

Power and Energy Sector Tops ADP Spending but Faces Significant Structural Risks: Planning Commission's Economy Report

Bangladesh's power and energy sector has emerged as one of the strongest performers in public development spending, significantly surpassing most other ministries in the implementation of Annual Development Programme (ADP) allocations for the fiscal year 2024–25. The findings come from the **first-ever “State of the Economy” report** published by the General Economics Division (GED) of the Planning Commission, offering a comprehensive evaluation of national economic performance and fiscal efficiency.

According to the report, the **Power Division and the Energy and Mineral Resources Division** recorded exceptional progress in project execution despite ongoing macroeconomic pressures, subdued investment trends, and persistent fiscal constraints. The level of efficiency demonstrated by these two divisions stands out sharply against overall ADP performance across the government.

Power and Energy Divisions Lead National Spending Efficiency

Data from the Implementation Monitoring and Evaluation Division (IMED) reveals a clear contrast between sectoral performances.

- The **Power Division** achieved an extraordinary **98.10% utilisation** of its ADP allocation.
- The **Energy and Mineral Resources Division** followed closely with **98.00% utilisation**.

These numbers far exceed the **national average ADP utilisation rate of 67.85%**, underscoring the power and energy sector's continued role as a critical engine of public investment.

Interestingly, several agencies under the Power Division reportedly executed **more than 100% of their self-financed project allocations**, a rare trend that reflects renewed momentum in FY25. Officials attribute the surge in implementation to intensified upgrades in transmission

networks, progress in renewable energy projects, and the revival of long-delayed grid modernisation initiatives.

In an environment where many ministries struggle with procedural bottlenecks and delayed expenditures, the sector's performance signals strong administrative capacity and an ability to push forward priority infrastructure.

Underlying Structural Weaknesses Pose Long-Term Threats

Despite the encouraging spending performance, the GED report warns that **deep-rooted structural challenges** continue to threaten the sector's long-term sustainability. High implementation efficiency does not automatically translate into strong outcomes or financial resilience.

The report highlights several critical vulnerabilities:

1. Rising Subsidy Burden

Bangladesh's energy pricing system heavily depends on subsidies to stabilise power and fuel costs. As global prices fluctuate, subsidy requirements continue to rise, putting pressure on an already stressed fiscal environment.

2. Dependence on Imported Fuel

A significant portion of Bangladesh's electricity is generated using imported fuel—especially LNG, coal, and oil. This dependency exposes the economy to international price shocks and has contributed to growing pressure on foreign currency reserves.

3. Overcapacity in Power Generation

Over the past decade, the country expanded its generation capacity rapidly. However, demand growth has not kept pace. This disparity has resulted in **excess capacity**, especially in costly oil- and coal-based plants. These facilities require substantial **capacity payments**, increasing fixed spending obligations even when plants remain underutilised.

4. Slow Feasibility Studies and Delayed Assessments

The GED report criticizes delays in feasibility studies for major projects, noting that slow preparatory processes lead to inefficient project selection, cost overruns, and implementation setbacks.

5. Limited Progress in Energy Diversification

While renewable energy has gained attention, the country remains far behind its target for clean energy adoption. Constraints include land availability, financing bottlenecks, technological limitations, and insufficient private sector involvement.

The GED warns that unless policy reforms address these structural risks, the long-term sustainability of the power and energy sector will remain uncertain—even if short-term spending efficiency remains strong.

Recommendations: Targeted Subsidies and Renewable Expansion

To mitigate the emerging risks and prepare the sector for future economic realities, the report outlines several strategic recommendations:

Shift Away From Universal Energy Subsidies

The GED suggests phasing out blanket subsidies and transitioning toward **targeted support for low-income households**. This would reduce fiscal pressure while ensuring social protection for vulnerable consumers.

Strengthen Feasibility and Cost-Benefit Analysis

Better project screening, stronger technical assessments, and transparent feasibility studies are crucial to preventing waste, duplication, and long-term cost burdens.

Scale Up Renewable Energy Initiatives

The report emphasizes an accelerated push for solar, wind, and other renewable sources. Renewable investments can reduce import dependency, lower long-term costs, and support global climate commitments.

Promote Public-Private Partnerships (PPP)

Expanding PPP frameworks can mobilize private capital, ease the government's financial burden, and enhance technical innovation in energy infrastructure.

Align Energy Policies With Economic Transformation Goals

As Bangladesh prepares to graduate from Least Developed Country (LDC) status in 2026, energy reliability and affordability will be crucial for maintaining export competitiveness and attracting foreign investment.

Rapid Implementation vs. Long-Term Resilience

Experts agree that while high ADP utilisation is commendable, **efficiency in spending must be paired with structural reforms**. The GED report stresses that “strong spending does not guarantee strong outcomes,” highlighting the need to balance project execution with strategic planning.

The sector now faces the critical challenge of ensuring that rapid implementation leads to **durable, fiscally responsible, and technologically adaptive infrastructure**. Aligning power sector growth with global energy transition trends is also essential, especially as the world moves toward low-carbon development.

Broader ADP Landscape Shows Contrasting Performance

The power and energy sector’s impressive spending contrasts sharply with the overall ADP picture across government. More than **75% of total ADP expenditure occurred in the second half of the fiscal year**—a pattern widely criticized for encouraging **last-minute procurement, rushed implementation, and weak oversight**.

Several major ministries, particularly those in the social sectors such as health and welfare, reported alarmingly low ADP utilisation rates—between **15% and 22%**. These numbers highlight significant capacity and management gaps that persist within key government institutions.

Conclusion: Turning Efficiency Into Sustainability

Bangladesh’s power and energy sector stands out as a high-performing area of public investment, demonstrating strong administrative capability and project implementation. However, the sector’s long-term stability remains uncertain without comprehensive policy reforms.

To build a resilient and future-ready energy system, Bangladesh must confront its structural challenges, strengthen governance, enhance planning capacity, and diversify its energy mix.

Only then can the impressive ADP utilisation translate into sustainable development, economic competitiveness, and reliable power for the nation's next phase of growth.