



AK Enamul Haque

AHSAN HABIB and
REJAUL KARIM BYRON

Bangladesh's approach to budgeting for health and education has come under sharp scrutiny, as decades of allocations have primarily gone towards construction. Meanwhile, the core of these sectors, service delivery, has been historically neglected.

"If you really look into the allocation and eventual utilisation, most of these sectors failed to invest or at least spend what they were allocated, primarily because all of the allocation for the last almost 40-50 years was mostly for construction," Dr AK Enamul Haque, director general of the Bangladesh Institute of Development Studies (BIDS), said in an interview.

"So, it's not education – I would rather say it's a construction budget," he added.

Haque pointed to the example of a newly built hospital in Sylhet with over 200 beds that remains idle due to a lack of operational staff.

"The hospital is complete, but it is not running because allocation has not been given for doctors yet," he said.

He argued that the problem lies in a fundamental misunderstanding of what the education and health sectors are meant to deliver.

"These are service sectors, and service sector means someone is providing the service. These services are provided by doctors, nurses, and teachers. So, if you're allocating only for construction, that's not a budget allocation for the health sector as such."

Haque's remarks come ahead of the national budget for fiscal year 2025-26, to be tabled by the interim government.

He said that while the interim government's room to manoeuvre may be limited, it should seize the moment to set a new standard in budget formulation.

"As a new government, they should set a certain trend, and that this is how a budget should be made. I would be looking forward to seeing an ideal budget from them."

Haque stressed that an "ideal" budget is not about spending more money but about spending more effectively.

He highlighted numerous cases where hospitals are equipped with advanced machinery that sits idle for months or years.

"A lot of the time, we find that machines were purchased with public money, and many news reports have shown that while the machines are there, no operators were appointed."

Even when facilities exist, service delivery fails due to a lack of skilled human resources.

"I went to one school where I found out they have a six-storey building, but there's only one teacher. So, this is not a service."

He said that a part of the problem lies in the separation between the agencies building infrastructure and those delivering services.

Most schools and hospitals have little involvement in the planning or construction of their own facilities. In most cases, hospitals are built by the Public Works Department, while the Department of Public Health may take charge in rural areas. Similarly, school infrastructure is usually handled by a separate department, often without coordination with service providers.

This leads to a misalignment between what is built and what is needed.

QUALITY BUDGET

Haque repeatedly emphasised the need for a new understanding of "budget quality".

"Quality is not just money. Quality is a coordination between those who are providing the service and the facilities," he said.

He also pointed to the lack of attention to primary education.

"If you have 30 students in a class, it's impossible for a teacher to teach everything. Particularly at the primary level, where a teacher has to show students how to write."

On health services, he cited India's example to argue for stricter rules regarding

dual practice.

"If you are serving as a doctor in a government hospital, the Indian government does not allow you to go to a private hospital and practise," he said.

He said such a reform would strengthen service delivery and ensure that government hospitals are fully operational.

He warned against simply increasing budget sizes without reforming the underlying structure.

"We have constructed the buildings. The next logical step is to improve the teacher-student



ratio and ensure that services are delivered."

The discussion also covered agriculture, where Haque cautioned against reducing subsidies, saying, "That's not a very good step."

"What multilateral lenders are trying to say is that you should improve your tax collection before offering subsidies," he said.

He also argued that the real challenge in revenue collection is the narrow base of taxpayers.

"Now if you raise taxes, honest taxpayers will simply leave the country. Those who are able will say, 'Forget about taxes. I will leave,'" Haque said.

Against this backdrop, he warned of a growing trend among skilled professionals to leave the country.

"Remember, we now have what I have been saying is a nomad digital visa. An independent, able individual can go anywhere in the world now to work, and many countries are attracting them."

Haque said that instead of focusing on the tax-GDP ratio, the government should focus on expanding the number of taxpayers.

"I think the whole concept should be changed to tax net, which means asking where are the people who are supposed to pay taxes and why are they not paying taxes," he added.

He said the fault lies partly with the National Board of Revenue (NBR). "Their automation did not work. We have people who are supposed to register their cars with TIN numbers. But some did it with fake TIN numbers."

"Providing fake TIN numbers for vehicle registration is a crime. And a part of the BRTA is complicit in this crime."

Rather than expanding the tax network to rural areas, he argued that the NBR should first prove its success in Dhaka.

"Dhaka city has 1 crore people – which means roughly 25 lakh households. At least 50 percent of them should actually pay taxes. Where are they?" Haque asked.

On energy, Haque criticised inefficiencies in the current system, including unused generation capacity and poor distribution.

"You have 28,000-megawatt production capacity. You don't have 16,000-megawatt above distribution capacity. Your first step is to improve the distribution capacity," he said.

He also said Bangladesh needs a rational energy policy that defines who gets

uninterrupted electricity and at what cost.

"You cannot make the same quality of electricity everywhere in Bangladesh. That will be a very costly solution," he added.

Haque also challenged the current subsidy structure.

"Right now, we are subsidising producers. If you look at electricity, we should be subsidising consumers rather than producers. We have capacity charges. We're giving bills, unaccounted bills, and nobody is held accountable."

He said that contracts in the gas sector are particularly problematic.

"Bangladesh is purchasing Bangladeshi gas at an international price. Obviously, there will be a subsidy. We made contracts with the gas sector, which were not fair," Haque added.

On foreign funded development projects, Haque said the real issue is not a lack of money, but poor implementation. "In the last 15 years, we spent more money than we could. In fact, we had the largest budget increase. We spent on average 85-86 percent of the budget."

He said the problem is poor project design, political manipulation, and a preference among officials for local funding.

"Many government officials were interested only in government funding because it's less restrictive. Donor funds come with conditions and you have to follow the rules."

Looking ahead, he said the interim government should not be burdened with unrealistic expectations over the next budget.

"A one-year budget cannot be used to change the economy. That will be the wrong expectation. What it can do is set a thinking process."

Haque said that above all, Bangladesh's path forward lies in building institutions and the rule of law. "We need to create an environment of the rule of law. That's very important. And we need a government where honest and good officers are protected."

FIX SOCIAL PROTECTION FLAWS instead of expanding outlay

Says Akhter U Ahmed, country representative for IFPRI



Akhter U Ahmed

STAR BUSINESS REPORT

Bangladesh must urgently redirect resources within its fragmented social protection system and scale up a handful of proven programmes that directly benefit the poorest, according to a leading economist.

As the government prepares its budget for the upcoming fiscal year, Akhter U Ahmed, the country representative for the International Food Policy Research Institute (IFPRI), has called for a decisive shift in how social safety net funds are allocated.

In an interview, Ahmed said that while social protection spending has expanded significantly in recent years, the effectiveness of that spending remains in question.

"Reallocation is critical," he said. "We must increase the benefit size, improve targeting, scale up successful programmes and phase out inefficient ones."

Drawing from over three decades of IFPRI's policy evaluations and impact assessments in Bangladesh, Ahmed identified five programmes that, in his view, should receive increased allocations in the upcoming budget: the Vulnerable Group Development (VGD) programme, the Mother and Child Benefit Programme, the Old Age Allowance, the Allowance for the Financially Insolvent Disabled, and the Allowance for Widowed, Deserted, and Destitute Women.

"These five programmes together account for around 12 percent of the total social protection budget, excluding pensions, and they currently support about 13 million people," he said.

"If you want to improve the welfare of the most vulnerable, these are the programmes to scale up."

Although Bangladesh has steadily raised its social protection expenditure from Tk 35,975 crore in FY16 to Tk 126,272 crore in FY24, or roughly 2.5 percent of the GDP, experts argue that the structure of that spending has not been recalibrated to meet evolving needs.

According to Ahmed, the proliferation of programmes has diluted effectiveness.

In FY24, Bangladesh operated 115 social protection programmes, but 28 of them accounted for 91 percent of the budget. The top five consumed 58 percent while reaching only 6.2 percent of beneficiaries.

"That shows a significant disparity in allocation."

One of the most pressing concerns is the large share of the social protection budget that goes to pensions for government employees.

"Pensions for government employees and their families received 22 percent of the 2024 social protection budget," Ahmed said. "But most of these people are not among the poor. Social protection should target the poorest of the poor."

Continuing to support an unwieldy portfolio of programmes, many of them poorly designed or politically motivated, undermines the goals of poverty alleviation and food security, Ahmed said.

Only about 15 programmes out of the 115 are really performing well. "The rest either lack proper targeting, are underfunded, or offer benefits too small to matter."

The inadequacy of benefits is a recurring theme. Ahmed cited the long-running Primary Education Stipend Programme as an example.

"It started in the mid-1990s, offering Tk 100 per child attending school," he said.

"Even in 2020, the average household was receiving only Tk 130 per month. That's less than 1 percent of a poor household's income."

In contrast, the VGD programme, which distributes 30 kilogrammes of rice per month to poor women, provides a more meaningful transfer. "The value of this rice is about Tk 1,500 per month, which is significant and impactful," he said. "That's the kind of support that improves food security."

Although Bangladesh has steadily raised its social protection expenditure from Tk 35,975 crore in FY16 to Tk 126,272 crore in FY24, the structure of the spending has not been recalibrated to meet evolving needs

He argued that other cash-based programmes, such as the Mother and Child Benefit Programme (currently Tk 800 per month), the Old Age Allowance (Tk 600), and the Allowance for Widowed Women (Tk 550), must raise their transfer amounts to at least Tk 1,500 if they are to deliver sustained benefits.

Urban poverty has become another blind spot in Bangladesh's social protection landscape.

"Urban people are particularly vulnerable during food price hikes because they don't produce their own food," Ahmed said. "They rely entirely on the market. When inflation hits, they suffer the most."

Citing figures from the government's

2015 Social Security Strategy, Ahmed said that 30 percent of rural households benefited from social protection, compared to only 9.4 percent of urban households. "That's a huge gap. Urban areas, especially low-income neighbourhoods and slums, need to be brought under the coverage of effective social protection schemes."

Ahmed called for a major expansion of the Open Market Sale (OMS) programme, which sells subsidised food grains to low-income groups. "OMS is a well-targeted programme because the long waits and low pricing make it unattractive to the non-poor," he said. "But right now, it's seasonal and operates mainly in Dhaka and Chattogram. It should be made year-round and rolled out to other towns."

In addition, he proposed new initiatives such as an employment programme focused on urban environmental cleaning. "This would be a self-targeted programme. Better-off people would not take part in cleaning roads and public spaces, so it would naturally reach the poor," he said.

Crucially, Ahmed stressed that these improvements can be made without increasing the total budget. "We are not asking to increase the budget. What we need is to reallocate existing resources to programmes that are proven to be effective."

He also raised concerns about programme redundancy and inefficiency. "Some of these programmes have been around for decades and no longer serve a useful purpose," he said.

"Others were created to serve narrow political goals. These should be dismantled. By reducing the number of programmes and reallocating funds, we can reach more poor people more effectively."

Ahmed also underscored the need for innovations that address chronic vulnerabilities. "Health shocks are the number one reason families fall into poverty," he said. "Even those who aren't poor fall deep into poverty when a breadwinner gets sick. Yet there is no health insurance in Bangladesh."

To address this gap, he recommended piloting a health voucher system. "It's simpler than social health insurance and can be rolled out faster," he said.

He also pointed to Bangladesh's high rate of adolescent marriage and pregnancy as a challenge that social protection could help address.

"We recommend introducing school feeding programmes for secondary school girls, particularly from poor households," he said. "This should include hot, nutritious lunches and take-home rations of fortified rice and pulses – conditional on the girls remaining unmarried. That can delay early marriage, improve birth weights, and support school retention."

Ahmed backed his proposals with evidence from IFPRI's Transfer Modality Research Initiative, which tested cash and food transfers combined with weekly training on nutrition and health. "We found that impacts were not only immediate but sustained," he said. "We followed up after four years and even after six and eight years – and the benefits persisted."

He also cited BRAC's Targeting the Ultra Poor programme, which provides assets and mentoring to the poorest women. "That model also showed long-lasting gains," he said. "These are the kinds of programmes that build resilience, not just consumption."