Independent Review of Bangladesh's Development

IRBD

বাংলাদেশের উন্নয়নের স্বাধীন পর্যালোচনা

An Analysis of the National Budget for FY2025-26

Dhaka: 3 June 2025

CENTRE FOR POLICY DIALOGUE

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Acknowledgements

The CPD IRBD 2025 Team would like to register its profound gratitude to *Professor Rehman Sobhan*, Chairman, CPD and *Dr Debapriya Bhattacharya,* Distinguished Fellow, CPD for their guidance and support.

The Team gratefully acknowledges the valuable support provided by the Dialogue and Communication Division and the Administration and Finance Division in preparing this report.

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Concerned officials of several institutions have extended valuable support to the CPD IRBD 2025 Team members, for which the Team would like to register its sincere thanks.

The CPD IRBD 2025 Team alone remains responsible for the analyses, interpretations and conclusions presented in this report.

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I. INTRODUCTION

I. INTRODUCTION

- The budget for the fiscal year 2025-25 (FY26) has been presented by the Finance Advisor of the interim government formed on 8 August 2024 following the July uprising
- The **budget has been prepared amidst significant economic challenges** that weakened macroeconomic stability during the last three years
- In view of the current economic challenges, the interim government has to **address** these **through appropriate policy measures and necessary budgetary measures**
- While the major task of the Finance Advisor is to control inflation, **restoration of economic stability is also a priority** to regain the momentum of the economy
- CPD presents an assessment of various proposals made in the budget for FY26 in the above context

II. MACROECONOMIC PERSPECTIVES

II. MACROECONOMIC PERSPECTIVES

Disquieting developments amid partial recovery…

- **Large shortfall in revenue collection**
- **Restrained public expenditure**
- **Historical low ADP implementation**
- **High reliance on bank borrowing**
- **Persistent inflationary pressure**
- **High level of non-performing loans**
- **Liquidity crunch in several banks**
- **Resiliency in export earnings**
- **Robust remittance inflow**
- **Low private investment**
- **Gradual build-up of forex reserve**
- **Gradual increase in import payments**
- **Stabilisation of exchange rate**
- **Slowdown in economic growth**
- **Unmet demand for energy and power**

II. MACROECONOMIC PERSPECTIVES

GDP and Investment

Indicator	AFY24	BFY25	RBFY25	Estimate	Projection	
				FY26	FY27	FY28
GDP growth (%)	4.2	6.8	5.0	5.5	6.0	6.5
Gross investment (as % of GDP)	30.7	33.4	30.0	30.3	31.5	32.5
Private investment (as % of GDP)	24.0	27.3	24.0	24.3	25.4	25.7
Public investment (as % of GDP)	6.7	6.1	6.0	5.9	6.1	6.8
ICOR	7.3	4.9	6.0	5.5	5.3	5.0

- For FY26, **GDP growth** target has been set at 5.5% - a recovery from 5.0% (provisional MoF estimates for RBFY25)
  - However, according to BBS, the provisional GDP growth for FY25 has been estimated to be 4.0%!
- **Public investment-GDP ratio to decline marginally**: 5.9% in FY26 (6.0% in FY25) – Tk. 36,763 more in nominal terms
- **Private investment-GDP ratio to improve**: 24.3% in FY26 (24.0% in FY25)
  - In FY26, Tk. 162,085 crore will be additionally required for private investment (12.0% increase in nominal terms) – whether it is possible in the current political climate remains a question
- **ICOR** is expected to be 5.5 in FY26 – implying an improvement in productivity (6.0 in FY25)

II. MACROECONOMIC PERSPECTIVES

Monetary Sector and Inflation

Indicator	AFY24	BFY25	RBFY25	Estimate	Projection	
				FY26	FY27	FY28
Private Sector Credit (growth in %)	9.8	9.0	9.8	11.0	12.0	13.0
CPI inflation (%)	9.7	6.5	9.0	6.5	6.0	5.5

- **Growth of credit to private sector**: 11.0% in FY26 (9.8% in FY25)
  - As of April 2025, private sector credit growth was 7.5%
  - Amid government's high reliance on bank borrowing and political uncertainty, such uptick in credit to private sector may be optimistic
- **Inflation** is expected to fall drastically to 6.5% in FY26 – (9% projected FY25)
  - As of May 2025, average inflation (12-month moving average basis) was 10.1% (9.05% on point-to-point basis)
- **The inflation projection for FY26 seems ambitious**

II. MACROECONOMIC PERSPECTIVES

External Sector

Indicator	AFY24	BFY25	RBFY25	Estimate	Projection	
				FY26	FY27	FY28
Export (growth in %)	-5.9	8.0	9.0	10.0	10.0	11.0
Import (growth in %)	-10.6	10.0	5.0	8.0	9.0	9.0
Remittance (growth in %)	10.7	7.0	20.0	8.0	8.0	8.0
Forex Reserve (USD bln)	26.9	31.8	26.7	34.0	34.1	35.0
Exchange rate (BDT/USD)	111.2	114.0	121.9	128.2	134.6	136.0

- **Export growth: 10.0% in FY26 (9.0% in FY25)**
  - July-April FY25 was 9.8%
- **Import growth: 8.0% in FY26 (5% in FY25)**
  - July-March FY25 was 6.4%
- **Remittance growth: 8.0% in FY26 (20.0% in FY25)**
  - July-May FY25 was 28.7%
- **Forex reserve: USD 34.0 bln as of FY26 (USD 26.7 bln as of FY25)**
  - As of 29 May 2025, USD 25.8 bln
- **Exchange rate for FY26: Tk. 128.2/USD**
  - Interbank Tk.-USD Exchange Rate on 29 May 2025 was Tk. 122.9/USD
  - **Is this depreciation expected because of the new exchange rate regime and the anticipated build up of forex reserve?**

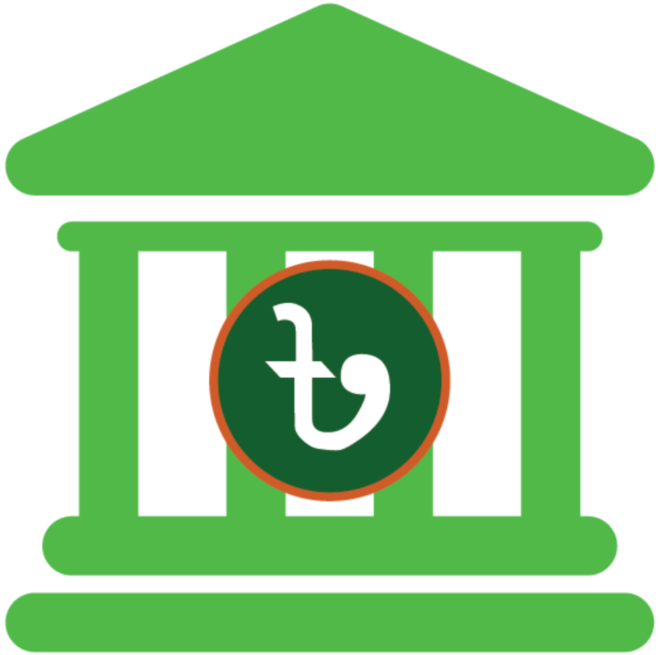
II. MACROECONOMIC PERSPECTIVES

Public Debt

Indicator	AFY24	BFY25	RBFY25	Estimate	Projection	
				FY26	FY27	FY28
Debt Stock (as %of GDP)	37.6	39.4	37.4	37.5	37.6	37.7
External Debt Stock (as %of GDP)	16.1	16.2	16.2	16.3	16.1	15.7
External Debt Redemption (USD bln)	2.0	2.6	2.6	2.9	3.1	3.3

- **Public debt stock** as % of GDP is to increase marginally in FY26 (37.5% in FY26, 37.4% in RBFY25)
  - The similar can be said about **external debt**
- External debt redemption to grow by USD 0.3 bln in FY26
  - The projections for the latter years appear to be conservative

- ***Overall, the targets to be set for the macroeconomic framework for FY26 appear to be optimistic***



III. FISCAL FRAMEWORK

Broad fiscal framework for FY26

- **Revenue mobilisation** (8.9%) is projected to grow **faster** than **public expenditure** (6.2%)
  - Total expenditure is set at 12.7% of GDP (lower than RBFY25 → 13.4%)
  - Revenue is expected to be 9.0% of GDP (lower than RBFY25 → 9.3%)
- **Development expenditure** (6%) is programmed to grow **marginally slower** than **operating expenditure** (5.8%)
- **ADP**: 29.1% of total public expenditure (almost the same as RBFY25 → 29%)
- **Budget deficit** has been projected at 3.6% of GDP (much lower than RBFY25 → 4.1%)
- Share of foreign loans and grants (44.7%) in financing the budget deficit is expected to be lower (from 48.2% in RBFY25)
- **Revised budget for FY25 did not consider budget implementation progress into consideration – all these comparisons may substantially change when the final estimates for FY25 are available!**

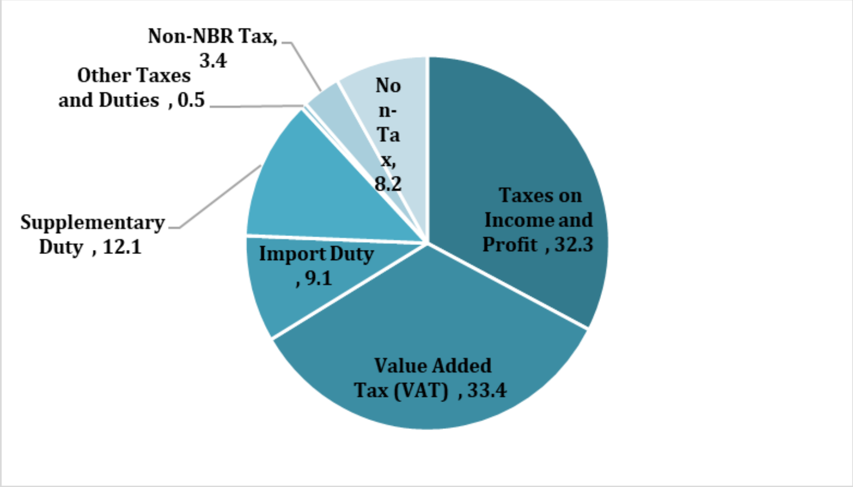
III. FISCAL FRAMEWORK

Revenue mobilisation

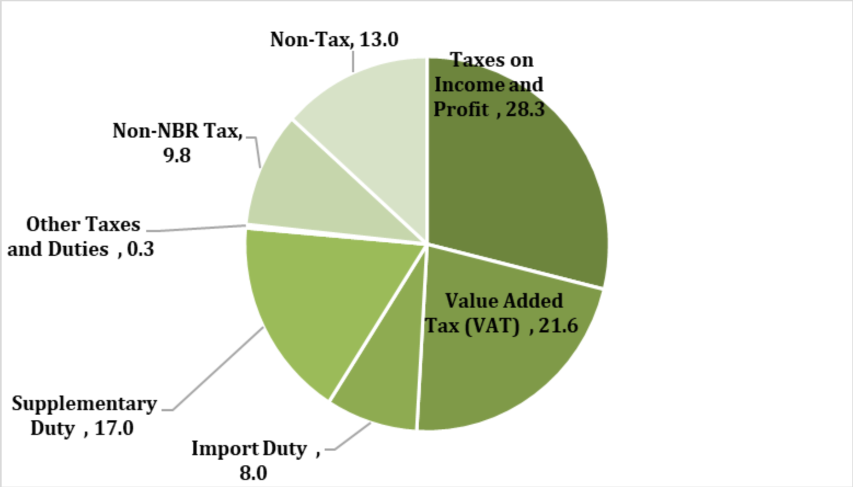
FY26 (Crore Tk.)	564,000
FY25 (RB) (Crore Tk.)	518,000
FY25 (CPD Projection) (Crore Tk.)	436,000
Target Growth (%) FY26 (Budget)	8.9
Target Growth (%) FY26 (CPD Projection based on data up to March 2025)	29.4

- Budget FY26 targets 8.9% growth over RBFY25
  - **CPD projection: 29.4% on actual FY25 - approx. an additional Tk. 128,000 crore may need to be mobilised**
- NBR tax is projected to grow by 7.7% (77.2% of incremental revenue)
- Non-NBR tax and non-tax revenue to increase; by 31% and 15% respectively
- VAT and Taxes on Income, Profits and Capital Gains to post strong growth (33.4% and 32.3% of total incremental revenue, respectively) followed by SD (12.1%) and Import Duty (9.1%)

Share of revenue FY26



Incremental share of revenue FY26



CPD (2025): An Analysis of the National Budget for FY2025-26

Total Public Expenditure

Sector	Share in BFY26	Share in RBFY25	Change in FY26B over FY25R		Incremental Share
	%		Crore Tk	%	%
Public Services	23.6	25.3	-2362.0	-1.3	-5.1
Interest	15.4	16.3	500.0	0.4	1.1
Education and Technology	14.0	13.3	11543.0	11.6	25.1
Transport and Communication	9.0	8.1	10844.0	17.9	23.6
Agriculture	5.9	6.0	1700.0	3.8	3.7
Social Security and Welfare	5.7	5.7	2771.0	6.5	6.0
Local Government and Rural Development	5.7	6.0	125.0	0.3	0.3
Health	5.3	3.8	13985.0	50.1	30.4
Defence Services	5.2	5.3	1459.0	3.7	3.2
Public Order and Safety	4.2	4.3	1821.0	5.7	4.0
Energy and Power	2.9	3.1	-185.0	-0.8	-0.4
Recreation, Culture and Religious Affairs	0.8	0.7	1076.0	19.7	2.3
Housing	0.6	0.7	-271.0	-5.0	-0.6
Industrial and Economic Services	0.5	0.5	319.0	8.1	0.7
Others (Memorandum Item)	1.1	0.9	2675.0	41.8	5.8
Total Expenditure	**100.0**	**100.0**	**46000.0**	**6.2**	**100.0**

- Public services sector and Interest payments attained the top two spots
- Budget for Public Services, Energy & Power and Housing sectors declined

III. FISCAL FRAMEWORK

Top 3 Sectors with higher share in BFY26	Change (percentage points)
Health	1.6
Transport	0.9
Education and Technology	0.7
Top 3 Sectors with lower share in BFY26	**Change (percentage points)**
Public Services	-1.8
Interest	-0.9
Local Government	0.3

- **Within the Public Services Sector, the Finance Division receives** an additional amount of **Tk. 10,404**crore (**22.6% of total incremental public expenditure**)
- **Some of the high spending areas include:**
  - **Equity: Tk. 24,196 crore**
  - **Loan to autonomous bodies: Tk. 55,407 crore**
  - **Reserve: Tk. 37,645 crore**
  - ***Together, these three areas received 68.1% of total incremental public expenditure***

Augmented Operating Recurrent Expenditure

Indicators	Growth BFY26/RBFY 25 (%)	Share BFY26	Share RBFY25	Incremental Share BFY26	Change in Crore BDT BFY26/RBFY 25
Pay and Allowances	6.1	16.2	15.8	25.1	4867
Goods and Services	11.6	9.8	9.2	27.5	5335
Interest Payments	0.4	23.4	24.2	2.6	500
Domestic	*0.5*	*19.2*	*19.9*	*2.6*	*500*
Foreign	*0.0*	*4.2*	*4.4*	*0.0*	*0*
Subsidies and Current Transfers	0.3	45.2	46.8	3.8	744
Block Allocation	245.3	1.2	0.4	23.0	4462
Acquisition of Assets and Works	19.2	4.2	3.6	18.0	3498
Augmented Operating Recurrent Expenditure	3.9	100.0	100.0	100.0	19406

- ❑Augmented Operating Recurrent Expenditure is projected to increase only marginally (3.9%)
  - ➢Almost no increase (only Tk. 500 crore) in interest payments
  - ➢Pay & Allowances, and Goods & Services to receive more than half of the incremental Augmented Operating Recurrent Expenditure

Budget Deficit Financing

Budget Financing Source	Share (%)			Crore Tk.		
	BFY26	RBFY25	AFY24	BFY26	RBFY25	AFY24
Foreign Grant	2.2	1.9	3.0	5,000	4,400	5,990
Foreign Loan (net)	42.5	46.3	36.9	96,000	104,600	74,588
Bank Borrowing (Net)	46.0	43.8	61.3	104,000	99,000	123,846
Non-Bank Borrowing (Net)	9.3	8.0	-1.2	21,000	18,000	-2,456
Total Financing	**100.0**	**100.0**	**100.0**	**226,000**	**226,000**	**201,968**

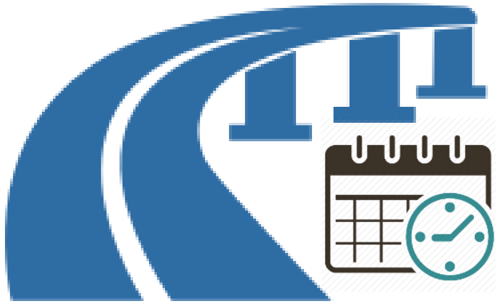
- Share of **domestic financing 55.3%** in BFY26 (51.8% in RBFY25)
- Tk 104,000 crore (46% of the total) will come from the net bank borrowing
- Liquidity situation in the banking system needs to improve to service the budget deficit financing
- Only Tk. 12,500 crore from net sale of NSD certificates
- Gross foreign aid flow (loan+grant) is expected to decline **USD 10.9 bln** (from USD 11.9 bln in RBFY25)
- Foreign debt repayment to increase to USD 3.0 bln in BFY26 from USD 2.8 bln in RBFY25

Contingent Liability

- Government's guarantee (contingent liability) is about 1.9% of GDP and 52.7% of FY26 budget deficit
- Increased by 1.7% over the last one year – **driven primarily by Purchase of Soyabean Oil, Red Lentil, Sugar, Onion, Rice Bran Oil & Dates by TCB under LTR facility**
- Power sector remains the leading sector in terms of receiving guarantees from the government (44.6% of total in FY266)
- Biman and Energy continue to be leading sectors

List of Government Guarantees (Contingent Liability)

Sector	Amount (Crore Tk.)					Growth (%)				Share (%)				
	FY22	FY23	FY24	FY25	FY26	FY23	FY24	FY25	FY26	FY22	FY23	FY24	FY25	FY26
Agricultural Credit	4,967	2,752	3,039	3,573	3,109	-44.6	10.4	17.6	-13.0	6.7	3.0	3.1	3.1	2.6
Biman	10,909	7,796	8,543	7,399	7,746	-28.5	9.6	-13.4	4.7	14.8	8.4	8.7	6.3	6.5
Energy	1,522	3,990	4,928	7,661	7,694	162.3	23.5	55.5	0.4	2.1	4.3	5.0	6.5	6.5
Power	41,692	49,516	51,496	53,596	53,072	18.8	4.0	4.1	-1.0	56.5	53.5	52.2	45.8	44.6
Telecom	1,109	925	892	726	641	-16.6	-3.5	-18.6	-11.7	1.5	1.0	0.9	0.6	0.5
Miscellaneous	13,637	27,623	29,692	44,139	46,821	102.6	7.5	48.7	6.1	18.5	29.8	30.1	37.7	39.3
Total	73,836	92,602	98,591	117,094	119,082	25.4	6.5	18.8	1.7	100.0	100.0	100.0	100.0	100.0

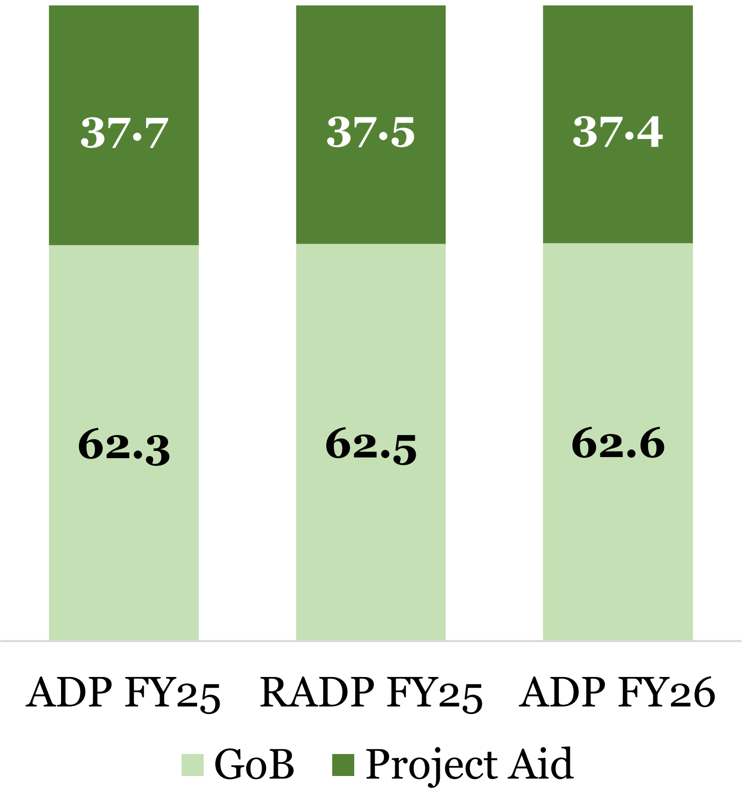


IV. ANNUAL DEVELOPMENT PROGRAMME

IV. ANNUAL DEVELOPMENT PROGRAMME

- **The ADP for FY26 is Tk. 230,000 crore**
  - **3.7% of GDP in FY26** (4.7% in BFY25 and 3.9% in RBFY25)
  - The rate of implementation of original ADP in FY25 is likely to be **no more than 70%** even in the best-case scenario in view of the implementation pace (only 32.8% spent in first 10 months)
  - In that case, ADP for FY26 may be nearly **24.0%** higher than the possible actual spending in FY25
  - Project Aid (PA) to finance 37.4% of total ADP in FY26 (37.7% in ADP of FY25)
  - **Two projects** account for 19.7% of total project aid in ADP for FY26
    - Rooppur Nuclear Power Plant: 11.2% of total PA
    - Dhaka Mass Rapid Transit Development Project (Line 1): 8.5% of total PA

ADP Financing Structure (% of total)



IV. ANNUAL DEVELOPMENT PROGRAMME

- The FY26 ADP is **13.2% lower than the original ADP for FY25** – indicating a reduction of Tk. 35,000 crore
  - **14 out of the 15** sectors of ADP have received **some extent of budget cut**
    - Except for *Religion, Culture and Recreation*
  - In terms of their share in the Tk. 35,000 crore reduction, Transportation and Communication, Power and Energy, and Local Government and Rural Development were the most impacted sectors
  - **Regrettably, Education, Health, and Agriculture have seen declines of Tk. 2,971 crore, Tk. 2,535 crore and Tk. 2,424 crore, respectively**

Sector	Share in the Tk. 35,000 crore reduction (%)
Transportation and Communication	33.5
Power and Energy	23.9
Local Government and Rural Development	12.9
Education	8.5
Health	7.2
Agriculture	6.9
Housing and Community Amenities	6.0
Industrial and Economic Services	4.2
Social Protection	3.7
Science and ICT	2.6
Public Order and Safety	1.5
Environment, Climate Change and Water Resources	1.3
General Public Services	0.7
Defence	0.7

IV. ANNUAL DEVELOPMENT PROGRAMME

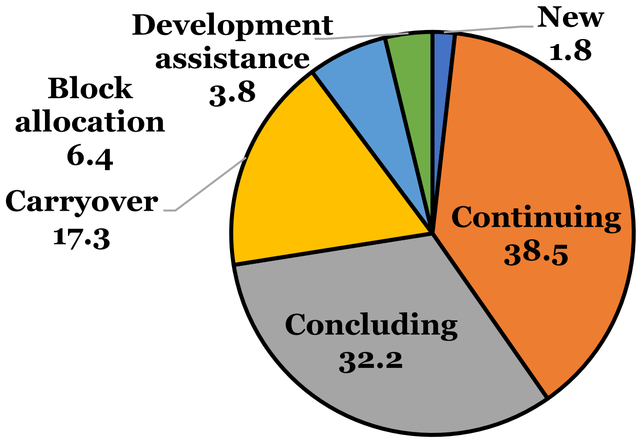
- **No major change in the combined share of top 5 sectors** – perhaps a missed opportunity to break free from the mould
- The **top 5 sectors** have received **69.9%** of total ADP allocation
  - **Transportation and Communications Sector** once again has received the highest allocation (25.6% of total) for the highest number of projects (191). **Power and Energy** sector has received the second highest share (14.1%) in ADP allocation, as before
  - These two sectors account for about 40% of total ADP allocation
  - Rooppur Nuclear Power Plant project accounts for 30.9% of total allocation for Power and Energy sector!

Sector	ADP FY25		ADP FY26	
	No of projects	Allocation share (%)	No of projects	Allocation share (%)
Top five sectors	**628**	**71.1**	**545**	**69.9**
Transportation and Communication	220	26.7	191	25.6
Power and Energy	61	15.4	56	14.1
Education	104	11.9	92	12.4
Housing and Community Amenities	196	9.4	171	9.9
Health	47	7.8	35	7.9
Other 10 Sectors	**618**	**25.1**	**540**	**23.8**
Development Assistance	NA	3.8	NA	6.3
Total	**1246**	**100.0**	**1085**	**100.0**

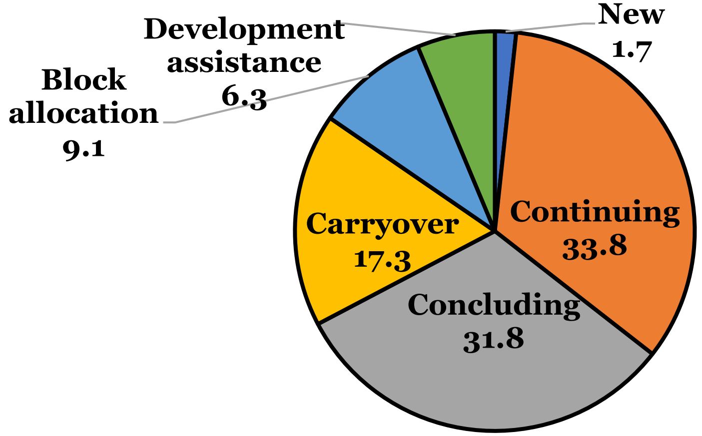
- **Encouraging to see that both health and education have remained in the top 5 sectors**
  - Education sector has received 12.4% share of total ADP in FY26 from 11.9% in FY25
  - The share of Health sector in ADP FY26 (7.9%) has only marginally increased from that in ADP FY25 (7.8%)
    - However, as mentioned earlier, both these sectors have received budget cuts
    - Also, **implementation of projects under these two sectors has traditionally been the major challenge**
- For **Agriculture**, share in ADP allocation has also deteriorated - from 5.0% in FY25 to 4.7% in FY26
  - *Disquieting development at a time when ensuring food security remains a high priority*

IV. ANNUAL DEVELOPMENT PROGRAMME

- The ADP for FY26 contains **1,085 projects** (1,246 for ADP of FY25)



Share of allocation in FY25 (%)



Share of allocation in FY26 (%)

- **Share of allocation for continuing projects has declined** to 33.8% in FY26 from 38.5% in FY25
  - This 33.8% allocation is provided to 302 continuing projects in FY26 (370 in FY25)
  - Indeed, 5 out of 10 highest allocated projects are continuing projects
- **26 new projects** are included in FY26 (57 in FY25)
  - Their share has marginally decreased: 1.7% of total ADP allocation in FY26 (1.8% in FY25)
  - 94 new projects were included in the RADP for FY25 (227 were included in RADP FY24) – **a move in the right direction**

IV. ANNUAL DEVELOPMENT PROGRAMME

- A total of **404 projects are scheduled to be concluded in FY26**, according to project completion timeline
- **353** 'carryover' projects (account for 17.3% of the total allocation)
  - This share remained the same as previous year – *no improvement made*
  - Transportation and Communications has 76 of these projects, followed by Housing and Community Amenities (65), Education (33), Environment, Climate Change and Water Resources (30), and Local Government and Rural Development (23)
  - Prevalence of carryover projects would imply the need for additional allocation due to cost escalation
- Thus, <u>total number of projects which should be concluded in FY26: 757</u>
- Planning Commission has identified only **241 projects** which **may be completed in FY26** (270 were listed in FY25)
  - **Many of these are unlikely to be completed in FY26**

IV. ANNUAL DEVELOPMENT PROGRAMME

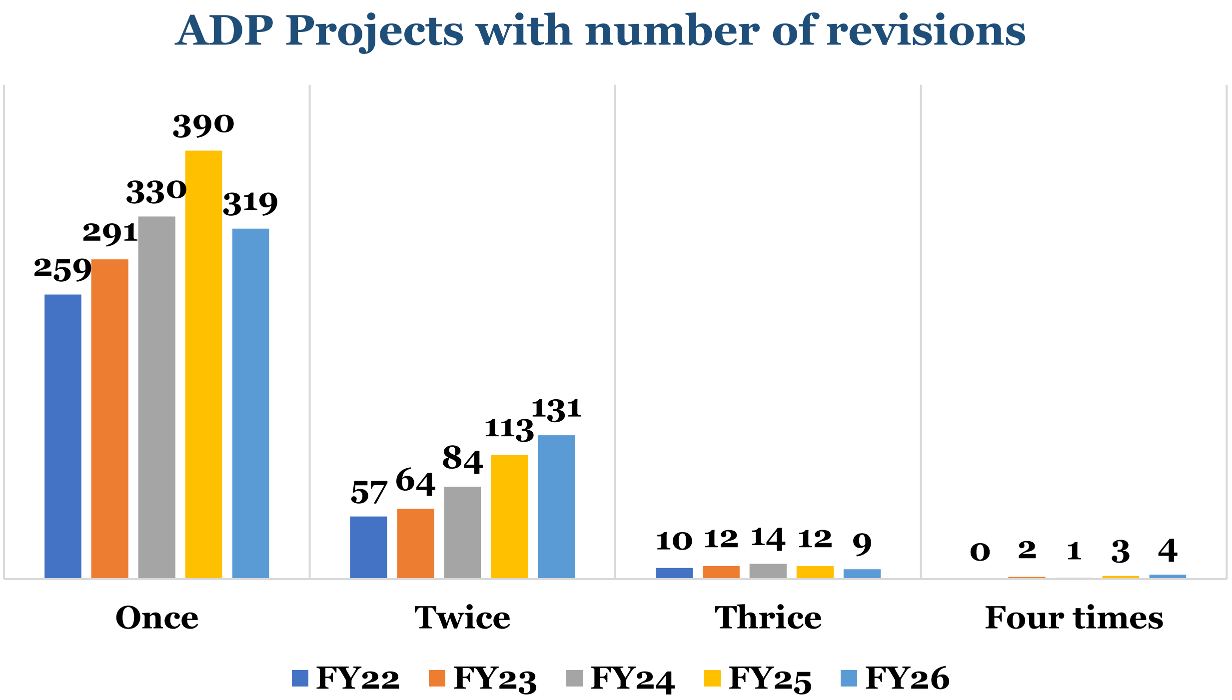
Project Status	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Unapproved projects without Allocation	857	1,172	1,315	1,338	1,045	1347	609	633	829	924	754
Projects listed to seek Foreign Funds	382	349	360	326	242	96	141	150	219	259	200
Total Number of Projects in the ADP	**999**	**1,141**	**1,192**	**1,347**	**1,475**	**1,584**	**1,426**	**1,356**	**1,250**	**1,246**	**1,085**
PPP	40	32	36	78	62	61	79	77	79	80	79
Possible Completion (PC identified)	324	354	411	446	355	380	412	298	336	270	241

- 754 projects are listed without allocation (in a separate list) in FY25
- 200 unapproved projects have been listed to seek foreign funds
- **The share of projects with symbolic allocation (token allocation to keep these projects in the ADP list) has increased substantially – an objectionable development and a move to the wrong direction**
  - Inclusion of projects with an allocation of Tk. 1 lakh has been a perpetual practice (barring FY22)
  - **45 projects (4.1% of total number of projects) under ADP FY26 have received only Tk. 1 lakh or below**; (24 projects (1.9%) received such allocation in FY25)

IV. ANNUAL DEVELOPMENT PROGRAMME

❑Time-overrun projects continue!

- **Average age** of 969 investment projects is **5.5 years**
- **338** (34.9%) of these 969 projects are 6-10 years old (due to repeated extensions of projects)
- **43** of these 969 projects are more than 10 years old
- **47.8%** of investment projects in ADP for FY26 have already been revised between 1-4 times
- Number of **projects with time extension** decreased **from 518 in FY25 to 463 in FY26**
- Number of projects with **2nd time extension increased by 16% in FY26** compared to FY25



IV. ANNUAL DEVELOPMENT PROGRAMME

❑ Mega Projects: Pace of implementation remains a concern

Project Name	Start Date	Project Cost (Tk.cr.)	Progress till Jun 24 (%)	Possible Progress till Jun 26 (%)	End date
Construction of Rooppur Nuclear Power Plant	01-Jul-16	114,226	65.7	82.7	30-Dec-25
Matarbari 2x600 MW Ultra-Super Critical Coal-Fired Power Project (1st revised)	01-Jul-14	56,694	75.2	87.4	31-Dec-26
Dhaka Mass Rapid Transit Development Project (Line 1)	01-Sep-19	53,977	4.6	24.4	31-Dec-26
Dhaka Mass Rapid Transit Development Project (Line 5): Northern route	01-Jul-19	41,239	9.9	15.6	31-Dec-28
Padma Bridge Rail Link (2nd revised)	01-Jan-16	38,625	86.7	94.6	30-Jun-26
Dhaka Mass Rapid Transit Development Project (Line 6) (2nd revised)	01-Jul-12	33,472	72.3	81.2	31-Dec-25
Development of Matarbari Port (1st revised)	01-Jan-20	24,381	3.3	25.5	31-Dec-29
Expansion of Hazrat Shahjalal International Airport (1st phase) (1st revised)	01-Jul-16	21,399	40.1	61.5	30-Jun-25
Construction of 329 technical schools and colleges at the upazilla level	01-Jan-20	20,526	0.6	1.9	31-Dec-24
Expansion and Strengthening of Power System Network under DPDC Area (1st revised)	01-Jan-17	20,468	51.2	85.2	25-Nov-26

IV. ANNUAL DEVELOPMENT PROGRAMME

❑ Mega Projects: Pace of implementation remains a concern

Project Name	Start Date	Project Cost (Tk.cr.)	Progress till Jun 24 (%)	Possible Progress till Jun 26 (%)	End date
SASEC Road Connectivity: Improvement of Elenga-Hatikumrul-Rangpur-Highway into 4-Lane Highway (2nd revised)	01-Sep-16	19,054	68.2	88.2	31-Dec-26
Construction of Dhaka-Ashulia Elevated Expressway (1st revised)	01-Sep-17	17,553	49.5	89.4	30-Jun-26
SASEC Dhaka-Sylhet Corridor Development	01-Jan-21	16,919	9.3	25.6	31-Dec-26
Construction of Jamuna Railway Bridge (1st revised)	01-Jul-16	16,781	68.2	91.7	31-Dec-25
Ghorasal Polash Urea Fertiliser Project (1st revised)	01-Oct-18	15,500	18.4	20.3	30-Jun-26
Power Grid Network Strengthening project under PGCB (revised)	01-Oct-16	14,326	37.6	65.3	30-Jun-25
Construction of dual gauge double line on Joydevpur-Ishwardi section	01-Jan-19	14,251	2.8	3.1	31-Dec-25
Construction of rail-cum-road bridge over Karnaphuli River at Kalurghat	01-Jul-24	11,561	0.0	1.4	31-Dec-30
Construction of Single Line Dual Gauge Track from Dohazari-Ramu-Cox's Bazar and Ramu to Ghundum near Myanmar Border (2nd revised)	01-Jul-10	11,336	79.8	96.4	31-Dec-25
Development of transmission infrastructure for power evacuation of Ruppur Nuclear Power Plant	01-Apr-18	10,982	47.7	59.2	31-Dec-26

IV. ANNUAL DEVELOPMENT PROGRAMME

- **Mega Projects: Pace of implementation remains a concern**
- Tk. 43,261 crore is allocated for top 20 mega projects (mostly infrastructure including fast-track and based on project size) which is nearly 19% of total ADP of FY26
- **Eight out of 20 mega projects are scheduled to be completed in FY26**
  - Construction of Rooppur Nuclear Power Plant
  - Padma Bridge Rail Link (2nd revised)
  - Dhaka Mass Rapid Transit Development Project (Line 6) (2nd revised)
  - Construction of Dhaka-Ashulia Elevated Expressway (1st revised)
  - Construction of Jamuna Railway Bridge (1st revised)
  - Ghorasal Polash Urea Fertiliser Project (1st revised)
  - Construction of dual gauge double line on Joydevpur-Ishwardi section
  - Construction of Single Line Dual Gauge Track from Dohazari-Ramu-Cox's Bazar and Ramu to Ghundum near Myanmar Border (2nd revised)
- **However, even if maximum utilisation of resources is ensured, none of these will be completed by FY26**

IV. ANNUAL DEVELOPMENT PROGRAMME

- Three projects were targeted to be completed by FY25
  - Expansion of Hazrat Shahjalal International Airport (1st phase) (1st revised)
  - Construction of 329 technical schools and colleges at the upazilla level
  - Power Grid Network Strengthening project under PGCB (revised)
    - The need for time and cost extension is evident from the ADP allocation so far for these projects

- 16 out of the 20 mega projects were categorised as low priority in the FY26 ADP
  - 3 were categorised as high priority, while the remaining one was considered to be medium priority
    - High priority: Development of Matarbari Port (1st revised), Construction of 329 technical schools and colleges at the upazilla level, and Construction of rail-cum-road bridge over Karnaphuli River at Kalurghat
    - Medium priority: SASEC Dhaka-Sylhet Corridor Development
  - A new project titled 'Construction of rail-cum-road bridge over Karnaphuli River at Kalurghat' was included as a high priority one
  - 'Construction of 329 technical schools and colleges at the upazilla level' is the only mega project that is simultaneously high-priority and carryover

V. FISCAL MEASURES

❑ Major Changes in Personal Income Tax (PIT) structure for Assessment Years (AY) 2025-26, 2026-27 and 2027-28

➢ Income tax slabs have been reduced from 7 to 6 by eliminating the 5% slab.

Personal Income Tax Structure (PIT)			
AY2025-26		Proposed AY2026-27 and 2027-28	
Tax slabs	Tax rate	Tax slabs	Tax rate
Up to Tk. 3,50,000	Nil	Up to Tk. 3,75,000	Nil
Next Tk. 1,00,000	5%	Next Tk. 3,00,000	10%
Next Tk. 4,00,000	10%	Next Tk. 4,00,000	15%
Next Tk. 5,00,000	15%	Next Tk. 5,00,000	20%
Next Tk. 5,00,000	20%	Next Tk. 20,00,000	25%
Next Tk. 20,00,000	25%	On Balance	30%
On Balance	30%	-	-

- Annual tax-free income threshold for general taxpayers has been raised to Tk. 3.75 lakh
- For assessment year 2025-26, PIT structure has remained unchanged, excepting that the highest tax slab has been reinstated to pre-covid level of 30% for the FY2025-26 tax year
  - ➢ In view of the prices rising by more than 20% over the last two years, (when the tax-free income of BDT 3,50,000 was put in place in FY2022-23), the increase in tax free income should have been put into effect from assessment year 2025-26
  - ➢ On a welcome note, tax-free income of July Warriors has been set to BDT 5.25 lakh
  - ➢ Fixing of minimum tax of one thousand taka for new taxpayers is a welcome initiative to broaden the tax base

❑ New PIT Structure for Assessment Year 2026-27 and 2027-28

	Taxable Income in Taka			
	600,000	10,00,000	15,00,000	30,00,000
% of Assessment increase in FY2026-27 and FY2027-28 to FY2025-26	12.5%	16.7%	16.7%	7.6%

- The tax-free threshold has been raised from BDT 3,50,000 to BDT 3,75,000 only
  - ➢ The prices will have risen by at least 27-28% by that time (AY2026-27) from the base level (AY2023-24). The increase of 7% only in the tax-free income threshold would mean that tax burden on low-income taxpayers will be high even if there is some increase in personal income
  - ➢ Our estimates show that tax burden on relatively low-income groups will be higher: for those earning income of BDT 6.0 lakh, BDT 10.0 lakh and BDT 15.0 lakh total tax liability will rise by 12.5%, 16.7% and 16.7% respectively
  - ➢ In contrast, for those earning BDT 30.0 lakh the rise will be comparatively lower (7.6%)
  - ➢ This goes against the principle of equitable tax burden and equity
  - ➢ The proposed uniform minimum tax of BDT 5,000, instead of the previously in place differentiated rates, ranging from BDT 3000- 5000, will erase the difference between tax rate applicable for the taxpayers in relatively more developed Dhaka and other left behind regions

V. FISCAL MEASURES

❑ Corporate Tax

- **Tax Rates:** Some changes in corporate tax rates have been proposed, but not many
- Tax difference between listed and non-listed companies has been raised: has been
  - **Corporate tax rate for Listed companies**: 20% (with conditions)
  - **Corporate tax rate for Non-listed companies**: 27.5% (previously 25% if conditions met)
  - **Corporate tax rate for Merchant banks:** from 37.5% to 27.5%

Description	Assessment Year 2025-26		Assessment Year 2026-27 and 2027-28
	Tax Rate	Rebated Tax Rate on Compliance with the Conditions	Tax Rate
Publicly traded company that transfer shares worth more than 10 percent of its paid-up capital through Initial Public Offering (IPO)	22.5%	20.0% Under certain conditions (including transfer through banks)	22.5% Provided that, if all types of income are transacted through bank transfers during the income year, tax rate will be 20%.
Other companies as defined under section 2(31) of the Income Tax Act, 2023 (Act No 12 of 2023)	27.5%	25.0% (Same as above)	27.5%
Publicly traded banks, insurance and finance companies	37.5%	Rebate not applicable	37.5%
Non-publicly traded banks, insurance and finance companies	40.0%	Rebate not applicable	40.0%
Company producing all sorts of tobacco items including cigarette, bidi, chewing tobacco and gul	45.0%(+)2.5% Surcharge	Rebate not applicable	45.0%(+)2.5% Surcharge

❑Corporate Tax

- The difference in rates should encourage good companies to be listed. The difference, however, was 10% some years back
- However, the incentive will only work if good governance in the stock market is restored and the SEC as regulator is able to perform its mandated responsibilities
- The tax differential between listed and non-listed companies has widened by 2.5 percentage points (from 5% to 7.5%) → to encourage more companies to list publicly
- Conditions relaxed for listed companies → to make tax compliance easier

❑ Corporate Tax

- **Changes in tax deducted at source (TDS) will have sector-specific as well as revenue - related implications**
  - TDS on contractors reduced from 7% to 5% → *will likely lead to significant loss of revenues, as contracted works involve large amount of money*
  - TDS on internet services reduced from 10% to 5% → *will reduce price of IT and digital services which will benefit internet users.*
  - TDS on electricity purchase reduced from 6% to 4% → *will reduce cost for the power distributors, which may be passed on to electricity consumers in the form of lower prices.*
  - TDS on interest from securities increased from 5% to 10% → *will reduce net returns for investors, particularly small savers*
  - TDS on rent payments increased from 5% to 10% → *likely to be passed on to the tenants.*
- **Changes in Advance Income Tax (AIT) on commercial vehicles**
  - AIT has been increased for all commercial vehicles, as much as by 88% compared to the previous year for trucks, lorries or tank lorries with a payload capacity of more than 5 (five) tons, as little as 22% for non-AC taxicabs.

→ *This will lead to an increase in revenue for the government. However, the transportation cost for the public will increase*

❑ Corporate Tax

➢ Funds have been exempted from the requirement to file return

- The Budget Proposal stipulates that Provident Fund and Gratuity Funds are exempt from the requirement to file returns. However, if the Proof of Submission of Return (PSR) is not submitted, the tax deduction at source (TDS) on investment income will increase from 10% to 15%. If the total investment exceeds Tk. 10 lakh.

→ *To eliminate the attendant ambiguity, and ensure consistency in tax treatment, the NBR should clarify whether the TDS constitutes final discharge of tax liability of the aforesaid funds*

❑ Legalisation of Undisclosed Income

- Under the 1st Schedule, part One of ITA 2023, individuals may legitimise undeclared funds by investing in buildings or apartments and by paying prescribed special tax before assessment. The rate of tax for availing of this facility has been significantly raised

  → CPD has always maintained that such opportunities to legalise undeclared money creates disincentive for honest taxpayers. Efforts of tax authorities should rather be geared to enforcing tax laws and regulations, without exception

  → At a time when the Interim Government is fighting against illegal income, illicit financial outflows and money launderers, this type of measure can only send wrong signals to the general public. This is against the *July Spirit*

❑ Surcharges on wealth, environment and health

- For AY 2026–27 and AY 2027– 28, the existing surcharge rates will apply. For net asset values of Tk 4 crore, between Tk 4 crore and Tk 50 crore, and Tk 50 crore and above, the rates of surcharges are zero percent, 10 percent, and 35 percent respectively
- Provision proposed so that surcharge be calculated on the regular tax amount determined by applying the standard tax rate to the taxable income of individual taxpayers, instead of based on minimum tax payable by a taxpayer → *will meet longstanding demand of taxpayers and will provide them with relief*
- Provision proposed to exempt electric vehicles from the aforesaid surcharge when calculating surcharge on ownership of multiple vehicles → *will promote the use of environment-friendly vehicles*
- A company or business producing all types of tobacco items including cigarette, bidi, chewing tobacco and gul to be subject to a 2.5 % surcharge for both AY 2025-26 and AY 2027- 28 → *a good move from health point of view*

❑ Indirect tax measures

▪ Move from lower VAT/CD to higher VAT/CD

- VAT on construction company services increased from 7.5% to 10% → *will raise cost of services and likely to be passed on to the service-receivers*
- VAT at the production stage of self-copy paper, duplex board/coated paper increased from 7.5% to 15%→ *will be passed on to the consumers*
- VAT on online product sales commission increased from 5% to 15% → *will significantly raise operating costs for e-commerce platforms and passed on to service-receivers, at least partially*
- VAT at the production stage of all types of tableware, kitchenware and any similar products made of plastic increased from 7.5% to 15% → *a good move from environmental point of view, but raise prices*
- CD on tobacco seeds to be increased 0% to 25% → *a good move from health point of view*
- Specific tax amount at the production stage of cotton yarn increased from Tk. 3 per kg to Tk. 5 per kg → *will increase production cost for local textile manufacturing companies*
- Specific tax amount at the production stage of yarn made from man-made fibres and other fibres increased from Tk. 3 per kg to Tk. 5 per kg → *will increase production cost for local manufacturing companies*
- Refined Sugar: Specific tax on import reduced from BDT 4500/MT to BDT 4,000/MT → *will be positive for consumers. However, domestic sugar mills to face more competition from imported sugar*
- VAT exemption Liquified Natural Gas (LNG) → *will reduce the difference between LNG import by public and private enterprises. Should have positive implications for consumers and producers*

❑ Indirect tax measures

▪ VAT exemption withdrawals

• Withdrawal of existing VAT exemption facility for local production of refrigerators and freezers, air conditioners and their compressors → *will be passed on to the consumers in the form of higher prices.*

• Withdrawal of VAT exemption on import of sterile surgical catgut, surgical suture → *will increase healthcare cost.*

▪ Extensions

• Duty-tax exemption facility for the import of raw materials for all types of pharmaceutical industries, including anti-cancer drugs has been extended → *will help maintain affordability and availability of essential medicines.*

• The existing VAT exemption facility for the import of raw materials for sanitary napkins and diapers has been extended to June 30, 2030 → *will reduce price of essential items used for the health protection of women and children.*

▪ Supports to protect and develop domestic industries, promote export-oriented industries

• VAT exemption period for the production of APIs (Active Pharmaceutical Ingredients) at the production stage has been extended until June 30, 2030 → *will support the growth of the local pharmaceutical industry. However, much will hinge on the operationalisation of the API Park which has been in limbo for more than a decade.*

V. FISCAL MEASURES

❑ Indirect tax measures

▪ Supplementary Duties:

• SD rates have been reduced on a significant number of imported items. While the number of SD slabs have been increased from 12 to 13, almost all SD items at 45% duty have been brought down to 40%.

• SDs on construction related materials have been increased significantly, from 20% to 45% → *will raise construction cost, and consequently also building costs.*

• SDs on tobacco (60% to 100%) & cigarette paper (150% to 300%) have been raised → *a good move from health perspective and will discourage illegal cigarette manufacturers.*

• 10% SD on OTT platform has been imposed → *will raise cost of entertainment.*

• SDs on many plastic products have been reduced from 45% to 40% → *will be helpful for consumers, but increase competitive pressure for domestic producers.*

• SDs on ice-cream has been reduced from 10% to 5% → *will be liked by ice cream lovers, but put domestic producers at a disadvantage.*

▪ Exemption of Excise Duties on Bank deposits:

• Threshold for excise-free bank balance has been raised from BDT 1.0 lakh to BDT 3.0 lakh → *will be helpful for small size depositors.*

❑ Measures to generate more revenue

- Reduced VAT exemption on local manufacturing of mobile phones → *cost of locally manufactured mobile phones will go up somewhat*
- Reduced VAT exemption on LPG cylinders, elevators, and kitchen/home appliances → *will add to consumer price but expand VAT base gradually*
- Reduced VAT exemption on four-stroke three-wheelers and raw materials (LABSA, SLES) → some *price increase; signals shift toward broader tax coverage*
- Withdrawn VAT exemption on refrigerators, freezers, air conditioners, and compressors → will *increase product prices but improve revenue mobilisation*
- Withdrawn VAT exemption on imports of surgical catgut, sutures, lifts, set-top boxes, and ballpoint pens → will *raise revenue from previously exempted items*
- Supplementary duty exemption on raw materials for refrigerators, ACs, compressors till FY2028 → *will help reduce production cost of cost local manufacturers*

❑Extending power of NBR officials

➢ Amendment of section 83 (Power to enter and search office): The Assistant Revenue Officer (Previously minimum Assistant Commissioner or Assistant Director) may, by written order of the Divisional Officer, inspect the geographical area of the concerned Local Value Added Tax Office, collect information, verify sales and perform any other function specified by the Divisional Officer → *This kind of power delegated to more junior officers may create greater scope for discretion, misuse of power and encourage corrupt practices.*

- **Tariff rationalisation in view of LDC graduation (Annex C)**
  - A number of measures have been proposed to rationalise tariff values in view of Bangladesh's upcoming LDC graduation. This has been done in three (3) ways
    - **12 HS Codes for which Tariff Values have been withdrawn**
    - **12 HS Headings for which Minimum Tariff Values have been withdrawn**

      84 Products: Broad category of items proposed for minimum value withdrawal
    - **6 HS Headings for which Minimum Values have been Increased**

      23 Products: However, this goes against the aforementioned rationalisation of tariff values through minimum value reduction

Structural Reforms:

- New 3% Customs Duty Tier introduced (within existing six-tier structure)
- New 40% Supplementary Duty Rate added (expanding the 12-tier framework)
- Zero Tariff Maintained for: Essentials, food items, Fertilisers, seeds, Life-saving medicines, Cotton & select raw materials

- The proposed measures sets the stage to move away from protectionist para-tariff measures and minimum tariff value system which will be required in view of Bangladesh's upcoming LDC graduation. It will make the tariff structure more transparent for business people and will help reduce customs disputes. Also, these will improve Bangladesh's compliance with WTO tariff regime
- However, these will have fiscal implications. Hence the need for more effective fiscal management

V. FISCAL MEASURES

❑Trump Tariffs & Response:

➢ Phased reduction of tariffs on imported goods and complete withdrawal of import tariffs on 110 products, reduction of import tariffs on 65 products, complete withdrawal of supplementary tariffs on 09 products and reduce supplementary duty on 442 products as part of preparation for trade dialogue with the United States. Since all duties are MFN-based, consideration of a specific country for tariff reduction & rationalisation should demand consideration of other factors as well

- While a strategic view is appreciated, it needs to be kept in mind that any measure in view of Trump tariffs will have to be provided on an MFN basis
- The proposed tariff measures will have revenue implications
- If an FTA is to be negotiated with the USA, the upfront Trump-Tariff focused tax proposals may weaken Bangladesh's bargaining power

❑ Overall Message

- Proposed changes in the tax-free personal income level and the personal income tax structure will hurt low and middle income families which have been experiencing erosion of purchasing power over the last few years
- Dependence on Advance taxes (income and VAT) continues in the Budget for FY2025-26. On the one hand, this reduces the working capital of business people, and on the other hand, this tends to be passed on to consumers as (quasi) sales tax
- Whilst tariff rationalisation and removal of anti-export bias is welcome, overall, fiscal measures will put domestic market-oriented and import-substituting industries at a disadvantage, and these will be facing greater challenge from imported goods. This will mean that energetic initiatives will be required by way of reducing cost of doing business, strengthening trade facilitation , improving business environment, implementation of logistics policy, and single window and reducing borrowing cost, among others, to compensate for the loss of duty-advantage-driven competitive strength and protection enjoyed
- It is not clear which considerations dictated the change in tariff structure. A general structure of very low duties on raw materials, intermediate goods and final goods should be the one towards which Bangladesh should move. However, proposals for CD and SD changes do not clearly spell out whether interests of domestic industries and coherence between industrial Policy and Trade Policy have been ensured

VI. FISCAL MEASURES FROM TAX JUSTICE PERSPECTIVE

VI. FISCAL MEASURES FROM THE TAX JUSTICE PERSPECTIVE

- **Tax justice refers to the set of ideas, policies, and advocacy activities aimed at promoting equality and social justice** through fair taxation fair taxation of wealthier individuals and multinational corporations (MNCs)
  - While a number of fiscal measures proposed in the budget are likely to promote tax justice, some others may do the reverse
- The withdrawal of sweeping tax-exempted rates and tax holidays for **certain sectors without proper rationale is a positive move by the government**; however, a more strategic decision would be the reorientation of some of these incentives
  - For example, tax incentives could be considered for sectors with higher dependency on the domestic market
  - For the **export sector**, **tools such as investment tax credits, accelerated depreciation, or research and development (R&D) deductions** could be introduced to ease the impact of withdrawing existing incentives
- The increased tax gap between listed and non-listed companies may not necessarily attract new IPOs unless good governance is ensured in the capital market
  - On the contrary, **the increased tax rate for certain non-listed companies could fuel tax evasion tendencies** and burden businesses with a higher effective tax rate
  - Additionally, relaxed banking transaction conditions for listed companies could **enable tax abuse unless robust monitoring mechanisms are put in place**

VI. FISCAL MEASURES FROM THE TAX JUSTICE PERSPECTIVE

- Along with the reduction in the rate of advance income tax (AIT) for different sectors, **enabling excess tax refund through the introduction of a dedicated authority could yield more positive outcomes**
- The decision to **make digital tax submission mandatory from next year is laudable**
  - However, the new mandatory criteria should have been **extended within FY26 before going for an all-out implementation**
- While the planning should be for its eventual elimination in future, **revising the minimum tax rate to a progressive structure for the short period** would be more aligned with the principles of tax justice
- Changing the submission timeline for withholding returns from monthly to quarterly is a positive move as **it may reduce compliance burdens, especially beneficial for small businesses**
- The proposed budget appears to put a high focus on adjusting tax rates, **the planning for expanding the tax base remains unclear**

VII. SECTORAL ISSUES

Education

Education

❑ Budget Share (Total Budget)

- ↑ from 10.44% (RBFY24) → 11.33% (RBFY25)
- ↑ from 11.88% (BFY25) → 12.11% (BFY26)

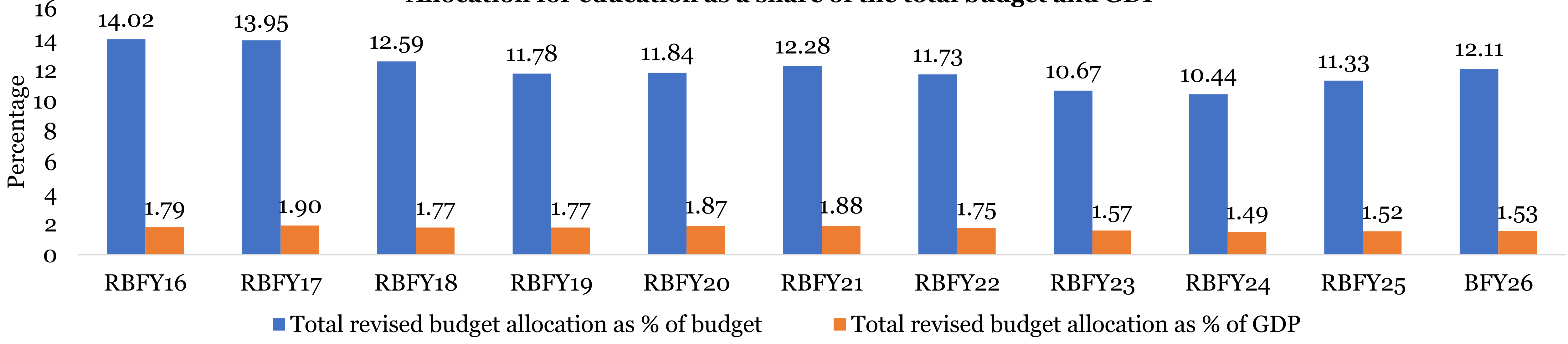
❑ Budget Share (GDP)

- **↓ from 1.69% (BFY25) → 1.53% (BFY26)**
- Still below Eighth Five-Year Plan target: 3.5% by FY25

❑ Global Comparison

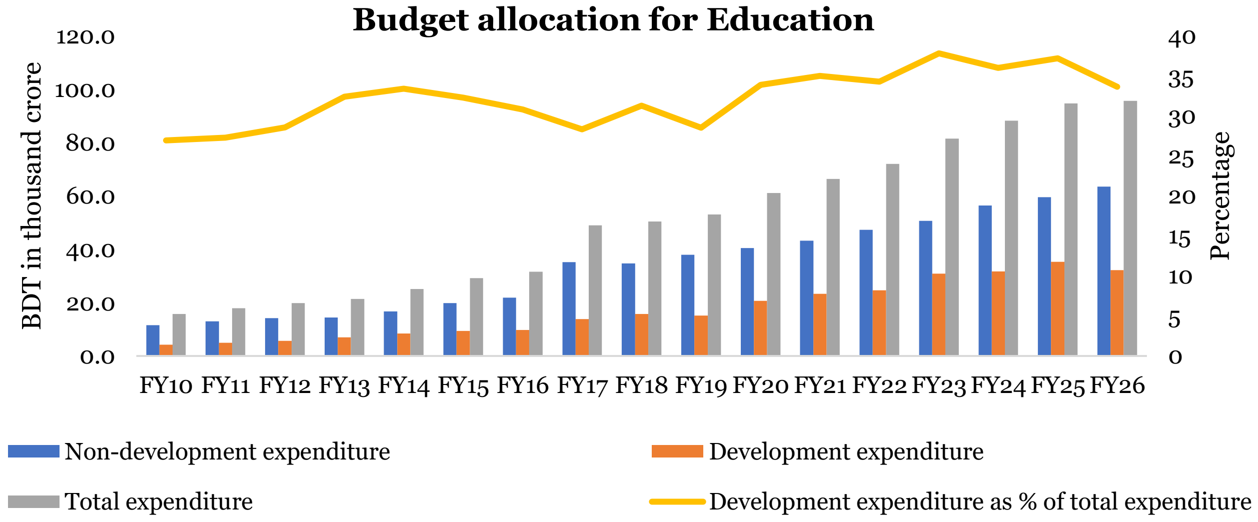
- **3rd lowest education spending (2016–2023) among 39 LDCs**
- 35+ LDCs spent ≥2% of GDP on education

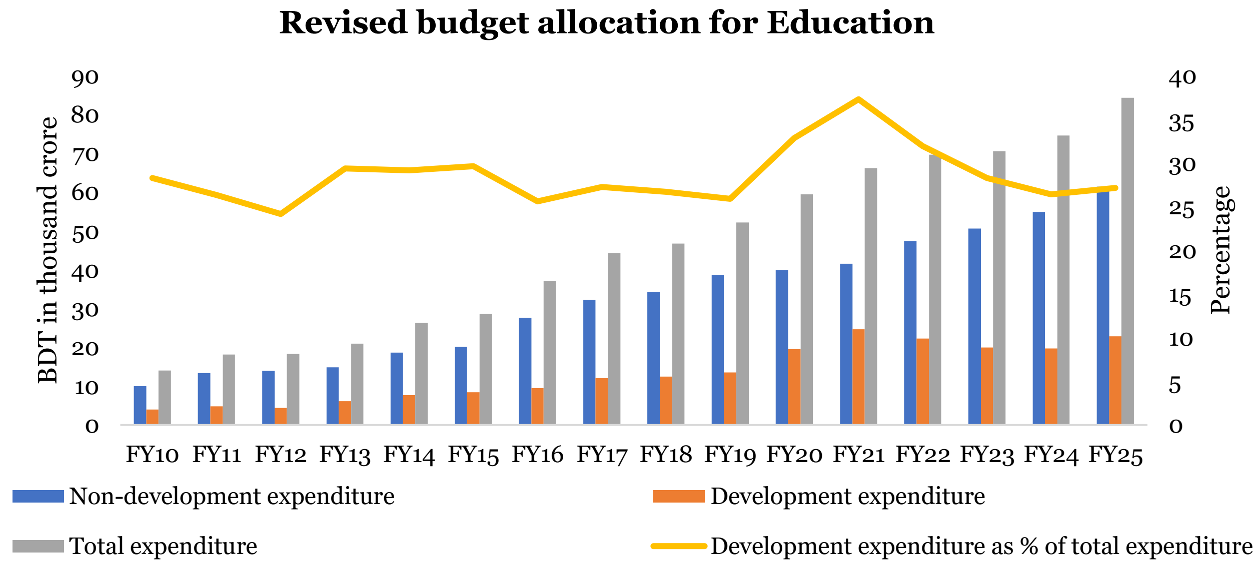
Allocation for education as a share of the total budget and GDP



Education

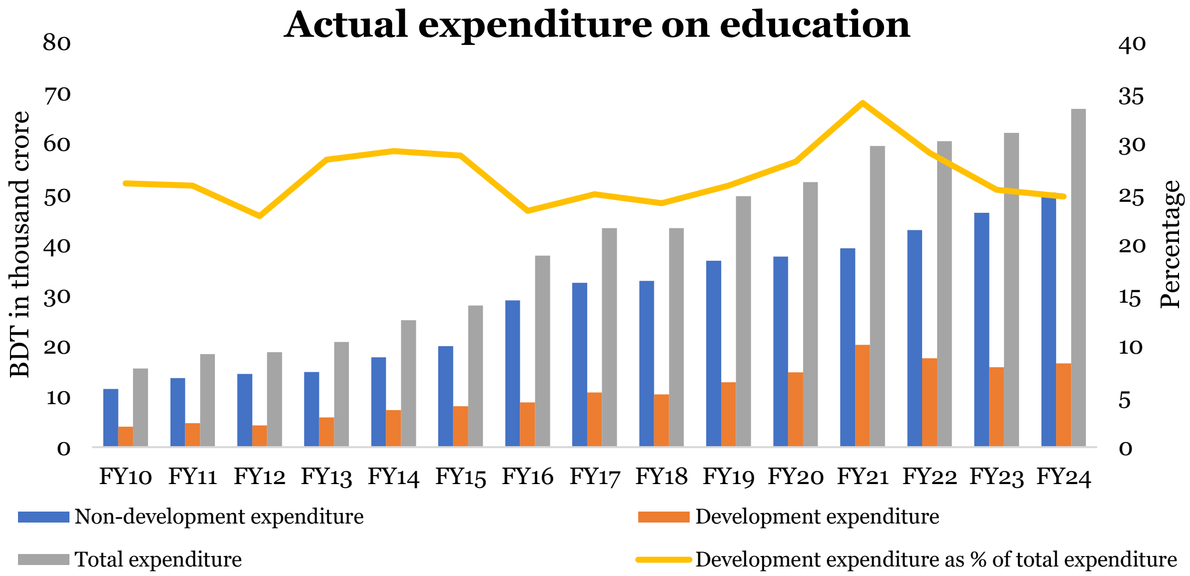
- Education budget increased by 7% in FY25
- **FY26 budget increase slowed to 1%** (from BDT 94,711 crore to BDT 95,644 crore)
- Development expenditure in FY25 was only 27% of the revised budget
- Development spending increased by just 1% from the previous year

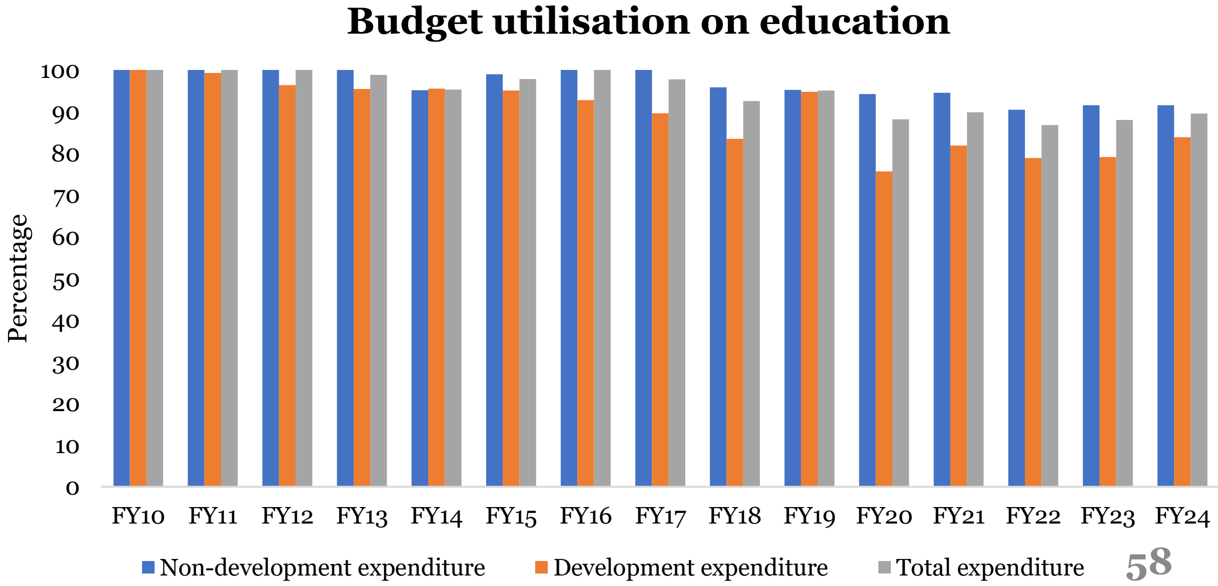




Education

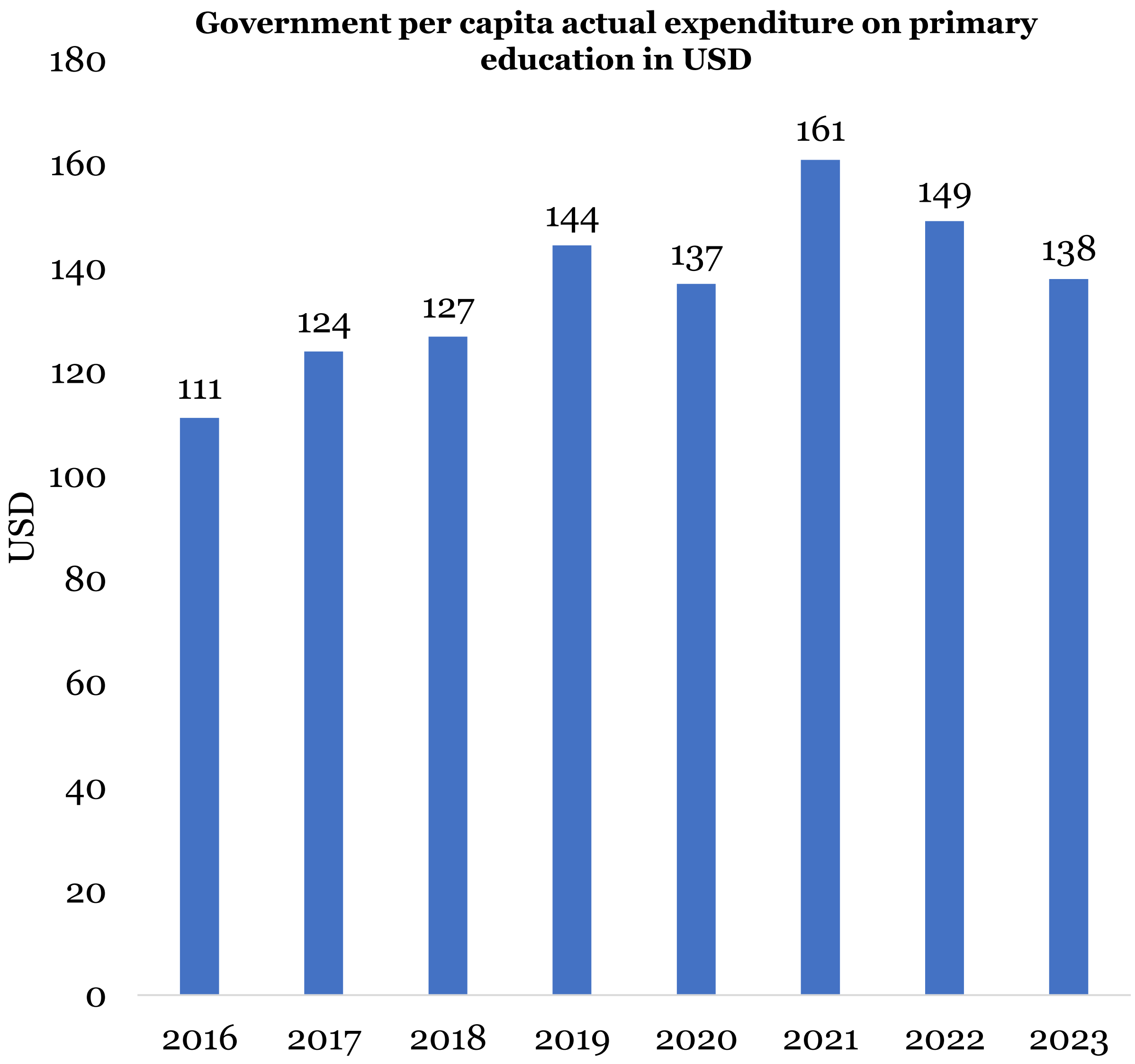
- Total education expenditure peaked at 35% growth in FY16
- Dropped sharply to ~3% growth by FY23
- FY24 actual expenditure: BDT 66,790 crore (8% growth)
- Development expenditure steady at ~25% of total in FY24
- **Indicates low priority for education sector development**
- Budget utilisation increased marginally by 2% in FY24





Education

- ❑Government per capita actual expenditure on primary education averaged about **USD 136 during 2016 - 2023**
  - Countries such as **Nicaragua**, **Honduras, and Mauritania** have a higher per capita expenditure on primary education as opposed to Bangladesh.
  - However, the GDP per capita based on purchasing power parity (PPP) of these countries was lower than that of Bangladesh in 2023.
  - In addition, Bangladesh's per capita expenditure on primary education decreased from **USD 149 in 2022 to USD 138 in 2023**



Education

❑ Tax Inequity

- ➢ Bengali medium schools: VAT exempted
- ➢ English medium schools: VAT remains at 5% → burdens middle-income families
  - **Recommendation: Exempt VAT on English medium schools**

❑ Private Academic Institutions

- ➢ 15% corporate tax retained in FY26
  - **Recommendation: Reduce to 10% to avoid cost transfer to students**

❑ Positive Reform

- ➢ 15% VAT on ballpoint pens (FY24) → exempted in FY26

❑ Book Import Taxes

- ➢ 10% SD + 25% CD on imported textbooks for primary/secondary levels in FY26
- ➢ Hinders SDG 4: Quality Education for All
  - **Recommendation: Exempt all taxes on imported educational books**

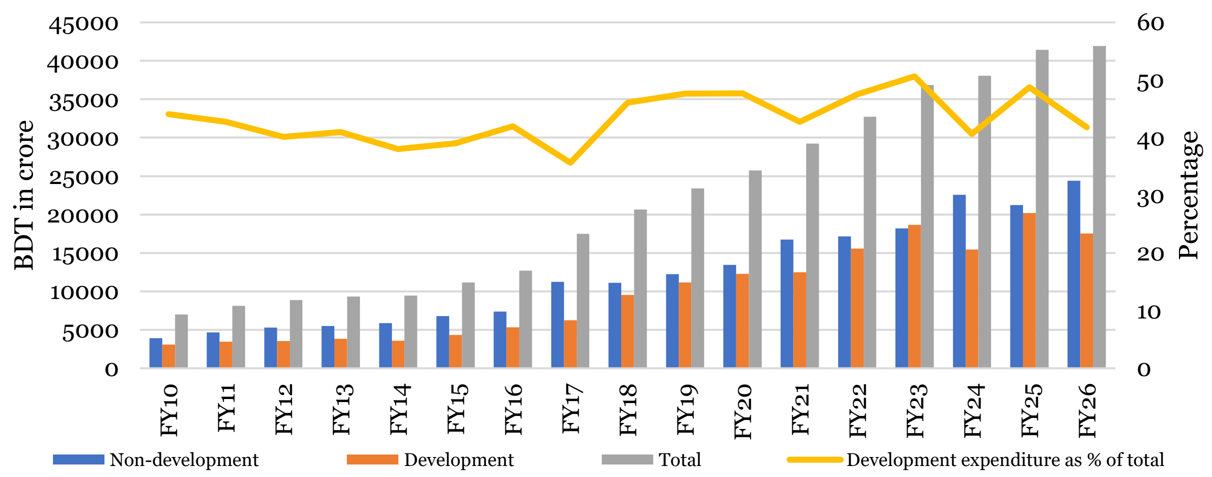
Education

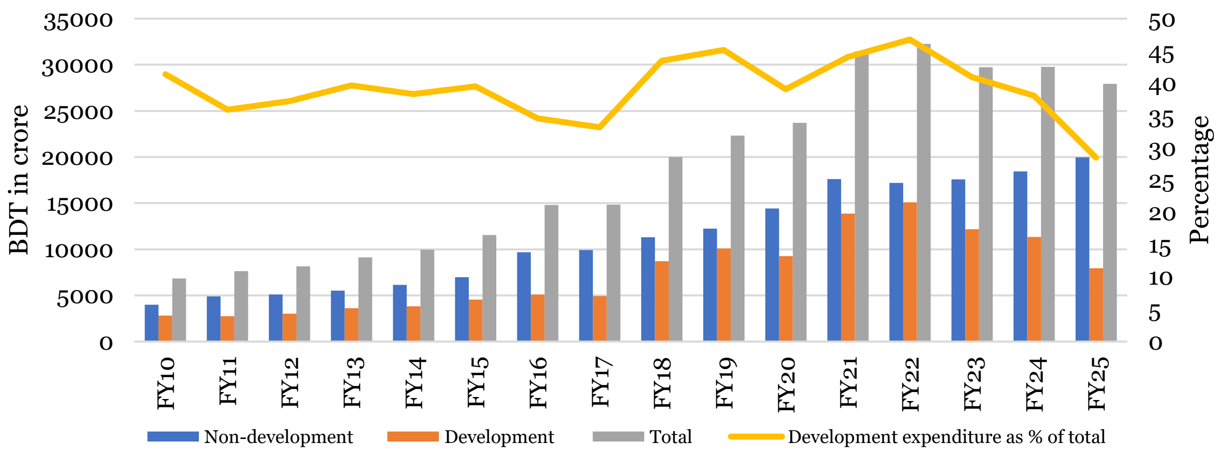
- **New stipend programmes added for:**
  - Primary, secondary, and higher education
  - Technical and madrasah education levels
  - Includes:
    - Free textbook printing & distribution
    - School feeding in government primary schools
    - Access & retention improvements at secondary/higher levels
    - Gender-responsive enterprise development & TVET (ProGRESS)
- Beneficiary numbers for the feeding programme & ProGRESS were not reported
- Undergraduate, postgraduate, and disability stipends discontinued
- **CPD Recommendations:**
  - **Conduct a needs assessment survey to update the beneficiary list of all stipend programmes**
  - **Reinstate discontinued stipend programmes in FY26**
  - **Increase overall stipend allocation in the FY26 budget**

Health

Health

- **Total allocation**
  - ↑ 1%: BDT 41,408 crore → BDT 41,908 crore
- **Development Budget**
  - ↓ 13% in FY26
  - **Share in the total health budget**
    - 49% in FY25 → 42% in FY26
    - 38% in FY24 → 28% in FY25 (revised)
- **Non-Development Budget**
  - ↑ 15% in FY26
  - Now comprises a growing share of total health spending





Health

❑ Expenditure

- ➢ Actual spending ↑ 5%:
- ➢ BDT 22,521 crore (FY23) → BDT 23,726 crore (FY24)

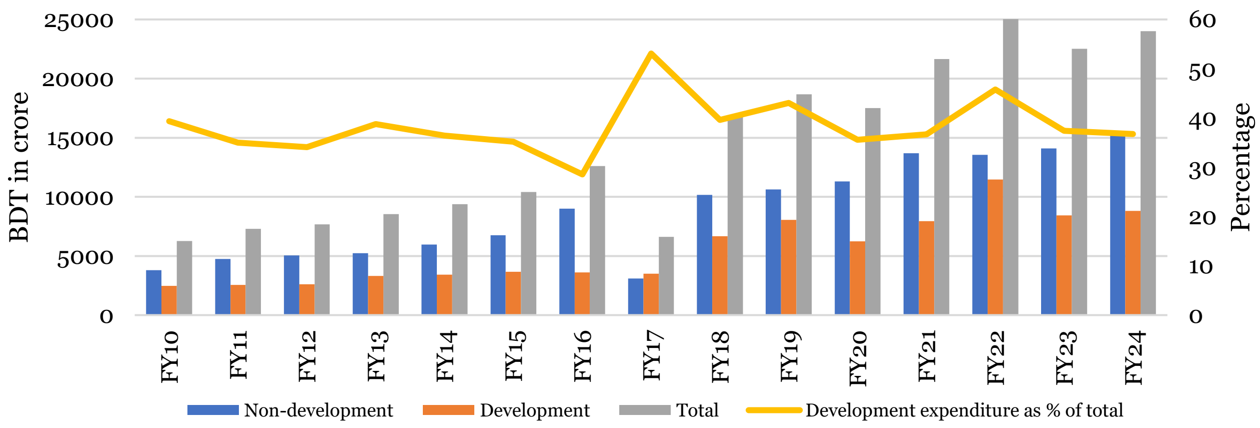
❑ Declining Budget Utilisation

- ➢ Total utilisation: 94% (FY14) → 80% (FY24)
- ➢ Non-development: 97% → 82%
- ➢ Development:90% → 75%

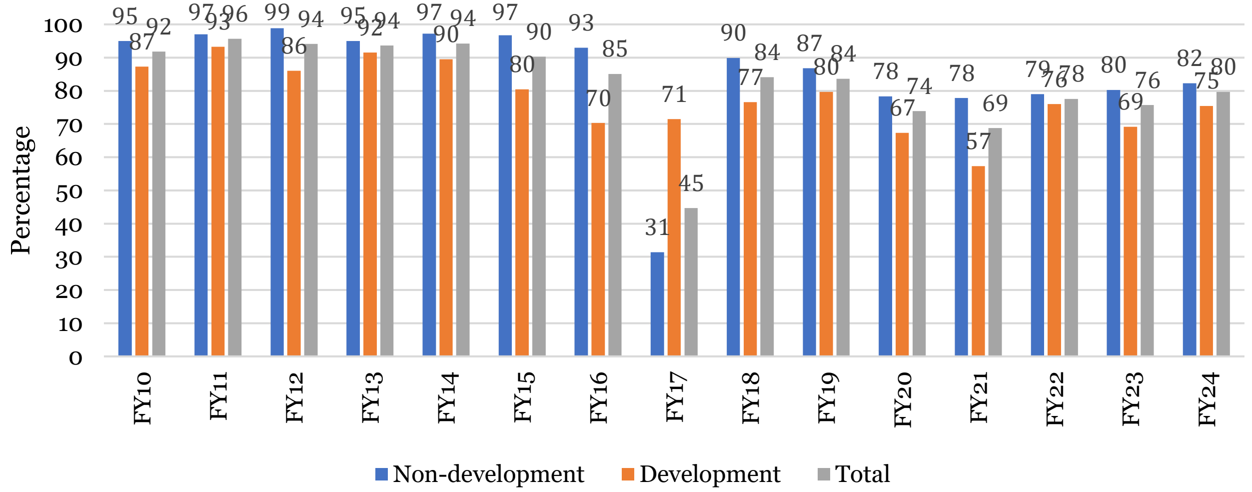
❑ Key Concern

- ➢ Non-development budget utilisation consistently outperforms development budget utilisation, but both have declined over time.

Actual expenditure on health



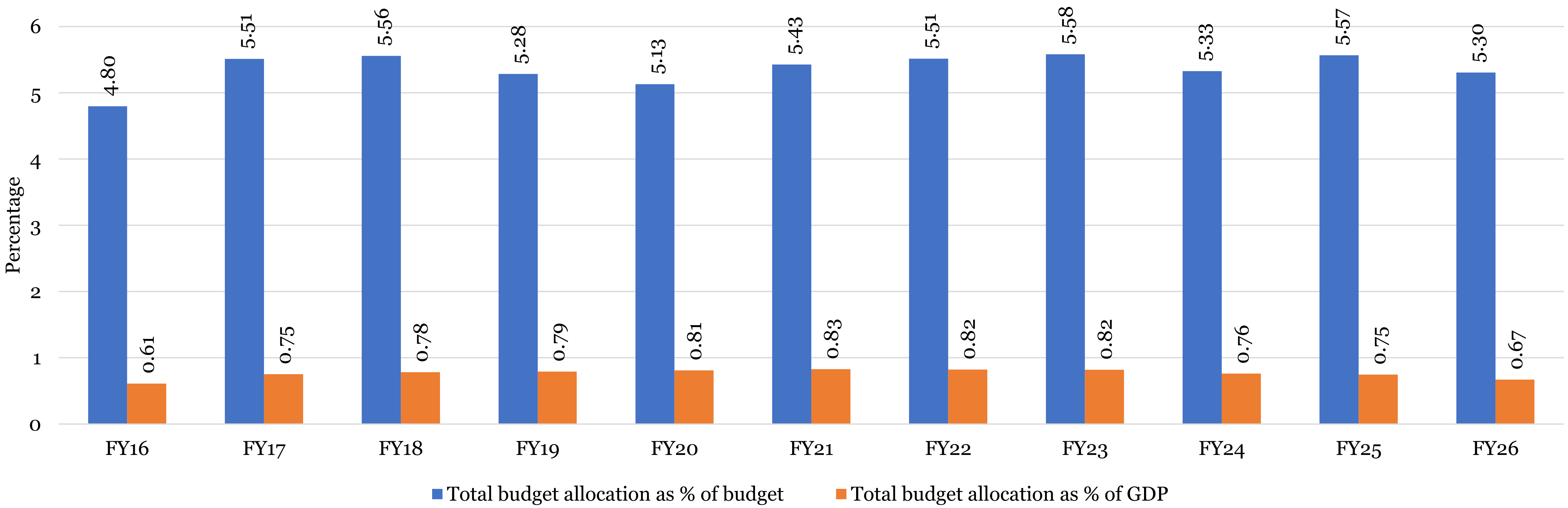
Health budget utilisation



Health

- ❑Allocation for health as a *share of the total budget* **decreased** from **5.57% in BFY25 to 5.30% in BFY26**
- ❑Allocation for health as a *share of GDP* has **decreased** from **0.75% in BFY25 to 0.67% in BFY26**

Health allocation as share of total budget and GDP



❑Low Priority in National Budget

- Health allocation has remained <1% of GDP for 20 years
- Bangladesh ranked 2nd lowest among 44 LDCs (2022) in health spending

❑Per Capita Spending

- Only BDT 22 increase: BDT 2,413 (2024) → BDT 2,435 (2025)
- 9th lowest globally (out of 191 countries in 2022)

❑Urban Primary Health Care Budget Cut

- Urban Primary Health Care Project allocation slashed
- BDT 180.13 cr (FY25) → BDT 54.25 cr (FY26)

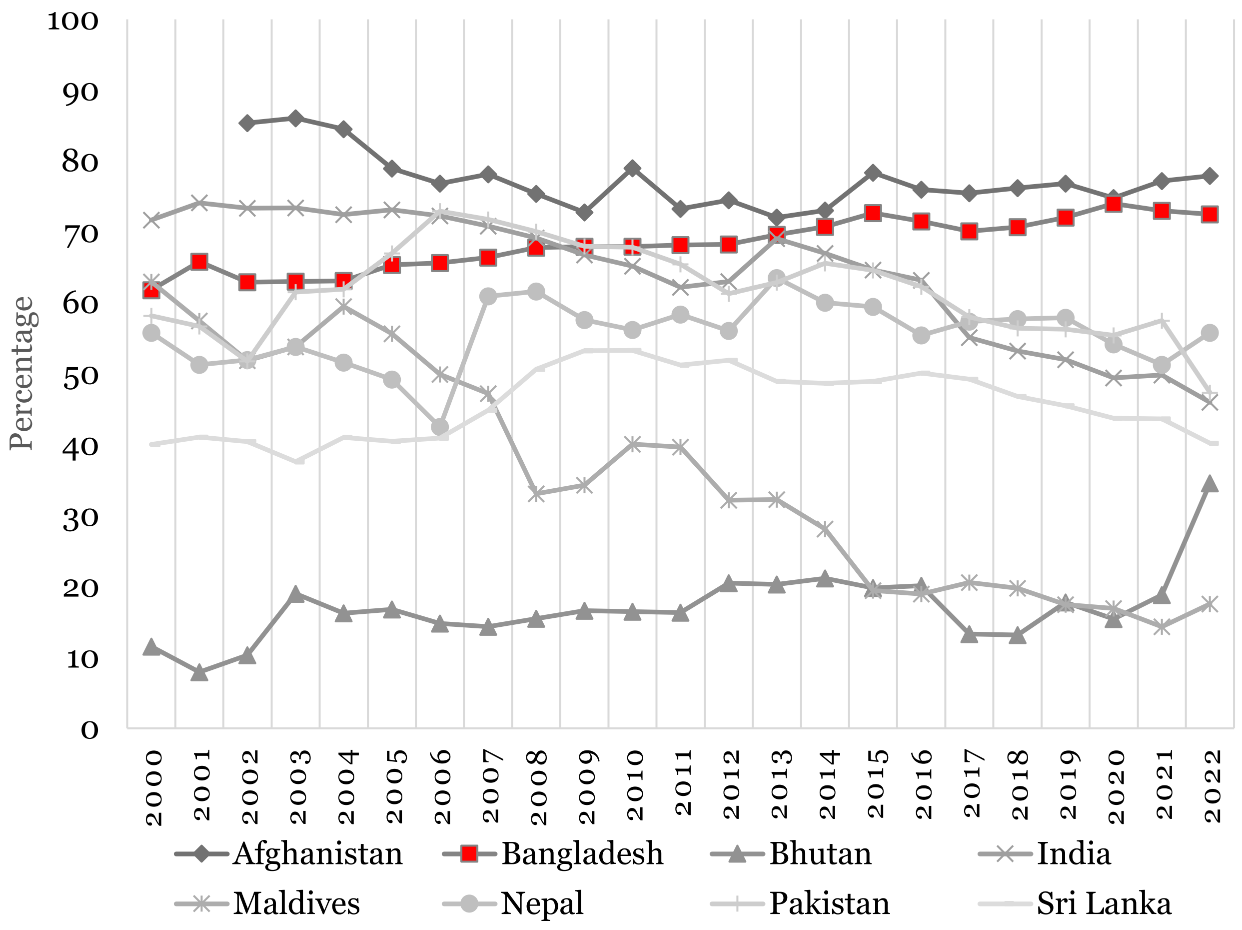
❑International Comparison

- **8th highest** out-of-pocket health spending per capita (PPP) **among 44 LDCs** (2022)
- **73%** of Bangladesh's total health expenditure was out-of-pocket in 2022

❑Worsening Trend

- Bangladesh's out-of-pocket health expenditure as a share of current health expenditure has been rising for 20 years
- Declining trend observed in India, Pakistan, Bhutan, Nepal, Sri Lanka

Out-of-pocket expenditure (% of current health expenditure)



❑Fiscal measures

- The effective tax for a publicly listed tobacco company **decreased by 1.09 percentage points in 2024**
- CPD proposes that the **corporate tax on all companies manufacturing tobacco products** be **increased** from 45% to **55% in FY26**, and the associated **surcharge** be increased from 2.5% to **7.5% in FY26**
- The National Board of Revenue (NBR) should not give the highest taxpayer award or any other social recognition to any individual or company involved in the tobacco business.

Proposed corporate tax on tobacco product manufacturing companies

	Current tax structure in FY26		CPD's proposed tax structure for FY26	
Type of company	**Corporate tax (in %)**	**Surcharge (in %)**	**Corporate tax (in %)**	**Surcharge (in %)**
All companies manufacturing tobacco products	45	2.5	55	7.5

❑The budget for FY26 has continued a complicated tiered tobacco tax framework that supports differential pricing

➢ If enacted, the proposed tax on tobacco would encourage consumption of cheap cigarettes, increase public health costs, and reduce government revenue

<table>
<tr><th colspan="6">Proposed tax structure for cigarettes in FY26</th><th colspan="5">CPD's recommendation</th></tr>
<tr><th></th><th colspan="2">Retail price</th><th colspan="3">SD</th><th></th><th colspan="2">Retail price</th><th colspan="2">Specific excise duty</th></tr>
<tr><td>Tier</td><td>Pack of 10 (in BDT)</td><td>Per stick (in BDT)</td><td>Per pack of 10 (in %)</td><td>Per pack of 10 (in BDT)</td><td>Per stick (in BDT)</td><td>Tier</td><td>Per pack of 10 (in BDT)</td><td>Per stick (in BDT)</td><td>Per pack of 10 (in BDT)</td><td>Per stick (in BDT)</td></tr>
<tr><td>Low</td><td>50</td><td>5.0</td><td>67</td><td>60</td><td>3</td><td rowspan="4">Universal</td><td rowspan="4">Market based</td><td rowspan="4">Market based</td><td rowspan="4">100</td><td rowspan="4">10</td></tr>
<tr><td>Medium</td><td>70</td><td>7.0</td><td>67</td><td>80</td><td>4.58</td></tr>
<tr><td>High</td><td>120</td><td>12</td><td>67</td><td>140</td><td>7.86</td></tr>
<tr><td>Premium</td><td>160</td><td>16</td><td>67</td><td>185</td><td>10.48</td></tr>
</table>

❑The budget for FY26 has left the tax structure on Bidi **unchanged**

Tax structure for Bidi

Proposed tax structure in FY26						**CPD's recommendation**				
	Retail price		**SD**				**Retail price**		**Specific excise duty**	
Type of bidi	Per pack (in BDT)	Per stick (in BDT)	Per pack (in %)	Per pack (in BDT)	Per stick (in BDT)	Type of bidi	Per pack (in BDT)	Per stick	Per pack (in BDT)	Per stick (in BDT)
Non-filtered 25 stick handmade bidi	18	0.72	30	5.40	0.22	All	Market based	Market based	75	3
Non-filtered 12 stick handmade bidi	9	1.33	30	2.70	0.23				36	
Non-filtered 8 stick handmade bidi	6	1.33	30	1.80	0.23				24	
Filtered 20 stick handmade bidi	19	1.05	40	7.60	0.38				60	
Filtered 10 stick handmade bidi	10	1.00	40	4.00	0.40				30	

- CPD recommends a **BDT 3 specific excise duty per stick of Bidi** to be implemented in FY26
- Such a specific tax on Bidi should be **increased by at least BDT 1 each year**, to account for annual inflation and income growth

❑ The tax on Jarda and Gul has **remained unchanged** in the budget for FY26.

Tax structure for Jarda and Gul

<table>
<tr><th colspan="6">Proposed tax structure in FY26</th><th colspan="5">CPD's recommendation</th></tr>
<tr><th></th><th colspan="2">Retail price</th><th colspan="3">SD</th><th></th><th colspan="2">Retail price</th><th colspan="2">Specific excise duty</th></tr>
<tr><th>Type of product</th><th>Per 10gm (in BDT)</th><th>Per gm (in BDT)</th><th>Per 10 gm (in %)</th><th>Per 10 gm (in BDT)</th><th>Per gm (in BDT)</th><th>Type of product</th><th>Per 10gm (in BDT)</th><th>Per gm (in BDT)</th><th>Per 10gm (in BDT)</th><th>Per gm (in BDT)</th></tr>
<tr><td>10gm jarda</td><td>48</td><td>4.8</td><td>55</td><td>26.40</td><td>2.64</td><td>10gm jarda</td><td rowspan="2">Market based</td><td rowspan="2">Market based</td><td rowspan="2">60</td><td rowspan="2">6</td></tr>
<tr><td>10gm gul</td><td>25</td><td>2.5</td><td>55</td><td>13.75</td><td>1.37</td><td>10gm gul</td></tr>
</table>

- CPD recommends a **BDT 6 specific excise duty per gram (gm) of Jarda and Gul** to be implemented in FY26
- Such a specific tax on Jarda and Gul should be **increased by at least BDT 1 each year**, to account for annual inflation and income growth

Health

- In the budget for FY26, the beverage and carbonated industry is subjected to a **30% SD** for carbonated soft drinks, **40% SD** for energy drinks, and **15% VAT** applicable for both.
- The minimum tax on sales revenue of carbonated beverage producers has been set at 3% in FY26.
- However, for locally manufactured soft and energy drinks, CPD recommends removing the supplementary duty on both soft drinks and energy drinks and replacing it with **a specific excise duty of BDT 0.10 per *millilitre* or BDT 100 per *litre*** in order to **minimise the public health risks.**

Proposed Tax Structure for Soft Drinks and Energy Drinks

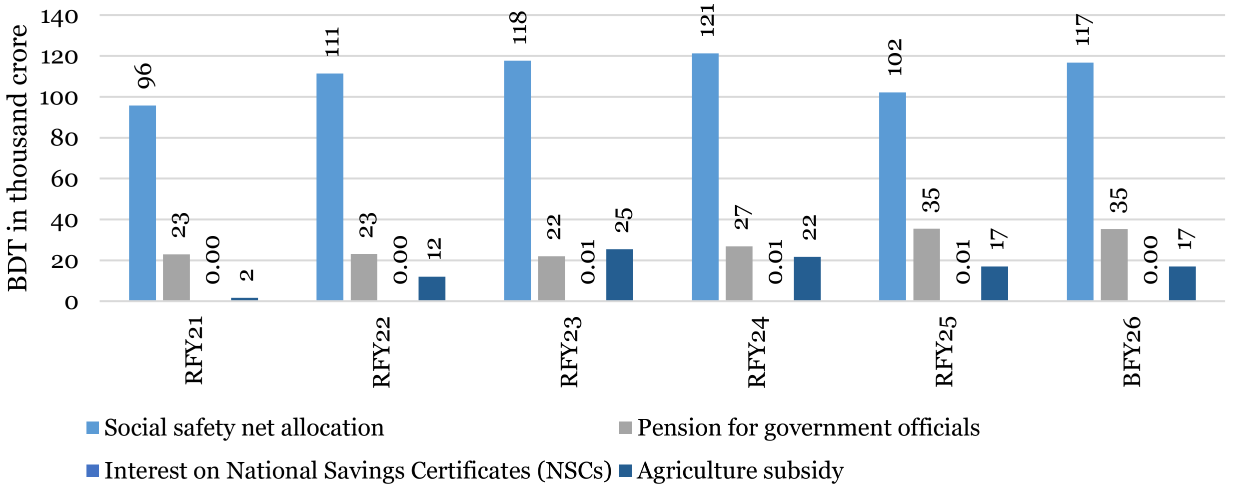
Current Tax Structure for FY26			CPD's recommendation			
Beverage	**SD (%)**	**VAT (%)**	**Beverage**	**Specific excise duty (BDT per ml)**	**Specific excise duty (BDT per litre)**	**VAT (%)**
Soft drinks	30	15	Soft drinks	0.10	100	15
Energy drinks	40	15	Energy drinks	0.10	100	15

Social Safety Net Programmes and Social Insurance

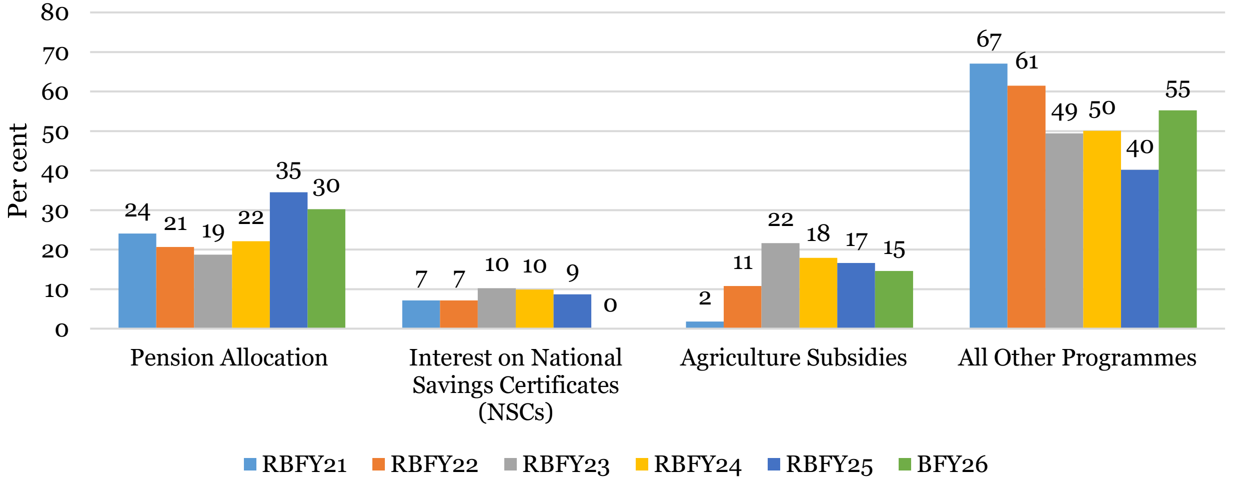
Social Safety Net Programmes

- ❑Allocation increased by 14% from RBFY25 to BFY26
- ❑Number of programmes reduced from 140 to 99
- ❑Interest on National Savings Certificates discontinued in the SSNP budget from FY26
- ❑**Pensions & agricultural subsidies still ~45% of social protection budget in FY26**
- ❑Allocation for other programmes increased from 40% (RBFY25) to 55% (FY26)

Social Protection allocation (in thousand crore BDT)



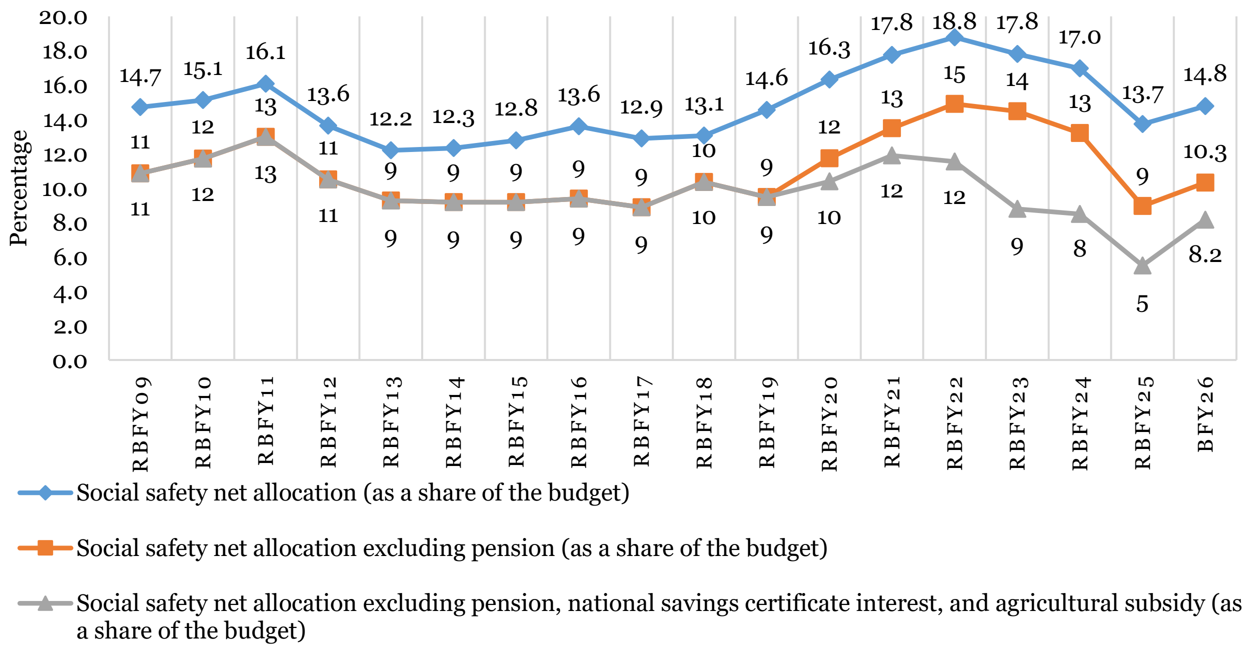
Distribution of social protection allocation (as a share of total social protection allocation)



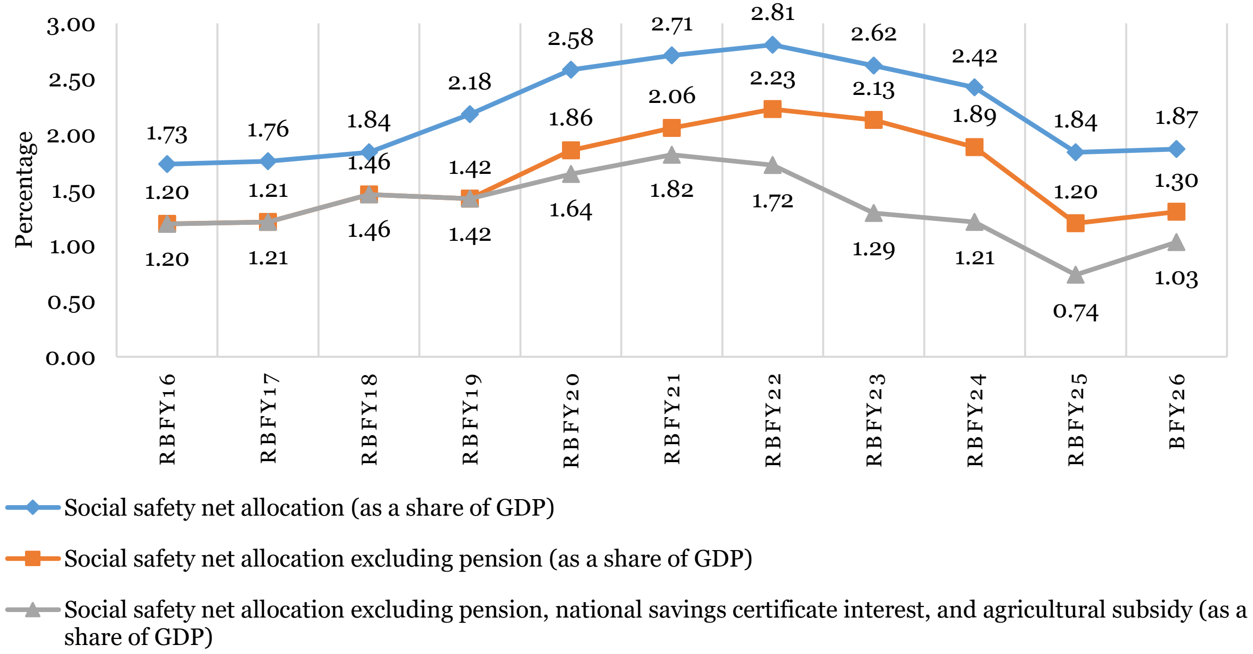
Social Safety Net Programmes

- Overall, the SSNP budget as a percentage of the total budget and GDP **increased** slightly from RBFY25 to BFY26.
- **SSNP budget excluding pension as a percentage of budget increased** from 9% in RBFY25 to 10.3% in BFY26.
- **SSNP budget excluding pension as a percentage of GDP increased** from 1.20% in RBFY25 to 1.30% in BFY26.

Social protection allocation as a % of budget



Social protection allocation as a % of GDP



Independent Review of iRBD Bangladesh's Development

Social Safety Net Programmes

Some programmes where allocation decreased

Existing Programs	RBFY25 (BDT in crore)	FY26 (BDT in crore)	Change in %
Trust for the Protection of the Persons with Neuro-Development Disabilities	39.60	39.51	-0.23
Bangladesh national social welfare council	90.58	81.32	-10.22
Promotion of women entrepreneurs for economic empowerment in grassroots level	104.28	71.86	-31.09
Enhancing Adaptive capacities of coastal communities, especially women, to cope with climate change induced salinity	68.50	32.56	-52.47
Housing construction project for the insolvent heroic freedom fighters	797.84	718.88	-9.90
Stipend for Primary School Students	1785.00	1675.73	-6.12
Free textbook distribution among students	1711.07	1570.00	-8.24
Food for Work (FFW)	1019.38	928.41	-8.92
Employment generation program for the poorest plus (EGPP+)	163.00	100.00	-38.65
Relief operation-rehabilitation	70.10	70.00	-0.14
Pension Management	35407.05	35282.50	-0.35
Livelihoods improvement of urban poor communities project	47.32	22.69	-52.05
Establishment of multipurpose disaster shelter centre	340.85	205.80	-39.62
Water supply project in the coastal area through a rainwater harvesting system	297.92	236.20	-20.72
Urban primary health care services delivery project	317.68	54.25	-82.92
Installation of water source/tube well in the homes for landless/homeless	26.00	10.00	-61.54
Rehabilitation program of Chattogram Hill Tracks districts (Social security part)	477.16	435.11	-8.81
Providing Sustainable social services in the Chittagong Hill tracts	61.31	30.52	-50.22
Improvement of Socio-Economic and Livelihood development of Tribal/Minor Races people through integrated livestock project	104.00	50.00	-51.92
Project to transform Backward youth into skilled industrial workers to increase industrial productivity	17.20	15.59	-9.36
Integrated management of resources for poverty alleviation through comprehensive technology	54.28	34.00	-37.36
Leaving no one behind: Improving skills and economic opportunities for the women and youth in Cox's Bazar, Bangladesh	80.00	48.22	-39.73
Climate Refugee Rehabilitation Project	220.00	44.47	-79.79
Rural livelihood project	193.20	59.91	-68.99

Social Safety Net Programmes

Some programmes where allocation is less than BDT 500 per beneficiary per month

Existing Programs	Per capita budget allocation for 2025-2026 (monthly)	Percentage change in budget from FY25 to FY26	Increase or decrease in budget
Printing and distribution of free textbooks	26.88	40.23	Increase
Service and Support Centre for Persons with disabilities	49.67	3.88	Increase
Relief operation-rehabilitation	56.52	-0.14	Decrease
VGF Program	57.99	4.16	Increase
Free textbook distribution among students	58.25	-8.24	Decrease
Agriculture Rehabilitation Assistance	75.09	0.89	Increase
Trust for the Protection of the Persons with Neuro-Development Disabilities	104.52	-0.23	Decrease
Stipend for Primary School Students	120.38	-6.12	Decrease
National legal aid services organisation	132.17	12.80	Increase
Relief Activities	141.67	6.09	Increase
Bangla new year allowance for Heroic Freedom Fighter	177.21	0.00	No change
Open Market Sales (OMS)	233.50	5.94	Increase
Distressed Women and Children Welfare Fund	245.10	0.00	No change
Rehabilitation and Alternative Livelihood Program for the persons engaged in begging	250.00	0.00	No change
Stipend under technical and Madrasa education division	256.85	102.61	Increase
VGF program for Fishermen	315.17	4.16	Increase
Improving access and retention through harmonised stipend program	331.21	7.59	Increase
Relief operation-rehabilitation (House grant)	496.45	0.00	No change

Social Insurance

❑Status:

- FY26 SSNP budget recognises Social Insurance as a "**contributory**" and "**progressive**" measure
- Slow implementation despite budget allocations and recognition in NSSS (2015)
- **FY26 allocation: Tk 35,434 crore**
  - Tk 35,283 crore for the government. pensions (Finance Division)
  - Only Tk 151 crore for Universal Pension (Samata Scheme)
  - Other schemes (maternity, disability, unemployment) remain inactive

❑Recommendations:

- **Allocate funds for piloting and scaling the National Social Insurance Scheme (NSIS), schemes**
- **Employment Injury Scheme pilot** must be backed by a legal & regulatory framework
- Initiate **maternity insurance** pilot—studies exist; **funding urgently needed**

Agriculture

- Agriculture and allied sector (AAS) has an allocation of Tk 46,268 crore in BFY26, which has **increased by 3.8% over RBFY25** (Fig 1)
  - Overall share of AAS has decreased (5.9% in BFY26 from 6% in RBFY25) (Fig. 2)
- **MoA** receives Tk 27,224 crore (58.8% of AAS) in BFY26, maintaining its position as the largest recipient within the AAS
- **Allocations for Fisheries and Livestock, and Water Resources** have decreased by 12.1% and 11.7%, respectively, due to a reduction in the development budget
  - Development budget of Environment & Forest has increased by 123% in BFY26 over RBFY25, which is appreciated from the environment & climate conservation point of view

Figure 1: AAS Budget Allocation and Changes

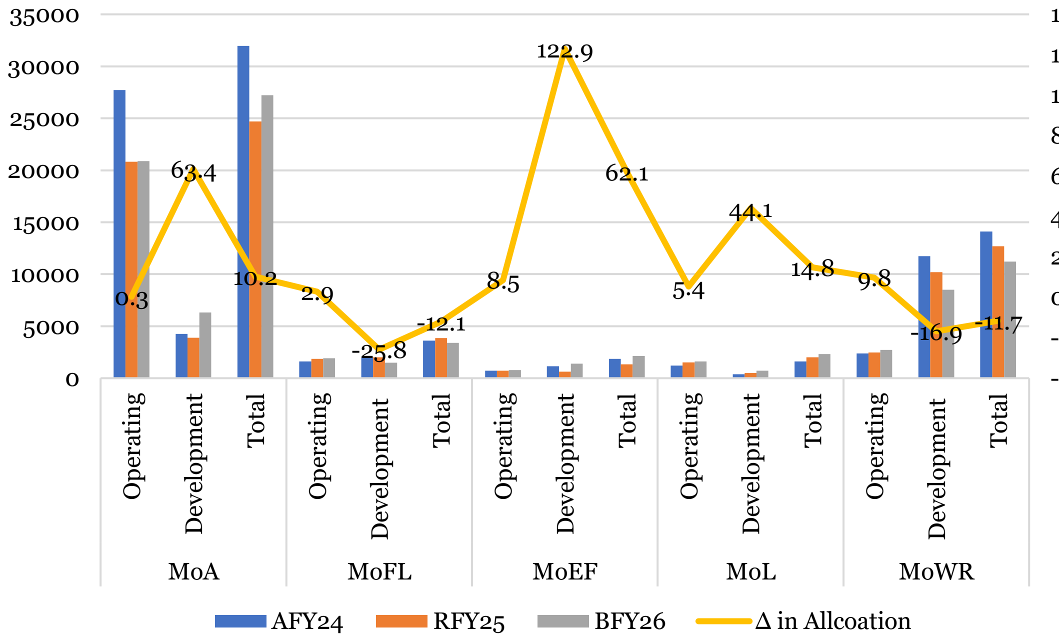
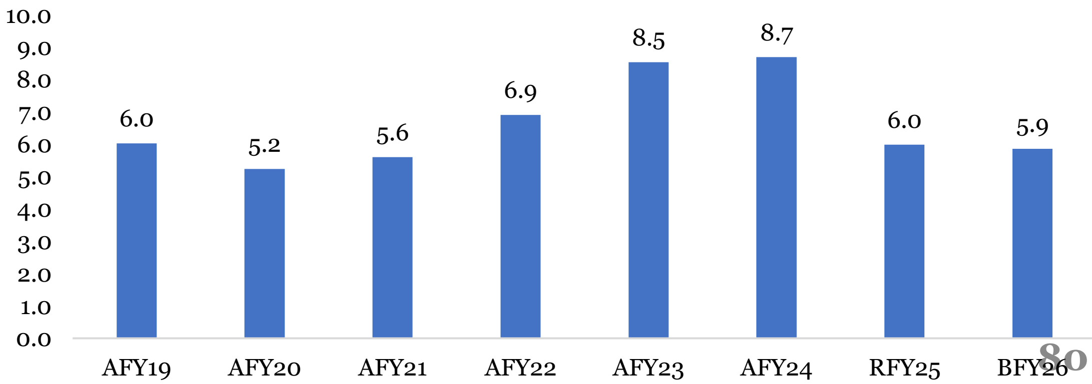


Figure 2: Agriculture budget as a share of total budget (%)



Agriculture

- ❑ADP implementation of MoA (62% till Apr'25) is above the overall average ADP implementation rate (41.3%) (Fig. 3)
  - ➢ Until April of each FY, the implementation rate remains very low, only to accelerate later and reach nearly 90% across all sectors. This pattern indicates inefficiency and ineffective, last-minute execution
- ❑The number of "carry-over" projects has increased to 25 in FY26 from 16 in FY25 (Fig. 4)
  - ➢ This is due to the inability to complete the concluding projects in FY25 within the time
  - ➢ Number of ADP projects in the agri sector has decreased (7%) from 150 in FY25 to 139 in FY26 (Fig. 3)
  - ➢ There are no "new" projects in AAS in FY26; the case was the same in FY25

Fig 3: AAS's development budget implementation rate

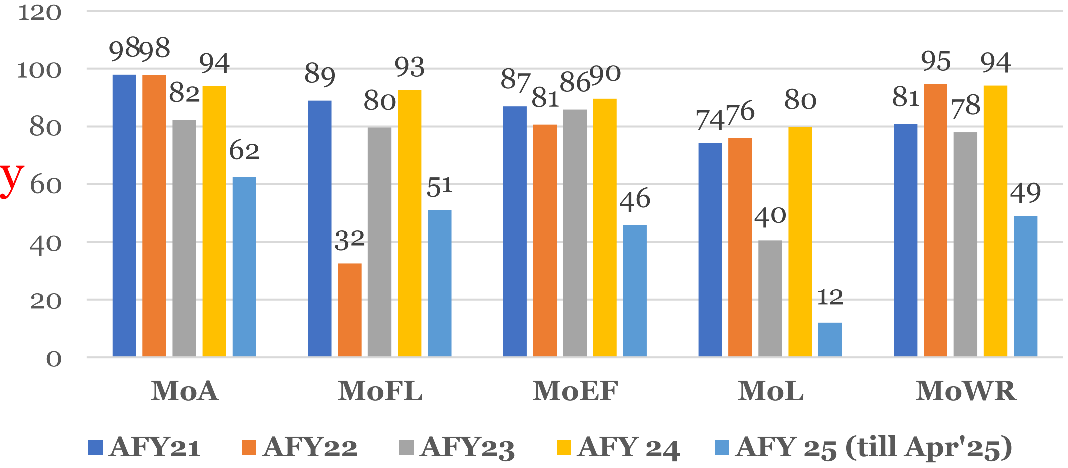
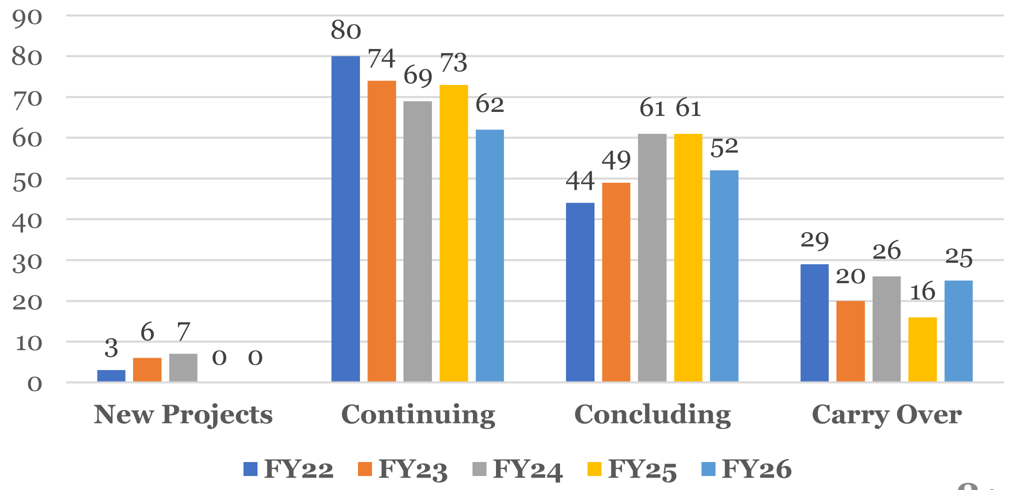


Fig 4: Types of ADP projects



Agriculture

- This rise in "carry-over projects" is particularly concerning, as 16 high-priority projects are being rolled over to FY26 (Tab 1)
  - Among high priority carryover projects, 9 were revised for the 1st time, and 1 project was revised for the 2nd time
  - 36 concluding projects have been found with revisions from 1 to 4 times
- Despite cumulative spending up to FY25 and new FY26 allocations, major funding gaps remain—TK 2476 crore in carry-over projects and TK 8485 crore in concluding ones (Tab 2)
  - Carry-over projects continue beyond schedule, receiving repeated allocations that delay outcomes and reduce efficiency
  - Concluding projects are also unlikely to finish on time due to underfunding and planning weaknesses (Tab 3)
- To improve project governance, project directors should be held accountable. Monitoring should involve relevant stakeholders to ensure efficiency and timeliness

Table 1: Project completion status by priority & revisions

Project Status	Priority	Zero Revision	1st Revision	2nd Revision	4th Revision	Total
Carry Over	Low		6			6
	Medium		2			2
	High	6	9	1		16
	Total	***6***	***17***	***1***		***24***
Concluding	Low		4	9	1	14
	Medium	5	4	1		10
	High	11	12	5		28
	Total	***16***	***20***	***15***	***1***	***52***
Continuing	Low	1	1	1		3
	Medium	5	2			7
	High	45	6			51
	Total	***51***	***9***	***1***		***61***
Total	Low	1	11	10	1	23
	Medium	10	8	1		19
	High	62	27	6		95
	Total	**73**	**46**	**17**	**1**	**137**

Table 2: From Conclusion to Continuation: Project Status and Anticipated Carryover (in crore Tk)

Agricultural Sector	Carry Over	Concluding	Continuing	Total
Project Cost (Total)	9269	21855	26035	57159
Cumulative Expenditure	5507	10486	3083	19077
Current Year Allocation	1286	2884	5969	10138
Gap Indicates Project to be Carried Over Further	**2476**	**8485**	**16983**	**27944**

Table 3: Maximum Possible Completion Rate of ADP Projects in AAS by FY25

Project Name	Project Timeline	Max Completion rate by FY26 (%)	Type of Project
Sustainable Coastal and Marine Fisheries Project (SCMFP) (1st Revised)	01/07/2018 - 30/06/2025	71.7	carry over
Flood Shelter Construction Project in Flood-Prone and River Erosion Areas (3rd Phase) (1st Revised)	01/01/2018 - 30/06/2025	92.3	carry over
Strengthening the production and storage of quality seed potatoes and their distribution at the farmer level (1st revised)	01/09/2019 - 30/06/2025	97.4	carry over
Expansion of irrigation in Greater Dinajpur and Joypurhat districts through surface water development (1st revised)	01/10/2020 - 31/12/2025	99.4	Concluding
Project for establishing two Agricultural Training Institutes (ATIs) in Jagannathpur and Mohanganj Upazilas	01/07/2021 - 30/06/2026	79.9	Concluding
Agricultural Development of Rajshahi Division through Expansion of Modern Technology (2nd Revised)	01/01/2020 - 30/06/2026	97.2	Concluding
Land Management Automation Project	01/07/2020 - 30/06/2026	48.2	Concluding
Integrated Livestock Development Project (2nd Revised) for the socio-economic and quality of life improvement of backward small ethnic groups living in the plains	01/07/2019 - 30/06/2026	91.2	Concluding
Sundarbans Protection Project (1st Revised)	01/01/2021 - 31/12/2025	96.8	Concluding
Teesta Irrigation Project Command Area Rehabilitation and Expansion Project	01/07/2021 - 31/12/2026	67.1	Continuing
Tissue Culture Laboratory cum Horticulture Center Establishment and Development Project	01/09/2023 - 30/06/2028	61.7	Continuing

- In BFY26, Tk 17,241 crore is allocated for agri subsidy, which is 1% higher than RBFY25
  - Agriculture subsidy **accounts for 37%** of the total AAS budget in FY26
  - However, subsidy utilisation stands at TK 24,935 crore in AFY24. It is not clear how lowering the amount of subsidy could help accommodate the additional cost
- In FY22 and FY23, utilisation has exceeded revised allocations due to a rise in input costs (e.g., fertiliser price)
  - While the prices of urea and TSP fertilisers had surged globally in July 2022, resulting in local price increases, global prices have since dropped by 52%, yet high fertiliser costs persist locally
- Farmers did not get the full benefit from subsidies. This highlights the need for improved oversight and subsidy management

Table 4: Subsidy in Agriculture (BDT crore)

Fiscal Year	Allocation	Revised	Utilised	Unutilised
FY19	9000	8070	7763	307
FY20	9001	8001	7175	826
FY21	9501	8599	7844	755
FY22	10099	12690	*15,888*	-3198
FY23	16527	*26,693*	26744	-51
FY24	*17533*	25644	24935	709
FY25	17261	17058		
FY26	17241			

Fiscal Measures Related to Agriculture Sector

Fiscal Measures Taken	Effect	Implication
Tax exemption on agricultural income up to ৳500,000	Positive for farmers	Will provide relief to the small and medium income farmers. However, e-TIN registration needs to be enhanced
Duty exemption on cold storage machinery (e.g., compressors)	Positive	Cheaper access to post-harvest preservation; reduces food loss
Reduction of duty on import of fruit bags	Positive	Promotes pest-free and quality fruit production; higher harvest price for farmers, particularly in export markets
Withdrawal of all import duties on raw materials for pesticides	Positive for producers, Negative for Environment	Drops in pesticide prices; promotes local manufacturing; However, will contribute to increased soil degradation and surface water pollution
Reduction of withholding tax on essential agri-goods (1% to 0.5%)	Positive	Farmers' profit margins are expected to increase, which will likely lead to a decrease in food prices
Reduction of tariffs on parts used in manufacturing combined harvesters	Positive	Boosts local agri-mechanisation and reduces the input costs of farmers

Agriculture

Alignment of Task Force Recommendations with Budget Speech Provisions

Task Force Recommendation	Relevant Budget Speech Provision	Level of Implementation
Redirect machinery subsidies to high-demand, high-return regions	General mention of agricultural mechanisation; no reform of subsidy allocation	**Not Implemented**
Promote specific technologies: AFP, mechanical reapers, solar irrigation	Mentions environment-friendly technologies but no specific allocations for AFP, reapers, or solar irrigation	**Not Implemented**
Promote crop diversification (away from rice) toward high-value crops	Speech focuses on "increasing production" but retains rice-centric allocations	**Not Implemented**
Promote AWD (Alternate Wetting and Drying) for water savings and methane reduction	Mentions sustainable irrigation and water-saving tech but no mention of AWD or pilot allocations	**Slightly Implemented**
Invest in cold chains, storage, logistics, processing zones	Budget mentions cold storage and agro-processing zone development but lacks dedicated capital allocations	**Partially Implemented**
Subsidy reform toward organic inputs; involve NGOs and farmer groups	Mentions plans to rationalise fertiliser/pesticide use and involve NGOs in organic fertiliser promotion	**Partially Implemented**
Support small/marginal farmers affected by climate events	Agricultural Rehabilitation Assistance programme provides inputs and cash incentives	**Implemented**
Enhance food security via storage, safe food, digital tools	Increase in buffer stocks, warehouse capacity, and rollout of 'Krishoker App', mobile labs, and food subsidies	**Implemented**
Tax and tariff reforms to support agricultural machinery and storage	Tariff reductions on parts for harvesters, cold storage equipment, and raw pesticide inputs; agri income tax-free up to Tk 5 lakh	**Implemented**

Employment Generation & Youth

Employment Generation & Youth

- The interim government is expected to prepare its budget with employment generation and youth as top priorities, since one of the key factors behind the July uprising was the previous regime's failure to create adequate employment opportunities for young people
- **At the moment, the interim government is facing an extended twofold crisis in the area of employment**
  - New job creation is limited due to a sharp drop in investment amid ongoing political uncertainty;
  - Existing jobs are at risk as businesses are experiencing difficulties due to rising costs, falling demand, & energy crisis;
  - **As such, the number of unemployed people rose by 70,000 compared to the third quarter, reaching 2.73 million in the fourth quarter of 2024 (October-December period)**
- Several ministries in Bangladesh are directly or indirectly involved in employment and related issues
  - These include MoLE, MoYS, MoE, MoI, MoEWOE, MoWCA, MoF, MoSW, MoLGRDC, and MoICT
  - This section focuses only on MoLE and MoYS, as the roles of other ministries are covered in their other sections
- In a positive move, the interim government has increased the total allocation both ministries that focus on youth and employment:
  - **MoYS received BDT 2,423 crore (53.2% higher than the RBFY25)**
  - **MoLE received BDT 438 crore (26.6% higher than RBFY25) (Figure A & B)**
- MoYS will receive its highest ever allocation in BFY26, both in terms of amount and budget share (0.307%)
- This increase is primarily driven by **the substantial funding for the World Bank-supported Economic Acceleration and Resilience for NEET project** (Figure C)

Employment Generation & Youth

Figure A: Allocation in MoYS (in BDT Crore)

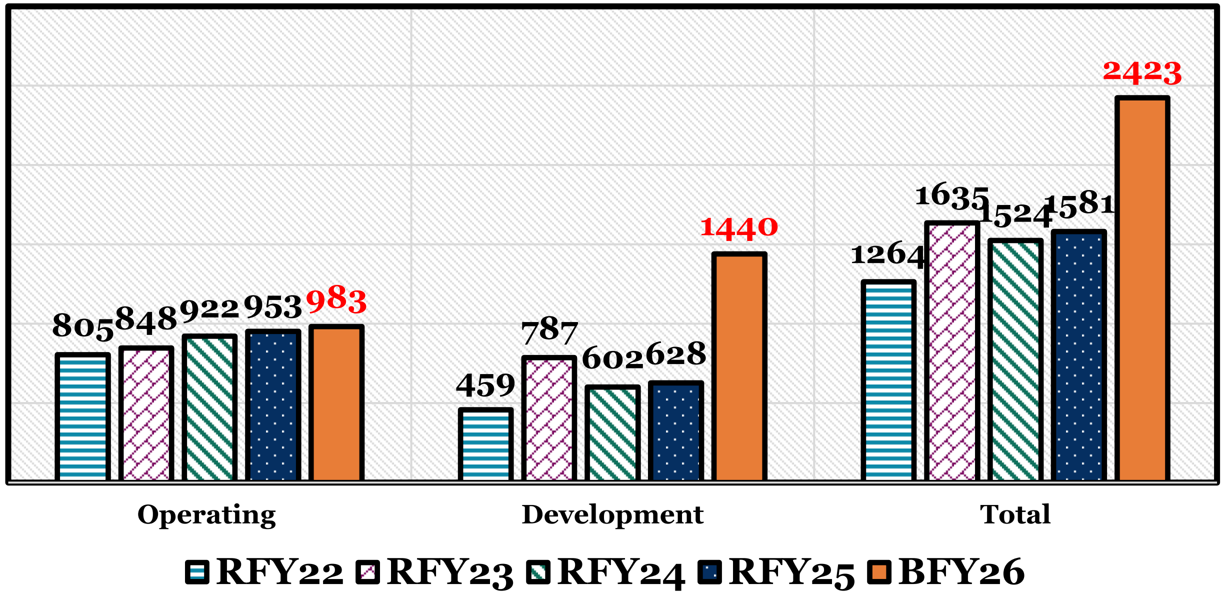


Figure B: Allocation in MoLE (in BDT Crore)

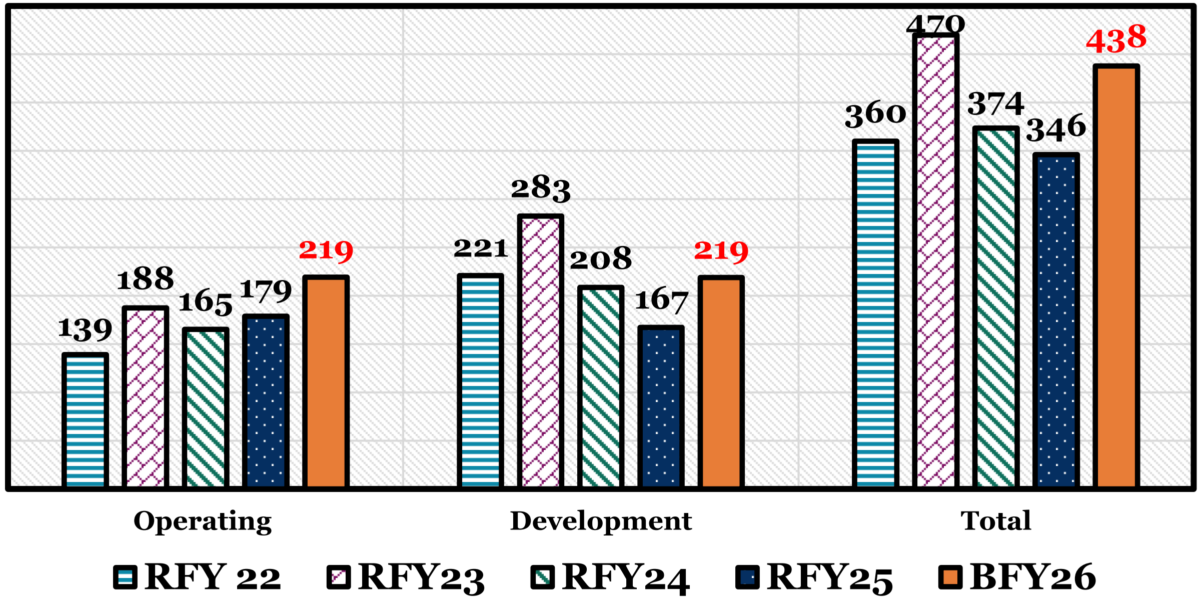


Figure C: Total Allocation in MoYS (in % of total budget)

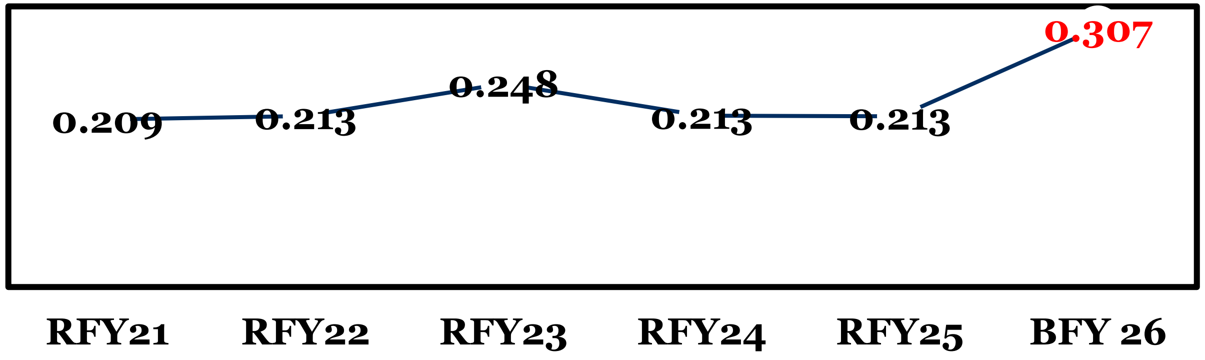
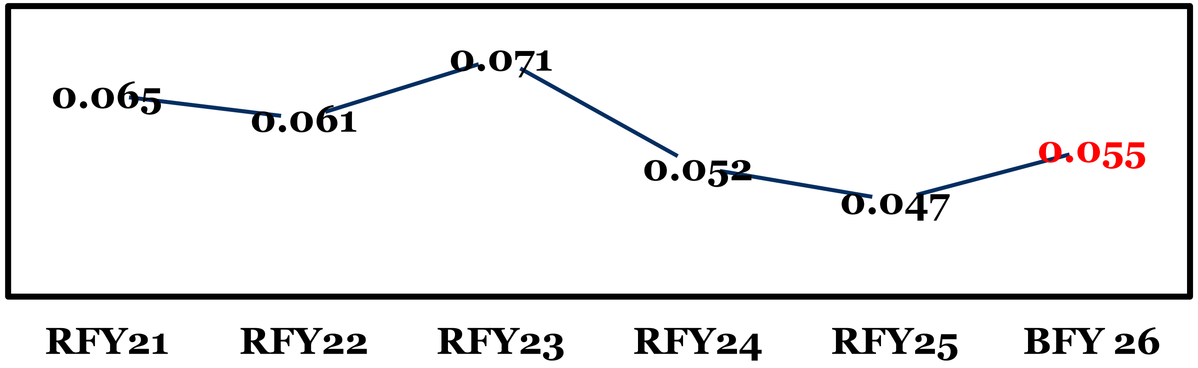


Figure D: Total Allocation in MoLE (% of total budget)



Source: MoF (for all the charts)

Table A: Max completion rate estimation (by FY26) for selected projects of MoLE and MoYS

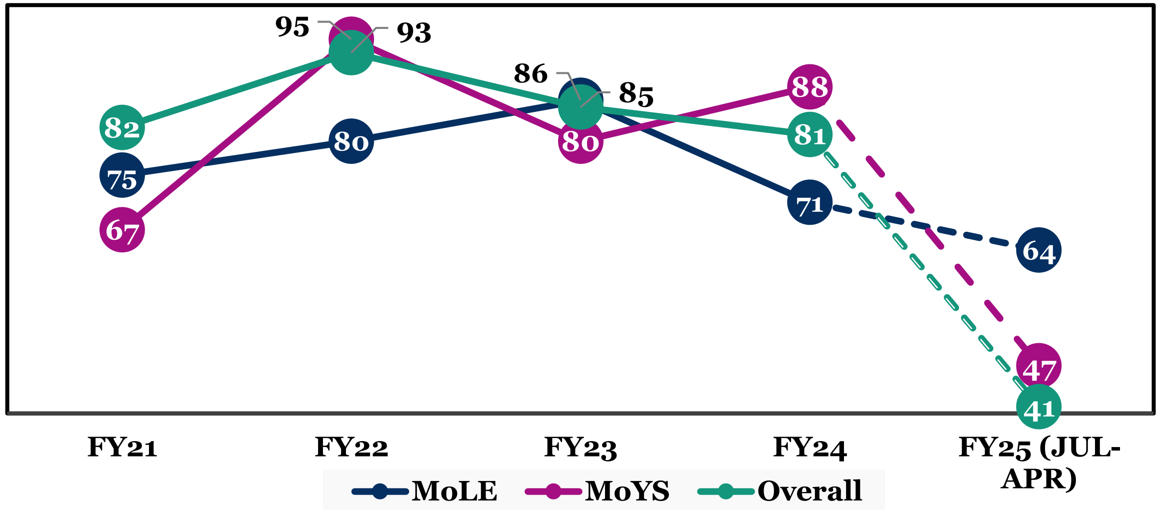
Project Name	Max Completion rate by FY26 (%)
Pilot Project on Accident Prevention at Work in Bangladesh (deadline: by FY24) [COP]	98.1
Modernisation and strengthening of the DIFE and establishment of 13 district offices (deadline: by FY25) [COP]	62.5
Upgrading Abdur Rab Serniyabat Stadium to international standards and development project of existing district swimming pool (deadline: by FY25) [COP]	99.9
Construction of Mini Stadium (Sheikh Russell Mini Stadium) at Upazila Level-2nd Phase (deadline: by FY25) [COP]	54.7
Further development of Sheikh Russell Mini Stadium in Shibchar Upazila of Madaripur District and Charfesson Upazila of Bhola District and construction of swimming pool in Gazipur District Sadar (1st revised) (deadline: by FY25) [COP]	77.1
Further development of Shaheed Ahsan Ullah Master Stadium in Gazipur district and Kazi Abul Kasem Stadium in Patuakhali district (deadline: by FY25) [COP]	100.0
Comprehensive Technology-Based Integrated Resource Management for Poverty Alleviation (Phase 3) Project (1st Revised) (deadline: by FY25) [COP]	78.5
Construction of indoor stadium including further development of Chandpur District Stadium and Swimming Pool and construction of indoor stadium and tennis court at Shariatpur District Headquarters (deadline: by FY25) [COP]	60.8
Project to transform backward youth into skilled industrial workers to increase industrial productivity (deadline: by FY26) [CP]	86.7
Ensuring a decent working environment in the Bangladesh Tannery Industry (deadline: by FY26) [CP]	99.6
Expansion and modernisation of training facilities of Central Human Resource Development Center, Savar, Dhaka. (deadline: by FY26) [CP]	99.5
Feasibility Study for New Projects of DYD (deadline: by FY26) [CP]	78.1
Life Skills Education in Youth Training Center and Strengthening of National Youth Platform (1st Revised) (deadline: by FY26) [CP]	67.7
Leaving No One Behind: Improving Skills and Economic Opportunities for the Women and Youth in Cox's Bazar, Bangladesh (deadline: by FY26) [CP]	72.5
Technology Empowerment Center on Wheels for Underprivileged Rural Young People of Bangladesh (TECHAB Phase 2) (1st Revised) (deadline: by FY26) [CP]	98.0
Progress of decent work in Bangladesh (deadline: by FY27) [CNP]	58.7
Munshi Arfan Ali-Yousef Labor and Employment Institute Establishment and Human Resource Development Project (deadline: by FY28) [CNP]	30.5
Modernisation of BKSP training facilities and development of physical infrastructure facilities. (deadline: by FY27) [CNP]	81.0
Capacity Building of the Department of Youth Development to provide Information Technology Training in 64 districts (Phase 2) (deadline: by FY27) [CNP]	82.9
Employment creation through freelancing training for educated job-seeking youth in 48 districts of the country (deadline: by FY27) [CNP]	51.9
Economic Acceleration and Resilience for NEET (deadline: by FY29) [CNP]	34.3
Further development of Narail Birshreshtha Noor Mohammad Stadium and Table Tennis Building and construction of Indoor Stadium and Volleyball Stadium (deadline: by FY27) [CNP]	28.4

[COP = Carry Over Projects] [CP = Concluding Projects] [CN = Continuing Projects]

Employment Generation & Youth

- Project-wise allocation of the ADP for two employment-related ministries **suggests** a disproportionately **high share of the budget to have been allocated to physical infrastructure** projects
  - The allocation percentages shows a priority on expanding and modernising employment and training related infrastructure and facilities (Table A)
  - In contrast, several projects focused directly on training and skill development received relatively lower funding
  - **Besides, a number of unapproved projects had the potential to create employment opportunities**
  - For example, project titled '*Working Environment and Social Protection for Workers in RMG and Leather Industries*' remained unapproved
  - **Despite being mentioned by the adviser in his speech, no fund has been allocated for a three-year training and self-employment project for July revolution-affected families**

Figure E: ADP implementation rate (%)



Source: IMED

- Some projects, such as Freelancing Training for Educated Youth, have received higher allocations but show no previous expenditure, suggesting delays at execution or planning level
- The data also reflects overall sluggish project implementation, with both MoLE and MoYS, **especially MoYS, likely to see further ADP rate declines in the end of FY25** (Figure E)
- While allocating BDT 100 crore in the budget for young entrepreneurs is commendable, **allocating another 100 crore for a youth festival lacks clear objectives, risks misuse of resources, and lacks a strong rationale**

Employment Generation & Youth

- Although most of the Labour Reform Commission (LRC) recommendations do not fall under budgetary or fiscal measures, **a total of 2 budgetary and 78 fiscal measures can be identified among the Commission's recommendations** (Table C).
  - While some recommendations are broad or intended for medium-to long-term implementation, others could have been more effectively reflected in the FY26 budget
  - For example, one of the fiscal recommendations from the LRC was to **include labour rights compliance as a key condition for granting tax waivers**
  - However, apart from continuation of **the tax waiver for recruiting third-gender and specially-abled workers, no other incentive linked to labour rights compliance has been observed for BFY26**

Table C: Recommendations by Labour Reform Commission

Recommendations Type	Number of Recommendations
Fiscal	2
Budgetary	78
Legal/Others	485

Source: Calculation from LRC report

Table D: Allocation for Labour Related Public Agencies

Entity	Change in BFY26 (Vis a vis RBFY25) and Size of Total Allocation
DIFE	+0.08% (BDT 148 crore)
DoL	+26.6% (125 crore)
MWB	+34.48% (2.4 crore)

Source: MoF

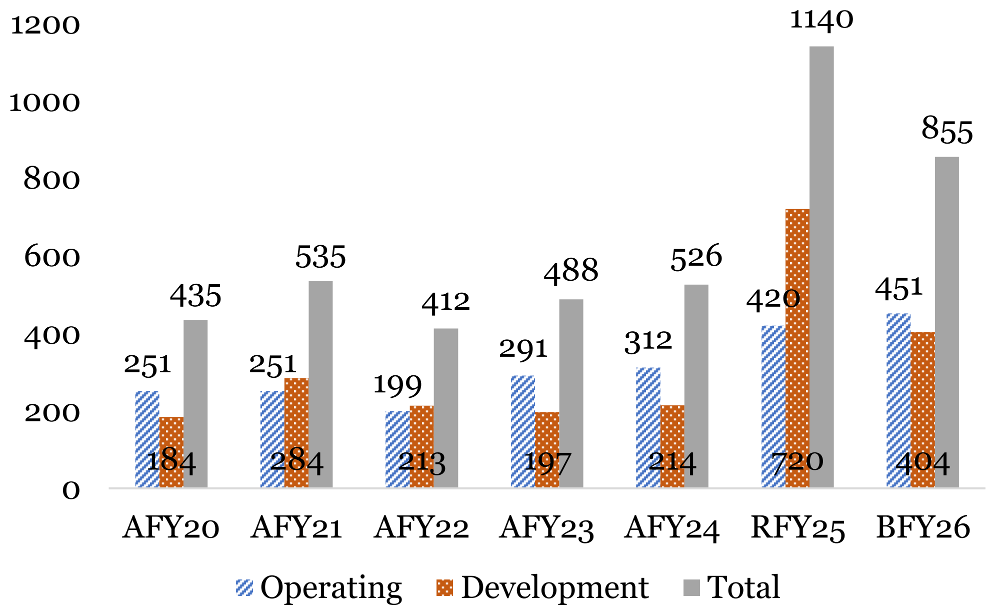
- Another key recommendation from the LRC was to strengthen **the capacity of public agencies responsible for monitoring labour rights**
- Although the compared to RBF25, the allocation for these entities (DIFE, DoL, MWB) have increased, **while considering the exact amount of the increase, no substantial change can be observed (Table D)**

Overseas Employment

Overseas Employment

- Ministry of Expatriates' Welfare and Overseas Employment's (MoEWOE) low budget allocation has been **reduced by 28%** from Tk 1140 crore in RBFY25 to Tk 855 crore in BFY26
- MoEWOE is projected to receive 10.8 paisa (out of Tk. 100) in FY26, a decrease from the 15.3 paisa (out of Tk 100) received in FY25 (Tab 1)
- The development budget has seen a substantial decrease—from Tk 720 crore to Tk 404 crore (44%)
  - "Forty TTC establishment project" has faced a budget cut, resulting a nearly 44% reduction in the allocation of development budget
  - Traditionally, MoEWOE fails to implement development budget properly, and the same is expected to continue in BFY26
  - Allocation in BFY26, though small, would not benefit unless their capacity is increased

Allocation to MoEWOE



Proportion of MoEWOE in Total Budget from FY24-FY25

FY	Budget for MoEWOE	Total Budget	Proportion
RBFY24	707	761785	**9 Paisa**
RBFY25	1140	743999	**15.3 Paisa**
BFY26	855	789999	**10.8 Paisa**

Overseas Employment

- ❑Allocation for TTCs has increased 4.5% in FY26 compared to RBFY25 (Tk 221 crore)- on average, Tk 2.23 crore for each TTC
  - ➢ However, TTCs often fail to utilise its allocated budget
- ❑Allocation for "machinery and equipment" has reduced (57%) in FY26 to Tk 108 crore from RBFY25, which affects the quality of training at TTCs
- ❑The budget speech did not put emphasis on the need for migrant workers except those of "Caregivers"
- ❑Despite allocations for foreign labour offices, migrant workers remain disappointed with consulate services in handling complaints, legal aid, and workplace inspections, etc.

Tab 1: Budget Allocation of TTC, DEMO, IMT and Machinery Purchase (in crore Tk)

Fiscal Year	District Employment & Manpower Office (DEMO)	Technical Training Centre (TTC)	Institute of Marine Technology (IMT)	Machinery & equipment	MoEWOE Budget
AFY24	20.9	148.3	11.8		1018
BFY25	31.1	240.2	17.3	296.1	1217.24
RBFY25	26.4	221.6	14.8	251.8	1140
BFY26	28.6	231.6	14.5	108.0	855

Independent Review of iRBD Bangladesh's Development

Overseas Employment

- Concerns persist over TTC "carryover projects", with the 40 TTC Establishment Project ongoing since 2016
- The proposal for 50 more TTCs warrants critical review, especially with 104 existing TTCs already underperforming
  - There is a need for a thorough evaluation before further expansion
- The ADP project on 'Driving' aims to create jobs at home and abroad, but it hampers TTC's regular "driving trade" as teachers are more interested in taking classes in ADP based trade
- Driving training should solely focus foreign-based employment creation

ADP Project Completion Status of MoEWOE

Project Name	Max Completion rate by FY26 (%)	Type of Project
Establishment of 40 Technical Training Centres in 40 Upazilas and 1 Institute of Marine Technology in Chattogram (2nd Revised) (01-01-2016 to 30-06-2025)	94.7	Carry Over
Driving Training for Employment at Home and Abroad (1st Revised) (01-01-2020 to 31-12-2026)	74.2	Continuing
Establishment of 50 Technical Training Centres at the Upazila Level (01-07-2023 to 31-03-2028)	7.5	Continuing
Project to Support Employment Creation in the Informal Sector for the Reintegration of Returnee Migrant Workers (01-07-2021 to 30-06-2025)	32.5	Carry Over
Reintegration for Migrant Workers: Enhancing Policies, Capacities and Systems for Inclusive and Sustainable Reintegration (01-07-2023 to 31-12-2026)	55.9	Continuing
Reducing Irregular Migration and Supporting Returnees in Bangladesh (01-04-2024 to 31-03-2026)	46.6	Concluding
Strengthened Service Delivery System for Improved Migration Management and Sustainable Reintegration (01-07-2024 to 30-06-2028)	25.0	Continuing
Promoting Diaspora Investment and Optimal Use of Remittances (1st Revised) (01-01-2021 to 31-12-2025)	53.1	Concluding

Small and Medium Enterprises (SMEs)

SMEs

- ❑ Activities related to the SME sector falls under different ministries, but Ministry of Industries (MoI) is specifically responsible for the growth of the sector.
- ❑ In BFY26 the total allocation is BDT 1891 crore.
  - ➢ The allocation has been increased by 26% from RBFY25, (still **25% lower than RBFY24 allocation)**
- ❑ In BFY26 the total allocation to MoI is 0.24% of the total budget.
  - ➢ Despite recent increase, the share of allocation is at the end of a long **declining trend**. (Figure: A)
  - ➢ Allocation in the last two years is very low compared to the previous trend until RBFY24
- ❑ Given the macroeconomic situation and inflationary pressure, reduced allocation **will put pressure** on the SMEs, which employ around 24 million people of the country and contributes 28% of the country's GDP.

Figure A: Allocation in MoI (in BDT Crore)

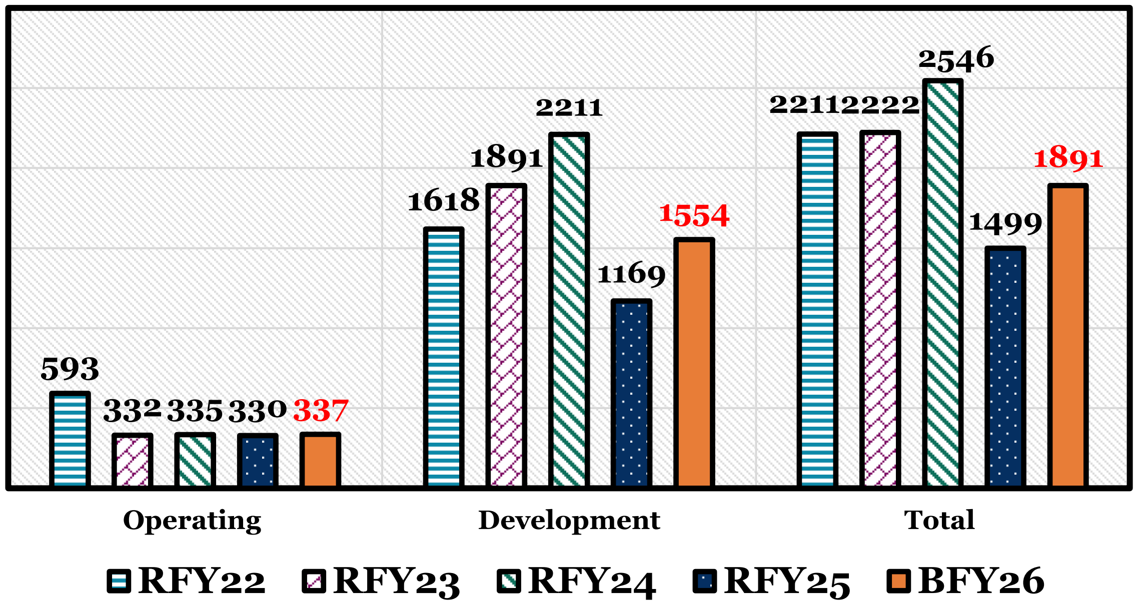
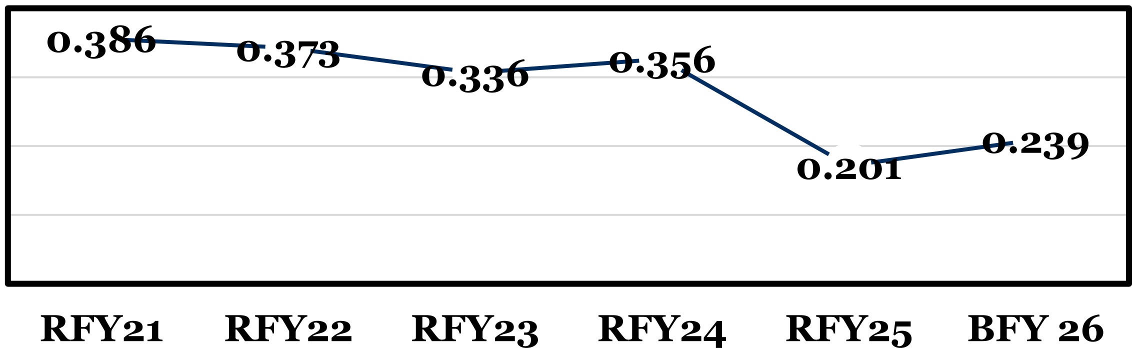


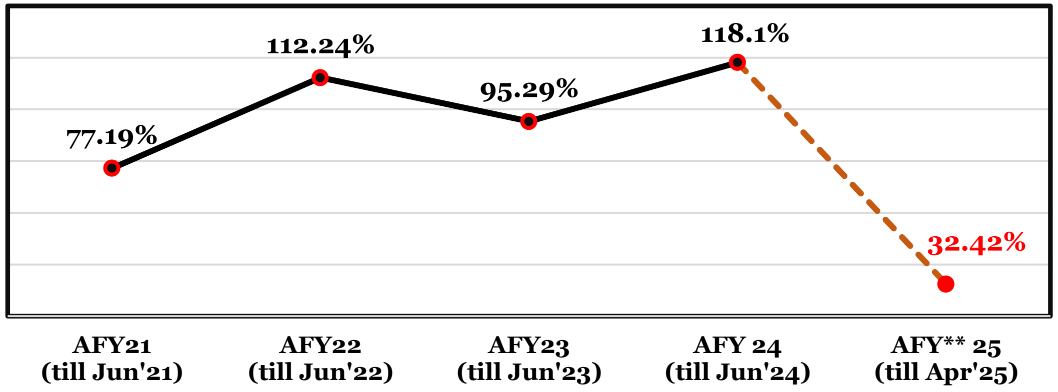
Figure B: Total Allocation in MoI (in % of total budget)



Source: MoF

- Though ADP project implementation rate of MoI has been improving over the years, in AFY25 *(till April)* it is only 32.4%.
  - It is less likely to retain this momentum till the end.
  - There should be more focus on improving implementation efficiency as well as allocation amount.

Figure C: ADP Implementation Rate (in % of total budget)



Source: IMED monthly report

- As development projects in SMEs are crucial for employment generation, **those requiring small additional allocations** *(marked red in table A)* for completion should have been provided and concluded. *(Eight (8)* Industrial Cities and Bangladesh Handloom Board required *6.5% and 1.8% of their ADP allocation FY26 respectively).*
- Three ADP projects related to the SME are listed as carry over. Two of those have high completion rate but these projects should have been completed within this year. Also, six projects are concluding projects but has low completion rate. These projects will be carried over in the next fiscal year.
- Completion of comparatively larger projects like **BSCIC Chemical Industrial Park, Munshiganj** should be prioritised. Projects like **BSCIC Food Processing Industrial Park, Thakurgaon**, which are important projects in the respective region should also be prioritised to complete within the deadline.

Table A: ADP Projects Related to SME BFY26

(In lakh taka)

Project Name	Project cost	Allocation FY26	Max Completion rate by FY26 (%)	Allocation Needed	Type of Project
BSCIC Industrial Park, Tangail (2ndRevised) (01/07/2015 - 30/06/2025),	34,547	4,540	94.1	2,049	carry over
Provision of working capital and modernisation of looms for the improvement of socio-economic conditions of weavers (1st revised) (01/03/2019 - 30/06/2025)	15,800	339	100.0	1	carry over
BSCIC Plastic Industrial City (3rdRevised) (01/07/2015 - 31/12/2025),	50,900	8,800	64.7	17,975	Concluding Project
BSCIC Chemical Industrial Park, Munshiganj (2nd Revised) (01/07/2018 - 31/12/2025),	145,480	20,000	82.1	26,097	Concluding Project
Repair and Reconstruction of 8 Industrial Cities of BSCIC (2nd Revised) (01/01/2020 - 31/12/2025),	8,142	2,360	99.5	44	Concluding Project
BSCIC Food Processing Industrial Park, Thakurgaon (1st Revised) (01/07/2021 - 30/06/2026)	11,673	2,000	58.5	4,844	Concluding Project
Establishment of 5 training centres, 1 fashion design institute and 2 market promotion centers in 5 basic center sunder Bangladesh Handloom Board (2nd revised) (01/07/2018 - 30/06/2026)	13,026	2,049	99.0	135	Concluding Project
Establishment of Jamdani Village (01/07/2023 - 30/06/2026)	3,250	500	33.1	2,173	Concluding Project
Restoration of Muslin Yarn Making Technology and Muslin Cloth, the Golden Heritage of Bangladesh (Phase 2) (01/07/2024 - 30/06/2027)	1,850	520	36.2	1,180	Continuing Project
BSCIC Printing Industrial City Establishment (2nd Revised) (01/07/2015 - 30/06/2027),	44,818	11,000	72.7	12,222	Continuing Project
Total Allocation in the mentioned projects	**329,486**	**52,108**	-	**66,720**	-

Source: *Annual Development Program for the fiscal year 2025-26. Sector: Industry and Economic Services*

- Changes in duties, tax, and VAT has varied impact on SMEs as businesses in the sector are varied. The measures should have considered the need of different SMEs.

Table B

Measures Taken	**Effect**	**How SME Sectors Are Influenced**
Duty reduction on imported parts for combined harvester production	Negative, and Positive	Benefits **import-based agro-machinery businesses.** Duty relief in imported agro-machinery hurts local manufacturers who face unfair competition due to cheaper imports.
Duty relief on equipment for cold storage	Positive	Encourages **food processing SMEs** by making cold storage more affordable, supporting better storage and reduced wastage
Duty reduction on Kaolin clay, limestone, tissue paper chemicals, packaging materials, brake pad inputs, chemicals used in small and medium tannery)	Positive	This will lower input costs for **printing, packaging, ceramics, small and medium tanneries, and brake pad producers**, boosting **local manufacturing SMEs**
VAT increase on commissions from online sales (from 5% to 15%)	Negative	As financial pressure is already impeding growth of the SMEs, this will raise **operational costs** for **e-commerce SMEs** due to higher platform fees, reducing competitiveness and profit margins
VAT increase on essential tools (blades, screws, wire cutters, bolts, nuts, electrical fittings, etc.) from 5% to 7.5%	Negative	Increases **production cost** for **light engineering, electrical goods**, and **construction-related SMEs**, potentially leading to price hikes or reduced profits
Increase in excise duty exemption threshold (from Tk 1 lakh to Tk 3 lakh)	Positive	Eases **financial burden** on **micro and small enterprises**, enabling them to keep more money in banking channel without incurring excise duty

Source: Budget speech

CPD appreciates the reflection of SME-specific recommendations of the Labour Reform Commission in the FY25-26 budget.

Table C: Recommendations from the Labour Reform Commission and reflection in the budget

Reform Commission Recommendations	Measures/Plans Taken	Reflection in the Budget
Introduce single registration; establishing long-term structures for micro/small enterprises	Plan to build a central CMSME entrepreneur database	Partially reflected (Database is a step towards formalisation, but no single registration system yet)
Target CMSMEs for employment, GDP share, and resource allocation	National target to create 15,000 entrepreneurs and disburse **BDT 1,000 crore loans to 10,000 CMSMEs**	Partially reflected (Numerical goals set, but no explicit national CMSME GDP target yet)
Prioritise women and backward communities in cluster-based initiatives	• Lending institutions have been instructed to increase the loan of women entrepreneurs in their loan portfolio to at least 15% and women entrepreneurs to receive 1% incentive for timely repayment. • Plan to connect 3,000 women to corporate buyers • 10,455 women have been trained through Joyeeta Foundation.	**Reflected**
Training in finance, design, marketing, branding, etc.	• 25,000 to receive skills and technical training. • Services being provided through incubation centre support.	**Reflected**
Special projects and subsidies to support traditional/home-based industries	• Joyeeta Foundation provided capacity building for women. • Cluster mapping and demand assessments are being updated.	Partially reflected (Some support through projects, but no specific subsidies noted)
Boost credit flow by refinancing and faster bank processes	• BDT 1,000 crore to 10,000 CMSMEs; • **30,000 crore refinance scheme** launched o help women obtain loans; • Minimum 15% loan allocation for women; • Low-interest loans to support marginal entrepreneurs, of which at least 23% for women.	**Reflected**
Expand product access through improved packaging, marketing, market research, business expansion, branding, etc.	• Organise SME product fairs at district level; • Set up display and sales centres in divisional cities; • Connect 3,000 women entrepreneurs with corporate buyers digitally.	**Reflected**

Source*: Reform Commission Report & Budget speech*

Power

Power

- Power and Energy Division has received an allocation of **BDT 22,520 crore in FY26 (2.9% of total national budget)**
  - This Power and Energy Division budget is **decreased by 0.8% from RBFY25 (3.1%)**
- In FY26, Power Division has received an allocation of **BDT 20,342 crore (2.6% of the total national budget)**
- This power division budget is **decreased by 6.1% from RBFY25 (2.9%)**

Fig 6.8.1. Allocation for Power and Energy (Crore Tk)

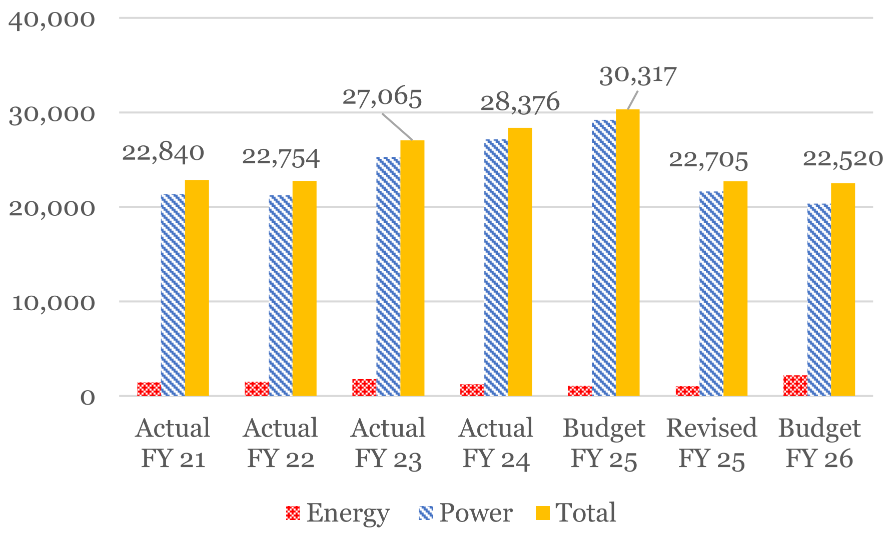
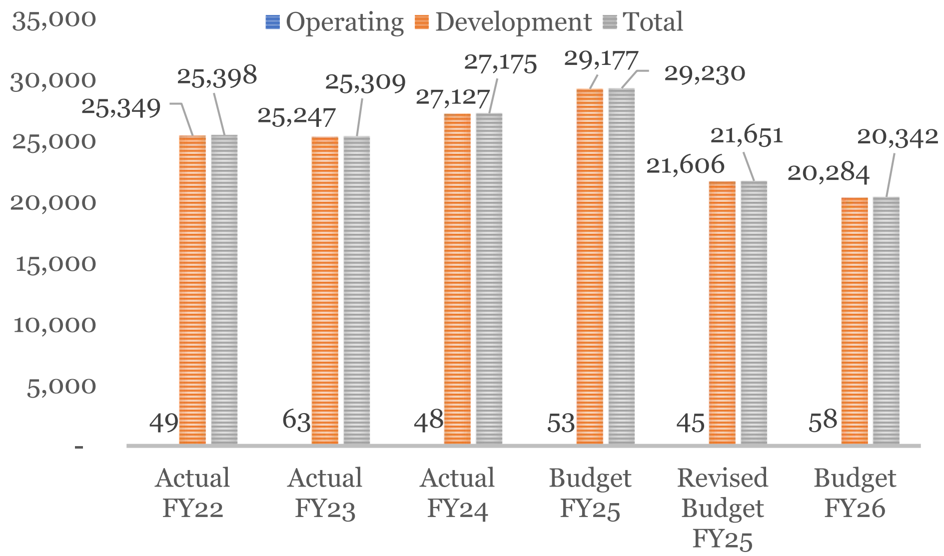


Fig. 6.8.2 Allocation for Power Division (Crore Tk)



Source: Budget in Brief, MoF

- In FY26 the Power Division will receive a **higher allocation** under the **operating budget (30%)** due to **increased recurrent expenditure** on services, honorariums, project transfers, and reserves
  - A comparative **reduced allocation (6%)** is also observed in **development budget** compared to the revised FY25
  - In FY26, total number of **power development projects** has been decreased to **40 from 53**
- In FY26 overall ADP allocation in **distribution** has been **gradually increased from 25% to 31%)** Figure 6.8.4
- GoB's allocation for the ADP FY26 in the power sector **dropped by 3.2%**, with **foreign project aid falling by 8.8%** compared to **RADP FY25**
  - In fact, there is a **drastic reduction of foreign aid (16%) in power distribution sector**
  - However, nearly **1% decrease in transmission** and **18% increase in generation** has also been observed

Fig. 6.8.3 Change in Allocation (%)

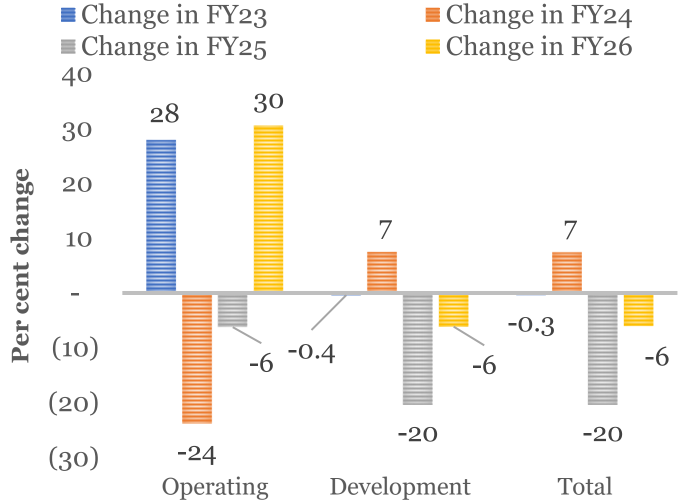
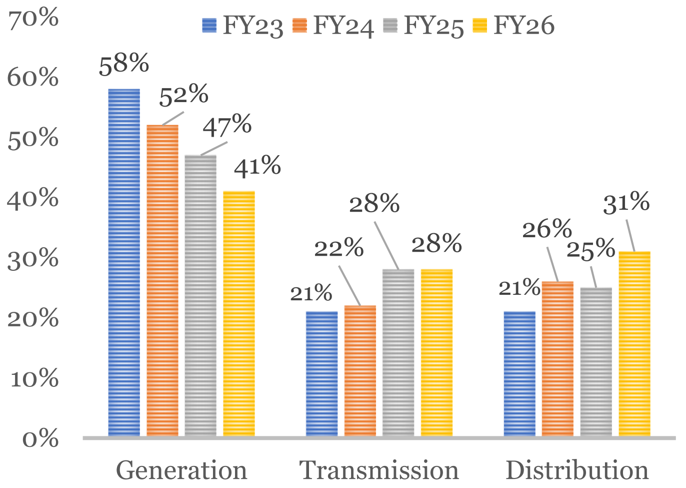


Fig. 6.8.4 Share of generation, transmission



Source: Budget in Brief, MoF

Power

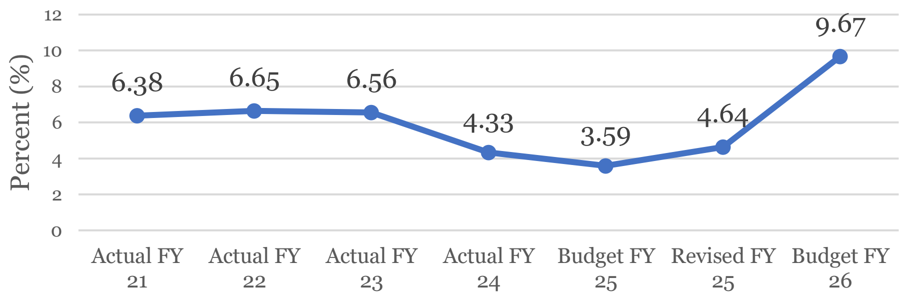
- The **historical trend of prioritising generation over transmission** and distribution has been maintained in this budget as well.
  - Such continuation is **unacceptable given the overcapacity challenges and much-needed grid upgradation** in power sector
- CPD expresses concerns regarding the bare minimum allocation for one RE generation and one RE distribution project
  - About **463 MW renewable power generation (5) and power evacuation (1) projects remained unapproved** and didn't receive any allocation in FY26
  - **Substantial allocation** is required to achieve 20% in 2030 and 30% in 2041 from RE whereas now have only **5%** share from RE
- Such deprioritisation of RE in the national budget **does not align with the vision of Zero Carbon- emission** will **reverse progress in the energy transition**
- FY26 allocates **Tk 37,000 crore as power subsidies**, while **FY25's revised amount rose to Tk 62,000 crore**
  - However, **no clear mechanism** has been outlined to **manage or sustain** this subsidy reduction
- CPD's recommendations to ensure **institutional and financial transparency and accountability—through reviewing the Power Purchase Agreements (PPAs) and conducting energy audits of power generation companies—have been reflected in the budget speech**
  - Such operational measures are highly appreciated, as they will aid financial disclosure within the power sector.

Energy

Energy

- In FY26, the Energy Sector has received an allocation of **Tk. 2,178 crore** (increased by **107% from RBFY25**)
  - This allocation is **9.67%** of the Power and Energy Sector (increased from **4.64% in RBFY25**) (Figure 1)
  - Even though the operating budget increased by only **8.24%**, **development budget increased by a staggering 115.5%**

Figure 1: Share of Energy in Power and Energy Budget(%)



Source: Budget in Brief, MoF

- The hike in the development budget is mainly because of the increased GoB contribution and **project aid (65.35%)**
  - CPD appreciates the increased allocation for drilling gas production wells **(Tk. 1098 crore),** prepaid gas metering **(Tk. 920 crore),** and exploration surveys **(Tk. 268 crore)** helping energy security and efficiency

Figure 2: Allocation for Energy (Crore Taka)

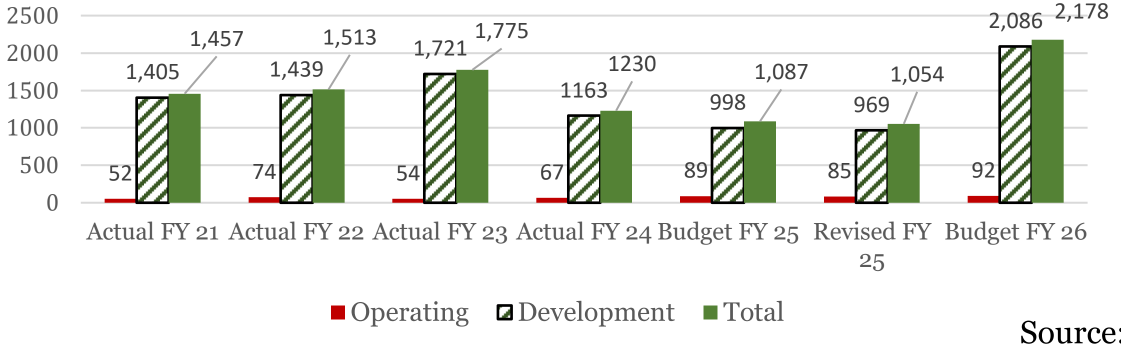
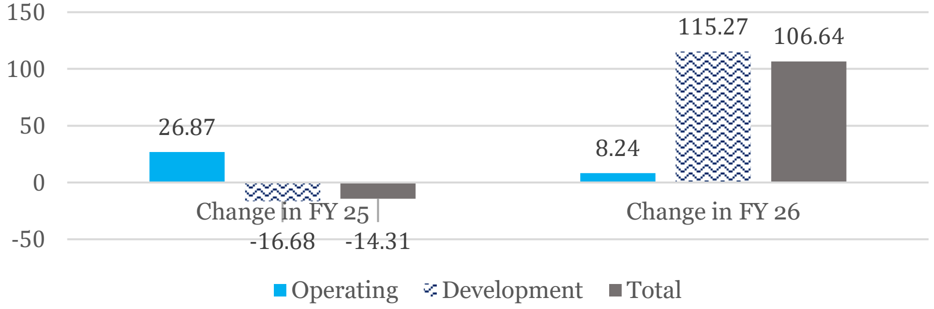


Figure 3: Change in Allocation (%)

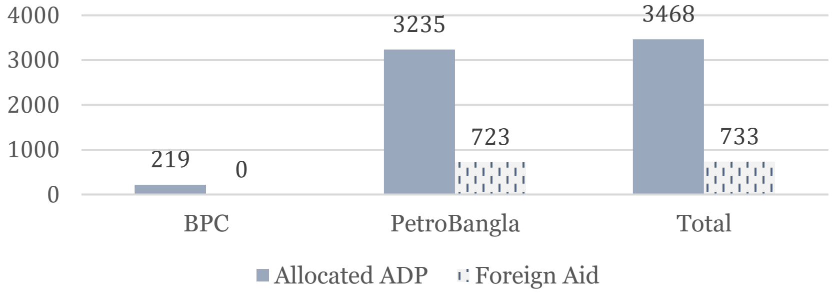


Source: Budget in Brief, MoF

Energy

- In FY26, Petrobangla has ADP allocation of **Tk 3,235 crore** and BPC self-funded **Tk 219 crore** of ADP
  - Foreign aid comprises **36.3%** of the total allocation of Petrobangla
  - Construction of office buildings comprises **76.1%** of BPC's self-funded ADP allocation
- The ADP allocation of the energy division has **increased by 115.5%**
  - However, the number of total projects decreased to **30 from 35**
- The government has proposed to set the source tax for the companies involved in oil refinery **activities at 1.5% from 2% considering the potential profit**
  - *Such incentives will hinder the market- based pricing mechanism for fuel oil*
- For gas distribution companies, rate of tax deducted at source has been reduced from **2% to 0.6%**
- **Tk 9,000 crore** has been allocated as subsidy in FY26 for LNG import , increased from **Tk 6,000 crore** in FY25 which is concerning
  - It is more than the total export sector
  - Proposed VAT exemption in the LNG at import stage **will further slow down the pace of domestic gas exploration and hinder decarbonisation through renewable energy transition**
  - Rather than enhancing LNG import, **the fund should be allocated to domestic gas exploration**
- CPD expresses its concerns for the overemphasis given to fossil fuel reliance specially with increased coal extraction and LNG imports—contrasting recommendations for phasing out domestic coal and reducing LNG dependency

Figure 4: Share of Foreign Aid in ADP Allocation (Crore Taka)



Source: Author's compilation from ADP FY26

Climate Change and Environment

Climate Change and Environment

❑ Key Highlights

- BDT 41,209 crore (10.07% of total budget) allocated to climate-relevant sectors — ↓1.94% from FY25.
- Climate budget share of GDP and total budget continues to decline since FY24.
- Development budget utilisation has stagnated at ~85% since FY21.
- Climate-focused SSNPs dropped to BDT 7,274 crore (**6.23% of SSNPs**) from BDT 17,392 crore (**17.02% of total SSNPs)** in FY25.

❑ CPD Recommendations

- Reverse the decline in climate-related allocations; align with national and global commitments.
- Strengthen implementation capacity in Ministries/Divisions.
- Scale up best practices from high-performing climate projects.
- Boost renewable energy investment in ADP: focus on infrastructure, R&D, and innovation.
- Restore and expand climate-focused SSNPs to support adaptation and resilience.

Climate Change and Environment

❑ Overall Allocation

- ➢ BDT 41,208.97 crore (10.07% of BDT 409,299.69 crore) is **climate-relevant**
- ➢ Reflects long-term growth in climate-related budgeting

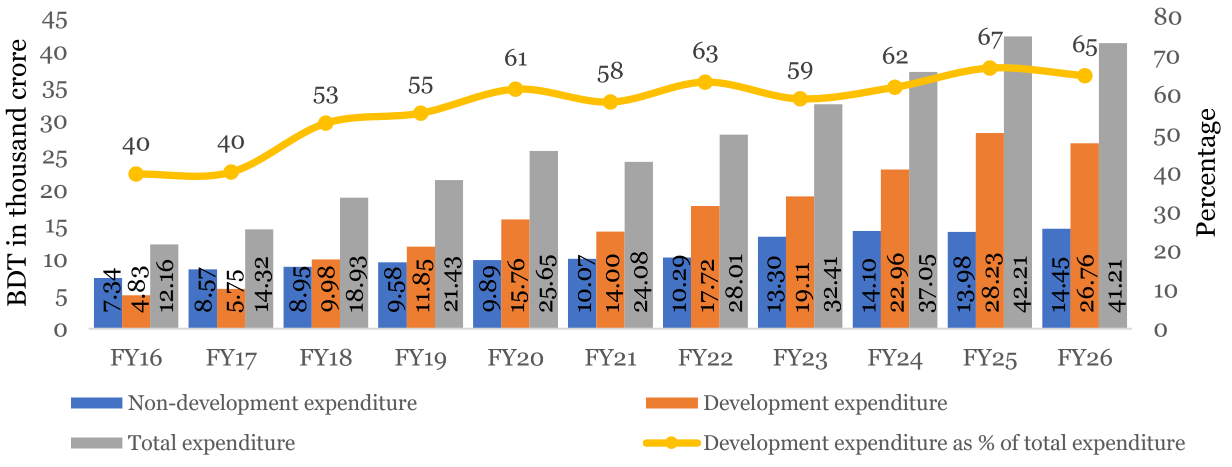
❑ Recent Decline

- ➢ ↓1.94% from FY25 proposed climate allocation (10.09%)
- ➢ Sectoral share in total budget and GDP has stagnated

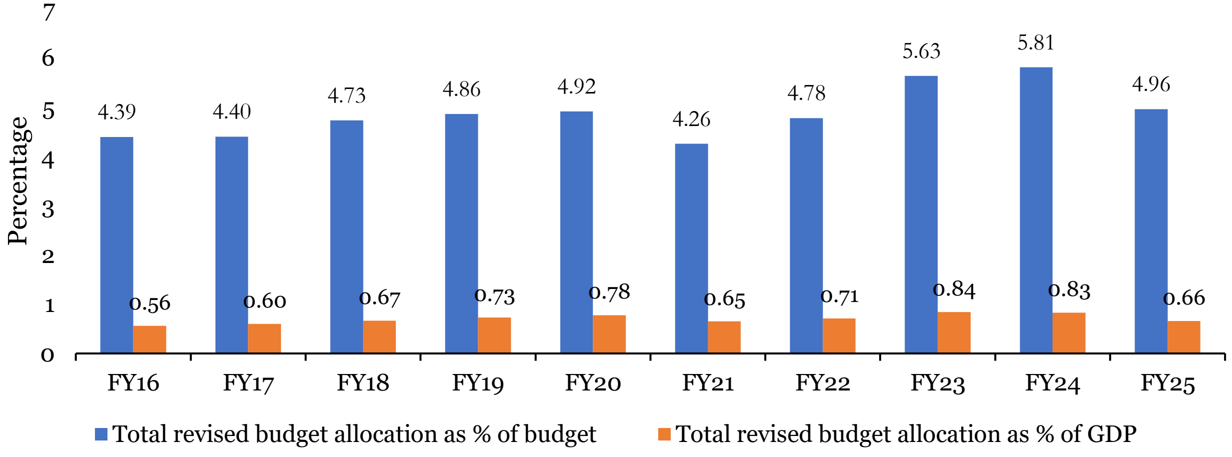
❑ Revised Budget Trends

- ➢ Climate share in total budget:↓ 5.81% (FY24) → 4.96% (FY25)
- ➢ Climate share in GDP:↓ 0.83% (FY24) → 0.66% (FY25)

Budget allocation for climate change

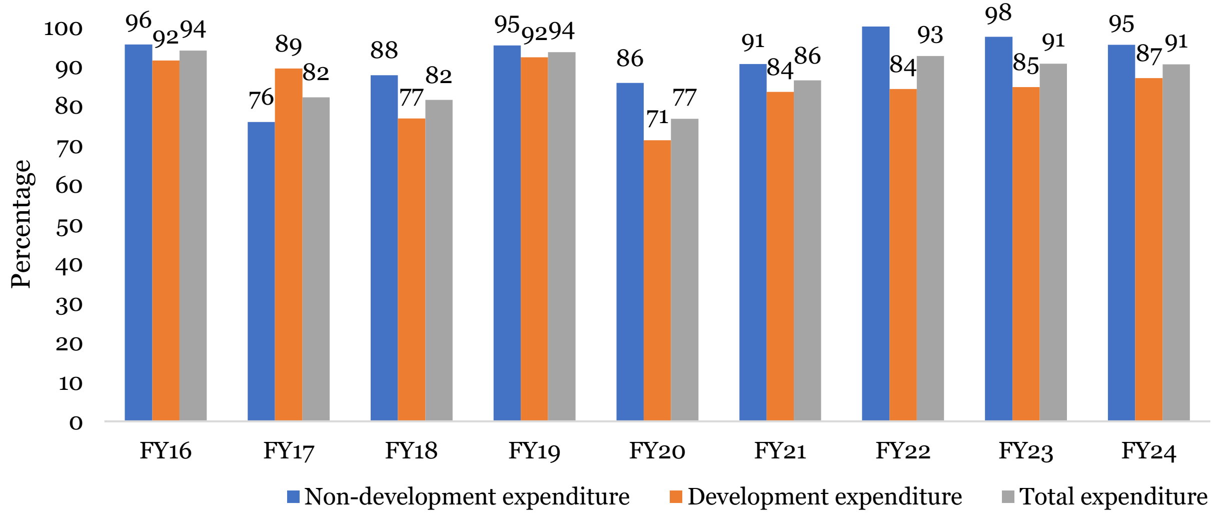


Sectoral allocation as share of total budget and GDP

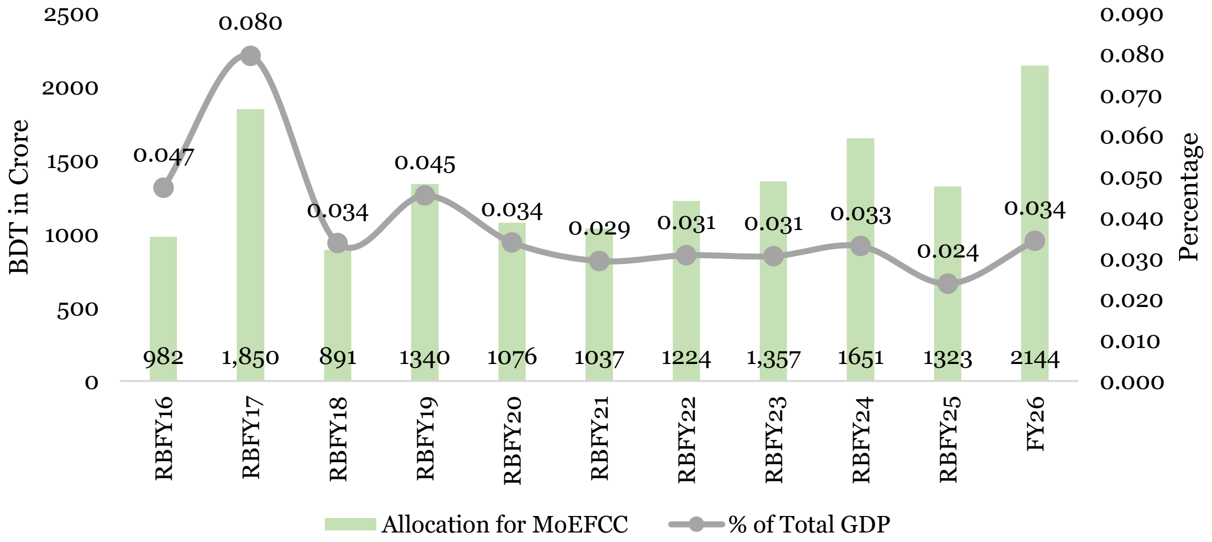


Climate Change and Environment

- **Strong Overall Performance**
  - Utilisation rate: 93% in FY23
  - 91% in FY24 (25 Ministries/Divisions)
- **Development Budget Utilisation**
  - ↑ to 87% in FY24 (from 85% in FY23)
  - But stagnant around 85% since FY21
- **Recommendation**
  - Boost implementation capacity in key ministries and divisions to scale up development budget use amid rising climate risks

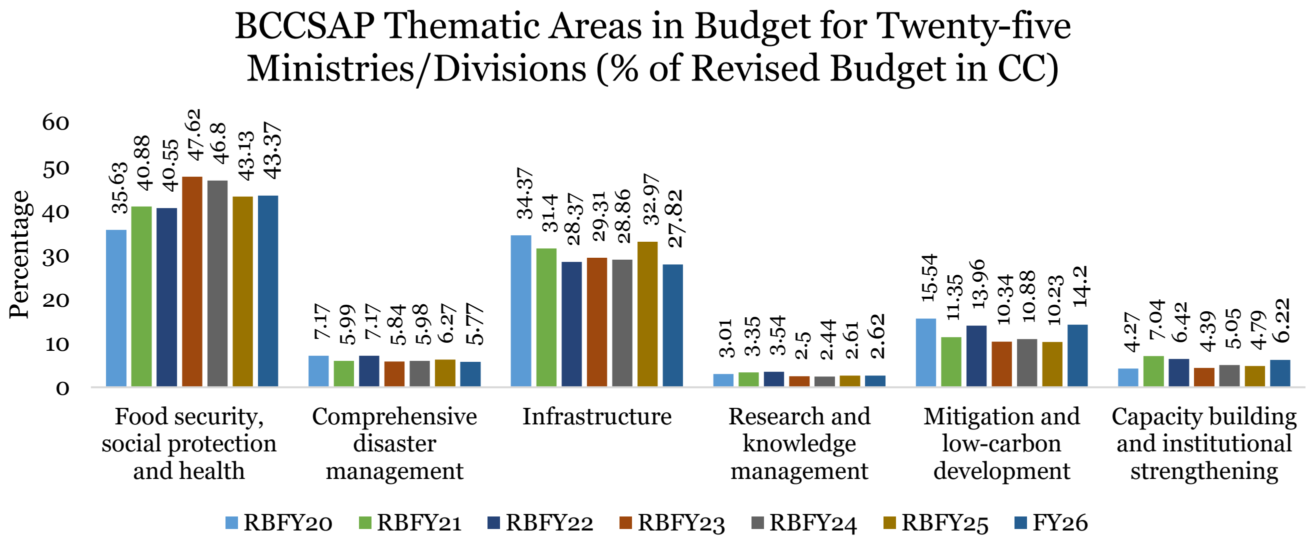


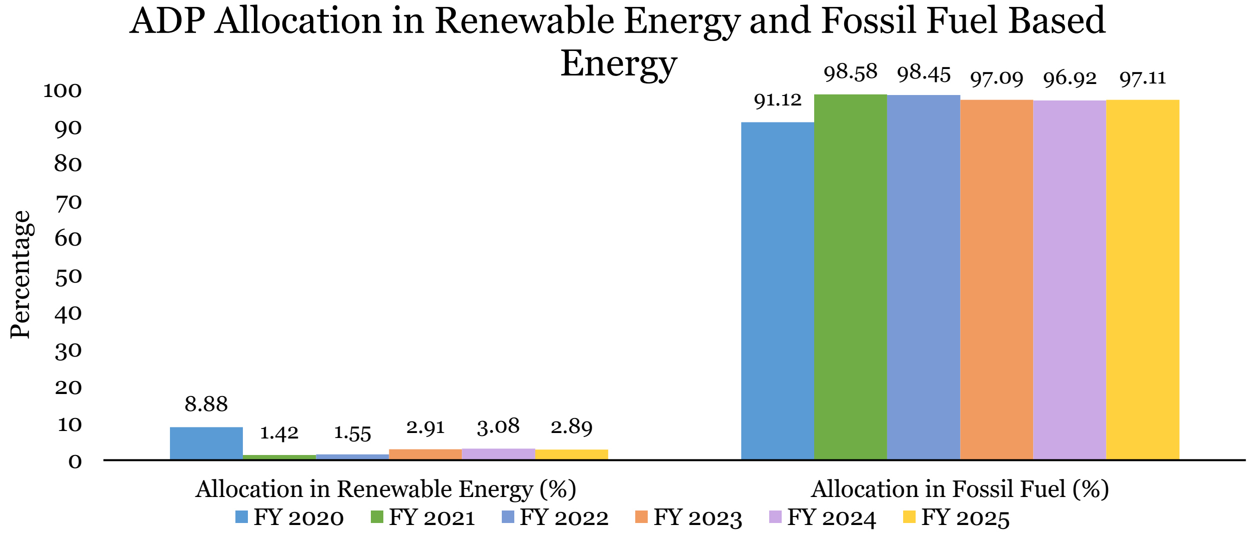
- **Allocation Growth**
  - ↑ to 0.27% of total budget (from 0.18% in FY25)
  - BDT 167.43 crore allocated for climate risk management→ 10.87% increase from FY25
- **Gap vs. National Targets**
  - MoEFCC's share of GDP: 0.034% in FY26, far below the 0.5% target by 2041 (Perspective Plan)



Climate Change and Environment

- **Bangladesh Climate Change Strategy and Action Plan (BCCSAP) Thematic Areas**
  - **14.2%** allocated to mitigation and low-carbon development
  - Only **5.77%** allocated to comprehensive disaster management
- **Renewable Energy in ADP**
  - Declining Focus
    - Only 2.89% of energy sector ADP allocation goes to renewables (FY26)
    - Trend shows consistent decline over recent years
- **Recommendation**
  - Increase renewable energy share in ADP to meet emission reduction targets in the energy sector





Climate Focused Social Safety Net Programme (SSNP)

- The number of climate-focused SSNPs and their allocation decreased significantly in FY26
  - In FY26, the climate-relevant allocation was BDT 7273.56 crore, which was 6.23% of the total SSNP allocation.
  - In RBFY25, climate-relevant allocation for SSNP was BDT 17391.93 crore, or 17.02% of the total SSNP allocation.

Programme Name	Implementing Agency	Allocation in RBFY24 (BDT Crore)	Allocation in RBFY25 (BDT Crore)	Allocation in FY26 (BDT Crore)
Enhancing Adaptive Capacities of Coastal Communities, especially Women, to Cope with Climate Change Induced Salinity	MoSW	47.9	68.5	32.56
VGF Program	MoDMR	1101.93	1175.77	1224.7
Relief Operation–General	MoDMR	2250.96	2299.72	2333.84
Food for Work (FFW)	MoDMR	950.01	1019.38	928.41
Char Development and Settlement Project (Social Security Part)	MoWR	191.82	33.01	
Employment Generation Program for the Poorest (EGPP)	MoDMR	1500	1504.5	1650.63
Employment Generation Program for the Poorest Plus (EGPP+)	MoDMR	280	163	100
Relief Activities	MoDMR	66.29	80.12	85
Relief Operation– Rehabilitation	MoDMR	65	70.1	70
Relief Operation– Rehabilitation (House Grant)	MoDMR	27.5	28	28
Construction of Flood Shelter in the Flood Affected and River Prone Area	MoDMR	180	110	200
The Disaster Risk Management Enhancement Project	MoDMR	130	111.53	
Bangladesh Environmental Sustainability and Transformation (BEST) Project	MoEFCC	539.6	793.11	
Special Grant for the Development of Char, Haor and Backward Areas	Finance Division	50	50	50

❑ Climate Focused Social Safety Net Programmes (SSNPs)

Programme Name	Implementing Agency	Allocation in RBFY24 (BDT Crore)	Allocation in RBFY25 (BDT Crore)	Allocation in FY26 (BDT Crore)
Fund for Disaster Affected Marginal Farmer and Poultry Farm Owner	Ministry of Food	50	50	
Fund for Mitigating Impacts of Economic and Natural Disaster13	Ministry of Food	1000	8000	
Expansion of Irrigation in Greater Rangpur District	Ministry of Food	96.53	60.51	
Establishment of Multipurpose Disaster Shelter Center	LGD	244.4	340.85	20.8
Water Supply Project in Coastal Area Through Rainwater Harvesting System	LGD	349	297.92	236.2
Climate Resilient Sustainable Water Supply, Sanitation and Hygiene Project in Bangladesh	LGD	3	23.28	79.21
Flood Reconstruction Emergency Assistance Project for Water Supply and Sanitation	LGD	17.6	26.64	134.21
Disaster Risk Management Enhancement Project (Social Security Part)	LGD	46.75	46.26	
Resilient Infrastructure for Adaptation and Vulnerability Reduction Project (RIVER)	LGD	98.62	393.78	
Coastal Towns Climate Resilience Project	LGD	77.88	450	
Risk Management Fund on Climate Change	MoEFCC	100	100	100
Sustainable Forest and Livelihoods (SUFAL) Project	MoEFCC	511.29	95.95	
Total		9976.08	17391.93	7273.56

Climate Change and Environment

- Although **BDT 100 crore** was allocated for climate initiatives in FY26, **only 0.17% of GDP was allocated for environment**, climate, and water, far below the **required 4.5% by 2041** (Perspective Plan)
- **Increased Taxes**
  - **VAT on plastic household items** doubled from 7.5% to **15%** at the production stage in FY26
- **Reduced Taxes**
  - **VAT exemption on LNG imports raises concerns about promoting fossil fuel use and conflicts with a net-zero goal**.
  - Tax on raw materials for green industries reduced from 3% to 1.5%.
  - SD on plastic/ethylene bags reduced from 45% to 40% — contradicts pollution reduction goals.
- **CPD Recommendation:**
  - Reinstate 5% SD on plastic bags (withdrawn in FY2023).
- **Transport Sector Incentives**
  - EVs are exempted from the environmental surcharge to promote eco-friendly transport.
  - 5% VAT exemption on local production of eco-friendly e-bikes (till June 2030).

Climate Change and Environment

- To reduce air pollution from the transport sector, the advance income tax (AIT) structure on private motor vehicles should be reformed
- The **AIT on fossil fuel-driven motor vehicles** should be **5% to 50% higher than AIT on hybrid and fully electric vehicles**, depending on the size of the vehicle's engine and electric motor

Table: Proposed advance income tax structure for the owners of private motor cars in FY26

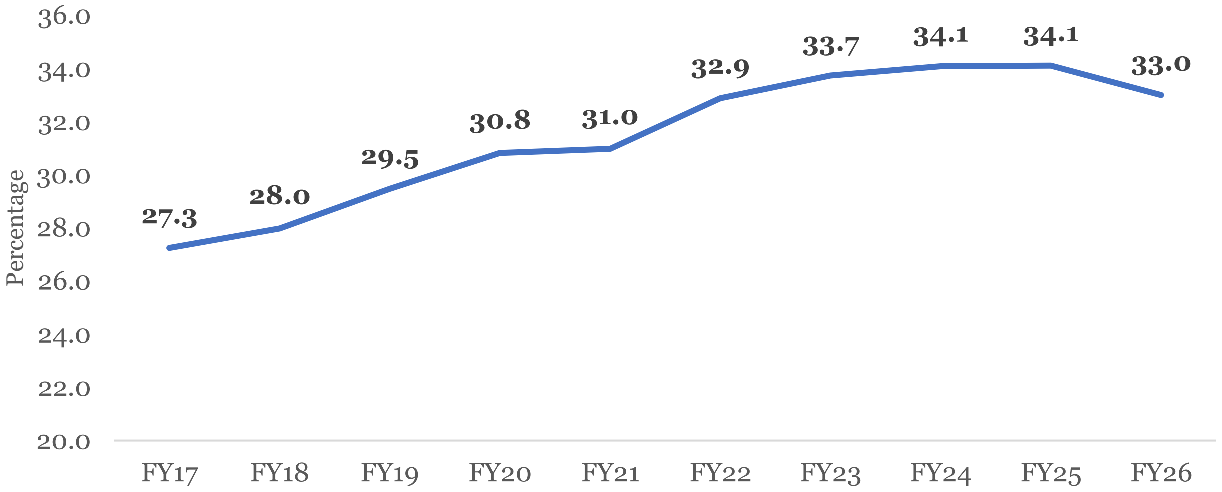
Type and engine capacity or electric motor power of motor car	Proposed AIT for hybrid and fully electric vehicles (in BDT)	Proposed AIT for conventional fossil fuel vehicles (in BDT)
A car or a jeep, not exceeding 1500cc or 75kw	25,000	26,250
A car or a jeep exceeding 1500cc or 75kw but not exceeding 2000cc or 100 kW	50,000	55,000
A car or a jeep exceeding 2000cc or 100 kw but not exceeding 2500cc or 125 kW	75,000	90,000
A car or a jeep exceeding 2500cc or 125 kw but not exceeding 3000cc or 150 kW	125,000	162,500
A car or a jeep exceeding 3000cc or 150 kw but not exceeding 3500cc or 175 kW	150,000	210,000
A car or a jeep exceeding 3500cc or 175 kW	200,000	300,000
A microbus	30,000	36,000

Gender

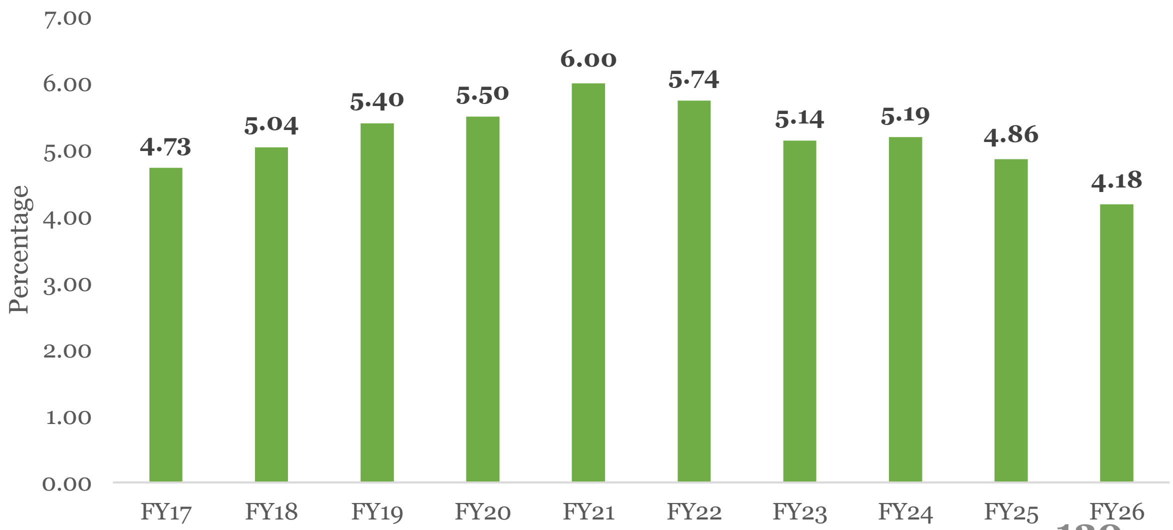
Gender

- The gender relevant allocation has **decreased by 4%** in FY26 compared to the proposed allocation in FY25.
  - The allocation in FY26 is BDT 260,766.6 crore, whereas the allocation in FY25 was BDT 271,864.9 crore.
- Gender relevant allocation as a percentage of the total budget **has slightly decreased** from 34.11% in FY25 to 33.01% in FY26.
- As a percentage of GDP, gender relevant allocation **decreased** from **4.86%** in FY25 to **4.18%** in FY26.

Gender relevant allocation as a % of the total budget

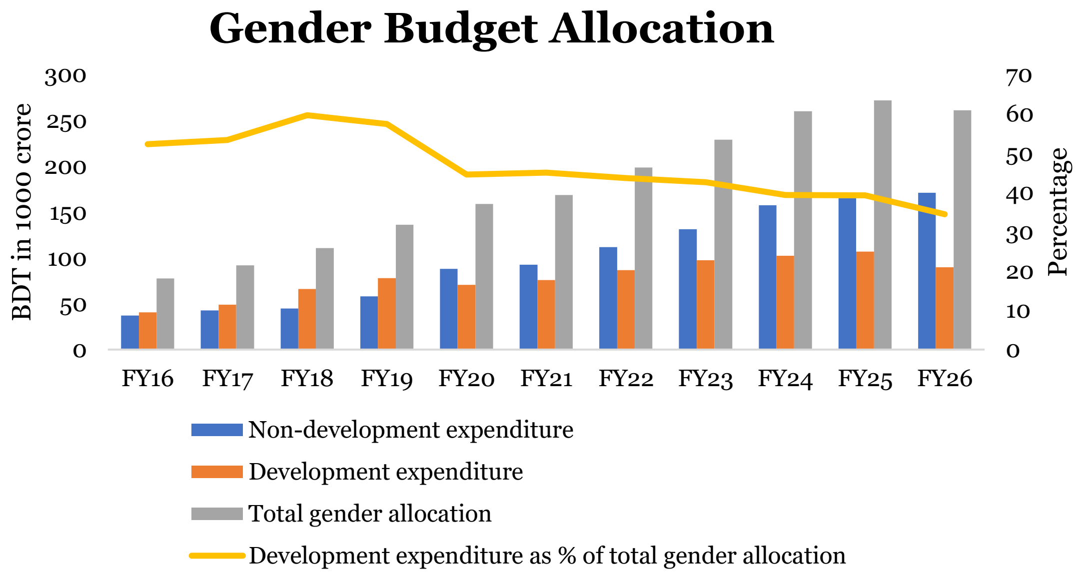


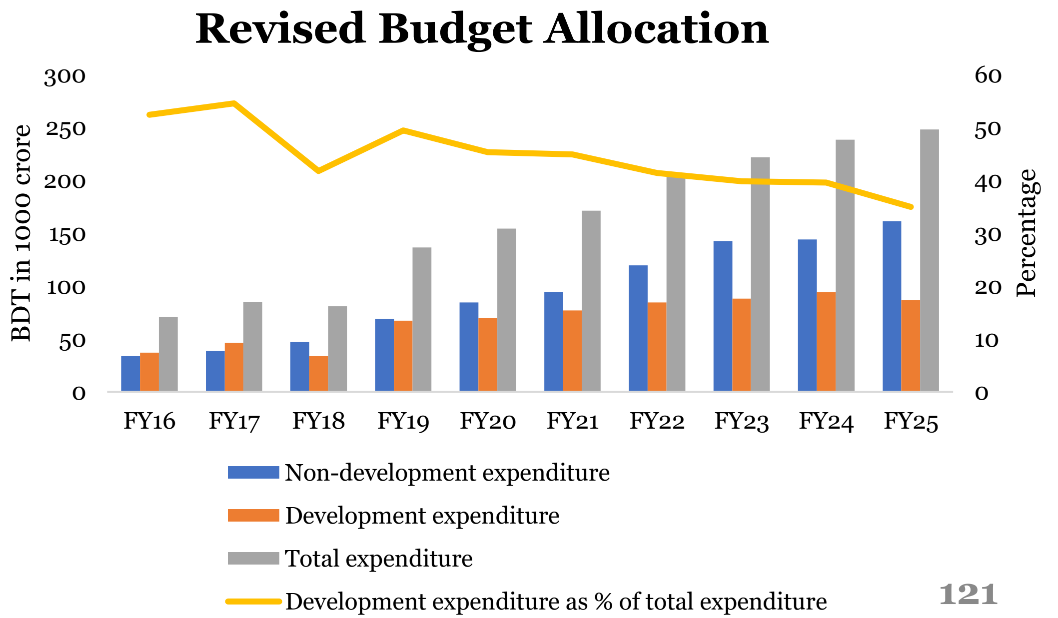
Gender relevant allocation as a % of GDP



Gender

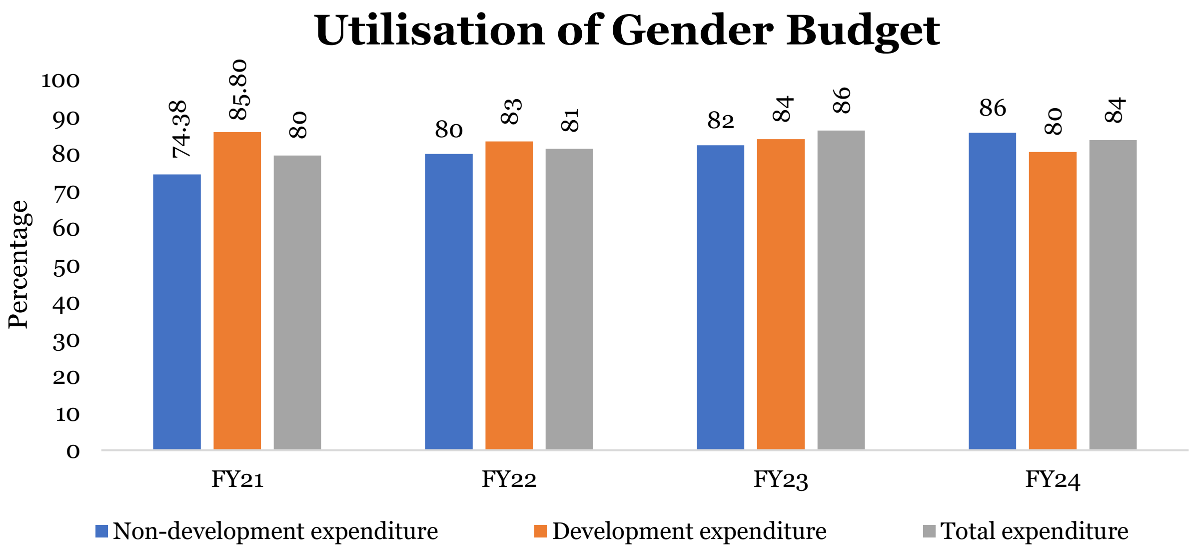
- Until FY26, the gender budget allocation had been consistently increasing.
- The revised gender budget allocation in RBFY25 was BDT 248,002.2 crore, whereas the proposed budget FY25 was BDT 271,864.9 crore.
  - This is an **8.78% decrease.**
- The **revised budget increased** by 13.5% from RBFY22 to RBFY23, but only **by 4.15%** from RBFY24 to **RBFY25**.
- Development expenditure has consistently received less priority.
  - **Development expenditure** as a percentage of total expenditure decreased from 40% in RBFY23 to **35% in RBFY25**.

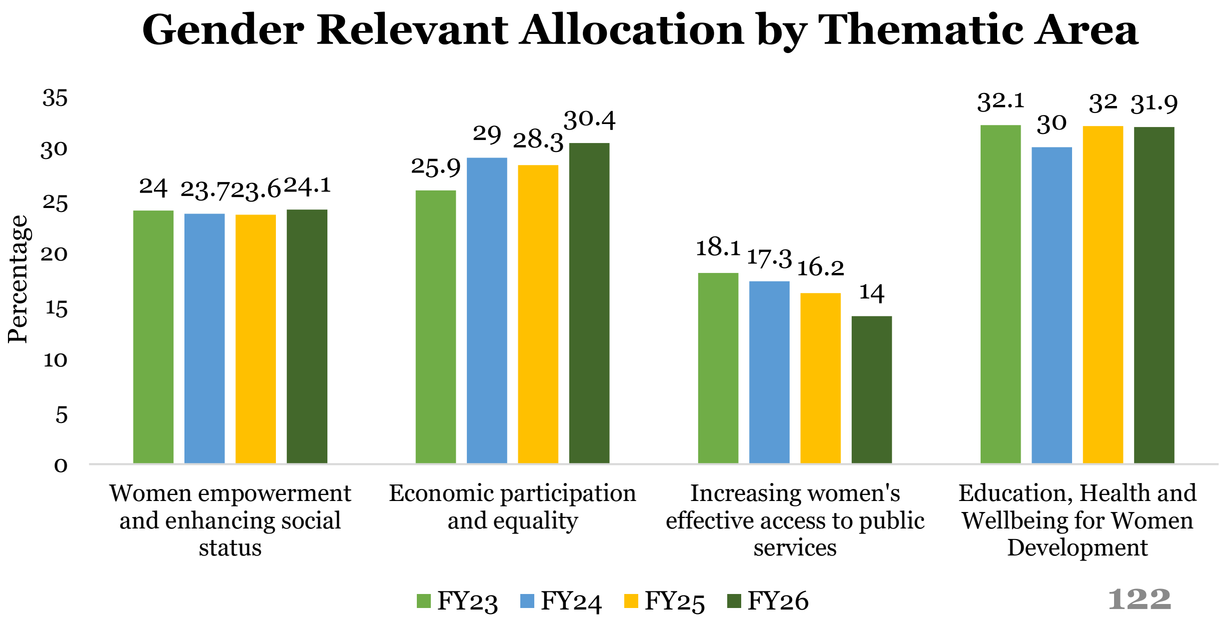




Gender

- **84%** of the total gender budget **was utilised** in FY24, which is **lower** than that of FY23 (86%).
  - Of this, non-development budget utilisation was 86% and development budget utilisation was 80%.
  - The **development budget utilisation has decreased over the years**, from 83.8% in FY21 to 80% in FY24.
- When considering theme wise allocations, from FY23 to FY26, focus shifted towards economic participation (25.9% to 30.4%) and education, health & wellbeing (32.1% to 31.9%), while access to public services declined (18.1% to 14%).





Gender

Fiscal Measures

- VAT & SD exemption on raw materials for sanitary napkins/diapers **extended till 30 June 2030**.
  - Complex conditions **limit access to this exemption for many local producers**.
- **VAT exemption introduced for locally sold sanitary napkins**.
- However, **no reduction in import duties** (CD, SD, AIT, AT, RD) on menstrual products.

Why It Matters

- Menstrual hygiene is a basic right; taxes make products unaffordable for many women and girls.

Recommendations

- Zero tax on imported raw materials: Exempt all VAT, CD, SD, AIT, AT, RD.
- Target 12 key HS codes (e.g., 48239094, 35052000, 39069000, etc.).
- Reduce TTI on imported sanitary napkins from 127.72% to 31.93%.
- Ensure free sanitary napkins in all public educational institutions.

Gender

Significant Cuts

- ❑ **46.8%↓**: Enhancing Adaptive Capacity for Coastal Communities, Especially Women
- ❑ **41.85%↓**: Gender-Responsive Enterprise & TVET (ProGRESS)
- ❑ **28.55%↓**: Maternal & Neonatal Child Health (MNCH)
- ❑ **25.15%↓**: Promotion of Women Entrepreneurship at Grassroots level

Increased Allocations

- ❑ **59.33%↑**: Implementing Support for Mother & Child Benefit Programme
- ❑ **23.51%↑**: Allowance for Widow and Deserted Women
- ❑ **13.96%↑**: Mother & Child Benefit Programme (MCBP)

Discontinued Programmes include:

- ❑ Tottho Apa (Women's ICT Empowerment)
- ❑ Her Power Project (Women in ICT)

Recommendation:

- ❑ *Reinstate ICT-related programmes with updated beneficiary lists and a nationwide ICT skills needs assessment.*

CPD (2025): An Analysis of the National Budget for FY2025-26

Allocations of Gender Focused Social Safety Net Programmes (SSNP) (BDT crore)

Name of Progamme	FY25	FY26	% Change
Allowance for Widow and Deserted Women	1844.32	2277.83	23.51
Rural Mother Centre (RMC) Programme: Revolving small loan	25	25	0.00
Mother and Child Benefit Programme (MCBP)	1622.75	1849.24	13.96
Vulnerable Women Benefit Programme (VWB)	2195.46	2334.13	6.32
Distressed Women and Children Welfare Fund	5*	5	0.00
Promotion of Women Entrepreneurs for Economic Empowerment in Grass root Level	96	71.86	-25.15
Enhancing Adaptive Capacities of Coastal Communities, especially Women, to Cope with Climate Change Induced Salinity	61.2	32.56	-46.80
Supporting Implementation of Mother and Child Benefit Programme	25.23	40.2	59.33
Promoting Gender Responsive Enterprise Development and TVET Systems (ProGRESS)	55	31.98	-41.85
Special Assistance Fund for Women Development	25	25	0.00
Maternal and Neonatal Child Health (MNCH) and Health System Improvement Project	612.88	437.9	-28.55
Leaving No One Behind: Improving Skills and Economic Opportunities for the Women & Youth in Cox's Bazar, Bangladesh	45.87	48.22	5.12
Integrated Rural Employment Support Project for the Poor Women (IRESPPW)	100	105.9	5.90

**Note: this is the allocation in RBFY25, proposed allocation was not available in the Social Security budget report*

Transport and Communication

Transport and Communication

- Total allocation for the sector (six ministries/divisions) is **BDT 71,344 crore which is 9% of the budget FY26**, marking a **17.9% increase** from the revised FY25 budget

  - Road Transport and Highways Division (RTHD) experienced a **60% budget increase**, driven by a 13.5% rise in operating and 73.6% surge in development spending (*Figure 1)*
  - Ministry of Railways faces an **18% budget cut**, with operating spending down 2.5% and development slashed by 24.6%.
  - Posts & Telecommunication Division (PTD) shows a mixed trend: **4.5% increase in operating but a 22.7% drop** in development spending
  - Bridge Division shifts focus to maintenance, with a **73.1% operating increase but only a 2.8% development growth**
  - Ministry of Civil Aviation and Tourism (MoCAT) faces the **steepest cut**, with development spending dropping by 50.2% and total budget halved, **risking aviation and tourism progress**

Figure 1 : Ministry wise Budget Allocation (Crore Taka)

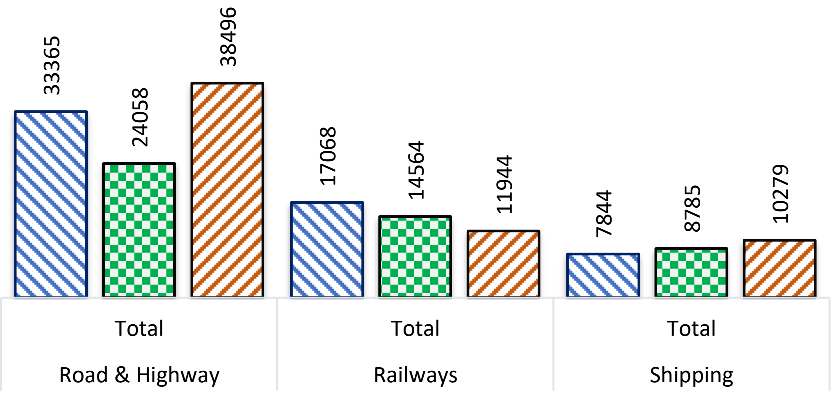
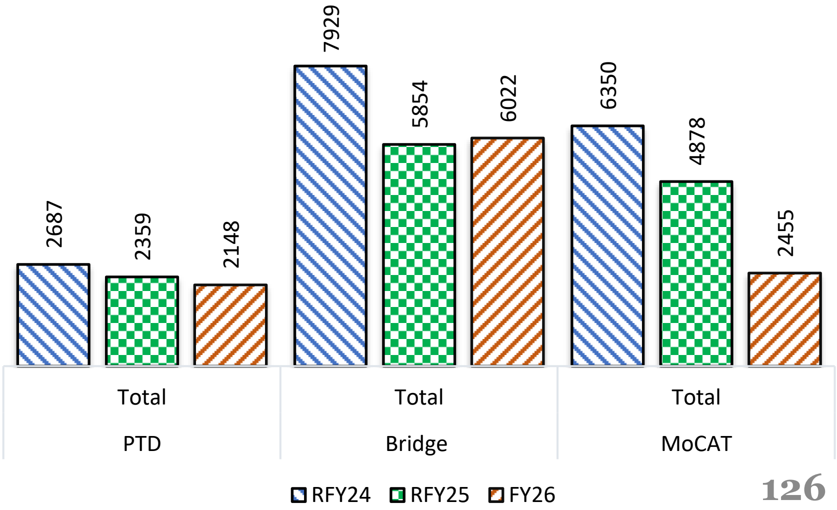


Figure 2 : Ministry wise Budget Allocation (Crore Taka)



Transport and Communication

- The total budget experiences an increase in FY26 but remains below RBFY24 levels. Operational spending rises steadily, while development spending—after a sharp cut in RBFY25—shows partial recovery (Figure 3)
- Total ADP allocation for the transport and communication sector in FY26 is **BDT 58973.4 crore which is 28.8% of the ADP** and 19.2 % higher compared to that in RBFY25
  - **Road Transport and Highways Division received the highest increase** in allocation: **up by 71% to BDT 31,772 crore from BDT 18,624 crore** in RBFY25. Post and Telecommunication Division down 56.5 percent, Ministry of Civil Aviation and Tourism down 56.4%, Ministry of Defence down 48.2%. (Figure 4)

Figure 3: Trend of Budget Allocation in Transportation & Communication (Crore Taka)

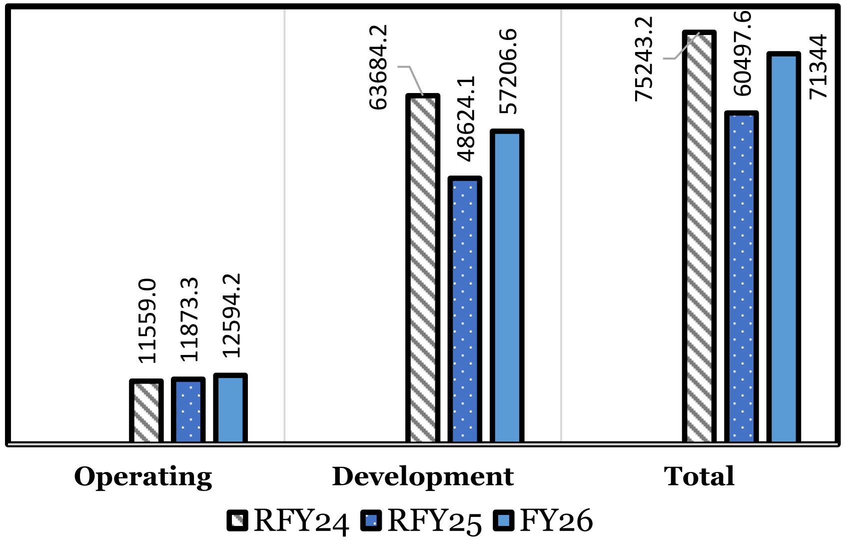
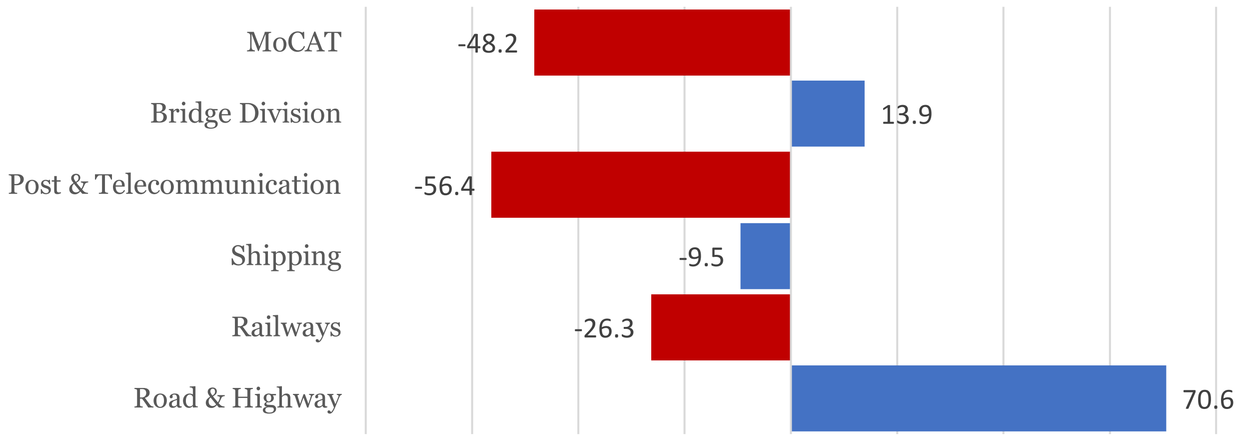


Figure 4: Ministry-wise % change in ADP allocation from RBFY25 to FY26



Transport and Communication

- Dhaka Mass Transit Company Ltd received an allocation of BDT 11,469.53 crore, which is 19.4% of the total ADP allocated to the Transportation and Communication sector.

- Indication of Improvement in Project Implementation
  - From FY25 to FY26, the **total projects decreased from 228 to 202**, with fewer new and continuing projects, while the share of **concluding projects increased**, indicating a focus on wrapping up ongoing work (Table 1)
  - **New projects dropped from 8 to 2**, and continuing projects fell from **59 to 41**
  - **Concluding projects increased from 62 to 75**, indicating a focus on completing more projects in FY26

Table 1: Distribution of ADP Projects under Transport and Communication FY26 and Comparison with FY25

	FY26	FY25
New Projects	2(1%)	8(4%)
Carry Over	84(42%)	99(43%)
Concluding	75(37%)	62(27%)
Continuing	41(20%)	59(26%)
Total	202	228

- Despite substantial allocations and revised budgets across major transport and infrastructure projects, the maximum completion rates by FY26 remain relatively low for many large-scale projects. Notably:
  - Several high-cost, long-term projects, such as the Dhaka Mass Rapid Transit Lines 1 and 5 (Northern Route), and the Matarbari Port developments, show maximum completion rates **below 25% by** FY26, indicating slow progress relative to the scale and investment

Transport and Communication

- As carry-over projects, those nearing completion (98%) like the **Narayanganj Master Plan and Line-5 Southern MRT** received limited funding in FY26 as those are in an advanced stage.
  - In contrast, large-budget projects such as **Hazrat Shahjalal Airport Expansion** have lower completion rates (~62%) despite substantial FY26 allocations, indicating ongoing challenges and delays
- Among concluding projects some projects like the **Dhaka Bypass PPP** (98.4% completion with 16,825 lakh taka allocated) are nearly finished, showing timely completion
  - However, other large-scale projects such as Jhenaidah Jessore Highway (46.7% completion with 64,932 lakh taka allocated) and Comilla-Brahmanbaria Highway (only 8.9% completion despite 50,560 lakh taka allocated) reflect persistent delays and possible inefficiencies despite continued funding
- Regarding continuing projects, several major infrastructure projects are approaching the end of their planned implementation periods shortly after FY26
  - However, despite allocations in the upcoming FY26 budget, progress remains significantly behind schedule — only 26% of the **SASEC Dhaka–Sylhet Corridor** and 24% of **MRT Line-1** are expected to be completed by then. **MRT Line-5 (North)** and both components of the **Matarbari Port Development Project** will also remain under 35% completion by FY26

Transport and Communication

Project Name	Allocation FY26 (Lakh taka)	Max Competition rate by FY26 (%)
Carry Over Projects		
Preparation of Comprehensive Transport Master Plan for Narayanganj and Gazipur City Corporation (01/09/2021 - 31/08/2024)	1427	98.3
Dhaka Mass Rapid Transit Development Project (Line-5): Southern Route (2nd Revised) (01/01/2020 - 30/06/2025)	1	97.9
Nabinagar-Ashuganj Road Development Project (Z-2031) (2nd Revised) (01/07/2018 - 30/06/2025)	14423	86.7
Hazrat Shahjalal International Airport Expansion (Phase 1) (1st Revised) (01/07/2016 - 30/06/2025)	103935	61.5
Concluding Projects		
Support to Joydevpur-Debgram-Bhulta-Madanpur Road (Dhaka Bypass) PPP Project (01/03/2016 - 31/12/2025)	16825	98.4
Construction of Dhaka-Ashulia Elevated Expressway (1st Revised) (01/09/2017 - 30/06/2026)	338189	89.7
Dhaka Mass Rapid Transit Development Project (Line-6) (2nd Revised) (01/07/2012 - 31/12/2025)	134744	80.9
Jhenaidah Jessore Highway (N-7) Development (01/01/2021 - 30/06/2026)	64932	46.7
Upgrading of Comilla (Mainamati)-Brahmanbaria (Dharkhar) National Highway (N-102) to four-lane National Highway (01/07/2022 - 30/06/2026)	50560	8.9
Continuing Projects		
Bangladesh Regional Inland Water Transport Project-1 (Dredging of Chittagong-Dhaka-Ashuganj and connected waterways and construction of terminal and ancillary facilities) (2nd revised) (01/07/2016 - 30/06/2027)	161957	96.5
SASEC Road Connectivity Project: Upgrading of Elenga-Hatikamrul-Rangpur Highway to Four Lanes (2nd Revised) (01/09/2016 - 31/12/2026)	187250	88.4
Matarbari Port Development (Chittagong Port Authority Part) (2nd Revised) (01/01/2020 - 31/12/2029)	226808	35.4
Accelerating Transport and Trade Connectivity in Eastern South Asia (ACCESS)-Bangladesh Phase 1 (BLPA Component) (01/04/2023 - 30/06/2027)	77928	31.5
Sylhet-Charkhai-Sheola-Highway Development (01/01/2023 - 31/12/2027)	108422	26.6
SASEC Dhaka Sylhet Corridor Road Development (01/01/2021 - 31/12/2026)	172371	26
Matarbari Port Development (Roads and Highways Section) (2nd Revised) (01/01/2020 - 31/12/2029)	180000	24.3
Dhaka Mass Rapid Transit Development Project (Line-1) (01/09/2019 - 31/12/2026)	863,143	24.1
Dhaka Mass Rapid Transit Development Project (Line-5): Northern Route (01/07/2019 - 31/12/2028)	149065	16.36

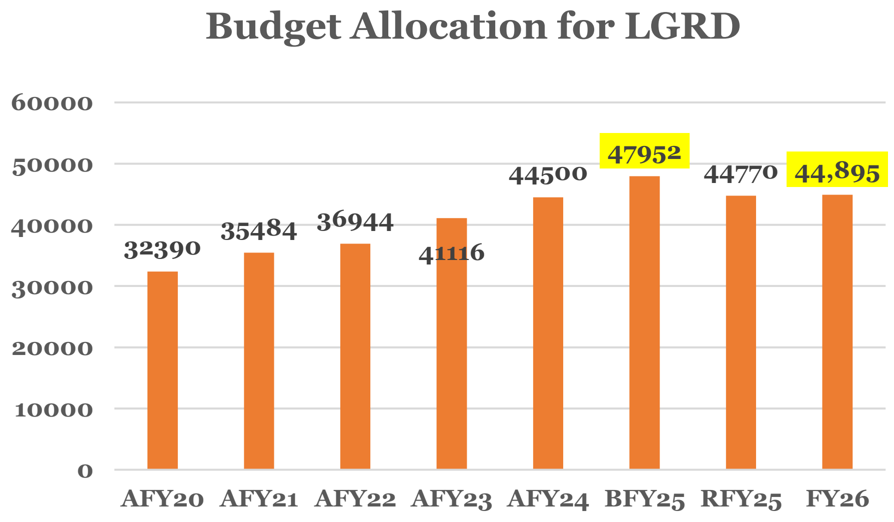
Transport and Communication

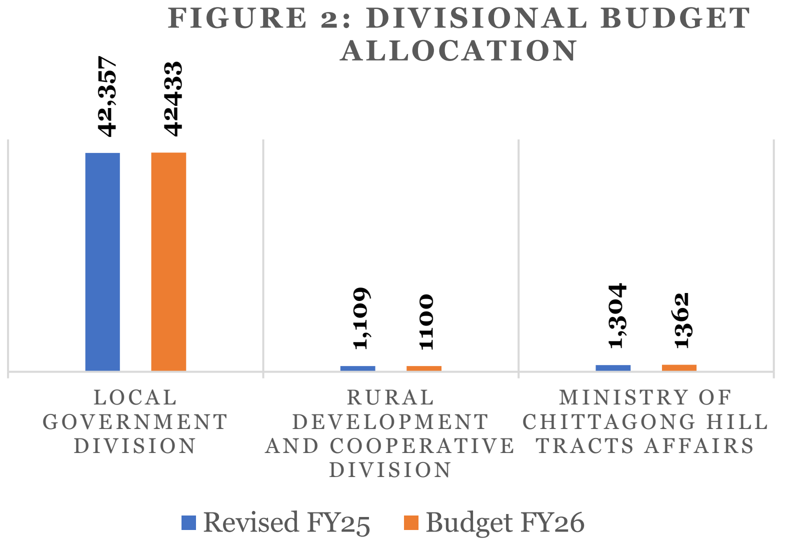
- Duty cuts offered on public transport and microbuses in FY26 budget: Import duty for buses (16–40 seats) reduced from **10% to 5%,** and supplementary duty for microbuses (10–15 seats) cut from **20% to 10%**
  - However, these incentives should have been targeted **exclusively at hybrid or electric vehicles (EVs)** to better align with clean transport goals
- The reduction in duties on crude and refined petroleum imports may help lower transportation costs in theory
  - However, this move is **not aligned** with the **EV transition** agenda and is unlikely to translate into reduced fares, as pricing in the transport sector is not fully market-based. The reduction will help only the importers
- CPD appreciates the following VAT exemptions:
  - **Hybrid**, **electric vehicles** & (till 30 June 2030)
  - Locally produced **e-bikes** (till 30 June 2030)
  - ICU ambulances (till 30 June 2030)
- An environmental surcharge will be imposed on each additional motor vehicle owned by an individual (beyond the first), starting at **BDT 25,000** for smaller engines (up to 1500cc) and rising to **BDT 3,50,000** for high-capacity vehicles (above 3500cc)
  - CPD also appreciates this measure towards discouraging luxury vehicle ownership and promoting environmental accountability
  - The **government should disclose the expected revenue** from this measure and outline the specific environmental protection and climate resilience initiatives that will be funded with it

Local Government and Rural Development

Local Government and Rural Development

- For the BFY26, the proposed allocation for the Local Government and Rural Development (LGRD) sector is Tk **44,895** crore (Figure 1), which is **6.4% less** than the **BFY25 (0.3% more than RBFY25)**
- In case of divisional allocation (Figure 2), Local Government Division receives allocation of BDT **42,433** crore (**0.2 % more** than the RBFY25)
  - Rural Development and Cooperative Division receives an allocation of BDT **1,100 crore** (**0.8% less** than the **RBFY25**), and
  - Ministry of Chittagong Hill Tracts Affairs (MCHTA) receives allocation of BDT **1,362 crore** (**4.4 % more** than **RBFY25**)
- The overall sectoral budget reduction will further constrain rural and urban development activities carried out under the LGRD sector





Independent Review of iRBD Bangladesh's Development

Local Government and Rural Development

- Historically, the financing of ADP projects under the Ministry of Chittagong Hill Tracts Affairs (MCHTA) has largely relied **on foreign assistance**—a trend that continues in the current fiscal year
  - **74.8%** ADP project allocation for MCHTA comes from foreign assistance, while **29.8%** of the financing of ADP projects in the Local Government is from foreign assistance (Figure 3)
- Overall, the pace of completion of carry-over and concluding projects is **slow**; with the proposed allocation, those will be difficult to complete in FY26 as well
  - Current allocations are **not enough** for the timely completion of **17 High-priority concluding** projects (Table 1)
  - Completion rate for these Concluding projects varies from as low as **55.6%** to **96.3%** (Table 2)
  - Many low-priority projects **(17)** have been carried over for years, risking increased project costs beyond original estimates (Table 1)

FIGURE 3: SOURCE OF ADP BUDGET ALLOCATION

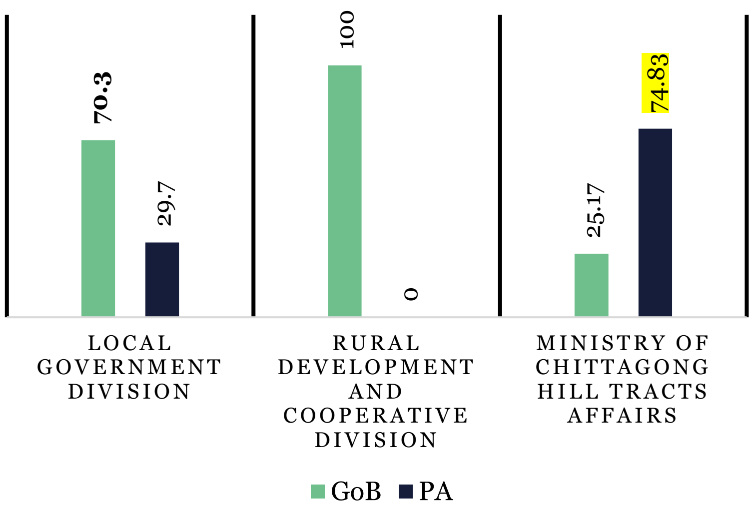


Table 1 : Project Completion Status by Government Priority

Priority	Carry over	Concluding	Continuing
High	7	17	33
Medium	0	0	1
Low	17	20	5
Total	24	37	39

Local Government and Rural Development

Table 2: Selected High Priority Project

Project Name	Type	Maximum Possible Completion by FY26
224333100- Western Economic Corridor and Regional Enhancement Program (WeCARE) Phase-1: Rural Connectivity, Markets and Allied Infrastructure Improvement Project (RCMAINIP) (01/10/2020 - 30/06/2025)	**Carry Over**	**49.7**
224361700- Universal Social Infrastructure Development – Phase 2 (GSID-2) 01/07/2022 - 30/06/2026	Carry Over	77.3
224317900- Construction of a Bridge over the Dakatia River in Faridganj Upazila, Chandpur District. 01/07/2020 - 30/06/2025	**Carry Over**	**29.3**
224364100- Vision 2041: Micro Savings Scheme for Poverty Alleviation. 01/07/2022 - 30/06/2025	Carry Over	94.7
224362700- Rural Infrastructure Development in Greater Pabna and Bogura Districts (Phase 2) 01/07/2022 - 31/12/2025	**Concluding**	**55.6**
224343100- Integrated Rural Employment Support Project for Poor Women (IRESPPW) – Phase 2 (1st Revised) 01/07/2021 - 30/06/2026	Concluding	96.3
224348700- Important Road Development Project in Keraniganj Upazila of Dhaka District. 01/09/2021 - 31/08/2026	Continuing	37.8
224325300- Rehabilitation of Rural Road Infrastructure **Damaged** by Cyclone **Amphan** and Floods (1st Revised) 01/10/2020 - 31/12/2026	Continuing	57.0
224382500- Construction of RCC Girder Bridges with Access Roads in Remote Areas to Improve Communication in Rangamati Hill District. 01/10/2023 - 31/12/2026	Continuing	81.6
224404400- Sustainable Social Service Delivery in the Chittagong Hill Tracts – Phase 2. 01/10/2024 - 30/09/2029	Continuing	23.0

Local Government and Rural Development

- A large number of projects (**41** in total) are included for rural infrastructure development, including roads, bridges, and markets to boost **local connectivity and rural livelihoods – positive move**
  - These include construction of 5,400 km of new roads, construction of 21,500 meters of bridges/culverts, development of 104 markets and growth centers
  - Remaining projects include **disaster management and climate-resilient** infrastructure (8), social infrastructure (6), environmental and climate initiatives (3), economic corridors (3), and capacity building (1)
    - There is a reduction in the number of projects focused on climate and disaster resilience in FY26
    - CPD recommends increased allocation for such projects
- Despite the ongoing crisis, and a **mention in the budget speech**, there are no projects for solving **urban waterlogging,** ensuring safe water supply, development of **drainage systems**, and modern sewerage
- No budgetary measures have been taken to implement recommendations made by the **Local Government Reform Commission (LGRC)**
  - LGRC recommendations include creation of an Innovation Lab, the construction of Digital E-services, capacity building, higher education and training etc.

Defence Services

Defence Services

- The budgetary allocation for defence services in FY26 is Tk. 40,698 crore, which is 3.7% higher than RBFY25
  - Overall, the share of defence services in the budget has slightly decreased from RBFY25 (5.3%) to BFY26 (5.2%)
  - The share of operating component in the overall defence budget is more than 97%, in keeping with the past trend

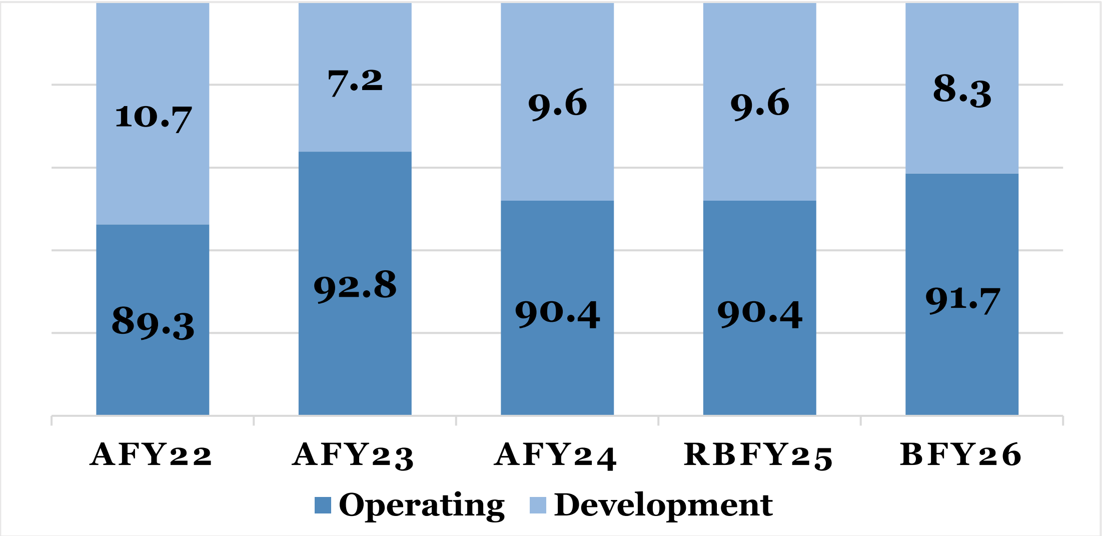
Defence Allocation and Expenditure (In crore Tk.) and Share in Recent Years

	AFY23	AFY24	RBFY25	BFY26
Ministry of Defence - Defence Services				
Operating	28,664	31,637	36,169	37,812
Development	1,196	1,430	1,211	916
Total	29,860	33,067	37,380	38,728
Ministry of Defence - Other Services				
Operating	1,730	1,747	1,816	1,923
Total	1,730	1,747	1,816	1,923
Armed Forces Division				
Operating	34	34	43	47
Total	34	34	43	47
Total-Defence Services	**31,624**	**34,848**	**39,239**	**40,698**
% of Total Budget Allocation	**5.5**	**5.7**	**5.3**	**5.2**

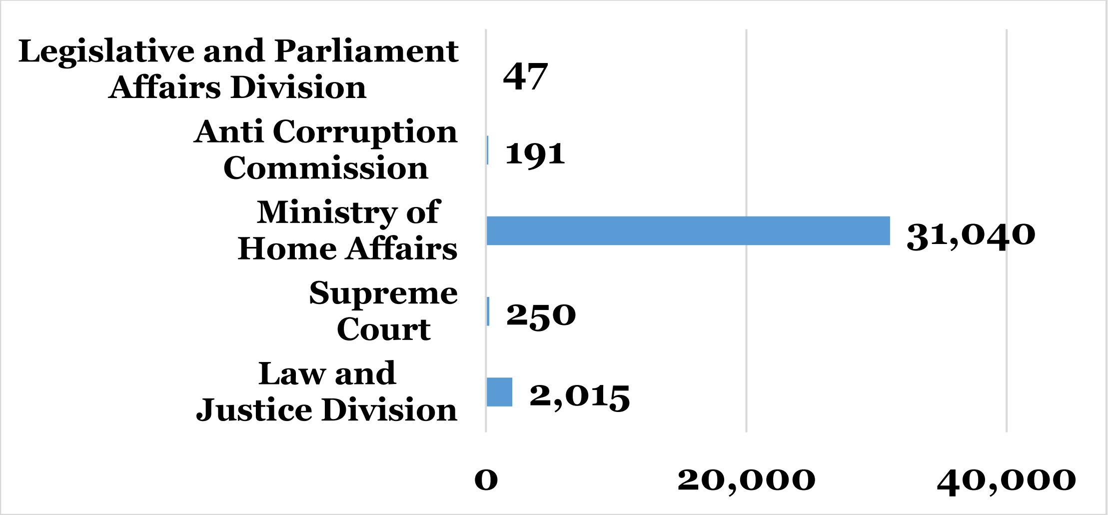
Public Order and Safety

Public Order and Safety

- ❑ The allocation for Public Order and Safety for BFY26 is Tk. 33,542 crore (5.7% higher than RBFY25)
  - ➢ Overall, the share of this sector in the total budget is similar in RBFY25 and BFY26 (approx. 4.2%)
- ❑ Similar to previous years, non-development expenditure constitutes the majority of budget allocation in this sector
  - ➢ 91.7% in BFY26, 90.4% in RBFY25
- ❑ Following the usual trend, Ministry of Home Affairs (MoHA) is to take the lion's share of the total allocation for the sector in BFY26 (92.5%)
  - ➢ An additional Tk. 1,709 crore has been earmarked for MoHA in BFY26



Allocation for BFY24 (Crore Tk.)



VIII. CONCLUDING REMARKS

VIII. CONCLUDING REMARKS

- **Budget for FY26 is exceptional from the point of its size** – which is smaller than the previous FY25 budget
- The proposed budget also mentioned about its **focus on overall development instead of growth**, and **priority on people instead of physical infrastructure**
- **Unfortunately**, these objectives are **not backed by budgetary measures**
- **Several positive initiatives were proposed** in the budget for FY26 including tax reliefs, allocations and incentives for various sectors, and higher taxation for harmful activities
- However, the proposed budget **fails to address the ongoing economic challenges holistically** which can provide relief to the people and businesses
- Rather, **some fiscal measures contradict with the theme of the budget for FY26** – 'Building an Equitable and Sustainable Economic System'
- CPD hopes that the Finance Advisor will **review and revise some important budget proposals**, including the legalisation of undisclosed income and leave a footprint in the economic management of the country during difficult times

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