dilapidated state. Local officials at Bangladesh Water Development Board (BWDB) have also acknowledged the poor state of a significant portion of the embankments. In fact, some 73 kilometres out of 2,006 kilometres of embankments in the Khulna, Bagerhat, and Satkhira districts are reported to be in a dilapidated condition.

Over the last few years, we have repeatedly talked about the importance of durable and well-planned embankments. We have seen how fragile embankments in many parts of the country were frequently, and rather too easily, damaged leading to the loss of homes, croplands and livelihoods. Many thousands were forced to leave their homes permanently, their villages swallowed by tidal surges. As the effects of climate change intensify, it is vital that the authorities also intensify their efforts to fortify existing safeguards against natural disasters. That means that there must be strict quality control in any project related to embankments so that those tasked with building/repairing them cannot get away with poor designs or use of low-quality materials. Officials in charge of the projects must also be made accountable for their negligence.

### THIS DAY IN HISTORY

#### Italy joins WORLD WAR II

Italy, under the rule of Benito Mussolini, declared war against France and Great Britain and joined World War II on this day in 1940.



### BUDGET FOR UNIVERSAL HEALTH COVERAGE

# What can we learn from global experiences?



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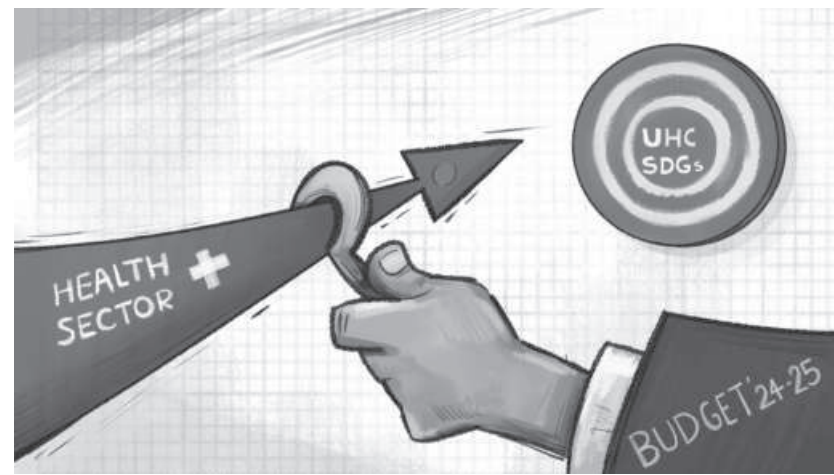
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Allocation of resources to the health sector and proper utilisation of that allocation are crucial for achieving universal health coverage (UHC) as well as the Sustainable Development Goals (SDGs). Many countries are moving towards health sector reforms by customising their healthcare financing mechanisms and healthcare provider payment methods. Global experiences show that more resources for the health sector aligned with increasing efficiency in spending, appropriate healthcare provider reimbursement, purchaser-provider split, and supply-side cost sharing are leading the countries towards achieving UHC. In 2021, Thailand spent 13.5 percent of its total government spending on health, while Turkey spent 11.5 percent, Sri Lanka 9.5 percent, and Vietnam nine percent. The same year, the out-of-pocket (OOP) health expenditure was nine percent of the total health expenditure in Thailand, 16.2 percent in Turkey, 49.6 percent in Sri Lanka, and 40.0 percent in Vietnam. These countries reduced OOP expenditure and increased efficiency in health service delivery by adopting different provider payment mechanisms and pro-poor strategies. Many countries are implementing a blended approach of input-based and outcome-based financing to tackle inefficiency, information asymmetry and moral hazards in health service delivery.

Bangladesh has allocated 5.19 percent of the proposed national budget—Tk 41,407 crore—to the health sector in FY2024-25. The share of the health sector has been more or less five percent of the budget for more than a decade. In 2020, Bangladesh's current health expenditure per capita was \$50.66, and the government health expenditure per capita was \$9.1, according to World Bank. The share of health in the budget and the per capita health expenditure in the country are low compared to other Asian countries. It has produced relatively

good outcomes in achieving some of the MDGs at a low cost, but the issue of financial protection in healthcare and achieving the SDG targets remains a crucial challenge.

The low share of public financing is echoed in the relatively lower use of public health facilities in Bangladesh. Only around 12 percent of total health services were sought from public health facilities and about 29 percent from formal private healthcare providers in



VISUAL: REHNUMA PROSHOON

2022. Informal healthcare providers dominated by providing 59 percent of the total health services. The large share of informal healthcare providers is also reflected in access to and utilisation of medical goods in the country. Patients receive 93 percent of their medicines from private pharmacies. Expenditure on medical goods from private providers was more than 60 percent of the total OOP expenditure in 2020. The OOP health expenditure was 68.5 percent of total health expenditure in 2020.

Budget preparation in Bangladesh is not backed by economic evaluation as it is in many other countries. And budget spending does not always ensure implementation of cost-effective interventions either; in 2022, the health

budget utilisation rate was only about 78 percent. Lengthy procurement process, limited capacity of health managers in budget execution, rigid public financial management rules, frequent transfer of health managers, inadequate monitoring and supervision and lack of financial autonomy of public health facilities might be the causes of the low absorption capacity.

Bangladesh prepared the first Health Care Financing Strategy (2012-32) in 2012. The strategy described a pathway to achieve UHC in the country by identifying key interventions such as increasing budgetary allocation along with improving efficiency in financial management and health service delivery, establishing a health protection scheme, piloting and scaling up of Shasthya Surakhsha Karmasuchi (SSK), and initiating mandatory health insurance for the population employed

mechanisms and provider payment methods will help to redirect this huge OOP expenditure in the private sector through a third party, increase financing coverage, and ensure the quality of health services. The government may allocate additional funds for medical goods and increase the availability of medicines in public health facilities with effective monitoring and supervision. This could be a crucial intervention for reducing OOP expenditure in Bangladesh. India and Nepal recently increased the availability of medicines in public healthcare facilities with an increase in financial coverage.

As mentioned earlier, Bangladesh has produced "good outcomes at a low cost." There are other contributing factors outside the health sector, such as increased literacy rates, poverty reduction, social safety nets and other social determinants of health. These factors helped in reducing child mortality and achieving some of the MDG targets. Investment in public health and other social and environmental determinants of health is sometimes very cost-effective. Planned investment in health is required not only in the health sector, but also in other sectors. Different ministries should work together with better coordination to attain the SDGs by 2030 and the goals of the Perspective Plan by 2041.

Increasing efficiency in the public sector is a prerequisite for increasing budget allocation and enhancing healthcare financing coverage. However, global experiences show that an increase in efficiency alone is not sufficient to achieve UHC. Rather, countries improved efficiency while simultaneously increasing allocation in the public sector. The health sector's share in the national budget must be increased substantially in Bangladesh along with drastic measures to improve efficiency. It is essential to gradually introduce outcome-based payment in the health sector and strategic purchasing in the private sector. A master plan for health should be prepared with a holistic approach, including future allocation for the health sector, spending modalities, the needed health sector reforms, and of course, integrating health into other policies. We expect to see its reflection in the national budget in the coming years.

in the formal sector. The recent review of the strategy also emphasised increasing public financing, revisiting public financial management rules, purchaser-provider split, strategic purchasing, and accreditation of the private sector.

Sri Lanka has successfully lowered catastrophic health spending (5.33 percent) in a health system funded by general taxes and input-based financing. Thailand, Philippines, Indonesia, Turkey, and India, on the other hand, increased coverage by transitioning from input-based to outcome-based payment approaches. There is no one-size-fits-all solution. Bangladesh needs to emphasise the area of provider payment immediately. Designing proper healthcare financing

# Cyclone Remal gives a stark reminder of our crisis protection gap



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Cyclone Remal has once again underscored the critical importance of disaster risk finance followed by anticipatory action in climate-induced disaster management. For the past five decades, Bangladesh has been a global leader in implementing anticipatory measures to mitigate the devastating impacts of cyclones. Both the government and non-government actors have employed measures related to anticipatory actions, which have proven to be effective. The global experience of insurance has been revealed as an area of consideration to minimise economic loss and appropriate measures to be taken to address non-economic losses.

Cyclone Remal has affected more than 37 lakh people in Bangladesh's coastal regions. Preliminary reports indicate that 35,000 homes have been destroyed, and nearly 150,000 homes have been damaged. Beyond the immediate destruction, long-term impacts such as waterlogged homes, damaged livelihoods, and impaired infrastructure will continue to affect the lives of those affected.

The visible damage is just the tip of the iceberg. Behind the shattered homes and ruined infrastructure lies a profound human suffering that is often overlooked. Families are displaced, livelihoods and education disrupted, injuries and health hazards increased,

and their futures uncertain. The psychological toll of such a disaster, coupled with the physical destruction, makes recovery long and arduous.

Despite these successes, the ultimate goal remains bringing the death toll down to zero. The deaths that did occur during Remal highlight a critical area for improvement. Some of those who perished were elderly individuals who died on their way to the shelters. This tragic outcome points to the need for targeted strategies to assist the most vulnerable populations.

Bangladesh must intensify its anticipatory actions to address the evolving challenges posed by climate change and increasing cyclone intensity. This includes: 1. Intensify early warning systems with their interpretations to provide more accurate and timely information; 2. Building more robust and resilient infrastructure within communities to withstand severe weather conditions; 3. Collaborate with communities in disaster preparedness and response planning to ensure localised and culturally appropriate interventions; and 4. Develop specific strategies and facilities to protect the elderly, disabled, and other vulnerable groups during evacuations.

Rehabilitation efforts must consider the specific needs of vulnerable populations, especially the elderly

and those living in coastal regions. Cyclone-resilient houses built using local materials such as sand and much less cement offer a promising solution. These houses, built with community participation, are designed to withstand strong winds and heavy rain with the provision of manual escalators and rainwater harvesting. Expanding this model could provide a sustainable solution for coastal housing.

This is high time for the banking sector to extend and accelerate green debt as part of its climate-responsive finance mechanism that could incentivise well-off individuals and entrepreneurs to invest in organic farming, climate-smart agriculture, resilient housing, environmentally friendly building materials, and water treatment plants.

Another lesson learnt from Cyclone Remal is that the Sundarbans, a vital natural safeguard against cyclones, are not as resilient as the forest once was. It struggled significantly during this cyclone, with reports indicating that it was submerged under five to seven feet of water. This submersion has destroyed the sweet water reserves within the Sundarbans, leading to a shortage of potable water in the region. Additionally, its wildlife has suffered, with reports that hundreds of deer and other animals were swept away by the waters. The shrimp farms have also been devastated by the cyclone. This has severely disrupted the livelihoods of yet another group of local people.

The Sundarbans has continued to provide some safety, and local NGOs have initiated mangrove planting projects in the area. The effectiveness of these initiatives is becoming evident, as the mangrove trees help fortify the forest and offer additional protection

to the locals. Beyond their protective function, these trees can serve as a source of livelihood.

Remal disconnected three crore people across the country from electricity. This disruption posed significant risks on multiple fronts. The immense damage, amounting to nearly Tk 10 crore in the coastal region, raises the idea of whether it is time to shift these areas to solar energy and decentralise its management.

A crucial element in Bangladesh's disaster management strategy is the Cyclone Preparedness Programme (CPP). These volunteers have been providing first response services for the past 50 years and have been lauded worldwide for their dedication and effectiveness. To continue this success, it is imperative not only to motivate and train these volunteers in a multi-hazard approach, but also to introduce them to modern technology.

Cyclone Remal brought new insights into the widespread concern it generated across the country. Not only were coastal regions affected, but the capital city Dhaka and the port city of Chattogram also faced severe disruptions. Landslides posed real threats in various areas, highlighting that cyclones can have a far-reaching impact beyond traditional high-risk zones. Given the widespread impact of climate-induced disasters, a holistic approach is necessary across the country. This includes: 1. Developing urban resilience planning across the country; 2. Establishing integration of disaster risk finance and anticipatory action into the systems; and 3. Unfold climate change, disaster management, supply chain, and responsiveness to the people nationwide using local language and local references.