Volume 11
Issue 4
September 1, 2024

SANEM
Thinking Aloud

Editor's Desk

We are happy to present the September 2024 issue of Thinking Aloud on the theme "Priorities of the Interim Government". The first page article, "Steep Challenges Ahead: Interim Government Faces Economic Hurdles" analyses the economic priorities of the interim government. The article remarks that, addressing Bangladesh's economic challenges requires not only political stability but also a robust and comprehensive approach to reform. The interim government must focus on both immediate economic priorities and long-term structural reforms to foster a stable and prosperous economic environment. Establishing effective and robust frameworks for reform can ensure that progress is sustained beyond the interim period. By mobilizing support from key stakeholders—including political leaders, civil society, and the private sector—the interim government can foster a collaborative environment that drives reform forward. The second, third and fourth page of this issue present three more articles. The second article, "Tax Reform Imperatives for the Interim Government" reiterates that raising more revenue or improving revenue effort is of paramount importance to any government but more so on the interim government since the expectations of meaningful positive changes are enormous. The article assesses the revenue system in Bangladesh and provides several strategic recommendations to move forward. The third article titled "An analytical narrative of the governance failures in the banking sector" examines the banking sector reforms necessary for the interim government. The article concludes that the successful implementation of reforms and effective management of the banking sector, foreign exchange rates, and inflation will determine the country's economic future and its ability to thrive in a more complex economic environment. The fourth article titled "Reforming Public Expenditure in Bangladesh: From Inefficiency to Impact" navigates the public expenditure issues that are pertinent for the interim government. The article argues that addressing these challenges requires a multi-faceted approach that includes strengthening institutional capacity, enhancing transparency, improving tax collection, and ensuring equitable allocation of resources.

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Steep Challenges Ahead: Interim Government Faces Economic Hurdles

Selim Raihan

The political upheaval in Bangladesh is having a profound impact on the country's economy. For the country to recover and stabilize, the interim government must prioritize political stability and the restoration of law and order. These steps are critical to setting the stage for economic recovery.

The ongoing political crisis can significantly slow down economic growth. Political instability breeds uncertainty, which in turn undermines investor confidence. As a result, both domestic and foreign investors can become more cautious, leading to reduced private investment. This diminished investment exacerbates existing economic challenges and hampers growth prospects. Political instability also affects the broader economic environment by disrupting business operations and creating an unpredictable financial climate. Companies face challenges in planning and executing long-term strategies, further discouraging investment and economic activity.

Bangladesh has been experiencing high inflation since early 2022, with inflation rates reaching a 12-year high of 11.66% in July 2024. Food inflation has been even more severe, hitting a record 14.10%. The ongoing supply chain disruptions and shortages are likely to keep inflation elevated, which disproportionately impacts low-income households. For many families, the rising cost of living is a significant burden, further straining their financial resources.

Unemployment, especially among educated youth, remains a pressing issue. Approximately 40% of young people aged 15 to 24 are neither in education, employment, nor training (NEET), nearly double the global average. This high rate of NEET youth exacerbates social and economic challenges, contributing to a sense of disenfranchisement and economic frustration among the younger population.

The country has been facing a worsening macroeconomic situation since the beginning of 2022, manifested by the decline in foreign exchange reserves and slow growth in exports and remittance earnings. During the ongoing political turmoil, small businesses and production units are particularly vulnerable to these challenges. Many of these enterprises lack the financial resilience to withstand the impacts of political instability, resulting in disrupted operations, decreased productivity, and, in some cases, forced closures. This affects the business owners and has a ripple effect on employees and suppliers, further compounding the economic difficulties.

The interim government's role is crucial in navigating these economic challenges and laying the groundwork for a stable transition to a permanent government. Immediate economic priorities should include combating inflation and restoring macroeconomic stability.

Addressing high inflation requires a coordinated approach involving monetary, fiscal, and tariff policies. Effective market management is essential to stabilize prices. The recent appointment of a new central bank governor has raised expectations for better use of monetary policy tools to control inflation and stabilize the economy.

The government must work to stabilize the macroeconomic environment by improving foreign exchange reserves, increasing remittance inflows through formal channels, and boosting exports despite the political crisis. These measures are crucial for restoring confidence in the economy and ensuring sustainable growth.

However, to address Bangladesh's structural economic challenges, comprehensive reforms are essential in several key areas:

Banking Sector: Reforms are needed to tackle high levels of non-performing loans, poor governance, corruption, inadequate risk management, and regulatory weaknesses within the banking sector. Strengthening transparency, enhancing regulatory oversight, and ensuring sound financial practices are vital to restoring confidence in the financial system.

Taxation System: Bangladesh's tax-to-GDP ratio is notably low, standing at 7.8% in December 2023. Reforms should focus on broadening the tax base, improving compliance, and enhancing the efficiency of tax collection. Administrative and institutional reforms are necessary to strengthen the tax collection authority, curb corruption, and ensure a more equitable and effective tax system.

Trade and Investment Policies: To foster a more favourable environment for export diversification and foreign direct investment (FDI), reforms should address the heavy reliance on readymade garments and the challenges in attracting FDI. As Bangladesh approaches its graduation from Least Developed Country (LDC) status in November 2026, it is crucial to liberalize trade and investment regulations, remove structural barriers, and improve the ease of doing business.

Public Expenditure: With public expenditure at around 15% of GDP, significantly lower than its comparators, reforms should aim to improve allocation efficiency and enhance spending in key social sectors. Prioritizing investments in education, healthcare, and infrastructure will help address critical needs and support long-term economic growth.

Institutional Capacity: Strengthening state capacity is essential for effective governance and service delivery. Institutional reforms should focus on improving efficiency and accountability within government institutions. This includes enhancing the capabilities of public servants, streamlining bureaucratic processes, and combating corruption to ensure that government actions are effective and transparent.

Addressing Bangladesh's economic challenges requires not only political stability but also a robust and comprehensive approach to reform. The interim government must focus on both immediate economic priorities and long-term structural reforms to foster a stable and prosperous economic environment. By taking decisive action in these areas, the government can set the stage for sustained recovery and growth.

While an interim government may face limitations in implementing all desired reforms within its term, it is crucial to focus on setting a strong foundation for future changes. Establishing effective and robust frameworks for reform can ensure that progress is sustained beyond the interim period. By mobilizing support from key stakeholders—including political leaders, civil society, and the private sector—the interim government can foster a collaborative environment that drives reform forward. This strategic groundwork will help pave the way for a more comprehensive and successful implementation of reforms in the long term, even if the immediate results fall short of expectations.

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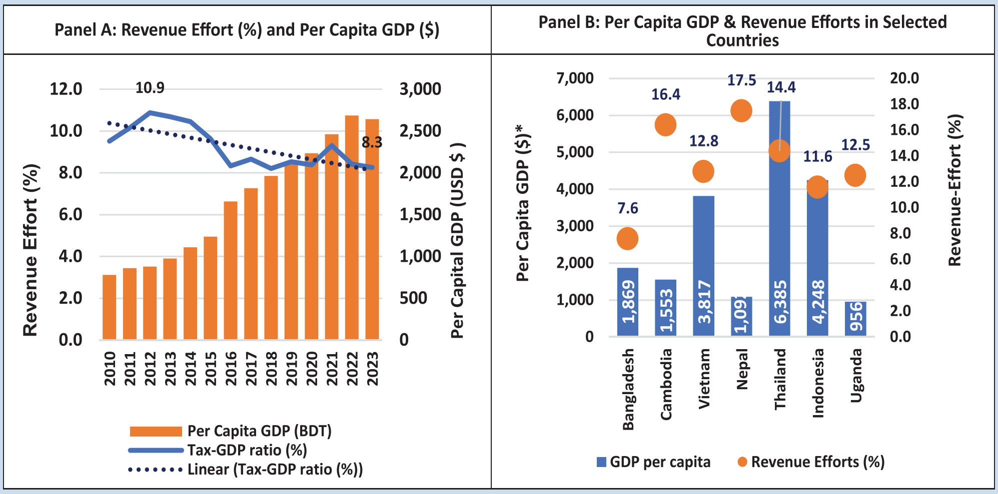
Volume 11 Issue 4 September 1, 2024

Tax Reform Imperatives for the Interim Government

Bazlul Haque Khondker

Context:

Bangladesh is at a crossroad after the student led movement. The expectations from the current interim government are huge pointing to bold and radical reforms in various fronts including economic front. Key economic challenges facing the interim government are taming inflation, arresting foreign reserve depletion trends, restoring discipline and people's trust in the banking system, and revamping revenue mobilisation system.Revenue efforts (i.e. revenue generated from the national income or GDP – which is defined as revenue to GDP ratio) have historical been low in Bangladesh. The outcome of the low revenue efforts has been constraining public expenditure (i.e. expenditures by the government). In particular, low revenue effort has severely constrained the ability of the Bangladesh government to finance important expenditureon physical infrastructure, human development and pro-poor spending. Low revenue effort has restrained the ability of the government to improve the infrastructure which is limiting economic growth and employment. It has also put a strain on the government's ability to fund programmes that provide benefits to the poor such as including health, education, water supply and safety net programmes. Thus, raising more revenue or improving revenue effort is of paramount importance to any government but more so on the interim government since the expectations of meaningful positive changes are enormous.



*Note: * Per capita GDP in Panel B refers to constant 2015 US$*
Source: Panel A is based on NBR and BBS Data and Panel B based on World Bank

Generally, there is a positive relationship between expansion of income (i.e. GDP, per capita GDP) and revenue mobilisation in a country. In Panel A of the above figure, revenue efforts are contrasted against per capita GDP. The trend in per capita GDP is increasing – suggesting that the incomes (or broader tax base) are rising – leading to more revenue generation (even when the tax rates remain the same). Contrary to this association, the falling revenue-effort trend point to an inefficient revenue system in Bangladesh. Revenue efforts which were around 11 per cent in 2011 declined to 8.3 per cent in 2023 – implying a 2.7 percentage point drop over the 12-year period when per capita GDP increased by about 200 per cent. Such a large negative association between per capita income increase and revenue efforts is unacceptable and untenable.

Furthermore, Bangladesh's performance in mobilising revenue is pathetic when compared to her peer countries. With less per capita GDP compared to Bangladesh, both Nepal and Cambodia have scored significantly high on revenue efforts (i.e. their revenue efforts were more than double of our revenue efforts of 7.4%) than Bangladesh. Even Uganda with half of Bangladesh's per capita GDP has been able to raise 12.5 percent revenue – 5.1 percentage points higher than the revenue efforts of Bangladesh. These comparative measures again points to the inefficiency of the Bangladesh's revenue system.

Another striking feature of our tax system is the inability to raise higher proportion of the tax revenue from the direct tax system. The current system of taxes is based on the antiquated income tax ordinance from 1984, which causes the system to fall further and further behind the times.The income tax forms are complex and filing requirements frighten many voluntary compliances, as tax filers are scared of facing harassment from NBR. As a result, there were only 2.5 million taxpayers, which was 1.52 per cent of the total population in FY22. As a result of low compliance and tax net of income tax revenue from direct tax has been low and reliance on indirect tax us high. As a result, Bangladesh has been mobilising around 70 per cent her taxes from the indirect tax system – epitomizing a regressive tax system where poorer are paying more taxes from their income compared to the relatively well-off segment of the population.

The above assessments suggest that the revenue system in Bangladesh is highly inefficient and as well inequitable. The reason for the dismal state of revenue system is that no meaningful reforms were implemented during the last three decades after the implementation of the 1991 VAT system replacing the sales tax. Thus, future revenue reforms must focus on both the efficiency and equity aspects. Moreover, it is important to roadmap of reform with clear earmark targets. Bangladesh should aim to raise her revenue effort to 13.5 per cent within next two years and 16.5 per cent within next five years. Although these targets may appear very optimistic, but performances of other countries point to their feasibility. At the same time, revenue mobilised from the direct tax system must increase to 40 per cent in the next two years and to 60 per cent within the next five years.

Strategic Recommendations:

1. Full adoption and effective implementation of the original VAT and Supplementary Duty Act 2012. The implementation of the 2012 VAT law is likely to improve VAT revenue mobilisation, address the inefficiencies of VAT system and help enhance overall revenue mobilisation.
2. Incorporate Alternative Dispute Resolution (ADR) in Income Tax, VAT and Custom Acts for realisation of unpaid revenue.
3. Vastly simplify the personal income tax system by eliminating wealth and income-expenditure statements, which is an important source of corruption. Take necessary steps to ensure electronic filing and payments and also remove all direct interface between taxpayer and tax collector. These measures are expected to improve voluntary compliance and expand the tax base even to the rural areas where digital technology is making progress.
4. Revamp the corporate tax regime by lowering corporate rates to a maximum of 25 percent over the medium term with few exceptions. It is time to eliminate most tax exemptions. With respect to the corporate tax system, all sectors should be treated equally including the readymade garments (RMG) sector.
5. Bangladesh needs a modern audit system. This should be a computer-based system that identifies audit candidates using a scoring method based on pre-determined red flags. Generally, these red flags should be designed to be revenue productive and target genuine tax evaders. This should be very selective and productive in terms of revenue yield.
6. Eliminate the wealth tax and introduce a proper system of property tax based on a realistic valuation of personal and commercial properties and a meaningful tax ratewith revenues earmarked for local governments.
7. Adoption and implementation of the new Customs Act in FY2022.
8. Currently NBR has been entrusted with both of tasks of tax planning and tax collection. Since the outcomes are unsatisfactory, it is imperative to separate tax planning from tax collection. At the it is important to strengthen the research and administrative capacities of the NBR through international technical assistance and partnership with local research institutions. To facilitate research and planning, all tax data should be computerized. Online tax filing will facilitate this process.

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An Analytical Narrative of the Governance Failures in the Banking Sector

Sayema Haque Bidisha, Eshrat Sharmin and Lubaba Mahjabin

Though Bangladesh has made notable advancements in certain banking indicators, such as access and the depth of the banking system, poor governance, political meddling, and corruption in this sector has created increasing concern in recent years as for the past two decades, corruption, mismanagement and lack of accountability have seriously affected the sector. There is no denying that the culture of nepotism and favoritism in the banking sector has been perpetuated by political appointments to key positions in both the central bank as well as commercial banks. Such practices have enabled influential individuals and powerful companies to secure large loans with minimal oversight and accountability.

Bangladesh's banking sector is grappling with a governance crisis and while bank failures are infrequent, with only one collapse recorded in recent decades, the true challenge lies in the persistent insolvency plaguing several institutions. Insolvent banks in Bangladesh are shielded from market forces and the threat of bankruptcy while the government protected struggling banks from competition and recapitalizing them through taxpayer-funded subsidies. This protective stance by the government has far-reaching consequences for banking sector governance. The lack of market pressure reduces incentives for banks to improve their governance structures, while government bailouts create a safety net that may encourage risky behavior by bank management. Moreover, with the implicit guarantee of government support, depositors have less motivation to demand better governance from their banks. The continued operation of insolvent banks also poses a long-term threat to the overall financial stability of the country.

In the context of the banking sector, the most serious issue is the high volume of non-performing loans (NPLs). Such high NPLs coupled with deteriorating law and order, and pervasive political interference have damaged the financial stability of the banking sector. To address these critical issues, experts have advocated for substantial reforms, including the establishment of a dedicated banking commission. Recently, the interim government has positively responded to it by announcing the formation of such a commission and committing to releasing a comprehensive report on the financial sector's health and a detailed reform roadmap within the first 100 days of its administration. This is certainly a move towards the right direction and with effective implementation it can help in restoring stability in the financial sector.

The high levels of NPLs and the impact of political factors highlight the need for a strong political commitment to reform the banking sector. Often, this commitment results in extensive recapitalization efforts funded by taxpayers. The Bangladesh Bank (BB) has faced criticism for providing liquidity support to nearly bankrupt banks without adequate collateral, which has worsened the scenario further. Preliminary estimates suggest that the total amount of embezzled and laundered funds from the banking sector could reach Tk 100,000 crore. In response to these issues, efforts have been made to restructure the boards of major banks such as Islami Bank, Social Islami Bank, National Bank, and others. However, a comprehensive framework for managing NPLs and ensuring effective bank resolution is still needed. This includes establishing clear guidelines for mergers and acquisitions, assessing the asset quality of weaker banks, and protecting sound institutions from the fallout.

Another inherent problem of the banking sector is that the Bangladesh Bank, the central bank of Bangladesh, faces significant challenges in exercising its authority and independence. Despite its official status, the institution is constrained by various formal and informal constraints, resulting in only marginal policy and operational autonomy. In practice, it is often controlled by the Ministry of Finance (MOF), even in core central banking functions like regular banking supervision. This lack of independence stems not only from formal power structures but also from governmental overreach beyond legal mandates. The Such actions have marginalized the role of the Bangladesh Bank in decision-making processes related to operational matters and banking sector governance. While the Bank Companies Act of 1991 empowered the Bangladesh Bank to regulate the banking sector as an autonomous body, this independence was eroded when the MOF established its own banking division. A stark example of this marginalization occurred in November 2017 when the central bank's decision to reject proposals for two new private commercial banks was overridden by the ministry, and proceeded with granting licenses. This incident raises serious questions about the central bank's ability to operate independently.

State-owned commercial banks, specialized banks, and some statutory banks are controlled by the Bank and Financial Institution Division of the MOF, while private commercial banks, foreign banks, and non-bank financial institutions are regulated by the Bangladesh Bank. This duality has led to uncoordinated and often weak policy measures for government-regulated banks, with the Bangladesh Bank facing serious limitations in enforcing prudential and management norms. Consequently, this has rendered the entire banking sector weak and vulnerable to a potential domino effect. The government's tendency to bypass the formal approval process of the central bank extends to critical policy issues such as monetary policy, lending to the government, and governance matters like special monitoring of insolvent banks or addressing non-performing loans in commercial banks. In fact, the government appears more inclined to limit the central bank's authority when it comes to governance issues.

Additionally, Private Commercial Banks (PCBs) suffer from inadequate corporate governance. These banks often operate as closely held entities controlled by a small number of influential shareholders. This structure leads to a lack of transparency and accountability, making it easier for widespread theft and corporate fraud to occur. Insider lending and cross-lending, driven by personal or political connections, are common issues that further exacerbate the governance problems within the PCBs.

Reforms in the banking sector must address governance issues and ensure that changes to the Banking Companies Act (BCA) are based on economic rather than political motivations. The BCA needs to be revised to correct institutional flaws related to loan approvals, director selection, fines for defaulters, and the establishment of new banks. Effective policies should be developed to address various wrongdoings by commercial banks and ensure better oversight and accountability.

To stabilize the foreign exchange market, the interim government has decided to raise the band of the crawling peg from 1 percent to 2.5 percent. This adjustment aims to reduce excessive volatility in currency exchange rates, allowing businesses and investors to plan more effectively and supporting overall economic stability. Pegging currencies to major currencies like the US dollar or euro is a common practice among developing and emerging nations. However, this approach can also lead to problems if not managed properly. Historical experiences, such as the 1997 East Asian financial crisis, demonstrate the risks associated with rigid currency pegs. Hence, it is ideal that Bangladesh adopts this measure as only a transition period toward a floating exchange rate.

Bangladesh is currently facing significant challenges related to rising inflation and declining foreign exchange reserves. Recent economic turmoil has weakened the taka against the dollar, and there has been a noticeable decline in international remittances and export inflows. The foreign currency reserve has decreased from $48 billion in August 2021 to $19.3 billion as of November 2023. This decline has widened the gap between the supply and demand for dollars, putting upward pressure on the dollar's price. Official exchange rates for imports, exports, and remittances have varied, with remitters receiving an incentive rate, but discrepancies with unofficial rates persist.

To address these issues, cautious and well-targeted monetary policies are crucial. Historically, Bangladesh's monetary policy has not been able to manage inflation effectively. However, recent measures, such as a 0.75 percentage point increase in the policy rate to 7.25 percent, aim to control inflation by making borrowing more expensive and encouraging deposits. While this move represents progress, it may not be sufficient to fully combat inflationary pressures.

The central bank's recent shift from a "6/9" interest policy to a variable interest rate policy linked to Treasury bill averages is intended to reduce liquidity and encourage savings. The increase in deposit rates from 7.5% to 9.6% aims to enhance savings and reduce domestic liquidity. However, this policy adjustment alone may not be enough to prevent inflation. Support for Cottage, Small, and Medium-Sized Enterprises (CSMEs) is essential, and additional measures may be required to mitigate any disproportionate impacts on these businesses.

In addition to monetary measures, improving the exchange rate and foreign reserves requires a more flexible currency system and diversification of foreign currency reserves. Non-monetary incentives may also be necessary to boost formal remittance channels and address issues related to money laundering. The shift away from a fixed interest rate policy in favor of a variable rate approach is a positive development, but further actions are needed to ensure that inflation is effectively controlled and that CSMEs receive adequate support.

The successful implementation of reforms of the banking sector, especially in terms of the NPLs and insolvency of certain banks, and effective management of the banking sector led by the proposed Banking Commission can pave the way towards a stable and solvent banking sector of Bangladesh.

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Reforming Public Expenditure in Bangladesh: From Inefficiency to Impact

Eshrat Sharmin and Sudeepto Roy

The effectiveness of public expenditure is particularly crucial for a developing country like Bangladesh, where resources are limited, and the needs are vast. Despite the significant allocation of resources over the years, the efficiency of public expenditure in Bangladesh has often fallen short of expectations, raising critical questions about how resources are utilized, allocated, and managed.

According to the International Monetary Fund (IMF), Bangladesh's public expenditure accounted for 13.05% of the gross domestic product (GDP) in 2022. Comparatively, Bangladesh's public expenditure is lower than that of its regional peers in South Asia, which raises concerns about its capacity to meet developmental needs. In the same year, public expenditure in India accounted for 28.62% of its GDP, while in Pakistan, it was 19.95%. The Maldives, the smallest country in Asia, also had a higher public expenditure than Bangladesh, accounting for 41.52% of its GDP. Bangladesh ranked 145th out of 151 economies in terms of public expenditure in 2022, indicating a significant gap in resource allocation relative to its economic size.

The failure to improve public expenditure efficiency in Bangladesh can be traced back to several systemic issues. Government agencies often lack the capacity to implement projects effectively, which includes inadequate training, poor project management skills, and insufficient monitoring mechanisms. This deficiency often results in poorly designed projects, and ultimately the failure to achieve desired outcomes.

The lack of institutional capacity is further compounded by widespread corruption, which remains a significant barrier to public expenditure efficiency. Corruption in public projects manifests in various forms with misallocation of funds and lack of accountability undermining the effectiveness of public spending, leading to poor service delivery and public dissatisfaction. According to Transparency International's 2023 Corruption Perceptions Index (CPI), Bangladesh ranks 10th from the bottom globally.

The inefficiency in public expenditure is aggravated by low revenue collection, which is only about 8.9% of GDP. Bangladesh falls behind its neighbors in revenue collection, with India's at 19.39% and Pakistan's at 12.12%. Ministry of Finance's Monthly Report on Fiscal Position shows that Bangladesh's tax-to-GDP ratio, a crucial measure of the nation's capacity to fund its development priorities, has declined to 7.30% in FY23, down from 7.54% in FY22 and 7.64% in FY21. The persistent low revenue collection limits the government's ability to fund development initiatives, as many individuals with taxable income remain outside the tax net, and the tax administration's inefficiencies contribute to this problem. The inability to mobilize domestic resources effectively has led to a reliance on external funding, which is not sustainable in the long term.

Public expenditure has often been characterized by a lack of strategic planning and prioritization, resulting in funds being allocated to less impactful projects rather than addressing critical developmental needs. The allocation of public expenditure has long been a burning issue, with several critical challenges that need to be addressed. One of the primary concerns is the imbalanced allocation of resources across different sectors. In Bangladesh, public spending is disproportionately directed towards sectors like infrastructure and defense, often at the expense of essential social services such as education, health and social protection. Bangladesh's health budget has consistently been around 0.7% of GDP, whereas India's public healthcare spending is approximately 1.58% of GDP. The education budget is allocated 1.69% of GDP in Bangladesh. However, the 2015 Incheon Declaration recommends that national governments allocate 4-6% of their GDP to education. This skewed allocation limits the government's ability to address pressing social issues, such as poverty reduction, inequality, and the development of human capital, which are crucial for long-term sustainable development.

Another significant challenge in the allocation of public expenditure is the noticeable regional disparities. Resources are disproportionately concentrated in urban centers, particularly the capital city Dhaka, leaving rural and underdeveloped areas with insufficient funding. A study by the Institute for Planning and Development (IPD) revealed significant disparities in public investment between urban and rural areas. In FY 2021-22, approximately 63% of the housing and community services allocation from the Annual Development Programme (ADP) budget was concentrated in three major metropolitan areas: Dhaka, Chattogram, and Gazipur. Specifically, Dhaka received the largest share at 37.24%, followed by Chattogram with 17.40%, and Gazipur with 8.14%. In comparison, Rajshahi received 5%, Khulna 3.35%, Narayanganj 2.76%, and Cox's Bazar 2.41%. This unequal distribution of public spending worsens regional inequalities, hindering balanced regional development and prolonging the socio-economic divide between urban and rural areas.

Political influence and patronage also play a significant role in the inefficiencies of public expenditure. In Bangladesh, public projects are frequently prioritized based on political motivations rather than their potential economic or social impact. Elected officials often push for projects that benefit their constituencies or political supporters, leading to suboptimal resource allocation and the misdirection of public funds. This political interference undermines the integrity of public spending and contributes to the overall inefficiency of resource utilization.

To improve the efficiency and effectiveness of public expenditure in Bangladesh, a comprehensive approach is needed, one that addresses the underlying causes of the current challenges. Strengthening institutional capacity is a crucial first step. This can be achieved by investing in the training and development of public officials, adopting modern management practices, and leveraging technology to enhance project design, implementation, and monitoring. By building stronger institutions, Bangladesh can ensure more effective resource utilization and better project outcomes.

Improving tax collection is crucial, which can be achieved through broadening the tax base by identifying and bringing more taxpayers into the net, particularly in sectors that have been historically under-taxed. Reforming tax administration is important by modernizing tax collection processes, including digitization and capacity building for revenue officials.

Improving monitoring and evaluation mechanisms is also critical for identifying inefficiencies and enhancing the impact of public spending. Regular monitoring of public projects, tied with clear performance indicators and timelines, will help ensure that projects stay on track and achieve their intended outcomes. Conducting independent evaluations of completed projects will provide valuable insights into their effectiveness and inform future spending decisions.

While the country has made progress in various sectors, the inefficiencies in resource allocation, compounded by corruption, low revenue collection, and regional disparities, have hindered its ability to fully realize its development potential. Addressing these challenges requires a multi-faceted approach that includes strengthening institutional capacity, enhancing transparency, improving tax collection, and ensuring equitable allocation of resources. By adopting strategic long-term planning, prioritizing investments in social services, and focusing on balanced regional development, Bangladesh can enhance the effectiveness of its public expenditure. This, in turn, will contribute to sustainable economic growth, reduced poverty, and a more equitable society. The path forward is clear, but it demands concentrated effort, political will, and a commitment to reforms that can transform the way public resources are utilized, ensuring that every taka spent contributes meaningfully to the nation's progress and prosperity.

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e-version: http://sanemnet.org/thinking-aloud/

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