Bangladesh needs a sustainable debt management policy

MACRO MIRROR



Dr Fahmida Khatun is an economist and distinguished fellow at the Centre for Policy Dialogue (CPD). Views expressed in this article are the author's own.

FAHMIDA KHATUN

The recent World Bank International Debt Report 2026 reveals that every Bangladeshi now carries about $646 of foreign debt on paper, that is, the country's per capita external debt. The country's external debt stood at $113.44 billion at the end of 2025. This is 8.6 percent more than the previous year, and nearly triple the 2015 total of $38.77 billion.

The World Bank report also shows that Bangladesh's external debt per person exceeds South Asia's average of about $564, although it is higher than the amount in some neighbouring countries and lower than in others. These figures, however, should be read carefully because countries differ in income, population, foreign exchange earnings, interest rates, repayment schedules, and their economy size. India, for example, has a much larger economy and export base than Bangladesh. Small island countries may have higher debt per person, but their economies and borrowing patterns differ. For a fair comparison, debt relative to GDP, exports and government revenue should be assessed.

In assessing debt-to-GDP ratio, the more important questions are whether the debt is creating future income, whether the country can repay it without squeezing essential spending, and whether its foreign exchange earnings can meet external obligations.

Those questions have become increasingly pressing. In 2025, Bangladesh's external debt stood at 23.6 percent of gross national income and 210.5 percent of exports, while debt service absorbed 15.7 percent of export earnings. This indicates that debt management is crucial to fiscal management and foreign exchange stability, particularly as the country prepares to graduate from the Least Developed Country (LDC) category.

It is also important to distinguish external debt from total public debt. The World Bank's external debt figure covers government and publicly guaranteed borrowing, private borrowing that is not publicly guaranteed, and short-term debt. Using a broader measure of public and publicly guaranteed liabilities, the International Monetary Fund (IMF) estimated Bangladesh's total public debt at 41.3 percent of GDP in FY2024-25, with more than half of that stock comprising domestic debt. The figures differ because they cover different borrowers and types of debt, so they should not be presented as though they measure the same thing.

The debt-to-GDP ratio is concerning because the economy has not yet achieved durable stabilisation. It is going through a difficult period, marked by persistent inflation, subdued private investment, a stressed banking sector, weak revenue mobilisation, low foreign direct investment, and exports vulnerable to external shocks. In this context, debt service competes directly with spending and reforms needed to strengthen productivity and create jobs.

Bangladesh's debt has risen in part because borrowing has funded infrastructure and covered budget deficits. Loans for well-planned ports, power connections, railways or flood protection projects can boost productivity and strengthen the economy's ability to repay. Problems arise when project costs rise, implementation is delayed, or the completed asset fails to deliver the expected economic and fiscal returns, as observed many times over the past decade or so. The debt remains, but the promised growth dividend does not materialise.

The exchange rate adds another risk. When the taka depreciates, the local currency cost of repaying foreign debt rises, even if the loan's dollar value remains unchanged. Projects that depend on imported equipment but generate no foreign exchange earnings can deepen this mismatch. The government should, therefore, assess not only a project's construction costs and expected domestic benefits, but also its foreign currency needs and contribution to export capacity, import savings, or other sources of foreign exchange.

Debt composition also deserves attention. World Bank data shows that multilateral creditors held about 39.8 percent of Bangladesh's external debt stock in 2025, while concessional debt accounted for about 32.8 percent. These are distinct categories because multilateral does not automatically mean concessional. As the country graduates from the LDC category in three years, it must prepare for a financing landscape in which some forms of preferential support may become less available, and new borrowing may carry less favourable terms. Concessional finance will not disappear overnight, but it should not base its plans on the continuation of today's terms.

To develop a well-planned debt management strategy, first, Bangladesh needs a credible medium-term revenue plan. The immediate priority should be to broaden the tax base, making it fairer and more predictable. Digital tax administration, fewer discretionary exemptions, stronger compliance, simpler procedures, and a clearer separation of tax policy from tax collection can raise revenue without shifting the entire burden onto formal businesses and wage earners.

Second, the government should manage debt across the entire public sector. It needs a regularly updated debt strategy that details borrowing by currency, interest rate, maturity and creditor, as well as annual repayment obligations. It should also disclose contingent liabilities arising from state-owned enterprises, guarantees and public-private partnerships. Stress tests should assess the effects of slower exports, a weaker taka, higher interest rates, and increased spending on climate-related disasters. Greater transparency can support better decisions before liabilities become budget shocks.

Third, public investment management needs strengthening. Every large project should undergo an independent cost-benefit review that includes realistic estimates of land acquisition, import, maintenance and foreign exchange costs. Projects should be prioritised according to their contribution to productivity, resilience and jobs, while weak projects should be redesigned or halted. Procurement, completion timelines and post-completion performance should be reported openly. Higher public spending is not necessarily a development achievement if assets are delayed, underused or too expensive to maintain.

Fourth, Bangladesh should build foreign exchange earning capacity before graduation changes the terms of market access. The European Union will provide a three-year transition for graduating countries to continue accessing Everything But Arms (EBA) preferences, with the possibility of Generalised Scheme of Preferences Plus (GSP+) for eligible countries. That bridge is useful, but market access after it cannot be taken for granted. Bangladesh signed an Economic Partnership Agreement with Japan in February 2026, and a Comprehensive Economic Partnership Agreement with South Korea in August 2026. These arrangements can support trade and investment, but only if firms can meet rules of origin and labour and environmental requirements, and if customs, ports and logistics become more reliable.

The government should use the transition period to identify which products, firms and jobs are most exposed to changing preferences, while pursuing practical market access arrangements. Export diversification must go beyond routine promotion of promising sectors. It needs predictable regulation, access to finance, reliable energy, skilled workers, lower logistics costs and the removal of anti-export biases created by high, uneven tariffs. Productivity gains and greater value addition will make exports more resilient than reliance on low wages or temporary preferences.

Finally, debt policy must be aligned with the reforms that drive growth. Weaknesses in the financial sector, unreliable energy, limited competition and a difficult business environment all reduce returns on public and private investment. Thus, revenue mobilisation, banking stability, energy security and the business environment must be strengthened as they are integral to debt management. A more productive economy generates more tax revenue and foreign exchange, making debt easier to service.

We cannot avoid borrowing. But we must ensure that borrowed funds boost productivity and resilience, on terms aligned with future repayment capacity. Per capita debt is a useful starting point for public discussion, but not the best measure of a country's financial health. The key test is whether each new loan leaves Bangladesh with an asset, a stronger revenue base, or greater capacity to earn foreign exchange.



FILE VISUAL: SALMAN SAKIB SHAHRYAR

Rising LPG costs pushing the poor to the edge of survival



Amith Kumar Malaker is human rights defender and public policy analyst.

AMITH KUMAR MALAKER

For millions of low-income households in Bangladesh, meeting the cost of everyday necessities has become an increasingly difficult struggle. Food, cooking fuel, transportation, housing, healthcare, and education consume a growing share of household income, leaving families with fewer choices and little financial security. The latest increase in liquefied petroleum gas (LPG) prices is another indication of how the burden of economic adjustment continues to fall disproportionately on those least able to afford it.

On November 2, 2026, the Bangladesh Energy Regulatory Commission (BERC) raised the retail price of a 12-kilogram LPG cylinder by Tk 223 to Tk 2,060, up from Tk 1,837 in October. Following an earlier increase of Tk 252 in October, consumers have faced a cumulative rise of Tk 475 in just two months. The price of autogas also increased from Tk 84.62 to Tk 91.95 per litre. However, the official price does not necessarily reflect the actual market situation. Media reports and the experience of the general public indicate that consumers have been paying Tk2,200 to 2,400 for 12kg cylinders in several markets despite regulated prices. Reports of supply restrictions, alleged stockpiling, and weak enforcement raise serious questions about the effectiveness of existing price regulation. When consumers face both official price increases and additional market premiums, regulation offers little meaningful protection.

Inflation continues eroding purchasing power

The LPG price hike comes amid persistent inflation and weakening household purchasing power. According to the Bangladesh Bureau of Statistics (BBS), consumer price inflation reached 8.34 percent in September 2026, up from 8.26 percent in August. Food inflation stood at 7.22 percent, while non-food inflation reached 9.30 percent. More concerningly, wage growth slowed to 7.90 percent, remaining below inflation.

This gap has serious implications for households dependent on fixed or irregular earnings. A moderation in inflation does not mean that prices are falling. Families that have already experienced successive increases in food, rent, transportation, electricity, healthcare, and education expenses do not regain their lost purchasing power simply because inflation slows. Higher energy costs also affect restaurants, small food businesses, transport operators, and other service providers.

The central question here is not simply whether international energy prices have increased or whether domestic regulators need to revise prices. It is who bears the consequences of those adjustments. Unlike many government and formal-sector employees, millions of informal workers, day labourers, rickshaw pullers, domestic workers, small traders, and low-income service providers have no reliable mechanism to secure corresponding income increases. Their earnings often remain stagnant while essential expenses continue to rise. These families often reduce protein consumption, purchase lower-quality food, postpone medical treatment, withdraw children from educational activities, accumulate debt, or exhaust their savings. According to the Bangladesh Bureau of Statistics' (BBS) Living Standard Survey 2025, 47.42 percent of households across the country have fallen into debt to meet rising living expenses amid stagnant earnings, with rural households facing greater pressure than their urban counterparts. The burden is not limited to informal workers, as RMG workers, too, face mounting pressure as wages struggle to keep pace with the cost of living.

Healthcare expenses further compound this vulnerability, as out-of-pocket healthcare payments pushed an estimated 1.1 crore people below Bangladesh's national poverty line over the 17 years leading up to 2022. Furthermore, women frequently bear a disproportionate share of this burden by reducing their own food consumption and undertaking additional unpaid household work, with potentially serious consequences for their health. A study published in Health Science Reports underscores this vulnerability, finding that 77.9 percent of women among 459 adults seeking healthcare in rural Chattogram were anaemic.

Bangladesh's LPG market needs structural reform

A comparison with neighbouring India raises important questions about Bangladesh's LPG market structure and consumer protection mechanisms. In November 2026, a 14.2 kg domestic LPG cylinder cost 942 rupees in Delhi, 941.50 rupees in Mumbai, 968 rupees in Kolkata and 1,031.50 rupees in Patna. Prices vary across Indian states because of differences in local taxes and distribution costs. India's market is served by major state-owned oil marketing companies, including Indian Oil, Bharat Petroleum, and Hindustan Petroleum. Eligible low-income households also receive targeted assistance through the Ujjwala scheme. Although differences in cylinder sizes, taxation, exchange rates, and subsidies prevent direct price comparisons, India's institutional arrangements offer important lessons for consumer protection.

Bangladesh, by contrast, heavily depends on private companies for approximately 99 percent of its LPG market. Although BERC has licensed 35 companies to import LPG, only 10 to 12 are active importers, with more than 70 percent of imports in FY2025–26 reportedly coming through just seven companies. Market concentration and brand-specific cylinder systems create additional supply-chain inefficiencies. More than two crore empty cylinders reportedly remain outside the active supply chain because consumers cannot readily exchange cylinders across competing brands. These challenges demonstrate that Bangladesh's LPG crisis is not exclusively an international price issue. It is also a problem of market concentration, competition, supply-chain inefficiency, and regulatory accountability.

Price regulation must translate into accountability

BERC's responsibility cannot end with announcing an official retail price. The gap between regulated and actual market prices demands stronger monitoring, transparent supply-chain management, and effective enforcement. BERC, the Directorate of National Consumer Rights Protection, and local administrations must coordinate regular market inspections, investigate allegations of artificial shortages, require transparent invoicing, and take credible action against businesses violating pricing regulations. Fuel-price adjustments should also follow a predictable and transparent mechanism. International price increases may justify domestic revisions, but consumers must benefit promptly when international prices decline.

First, the government should introduce targeted, temporary energy assistance for low-income households, particularly those dependent on purchased cooking fuels. Such support should follow transparent eligibility criteria and use inclusive social protection delivery mechanisms. Second, existing cash and food assistance programmes must be reviewed against actual household expenditure, inflation, and wage trends. Benefit levels should be adjusted where necessary to protect the purchasing power of vulnerable families. Third, the government must address structural weaknesses in essential commodity markets, strengthen competition, improve supply-chain efficiency, and expand income protection for informal workers.

Bangladesh cannot completely insulate itself from international market volatility, nor can every increase in import costs be absorbed indefinitely by public finances. However, economic constraints cannot justify transferring the entire burden to ordinary consumers without adequate protection, transparency, and accountability. The latest LPG price increase is about much more than the cost of a cooking cylinder. It raises a fundamental question of economic fairness: how long can households with limited incomes continue absorbing rising costs when their earnings fail to keep pace? The government's responsibility is not merely to explain why prices are increasing, but to demonstrate how citizens will be protected. An economy cannot claim resilience when millions of people are forced to choose between cooking a meal, seeking medical care, and sending their children to school.

GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH
Ministry of Health and Family Welfare · Health Services Division
Directorate General of Health Services (DGHS)
Office of the Project Director
Upgradation of the Existing Kidney Dialysis Centre of Medical College Hospitals upto 50 beds and Establishment of 10 beded Kidney Dialysis Centre at District Hospitals
Room: 462, 463 (3rd floor), Department of Nephrology, National Institute of Kidney Diseases and Urology (NIKDU), Sher-e-Bangla Nagar, Dhaka-1207, Bangladesh

ADDENDUM NOTICE No. 01
International Competitive Tendering (ICT) through e-GP

Memo No.: DGHS/PDO/Dialysis/GD1(HD)/2026/776 Date: 08 November 2026

Ref.: IFT No. DGHS/PDO/Dialysis/ GD1(HD)/2026/706, dated 15 October 2026

Addendum No. 01 to the Tender Document for the procurement of 1,030 (one thousand thirty) Hemodialysis Machines (HD Only) with integral rechargeable battery back-up, Package No. GD-1, e-GP Tender ID No. 1333848, has been issued through the e-GP System (www.eprocure.gov.bd) under ITT 11.

The Addendum amends the specific experience requirement, certain clauses of the Technical Specification and the related forms, and the Brief Eligibility and Qualification of the tender notice. It forms part of the Tender Document, and Tenderers shall prepare their Tenders accordingly.

The deadline for submission and opening of Tenders (30 November 2026, 16:00 hours) and all other terms and conditions of the Tender Document remain unchanged.

(Professor Dr. A.N.M. Ehsanul Karim)
Project Director and Official Inviting Tender
Telephone: 01819-251431 · E-mail: pddialysis@ld.dghs.gov.bd

GD-2716