



বাংলাদেশের উন্নয়নের স্বাধীন পর্যালোচনা

CPD's Recommendations for the National Budget FY2026-27

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1. Introduction

- ❑ The **FY2026-27 (FY27) national budget** will be the **first for the newly elected government** of the Bangladesh Nationalist Party (BNP)
 - It is **particularly significant** as it is being **prepared during a challenging macroeconomic situation**
 - The economy faces multiple pressures, including high inflation, low revenue collection, slow budget execution, a heavy debt burden, low investment, declining employment, a weak financial sector, declining export growth, and the imminent graduation from Least Developed Country (LDC) status
- ❑ Therefore, the **FY27 budget** must **tackle these issues with targeted short-term actions** while **laying the groundwork for medium-term reforms** to stabilise the economy and boost structural resilience
- ❑ Simultaneously, the new government needs to **begin implementing** the various **electoral promises** outlined in its manifesto
- ❑ Continuing its longstanding tradition, the Centre for Policy Dialogue (**CPD**) has **developed a set of recommendations and fiscal measures to inform the upcoming FY27 budget**
 - These suggestions consider current economic conditions and offer practical strategies **to manage existing uncertainties while supporting medium- and long-term economic sustainability**

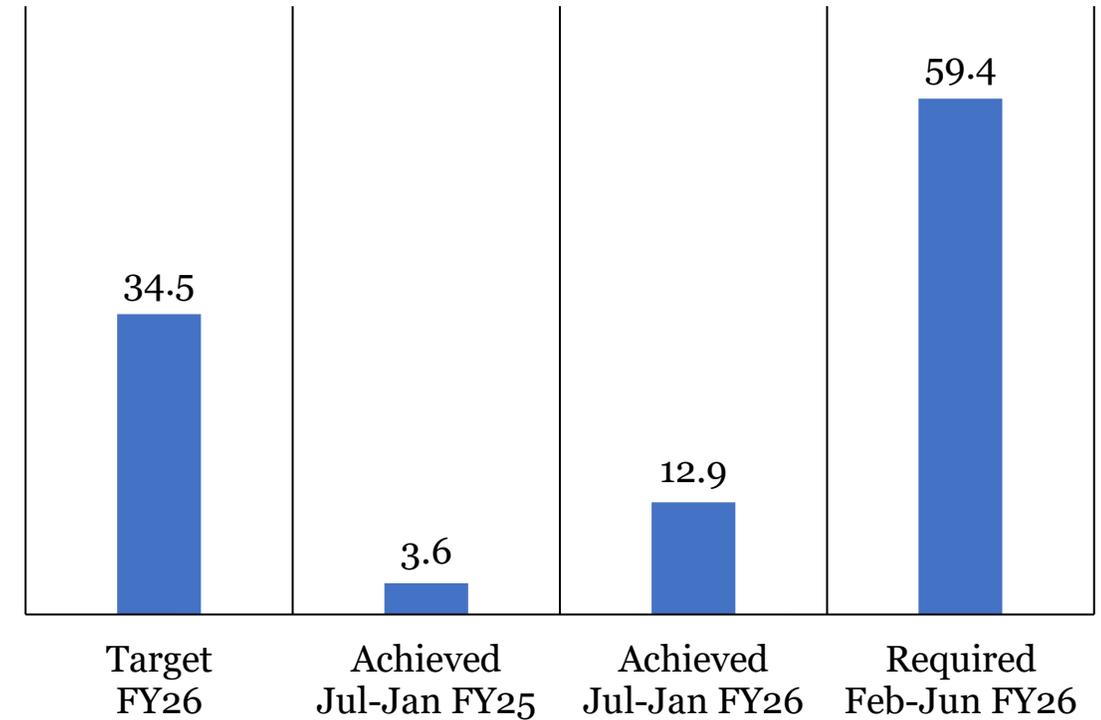
2. Snapshot of Macroeconomic Correlates

Fiscal performance shows significant implementation gaps

❑ In the case of tax collected by NBR, **the revenue mobilisation growth remained modest** at only 12.9% during Jul–Jan of FY26

- The annual growth target for FY26 was set at 34.5%
- If the annual growth target is to be met, tax collection will need to increase by 59.4% during Feb–Jul of FY26
- **This appears highly unlikely given the current pace of revenue collection**
- A **significant revenue shortfall** of around BDT 60,000 crore was observed during Jul-Jan FY26

Growth of NBR tax collection (%)



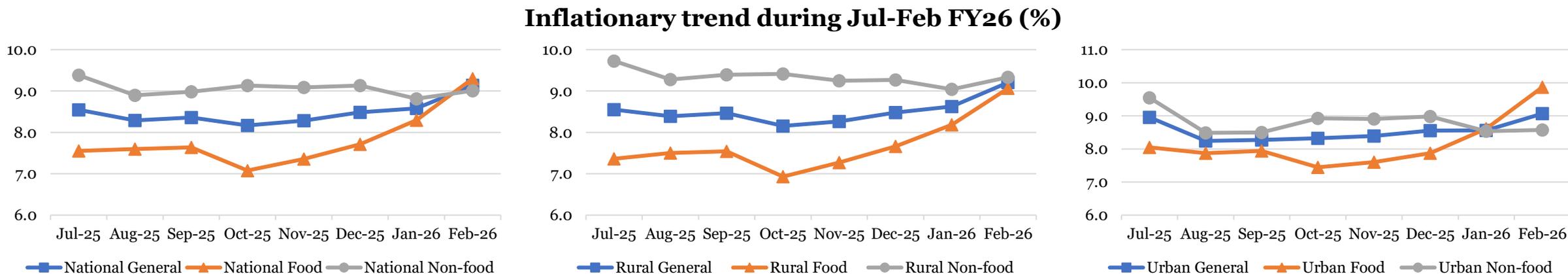
Source: Compiled from National Board of Revenue (NBR, 2025, 2026).

- ❑ **A restrained approach** is observed in the implementation of the Annual Development Programme (ADP)
 - During Jul–Jan FY26, **ADP implementation rate** reached 20.3% – **the lowest in last fifteen years** (the corresponding figure for FY25 was 20.8%)
 - The slow pace of ADP implementation is likely associated with poor project management, institutional inefficiency and the government's deliberate attempt to curtail overcapitalised development projects
- ❑ **Deficit financing during Jul-Dec of FY26 relied heavily on bank borrowing**
 - During the aforementioned period, the government borrowed Tk. 59,655 crore from banks (nearly Tk. 10,000 crore had been repaid to the banks during the corresponding period of FY25)
 - Both **non-bank borrowing and foreign borrowing declined substantially** during this period
 - Such **heavy reliance on borrowing from scheduled banks** to finance fiscal deficit could result in **crowding out of private sector investment**

❑ During the first eight months of FY26, **general inflation remained mostly over 8% but under 9% at national, rural and urban levels**

➤ **Non-food inflation was usually higher** than **food inflation** in both rural and urban areas

➤ On average, **overall inflation** in rural areas and urban areas **remained comparable**



Source: Compiled from Bangladesh Bureau of Statistics (BBS, 2025a, 2025b, 2026).

❑ Looking forward, **any disruption in fuel supply** due to the **ongoing conflict in the middle east** will **adversely affect the inflation scenario**

❑ If this situation persists, the inflation target of 7.0% **set in the Monetary Policy Statement by Bangladesh Bank is unlikely to be achieved** by June FY26

Monetary aggregates broadly reflect the prevailing policy stance

- ❑ During the first seven months of FY26, **net foreign assets increased** by 31.7%
 - This higher growth reflected robust remittance inflows and effective foreign reserve management
- ❑ Net domestic assets increased by 6.2%, below the targeted 9.7%, might be indicative of cautious monetary stance focusing on curbing inflationary pressures
- ❑ The **slower-than-expected growth in domestic credit**, at 10.5%, can be mainly attributed by the **historically low private sector credit growth** of 6.0%
- ❑ Conversely, the **heavy reliance on bank borrowing for financing fiscal deficits is evident from the high growth of credit to the public sector**

Growth of monetary aggregates (%)

As of	Net foreign assets	Net domestic assets	Domestic credit	Credit to the public sector	Credit to the private sector	Broad money	Reserve money
January FY26	31.7	6.2	10.5	26.2	6.0	9.5	10.4
June FY26 (MPS target)	22.0	9.7	11.5	21.6	8.5	11.5	8.0

Source: Compiled from Bangladesh Bank (2026b, 2026c, n.d.a).

External sector performance shows mixed trends

- ❑ **Export earnings** experienced a **contraction** during Jul–Feb of FY26 with a **negative growth** of (-) 3.2%
- ❑ **Import payments** growth also **moderated** at 3.9% during Jul–Jan of FY26
- ❑ However, **overseas migration** recorded a **substantial growth** of 17.2% during Jul-Jan of FY26
- ❑ In accordance with this, **remittance growth** was also observed to be **steadily positive**
- ❑ Overall **balance of payments** showed an **improvement** of USD 1.9 billion.
- ❑ **Forex reserves surged** to USD 30.4 billion and the **exchange rate** of BDT against USD was in a **stable position** in February 2026

Key indicators of the external sector

Indicator	Timeframe	FY25	FY26
Export earnings growth (%)	July–February	10.5	-3.2
Import payments growth (%)	July–January	4.3	3.9
Remittance growth (%)	July–February	22.6	21.5
Overseas migration growth (%)	July–January	-22.6	17.2
Current A/C balance (Million USD)	July–December	-518	-343
Financial A/C balance (Million USD)	July–December	525	2047
Overall balance (Million USD)	July–December	-467	1,941
Forex reserve (Million USD)	As of February	20,946	30,360
Exchange rate (BDT/USD)	As of February	122.0	122.3

Source: Compiled and calculated from Export Promotion Bureau (EPB, n.d.) and Bangladesh Bank (2026b, n.d.b, n.d.c, n.d.d).

GDP growth rebounded in the first quarter of FY26

□ GDP growth was estimated at 4.5% during Jul–Sep of FY26 (2.6% during the corresponding period of FY25)

□ In the national budget for FY26, the annual GDP growth was targeted to be 5.5%.

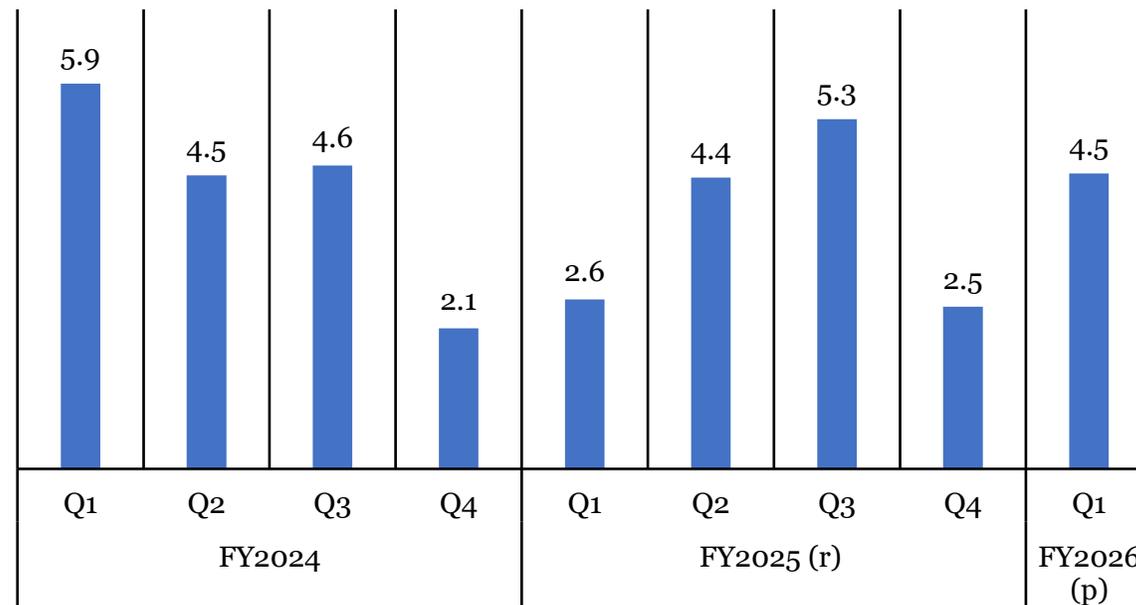
➤ Later, the target was revised to 5.0% in the revised budget for FY26 (BSS, 2025).

➤ **There are concerns about meeting the government's revised growth target**

□ To maintain higher economic growth, **continued macroeconomic stabilisation should be a key priority**

□ Hence, **investment climate should be enhanced, exports performance should be improved, and inflation should be controlled** to maintain growth momentum

Quarterly GDP growth in Bangladesh (%)



Source: Compiled from BBS (2025c, 2025d).

3. Considerations for the FY2027 Fiscal Framework

Setting the budgetary targets for FY27 in a realistic manner

- ❑ During its 'Analysis of the National Budget for FY2025-26' in **Jun 25**, CPD made the **observation** that **'the targets to be set for the macroeconomic framework for FY26 appear to be optimistic'**
 - This resulted in the **fiscal framework for FY26** become rather **formulaic** in nature. It was also envisaged that a **business-as-usual scenario** would prevail
 - Consequently, **lofty and highly optimistic targets were set** which are likely to miss their marks widely
 - As the **FY26 gets closer to the finishing line** and more up-to-date data becomes available, **many of the apprehensions are proving to be true**
- ❑ Drawing lessons from this experience, **the design and fiscal targets of the upcoming FY27 needs to be set in a realistic manner** – while taking cognisance of current macroeconomic scenario – both domestic and external
- ❑ While highlighting the issue of realistic target setting, the revenue collection targets for the ongoing FY26 can be a case in point
 - When the national budget for FY26 was proposed, the revenue mobilisation growth target was set at 8.9% over the revised budgetary target for FY25. However, when the actual revenue mobilisation in FY25 is taken into account, the growth target for FY26 becomes 29.3% – more than triple the targeted growth rate
 - **The crucial need for setting realistic budgetary targets is underscored through this example**

- ❑ The current ruling party has set an **ambitious goal** of raising the **tax-GDP ratio to 15% by 2035** (6.8% in FY25) in their election manifesto
 - Needs to be **followed by a thorough and well-written action plan** as well as **efficient execution backed by strong political will**
- ❑ To find newer avenues of resource mobilisation, initiatives such as **meaningful taxation of wealth and property** and **taxes on the expanding digital economy** should be considered
 - The **manifesto also proposes** the introduction of a modern property and wealth tax
- ❑ Starting in FY27, **all ad hoc provisions of tax incentive should be discontinued**
 - Given the current state of the economy and political scenario, there will be a greater demand for incentives in FY27, thus **NBR must exercise caution and selectivity**
 - A **medium-term strategy and schedule** for gradually eliminating the different tax exemptions should be in place
- ❑ **Accelerating the realisation of disputed tax claims** through the Alternative Dispute Resolution (**ADR**) **mechanism** must receive due attention

Setting allocative priorities for public expenditure clearly

- ❑ While designing the **fiscal framework for FY27**, the policymakers should **take note** of the **continued rising prices of essentials**
 - **Adequate attention** should be provided to **food production, social protection (including employment generating programmes), subsidies for agriculture, energy and power sectors, and the health and education sectors**
 - **Supporting the vulnerable, limited and low-income** groups needs to be the **focal point of subsidy management**
- ❑ The newly elected government has mentioned **a number of pledges** in their **manifesto** (e.g., providing family card, allocating 5% of GDP each to health and education, issuing farmer's card, one teacher-one tab etc.)
 - **Pursuing a staggered approach** should be the **best course of action**
 - **Priority pledges**, requiring **considerable resources**, may be **initiated in FY27 after careful consideration**
 - For **other pledges**, a **phased approach** could be **followed from FY28** to ensure overall delivery quality
 - **If necessary**, in certain cases, **limiting the scope or depth the ambitious** pledges may be considered

Setting allocative priorities for public expenditure clearly (contd.)

- ❑ The interim government initiated the practice of **removing unproductive activities** from the **ADP**
 - This **needs to be continued** and **political considerations must be kept aside**
- ❑ The **infrastructure heavy formulation** of the **ADP** needs to be **reassessed** in order to give the sectors associated with human capital formation due attention
- ❑ The government needs to **prioritise implementing all foreign funded ADP projects** while taking the current foreign exchange reserve into cognisance
 - **Almost finished projects** (implementation rate of 85% or above in Jun 26) should receive **higher priority**
 - Projects that will end up with the **implementation rate of 10% or below** in Jun 26 needs to be **deprioritised**
 - Furthermore, '**carryover projects**' with a **maximum implementation rate of below 30%** at the end of FY26 should be **re-examined** to support their continuation
- ❑ The government needs to **follow through on the electoral pledge of making cost-benefit analysis, parliamentary oversight, and transparent audits mandatory for all major projects**

- ❑ In the upcoming FY27, **considerable challenges** will be faced in the area of receiving **financing from foreign sources**
- ❑ The **sale of NSD certificates may continue to be sub-par**
- ❑ As a result, the **onus of deficit financing** is likely to fall on **bank borrowing**
- ❑ The **fiscal space** available to the government will be **somewhat limited if private sector borrowing is not to be crowded out**
- ❑ In this connection, the issue of **debt repayment** must be **taken into cognisance**
 - Between Jun 24 and Sep 25, total debt stock of Bangladesh has increased by more than Tk. 260,000 crore - majority of which came from external sources as the depreciation of the Bangladeshi Taka played a crucial role
- ❑ Thus, it becomes apparent that a **cautious approach** will be required **while securing domestic or external financing to meet budget deficit**

4. Fiscal Policy for Controlling Inflation

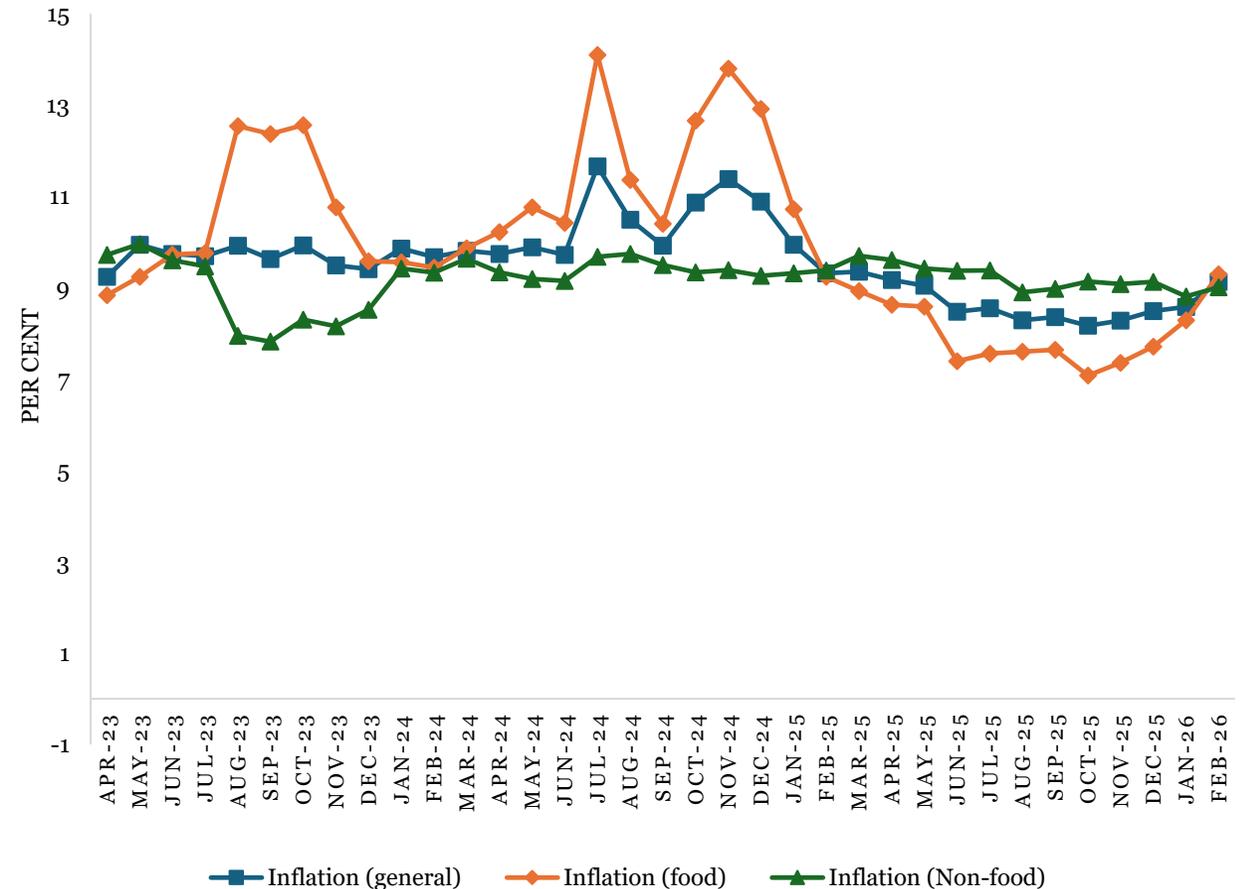
❑ Ongoing

- Inflation continues to be high, resulting in a significant increase in the cost of living.
- Bangladesh Bank has adopted a contractionary monetary policy and maintained the policy rate at 10% since October 2024.
- Yet, the inflation rate remained persistently high.
- It is important to understand that the nature of inflation in Bangladesh currently is supply-driven, which requires the government to address supply-side issues.
- In view of this, the government needs to address inflationary pressure through:
 - Strategic investments in employment-generating sectors.
 - Targeted social protection programmes.
 - Balanced fiscal approach to address both demand and supply-side inflation.

Point-to-point general, food, and Non-food CPI inflation in Bangladesh

- ❑ General point-to-point CPI and food inflation have increased from December 2025 to February 2026.
- ❑ General inflation stood at **9.13%**, food inflation at **9.30%**, and non-food inflation at **9.01%**.
- ❑ Therefore, food inflation rose by nearly **1.01 percentage points** between January and February 2026. While non-food inflation declined from 9.13 to 8.81 between December 2025 and January 2026, suggesting a decline in prices for clothing, transport, and housing, it rose again in February 2026.
- ❑ The overall inflationary pressure remained elevated due to the rise in food inflation.

Figure: Point-to-point general, food, and non-food CPI inflation in Bangladesh (in %) (Base Index 2021-22=100)

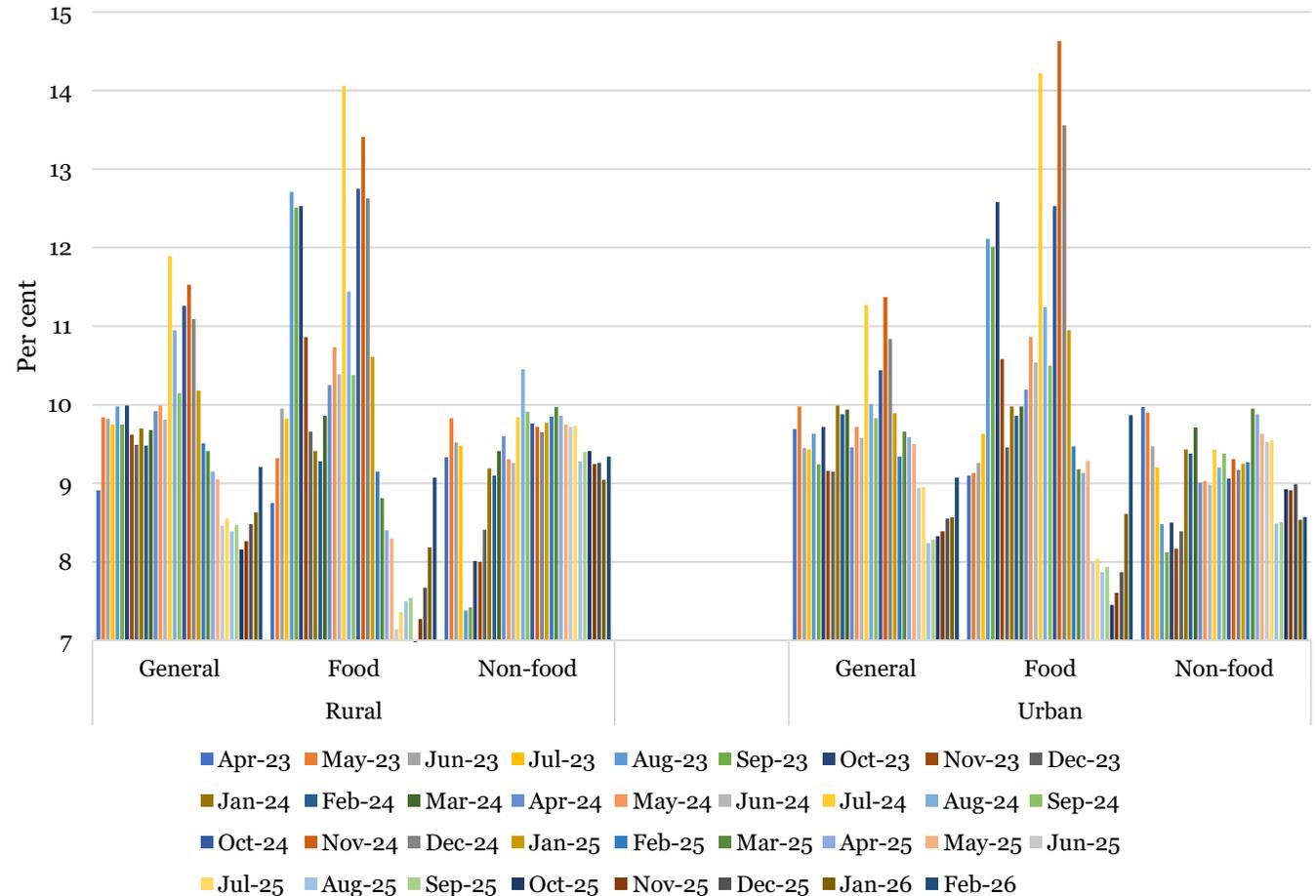


Source: CPD illustration based on data from the Bangladesh Bureau of Statistics (BBS)

Differences in rural and urban inflation

- ❑ Rural point-to-point inflation increased from **8.63% in January 2026** to **9.21% in February 2026**, signalling a higher cost of living in rural areas.
- ❑ Food inflation was higher in urban areas (**9.87%**) than in rural areas (**9.07%**), while non-food inflation was higher in rural areas (**9.34%**) than in urban areas (**8.57%**) in February 2026.
- ❑ This illustrates inflationary pressures with pronounced spatial and category-based differences, underscoring the need for targeted policy responses to address both urban and rural inflation dynamics.

Figure: Point-to-point general, food, and non-food CPI inflation in rural and urban areas of Bangladesh (in %) (Base Index 2021-22=100)



□ Global Energy Market Disruptions

- Conflict between Iran, the USA, and Israel has increased uncertainty in global energy markets.
- The Middle East is a major global energy supplier, so instability raises oil and gas prices worldwide.
- *Supply route disruption:* The Strait of Hormuz carries **~20% of global oil**; military tensions threaten shipping, causing price surges.

□ Implications for Bangladesh

- Bangladesh heavily relies on crude petroleum oil imports from the Middle East countries such as Saudi Arabia, the UAE, and petroleum gases from Qatar, the United Arab Emirates, and Oman to meet its energy demand.
- Due to geopolitical conflicts (e.g., Russia-Ukraine war), energy-import-dependent economies like Bangladesh are highly vulnerable to **oil price shocks**.
- **Immediate risks:** Rising global fuel prices → higher import bills → **domestic inflation**, reduced household incomes → pressure on economic growth.
- **Food prices affected:** Essential commodities like palm oil, soybean oil, wheat, sugar, and pulses have started rising in wholesale markets.

Recommendations to address inflationary pressure

Fiscal Discipline & Public Spending

- Limit central bank borrowing; focus on productive investments.
- Reduce non-essential expenditure.
- Increase public procurement of essential commodities.

Support for Vulnerable Population

- Target subsidies to low-income households to keep essential goods affordable.
- Increase minimum wages and encourage higher private sector salary adjustments.
- Expand direct cash and in-kind assistance for low-income groups.
- Increase OMS sales and expand foodgrain procurement and distribution.

Strengthening of the SSNPs

- Review SSNPs to align interventions with beneficiaries' changing needs.
- Improve targeting and introduce clear exit strategies to reduce overlaps.
- Develop a unified database to monitor and evaluate programmes.
- Strengthen inter-ministerial coordination and merge programmes to improve efficiency.

Agriculture & Food Security

- Expand subsidised agricultural credit to support farm production.
- Promote climate-resilient crops through targeted funding.
- Expand cold storage facilities to stabilise food prices.
- Promote solar-powered irrigation through low-interest loans.

Market Regulation

- Strengthen Competition Commission to curb anti-competitive practices.
- Monitor markets to limit middlemen and prevent hoarding.
- Stabilise food prices during seasonal spikes.

5. Budget FY27: Fiscal Policy Stance and Budgetary Proposals in Light of External Sector Developments

- ❑ The FY27 Budget is being prepared against the backdrop of a number of **external developments** which will have **significant fiscal and budgetary implications** for Bangladesh:
 - **Economic Partnership Agreement (EPA) with Japan**
 - **Bangladesh-US Agreement on Reciprocal Trade (Bangladesh-US ART)**
 - **Upcoming LDC Graduation**
 - **Ongoing war in the Middle-East**

- ❑ Budget FY27 will need to take cognisance of these from several dimensions:
 - **Revenue mobilisation**, particularly **tariff and trade-related taxes** in view of various Agreements
 - Fiscal policy stance in view of Agreements and evolving global scenario
 - Revenue expenditure in view of **anticipated price hike**, and to **support affected sectors and ensure macroeconomic stability**

- ❑ The Bangladesh–US ART has significant budgetary and fiscal policy implications for Bangladesh:
 - Revenue Implications from Tariff Liberalisation:
 - Duty-free access for most imports from the US: **4,500 items immediately** and **2,210 items** over the **next 5–10 years (barring just 326 items)**
 - Import duties from the US amounted to **USD 108.3 million (BDT 1,327 crore) in FY25**. If import structure from the US remains the same, at the minimum this will be the **extent of the revenue loss**
 - Potential WTO-related Risks:
 - Duty-free market access offered unilaterally by Bangladesh to the US (i.e., this is not Free Trade Agreement) goes against **Bangladesh's MFN obligations** under the WTO
 - Bangladesh may be **dragged to the WTO-Dispute Settlement Body (DSB)** because of violation of MFN obligations
 - Fiscal Costs Related to Procurement Commitments:
 - Procurement of specific items from the US may require changes in Bangladesh's procurement policies
 - Possible **higher public expenditure** for Bangladesh because of procurement commitments from the US and **additional subsidies** if imports from the US prove to be costlier
 - Bangladesh needs to thoroughly assess implications of the ART with a fiscal-budgetary lens, and open discussion with the USTR to review the Agreement

❑ On **18 February 2026**, Bangladesh applied to the United Nations Committee for Development Policy (UN CDP) to **defer its LDC graduation by three years** on grounds of *crisis situation*. Regardless of the outcome, FY27 budget measures should begin preparing the economy for the post-LDC future.

➤ **Aligning Tariffs with WTO Commitments:**

- Fixation of **bound tariffs** and gradual alignment of operational tariffs with bound levels
- Elimination of **minimum prices** on imports of certain items currently used as reference for import duty estimation by the NBR

➤ **Rationalisation of import-related taxes and charges:**

- Gradual phase-out of **para-tariffs** such as Supplementary Duty (SD), Regulatory Duty (RD), Advanced Income Tax (AIT), Advanced VAT (A-VAT)

➤ Adjustment of Export Support Measures:

- Phase-out of **WTO-incompatible direct cash incentives**
- Elimination of **non-allowable export credit subsidies**

➤ Trade Facilitation and Compliance Measures:

- Implement commitments under the **WTO Trade Facilitation Agreement** (Category B and C obligations)
- Regular submission of notifications about **changes in tariff and trade policies** to the WTO

➤ Align NBR Policies with Post-LDC Obligations:

- Review Bangladesh's **post-LDC obligations** as a future developing country and align fiscal and tariff policies with this. Estimate the costs associated with of **loss of Special and Differential Treatment (SDT)**
- Strengthen **NBR and Ministry of Commerce capacity** to address **anti-dumping and countervailing duty cases** (both offensive and defensive interests)

- **The moratorium on customs duties on electronic transmissions**, in place since 1999, is set to expire by **31 March 2026 or the 14th WTO Ministerial** (whichever is earlier), as per WTO-MC13 decision. Key considerations regarding this are following:
- Revenue implications of the e-commerce moratorium: Importing countries such as Bangladesh lose potential **customs revenue** because of the moratorium on customs duties **on imports of digital items**
 - Diverging positions among WTO members:
 - Countries such as **China, India, Brazil, and South Africa** support ending the moratorium because of revenue loss implications
 - Developed economies (e.g., **USA and EU**) advocate continuation of the moratorium because of their export interests

- Bangladesh should support the ending of the moratorium. Its defensive interests include **protection of domestic IT-enabled services** and **revenue collection** from e-commerce-related imports

- However, Bangladesh-US ART limit Bangladesh's options:
 - The ART commits Bangladesh to not impose **customs duties on electronic transmissions**
 - The ART commits Bangladesh to support a **permanent WTO moratorium** on e-commerce taxation in line with the US position

- ❑ Bangladesh will need to **firm up its position on e-commerce taxation** not only by **considering revenue interests and domestic digital sector protection**, but also taking into cognisance **commitments made under the ART**.

- ❑ The ongoing conflict in the Middle East has resulted in **significant uncertainties in global trade and infused volatility in global commodity markets**, with early impacts already visible in oil, LPG and fertiliser prices, among others. Some of the key developments having implications for FY27 Budget are:
 - Rising global energy prices will impact on public expenditure:
 - **Brent and crude oil prices** have increased by about **USD 15/barrel (around USD 85/barrel)**
 - These prices could potentially rise to **USD 130–150/barrel**
 - **LNG spot prices have nearly doubled** since the start of the conflict
 - Implications for Bangladesh's Import Bill and Inflation:
 - Higher energy prices will **raise the overall import bill**
 - Rising oil prices are likely to **increase prices of other commodities**, intensifying **imported inflation**
 - Fiscal and Budgetary Considerations for FY27:
 - Continue **exemption of the 2% Advance Tax (AT) on LPG imports** (currently effective until 30 June 2026)
 - **Revisit taxes on imported energy items** to reduce pressure on consumers and at retail levels
 - **Develop a Contingency Plan** and allocate necessary funds **in the FY27 Budget** to cover potential rise in fuel and food import bills
- ❑ FY27 budget measures should aim to **mitigate the adverse impact of imported inflation and protect the purchasing power of low-income households.**

□ FY27 Budget should ensure **predictable fiscal policies, stronger revenue administration, and preparedness for various trade Agreements.**

➤ Continue Selected Import Duty Exemptions:

- Maintain exemptions introduced after FY26 Budget for certain **essential imports**
- Continue **withdrawal of 2% Advance Tax (AT) on LPG imports**
- Continue **reduced import duty on mobile phones (25% → 10%)**

➤ Gradually Reduce Reliance on Statutory Regulatory Orders (SROs):

- **Limit frequent issuance** of SROs between budgets
- Anticipate the needed fiscal measures well-ahead so that dependence on SROs can be reduced

Selected fiscal and trade policy measures for FY27 budget (contd.)

➤ Take Stringent Measures Against Trade Mispricing:

- Address illicit financial outflows that take place through **under- and over-invoicing in trade**, through greater digitalisation and more effective interoperability of various systems
- Strengthen **customs digitalisation, forensic investigation capacity, and access to global real-time data** towards higher domestic revenue mobilisation
- Enhance capacity of the **Transfer Pricing Cell (TPC)** at the NBR
- Institutionalise use of **ASYCUDA import data** for tax assessment

➤ Prepare for Implications of Trade Arrangements:

- Strengthen **NBR capacity** to assess fiscal and revenue implications of FTAs, EPAs, and CEPAs
- Reflect duty-free access commitments (e.g., **1,039 items from Japan**) in fiscal planning
- Take a study to **assess fiscal, monetary and economic implications of Bangladesh-US ART** and **open discussion with USTR to review the Agreement**
- Consider establishing a **trade Negotiating Cell** drawing on the *Negotiating Pool* being developed at present

6. Investment and Employment Generation

- ❑ The BNP-led government pledged **to accelerate investment to generate employment** and revitalise economic growth in its electoral manifesto
 - More importantly, FY27 would be critical for initiating the investment-promoting and employment-generating measures suggested in **the Smooth Transition Strategies (STS)**, given Bangladesh's graduation from the LDC group.
- ❑ However, the newly elected government assumed office at a time when the investment climate had already **deteriorated significantly**, particularly since the tenure of the interim government.
 - In the last fiscal year, private investment fell to **22.03% of GDP**, the lowest level in a decade, reflecting weak business confidence and subdued economic activity
 - Foreign Direct Investment (FDI) has also remained extremely low, stagnating at **below 0.5% of GDP**, far behind the levels observed in many comparable emerging economies.
 - This persistent decline in investment **signals insufficient job creation**, particularly at a time when a large cohort of young workers enters the labour market each year, increasing pressure on the economy to generate productive employment opportunities
- ❑ While reversing this trend will require substantial structural and operational reforms, including improvements in governance, regulatory predictability, and financial stability, **appropriate fiscal measures and budgetary allocation** will be central to enabling such reforms.
 - The government's fiscal space has narrowed **considerably due to weak revenue performance** in the recent fiscal years, limiting its capacity to provide strong investment support.
 - In this context, it becomes critical to carefully determine the extent to **which fiscal resources should be directed toward investment promotion and facilitation**, and how scarce public funds should be prioritised across investment-related area

Commitment to Regulatory Simplification & Digitalisation

- ❑ The government should allocate dedicated budgetary resources to **update and fully establish an entirely integrated digital one-stop service platform** for business registration, licensing, taxation, and regulatory compliance to be implemented by concerned ministries and departments, including RJSC, BIDA, NBR, FSCD, BSCIC, BEZA, BEPZA, Titas, BREB, and DESCO;
- ❑ The government may consider introducing **temporary tax credits for firms adopting digital compliance** systems to promote digital taxation.
- ❑ The government should **provide budget allocations in different ministries** and departments for securing digital infrastructure, cloud storage, and cybersecurity systems to support integrated government platforms

Commitment to increase support for small and medium industries

- ❑ The government should consider abolishing **the Advance Income Tax (AIT) and Advance VAT on the import of capital machinery and raw materials** for SMEs
- ❑ It is important to implement **a temporary Refinancing Scheme where the government subsidises 3-4%** of the interest rate for SMEs engaged in export-oriented production or "Green" manufacturing.
- ❑ The government should **establish a sovereign-backed credit guarantee scheme** to improve SMEs' access to bank financing and reduce collateral constraints.

- ❑ Mandate that at least 20–25% of government procurement be **reserved for SMEs** and new enterprises.
- ❑ It is important to **introduce energy subsidy measures** (such as green energy grants) to SMEs with a focus on promoting the adoption of renewable energy sources (rooftop solar and mini/microgrids are found to be viable options for SMEs) to mitigate the effects of unreliable electricity supply and reduce energy cost

Commitment to break oligarchic structures and broaden market access

- ❑ The government should increase budget **allocation to the competition authority** to enforce anti-monopoly and anti-competitive regulations
- ❑ The government should **phase out preferential tax exemptions for large conglomerates that do not generate proportional employment** or investment, and this needs to be considered

Commitment to Budget Priorities for Job Creation

- ❑ The government should offer temporary tax deductions for firms that create net new formal jobs, especially for youth and women
- ❑ The new government should prioritise public spending on transport, logistics, housing, and renewable energy, which generate high employment multipliers.
- ❑ Allocate higher funding to the Ministry of Labour and Employment, the Ministry of Youth and Sports, the Ministry of Expatriates' Welfare and Overseas Employment, and the Ministry of Social Welfare to expand the coverage of the social safety net and initiate unemployment insurance

Preparation for Smooth LDC Graduation

- ❑ The government should establish a dedicated fiscal fund to implement the **Smooth Transition Strategy (STS)**, **thereby supporting export diversification**, industrial upgrading, and improvements in competitiveness.
- ❑ The government should introduce accelerated depreciation allowances for firms **investing in modern machinery**, automation, and digital production technologies
- ❑ The government should increase fiscal allocation for **trade-related infrastructure**, including ports, logistics corridors, and inland transport networks
- ❑ The government should introduce green **tax incentives for firms investing in renewable energy** and energy-efficient production technologies
- ❑ As part of preparations for LDC graduation, gradually phase down the cash incentives currently provided to large-scale enterprises and reallocate these resources toward **small and medium-sized enterprises (SMEs)**.
- ❑ The government should reduce the **high-weighted average import tariff** to align with the WTO-compliant levels required for post-graduation trade agreements
- ❑ The government should automate 100% of the customs clearance process at **Chittagong and Mongla ports** to reduce the "cost of doing business"
- ❑ The government should allocate a dedicated fund for "**Unemployment Insurance**" to provide a safety net for workers in industries that may face temporary shocks during the 2026 or later transition

Others

- ❑ The government should introduce fiscal incentives for firms entering new export markets or producing higher-value export products to promote new market entries.
- ❑ The government should allocate funds for a fully integrated tax administration system based on a universal Taxpayer Identification Number (TIN) to improve compliance and coordination, which is highly important for reducing tax avoidance and evasion.
- ❑ The government should continue to place emphasis on expanding public spending on gas exploration to ensure a reliable gas supply for industrial development.
- ❑ The government should provide fiscal support to establish specialised commercial arbitration and mediation centres

7. Fiscal and Budgetary Measure for National Budget FY2026-27: Ensuring Energy Security while Reviving Energy Transition Pathway

- ❑ **Financial independence and energy security** in the power and energy sector of Bangladesh have been **long overdue**
 - The sector for the longest time has been going through the **huge financial loss, public debt and spiralling burden of domestic and foreign import bills**
- ❑ The new added dimension to it is the new **Iran- Isreal war** taking a troll on the global energy market, Bangladesh being also one of the sufferers of that
- ❑ This year's budget will bring a particular significance not only because it will be the **first budget** by the new government
 - But also, because this budget should **bring out a clear roadmap** for how this sector can transition from the import dependency to domestically self- sufficient
- ❑ Short to medium term fiscal and budgetary solutions are needed in the upcoming budget to address these sectoral challenges

7.1 Preparing for Long Term Consequences on Energy Supply Due to Middle East Crisis:

- The ongoing tensions and war conflicts in the Middle East pose serious long-term risks to Bangladesh's energy supply and economic stability
- Bangladesh is highly dependent on **imported fossil fuels specially LNG and crude oil** —much of which originate from or pass through the **Middle East (UAE, Qatar and Oman)**

Ensuring energy security while reviving energy transition pathway

- Any geopolitical instability in this region, such as military conflict, disruptions in shipping routes like the Strait of Hormuz, or sanctions on major producers, can significantly **affect global energy prices and supply chains**
- However, CPD thinks that the phase of disruption will not be **long enough to cause long term** energy crisis in Bangladesh
- Such short to medium term shocks should be **addressed and absorbed with the short-term solutions** rather than going full swing with long **term fossil fuel import** contracts that might hinder the energy transition pathway in Bangladesh

❑ Recommendations

- MoPEMR should look for scops to diversify the fuel import sources by exploring crude and refined oil import from **South East countries such as Malaysia**
- In order to address the gas crisis, RPGCL can purchase **LNG from the spot market** with reasonable pricing rather than moving forward with signing more long-term LNG import contracts to address such short-term crisis
- The immediate LNG and oil price shock caused by the price hike in the global market **should be absorbed by RPGCL and BPC** as both the authorities are in profit for several years
 - The fiscal burden **should not be passed** on the consumers given the inflationary pressure in the economy
- **Solar irrigation** system to be promoted to address the short to medium term diesel crisis
- As transport sector will also face the consequence of the oil price hike, a **well-designed EV market structure** is needed to be established to combat with this crisis

7.2 *Prioritising electricity transmission and distribution over generation:*

- Historically the power and energy has received **excessive focus on the electricity generation**, given the faulty electricity demand projection
- This has resulted in the creation of unutilised installed power generation **capacity causing huge fiscal stress**
- All the previous governments have only focused on the expansion of power generation capacity while ignoring the need of a smart transmission and distribution system
 - However, the existing power generation capacity can meet the **electricity demand by 2030** (Moazzem et al., 2025)
 - Instead, a huge investment will be required to upgrade and strengthen the transmission and distribution system

□ **Recommendations**

- The upcoming national budget for power and energy sector should **avoid any large-scale electricity generation-based projects specially from fossil fuels**
 - The Power Division allocation should not be increased to create more electricity generation capacity
- Instead, majority of the budget allocation should be provided for the **development of Smart Grid** specially the development budget
- ADP should be allocated for the technical support of the establishment of smart grid to perform **technical grid stress test and smart grid phase 1 by PGB**

7.3 Subsidy Allocation for Renewable Energy Expansion:

- Power sector is still the highest recipient of the national subsidy as it has received an allocation of **Tk 37,000 crore** in FY26
 - Most of the subsidy spending is directed toward **capacity payments** to private fossil fuel-based power plants, **rather than investments in solar, wind, or other renewable energy sources**
- However, **renewable** power plants are not subject to **capacity payments**, and the generation cost of renewable energy is nearly half that of fossil fuel-based power plants
- Despite this cost advantage, renewable energy projects still require some level of financial support because their generation costs remain higher than the existing retail electricity tariff, leading to potential financial losses for BPDB

□ Recommendation

- The government should introduce **low-interest grants**, or **subsidy schemes** to support households and businesses investing in solar power
- A dedicated **Renewable Energy Subsidy Fund** should be established to provide financial support for facilitating establishment of private and commercial solar, wind, and biomass production units
 - The subsidy fund needs to have a **proper roadmap** to be reduced over time
- Financial incentives, such as rebates on installation costs or direct subsidy payments for net-metered electricity, could encourage more widespread adoption
- To improve access to clean energy in remote and underserved regions, **subsidies** should be allocated for **mini-grid solar, battery storage technologies** and **wind projects**

7.4 *Increasing the Energy Sector Allocation:*

- Now is the time more than ever to increase the **emphasis and focus on the primary sector exploration** and development in Bangladesh
- The current Isreal- Iran war situation has once again made things clear that depending on the imported fuel mix can anytime cause **threats to the adequate supply of energy and primary fuel** in Bangladesh
- Hence, it is time that the MoPEMR draws its attention from the power division and focus on how to increase **domestic sources of fuel (domestic gas and renewables)** while maintaining the energy **transition pathway** in Bangladesh

□ **Recommendations**

- The MoPEMR should give at most priority to the **Energy Division** budget in the national budget FY27
 - The major **chunk of the development budget as well as ADP** should be allocated for the development and enhancement of the primary energy sources and utilisation
- Such extra budget allocation can be funded from the other ministries budget which has an overall lower implementation rate
 - MoF can further look into **different sources** to fund the domestic gas explorations and renewable energy projects

7.5 *Domestic Gas Exploration for Tackling the on-Going Energy Crisis:*

- The **shortage of gas supply has been long standing** and increasing LNG import has **failed to meet** the national demand
- The elected party has **emphasised the importance of domestic gas exploration and strengthening BAPEX** in geological surveys and well drilling, onshore and offshore gas exploration will be intensified
- In addition to the existing **5 surveys (including the main survey)**, **2 more surveys** will be conducted for BAPEX according to the manifesto and a plan has been prepared to **drill 150 wells** to increase domestic gas production
- Such pledges are promising but execution needs more detailed planning with strict timeline of resource allocation in the next 2 years

❑ **Recommendations:**

- The highest allocation from the energy budget should be provided for the **domestic gas sector in the national budget FY27**
 - Such resources should be used in executing the **7 seismic surveys** including the existing 5 and for conducting the exploration in the old and new gas wells
- To drill **150 gas well**, a significant amount of development budget will be required which MoF can fund **through foreign loans and grants** in the upcoming budget
 - In addition to that money from gas development fund must also be utilised in the exploration work of the domestic gas wells
- **PetroBangla** should start exploring the wells immediately **using it's own fund** instead of relying on the foreign bidders. **BAPEX should even take loan** for allocating resources for gas exploration for the 10 wells that are supposed to be explored using rented rigs

7.6 Continuing Overemphasis on LNG import:

- The continuous over dependence on the imported LNG has caused us major financial burden
- With the war unfolding on the world, such risky and volatile source of energy will further **cause both stress on the national fiscal space** as well as the energy security of Bangladesh
- The interim government has strengthened the LNG base in our country and following so LNG import and establishment of further LNG import infrastructure is also mentioned in the elected party's manifesto
 - Such initiatives will **rather delay the scope for domestic gas exploration** and will continue to pile up the financial burden
- Doing so will just signal that Bangladesh is moving **backwards in terms of energy transition**

□ **Recommendations:**

- The new government **must put a stop in over interest and over emphasis on LNG import**. Continuing in the path of LNG will ultimately result in the repeating financial debt trap
 - In this year's budget, the **zero VAT imposition on LNG import must be withdrawn**
- MoPEMR should **shift priority from LNG import to domestic gas exploration** to successfully drill 150 gas wells. ADP allocation from the budget to be shifted from LNG import and to be utilised to drill gas wells
- **Zero budget allocation** to be provided for the further development of LNG based infrastructure such as **LNG terminal plans (FSRU and in land)** in the national budget
 - Building new FSRUs specially the in-land LNG terminal will cost a fortune for Bangladesh. Such expensive projects are unnecessary and conflicting to energy security and energy transition

7.7 Alarming Discussion of Coal Exploration:

- The **alarming growing interest in domestic coal exploration** has been raised concerns regarding the MoPEMR's intention to achieve renewable energy transition
- Previously, the new master plan **Energy and Power Sector Master Plan 2026** has put the agenda of domestic **coal exploration in the upfront**
- Following the interim government's pathway, the new government has expressed their interest in exploring domestic coal resources
- **BNP** in their manifesto and the new government in their plan for **100 days** have included **domestic coal exploration** as a priority project in the energy system
 - Such initiatives are highly contradictory for energy transition targets to be achieved by 2041

❑ **Recommendations:**

- **In no way** the national budget for FY27, should bring back the idea of **domestic coal exploration** in Bangladesh again
 - The new government must **immediately put a hold** on the discussion and initiative as it will only put the energy transition of Bangladesh backtrack
 - There should be **no mention of any coal-based power plants** in the development projects or in the ADP allocation

7.8 Higher Tariff of Renewable Energy (RE) Components:

- Despite continuously emphasising on the importance of the unfair tariff barrier in case of the renewable energy generation, the **tariff rates remain high in renewable energy-based** power generation than that of fossil fuel
 - This is a major barrier to this transition is the high tariff structure imposed on the import of essential renewable energy components
- The cost of establishing renewable energy power plants—whether large-scale independent power producers (IPPs) or smaller installations by businesses and households—is significantly affected by these **import duties**, making clean energy adoption more expensive
 - The import duty, custom duty and tax on the solar panels, solar inverters, mounting structure is as high as **58.6%**, **Lithium-ion batteries (58.60%) and lead-acid batteries (89.32%)**
- Such high rate of tariff increases the upfront cost for renewable energy projects and slow the adoption of clean energy technologies due to higher financial barriers

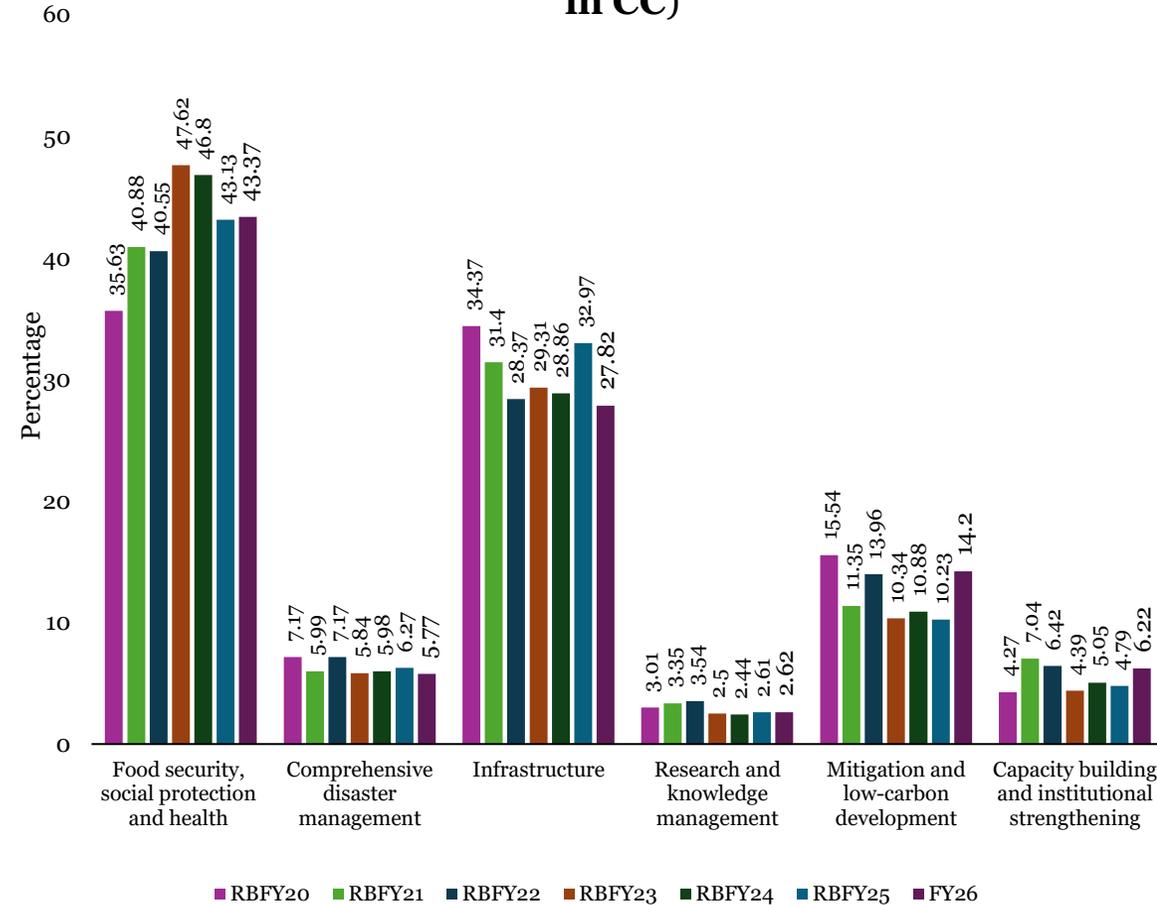
□ **Recommendations:**

- For any renewable energy-related HS Code where the Customs Duty (CD) **exceeds 5%**, it should **be reduced to 5%**
- Apart from high Customs Duty, AIT, RD, AT, and SD further discourage investment in solar panels (854140), wind turbines (850231), and battery storage (850760, 850720)
 - The government should **eliminate these taxes** on all renewable energy goods to reduce costs and boost adoption
- It is also recommended to reduce the **VAT to 10% from 15%**

8. Climate Change and the Environment

- ❑ **Climate-relevant budget allocations have increased over time yet remain inadequate to meet climate financing needs.**
- ❑ Under the BCCSAP thematic areas, food security, social protection and health received the **highest allocation of 43.37% of total climate budget allocation in FY26.**
- ❑ Allocation in mitigation and low carbon development shows increasing trend over the years with 14.2% of total budget allocated in FY26.
- ❑ **Comprehensive disaster management shows a decreasing trend since FY20. In FY26, only 5.77% allocated to comprehensive disaster management which is not adequate given the frequent occurrence of climate induced disaster events.**
- ❑ **Research and knowledge management received the lowest allocation of 2.62% in FY26.**

BCCSAP Thematic Areas in Budget for Twenty-five Ministries/Divisions (% of Revised Budget in CC)



Source: Authors' illustration based on Ministry of Finance (2025).

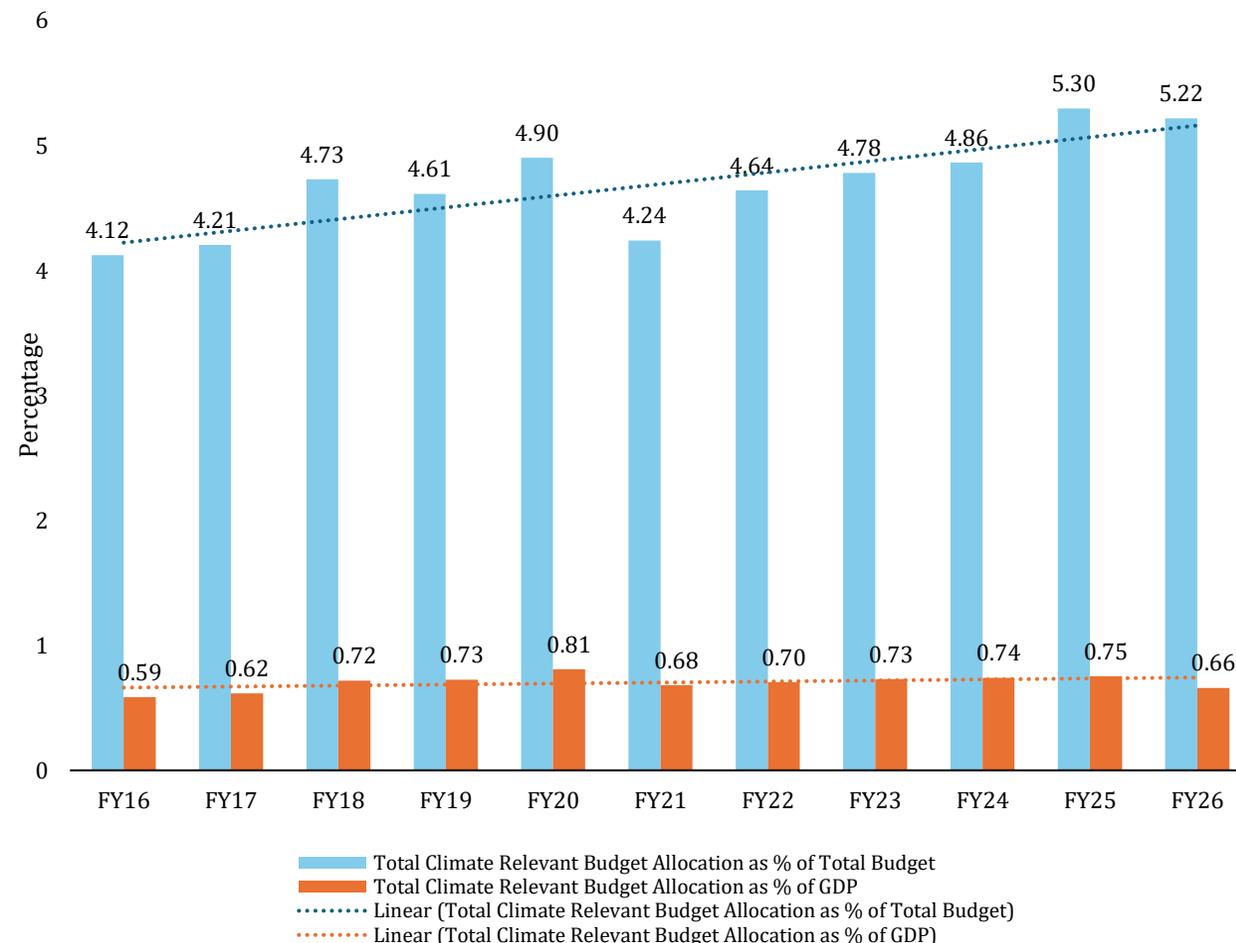
❑ **The climate relevant budget allocation remained stagnant as a share of total budget and GDP over time.**

➤ In FY26, climate relevant budget allocation as a share of total budget decreased from 5.30% in FY25 to 5.22% in FY26.

➤ Climate relevant budget allocation as a share of GDP also declined from 0.75% in FY25 to 0.66% in FY26.

- Slow increasing trend in climate relevant budget allocation from FY16 to FY26 which is not adequate given the financing requirement.
- **A stagnant climate relevant budget allocation is observed as a share of GDP within the same period.**
- Given the current trends of climate relevant budget allocation, the targets stated for climate change and environmental conservation in the election manifesto of the newly elected government cannot be achieved within the next five years.

Sectoral Allocation as a Share of Total Budget and GDP



Source: Authors' illustration based on Ministry of Finance (2025).

❑ **Bangladesh aspires to advance its green energy transition yet faces significant budgetary constraints in aligning ambitions with adequate resource allocation.**

- The country has a visionary target of generating 40% electricity from clean energy sources by 2041 and 20% from renewable sources by 2030.
- Achieving this ambitious goal hinges on crucial factors such as investment and financing in renewable energy programme.
- A stark imbalance is observed between the target and the allocation in the ADP for renewable energy.
 - Only 2.89% ADP allocation in the energy sector was directed to renewable energy programme in FY26 while allocation in fossil fuel in the same period was 97.11%.
 - Trend shows consistent decline in the allocation in renewable energy over recent years.

ADP Allocation in Renewable Energy and Fossil Fuel-Based Energy

Fiscal Year	Allocation in Renewable Energy (%)	Allocation in Fossil Fuel (%)
FY2016	4.08	95.92
FY2017	5.22	94.78
FY2018	7.41	92.59
FY2019	3.34	96.66
FY2020	8.88	91.12
FY2021	1.42	98.58
FY2022	1.55	98.45
FY2023	2.91	97.09
FY2024	3.08	96.92
FY2025	4.26	95.74
FY2026	2.89	97.11

❑ **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 FY25, the corresponding figure was BDT 17,391.93 crore which was 17.02% of total SSNP allocation.
- Allocation for climate relevant SSNP decreased by **BDT 10117.83 crore in FY26, a 10.79%** decline from FY25.
- The decrease in climate focused SSNP allocation might have an impact on marginal communities affected by climate change impact.

❑ **The severity of air and plastic pollution presents an alarming environmental challenge.**

- PM 2.5 concentration of the air in Bangladesh exceeds WHO's acceptable air quality standard by a factor of 15.6 as of 04 March 2026.
- Surveys and research reveal that air pollution is taking heavy toll on human health, particularly in Dhaka; individuals in Dhaka city on an average spent BDT 4,000 per year to diagnose and treat symptoms associated with air pollution.
- Plastic consumption and pollution have soared with rapid urbanisation.
 - Plastic usage rate in Dhaka three times greater than the national average of metropolitan areas.
 - 1,212 dump sites in Bangladesh contribute between 24,032 and 36,047 tonnes of plastic waste annually to the country's rivers.
 - The plastic pollution and plastic waste mismanagement intensifies urban flood obstructing drainage systems.

□ Recommendations for climate relevant budgetary allocations

- **Increase the climate relevant budget allocation to at least 1% as a share of GDP and 10% as a share of total budget allocation.**
- **Expand climate-focused SSNPs** by ensuring adequate and sustained budget allocations aligned with climate adaptation and resilience goals.
- **Reverse the declining trend in climate-relevant budget allocations** by ensuring sustained and increased budgetary allocation to align with national climate priorities and international commitments to build resilience and support low-carbon development
- **Increase the allocation to strengthen institutional and technical capacity** within Ministries/Divisions to enhance overall development budget utilisation, while scaling up the best practices from high-performing climate-relevant projects to ensure efficient and timely implementation.
- **Integrate provisions for loss and damage within** the climate budget by establishing a specific fund to support climate-affected vulnerable people.

□ Recommendations for addressing environmental pollution

- **Increase the allocation for renewable energy programme to at least 10%** as a share of total allocation in the energy sector in the ADP by prioritising investment in clean energy infrastructure, research, and innovation.
- **Increase the AIT on fossil fuel-driven motor vehicles 5% to 50% higher than AIT on hybrid and fully electric vehicles**, depending on the size of the vehicle's engine and electric motor.
- To promote renewable energy in Bangladesh, **a formal feed-in tariff policy exclusively for renewable energy must be implemented in FY27**. Currently, an informal version of the feed-in tariff policy exists in Bangladesh. However, such a mechanism does not exclusively promote renewable energy. **A clear incentive package has** to be present in the policy to reach all potential renewable energy producers regardless of their generation capacity.
- The government should fully implement the commitments of the Renewable Energy Policy 2025. **An extensive policy considering VAT exemption on all types of equipment in a renewable power plant, especially solar power plants, should be considered from FY27.**

Table: Proposed advance income tax structure for the owners of private motor cars in FY27

Type and engine capacity or electric motor power of motor car	Current AIT for motor car including 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

9. New Government's Priorities for the Agriculture Sector

- ❑ The newly elected government has introduced an **ambitious package of agricultural reforms** to address structural challenges in the sector. The major flagship initiatives include:
 - (a) Farmer Smart Card** to provide farmers with integrated digital services
 - (b) Excavation and re-excavation of 20,000 km of canals** to improve irrigation and water management
 - (c) Waiver of Tk 10,000 farmers' loans** (already implemented)
 - (d) Revival of the Barind Project**, with emphasis on organic crop cultivation
 - (e) Establishment of special cold storage facilities** for mango preservation and measures to ensure fair prices for crops, etc

- ❑ **The government has announced plans to initiate the Farmer Card programme**
 - Through which farmers are expected to receive **at least ten types of services** under a **unified digital platform**
 - The government would **pilot the distribution of 0.5 million farmer smart cards** among farmers in **15 upazilas** in the next **180 days**
 - The programme aims to **register 2.27 crore farmers** across the country by 2028

❑ Challenges of Implementing Farmer Card

- **Absence of a Reliable Farmer Database:** Lack of an accurate, integrated national database makes it difficult to identify genuine farmers and verify eligibility
- **Risk of Targeting Errors:** Weak beneficiary identification may lead to exclusion of eligible farmers and inclusion of non-farmers in the programme.
- **Leakages and Irregularities in Distribution:** Possibility of corruption, manipulation, and political influence during beneficiary selection and card distribution
- **Updating and Maintaining Farmer Information:** Farmers frequently change crops, land arrangements, or locations. Maintaining an updated, dynamic farmer database requires continuous data verification at union and upazila levels.
- **Overlap with Existing Agricultural Support Schemes:** Potential duplication with current subsidy programmes and disaster compensation schemes for farmers
- **Lessons from Previous Farmer Card Initiatives:** Earlier agricultural input card programmes covered millions of farmers but had limited effectiveness and high administrative costs, raising concerns about sustainability.

❑ Budget Implications for Farmer Cards Programme

- According to a **World Bank (December 2022)**, the programme has a **total estimated budget of US\$1.343 billion**
- The International Development Association (**IDA**) and the International Fund for Agricultural Development (**IFAD**) are expected to **finance 37.23%** and **3.20%** of the programme cost, respectively, while the **GoB will cover the remaining share**

❑ Recommendations for Farmer Cards Initiative

- The new government should **consolidate and integrate the national farmer database, Farmer Smart Card, and the proposed secure Farmer Card** into an **interoperable single digital agricultural registry**, linked to **subsidies, credit, insurance, procurement, and extension services**
- **Consolidation** would reduce **duplication and fragmentation**, a key problem in past initiatives where multiple card systems operated in **silos**, leading to **targeting errors, leakages, and administrative inefficiencies**
- For example, **India's linkage of farmer IDs to Aadhaar and land records** has reduced leakages and improved **subsidy efficiency**

□ Recommendations for Farmer Cards Initiative

- **Implement continuous monitoring** of farmer records (landholding, tenancy, crop patterns, demographics) using **digital tools** and **field verification**. Link updates to **subsidies, credit, insurance, and extension services**, with **periodic audits** to improve targeting, reduce **leakages**, and ensure **programme effectiveness**
- **Allocate dedicated funds** in the upcoming budget for **pilot implementation, database consolidation, IT infrastructure, input delivery, extension services, and monitoring**. Funds should be **earmarked under ADP or relevant ministry heads** for **transparency and efficiency**
- Ensure **long-term sustainability** by gradually shifting **subsidies** to a **performance- or productivity-linked model**
- **Set up grievance redressal mechanisms** like **hotlines, digital portals, union-level support offices**. Publish **beneficiary lists** (with privacy safeguards) and conduct **early audits** to detect irregularities and improve **accountability**

❑ **New GoB's ambitious plan to excavate and re-excavate 20,000 kilometres of canals**

- To support this initiative, the MoWR has already initiated a technical assistance project titled “**Identification and Classification of Canals of Bangladesh and Preparation of a Geoinformatics Database**”, valued at **Tk 315.7 million**, aimed at **mapping canals** and **developing a national GIS-based database**

❑ **Challenges of Excavating and Re-excavating 20,000 km of Canals**

- **Encroachment on Canals:** Many canals have been filled or occupied for housing, markets, and infrastructure development, making restoration difficult
- **Obstructions and Pollution:** Several canals are clogged with waste, sediment, and blocked by fish farming embankments, reducing water flow and irrigation capacity
- **Resistance to Urban Canal Recovery:** Efforts to restore canals in urban areas often face resistance from informal settlements and commercial structures located along waterways
- **Institutional Fragmentation:** Multiple agencies responsible for water management create coordination problems, delaying planning and implementation
- **Implementation and Monitoring Challenges:** Weak enforcement of regulations and limited monitoring capacity make sustained canal restoration and maintenance difficult.

❑ Budget Implication of Re-excavating 20,000 km of Canals

Estimated Cost (based on re-excavation projects)

- Re-excavation cost ranges **Tk 7–17 lakh per km** canal based on recent projects
- Re-excavating **20,000 km canals** would require approximately **Tk 1,400–3,400 crore**.

❑ Factors That May Increase Costs

- Canal **width, depth, and volume of earthwork** required
- Need for **embankments, canal lining, regulators, sluice gates, and culverts**
- **Urban vs rural location** of canals
- **Land acquisition, encroachment removal, or resettlement**
- **Soil conditions, sedimentation levels, labour and fuel prices, and inflation**

- ❑ Such large infrastructure initiatives raise questions about **financial viability and potential risks of political influence in project allocation**.

□ Government should take a **Phased and Tiered Approach for Canal Restoration and Water Management**

Phase / Strategy	Details / Recommendations
Phase 1: Prioritise Existing Canals	<ul style="list-style-type: none"> Focus on restoring and recovering existing waterways, especially in major agricultural hotspots and northern regions where groundwater decline increases irrigation challenges.
Three-Tiered Restoration Approach	<ol style="list-style-type: none"> 1. Full restoration for completely silted canals 2. Bank stabilisation and protection for partially functional canals 3. Maintenance and monitoring for already operational canals (Dewan & Hoque, 2026, The Daily Star)
Phase 2: Larger Water Management Projects	<ul style="list-style-type: none"> Only proceed after ensuring effective restoration, sustainable maintenance, and functional water flow in priority canals. Tools such as LiDAR-based digital elevation models should be used to identify lost waterways, understand natural drainage paths, and determine where excavation or protection is required

Excavate & re-excavate 20,000 km canals: Recommendations

- ❑ **Revise the pilot scope to identify and classify 30,000 canals to fast-track the survey process**
 - **Focus on drainage and irrigation functions** rather than a multi-objective approach (flood control, conservation, irrigation)
- ❑ Government committed that **1,200 km of canals** will be **visible within 180 days**; it is unclear if this includes **existing restoration projects** under different agencies (e.g., LGRD, BWDB, BMDA, WARPO, BMDC, WASA, MoEFCC, MoWR, etc)
 - These institutions already manage **200+ projects on canal excavation, irrigation, drainage, and water management**
 - **Consolidating or merging** these projects under the mega canal excavation initiative could **reduce duplication, improve coordination, and save costs**
- ❑ Given **past project failures**, future initiatives should follow a **scientifically informed, basin-wide planning framework**, incorporating **deltaic hydrodynamics, sediment movement, and climate-induced flood risks**
 - **Restore canals upstream to downstream** to prevent **rapid re-siltation**.
 - Conduct **comprehensive hydrological assessments and feasibility studies** before implementation to ensure alignment with **natural flow patterns and local conditions**, avoiding **inefficient or short-lived interventions**
- ❑ The government should **conduct feasibility studies** to explore the **multi-benefit potential of canal restoration**, including **solar installations over canals for renewable energy** and **fish farming to boost protein supply**, creating a **“Double P” dividend—power and protein**

❑ Addressing the Challenges of Reduced Supply of Gas in Fertiliser Factories in view of Hormuz Strait Crisis

- **Recent gas shortages** have forced the **suspension of production** in major fertiliser plants, including **CUFL (1,100–1,200 tonnes urea/day)** and **KAFCO (1,725 tonnes urea and ~1,500 tonnes ammonia/day)**. The implications of fertiliser crisis are:

Suspension of production at CUFL and KAFCO lowers local supply



Dependence on imports increases, which could raise **fiscal pressure and subsidy needs**, especially amid rising global fertiliser and energy prices.



Disruption coincides with **peak fertiliser application (Feb–Mar)** for Boro rice



Boro contributes **over half of total annual rice output**; fertiliser shortages could **reduce production** and require **additional rice imports**, increasing budgetary burden.

□ Recommendations

- An **additional budgetary allocation** is required to strengthen the **fertiliser subsidy programme**
- If **domestic production remains disrupted**, the government should be ready to **increase fertiliser imports** to maintain an adequate supply during the **Boro season**
- The **GoB** also needs to **increase subsidy support** in the upcoming budget
- **Budget provisions** may be required for **buffer stock procurement and storage** to manage **short-term supply shocks** and ensure **uninterrupted fertiliser distribution** during **critical crop production stages**

10. Social Safety Net Programmes

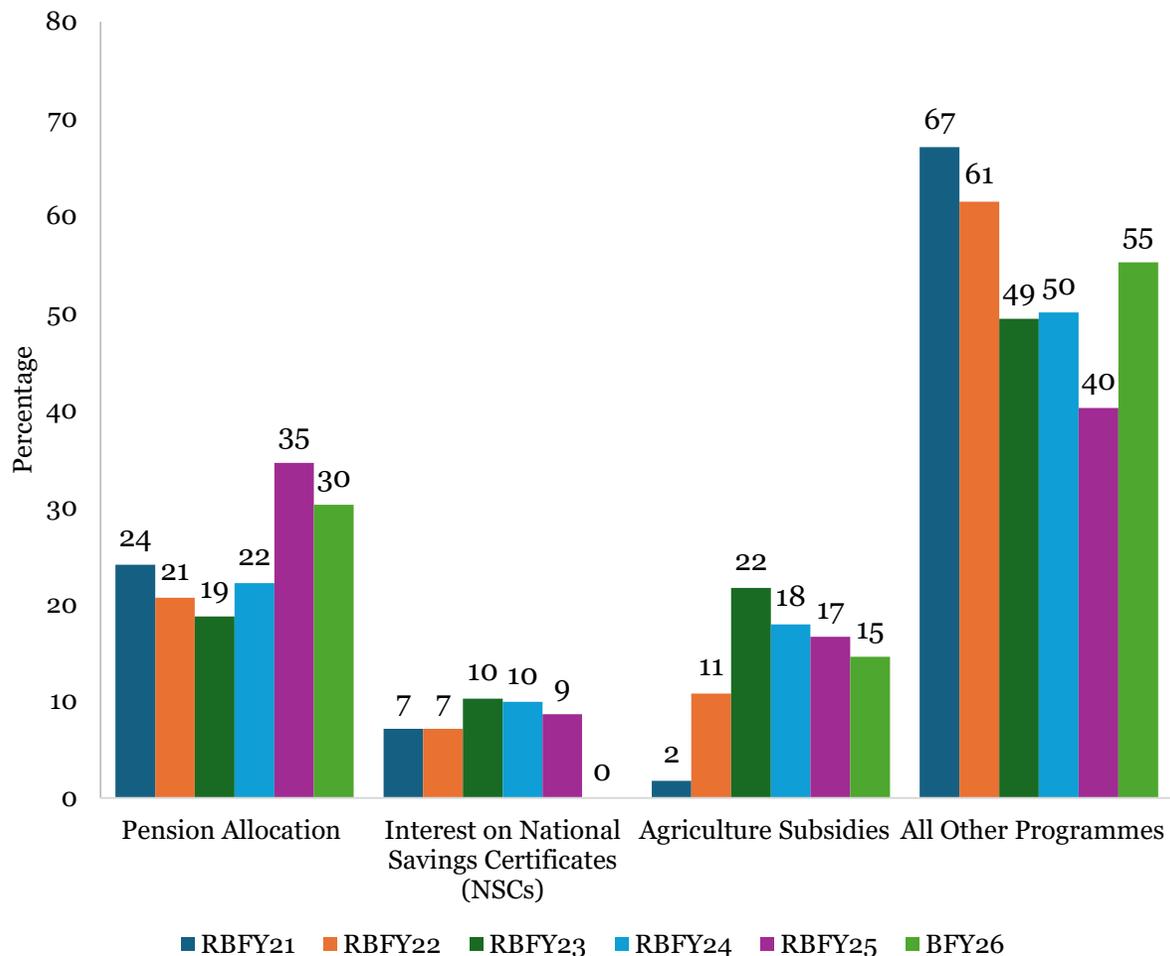
The current status of the SSNP budget and its shortcomings

❑ The SSNP budget is disproportionately dominated by non-poverty-targeted items *such as pensions for retired government officials, interest payments on national savings certificates, and agricultural subsidies*, causing the budget to largely bypass poor and vulnerable groups.

❑ **80% of SSNP programmes** together receive only **11.75% of the total budget**, limiting effectiveness and straining fiscal resources.

- Pensions alone rose from **22% to 35%** of the SSNP budget (RBFY24–25).
- Reduced allocations for all other programmes from 50% to 40% and, masking the true support going to vulnerable groups.

Figure: Distribution of Social Safety Net allocation (as a share of total social safety net budget)

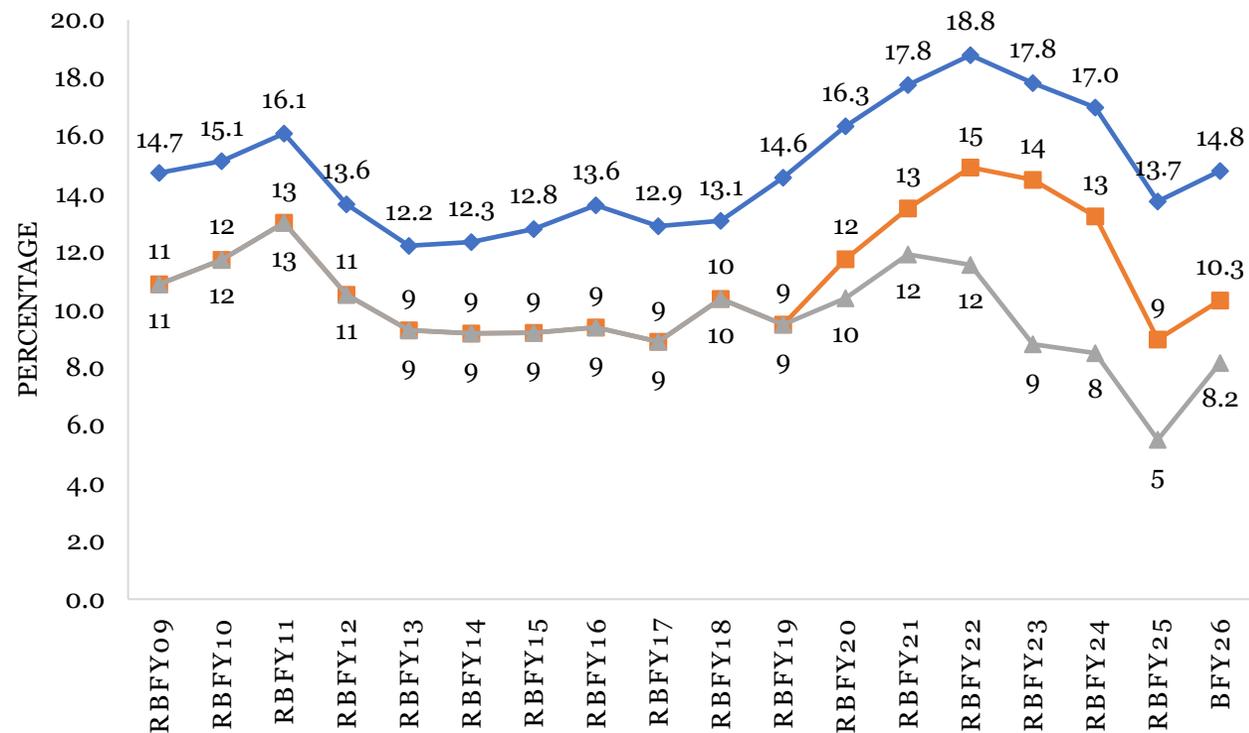


The current status of the SSNP budget and its shortcomings

□ The SSNP allocation accounts for **13.7%** of the budget in **RBFY25**.

- Excluding pension allocations for government officials **reduces the SSNP share to 9%**.
- SSNP budget documents from FY09 to FY25 show that spending on programmes for the poor and vulnerable fell from **11% in RBFY09 to 5% in RBFY25**.

Figure: Social safety net allocation as a share of the budget



- ◆ Social safety net allocation (as a share of the budget)
- Social safety net allocation excluding pension (as a share of the budget)
- ▲ Social safety net allocation excluding pension, national savings certificate interest, and agricultural subsidy (as a share of the budget)

Family Card as a major step towards social protection

- According to the **Family Card Piloting Guideline, 2026**, during the pilot phase (**starting 10 March 2026**), **BDT 2,500 per month** will be provided to **40,000 beneficiaries**, selected based on the Proxy Means Test (PMT) score across 14 upazilas through June, with 10,000 new beneficiaries added each month from March 2026.
- The financial assistance will be provided to the **mother or female head of the household** through mobile banking platforms or a bank account opened using her National ID (NID), thereby promoting women's financial freedom.
- The total budget for the pilot phase is **BDT 38 crore 7 lakh**, of which **66%** (BDT 25 crore 15 lakh) will be allocated for providing cash assistance over four months. The government plans to finance the programme from the **block allocation** of the Ministry of Finance.

❑ Eligible:

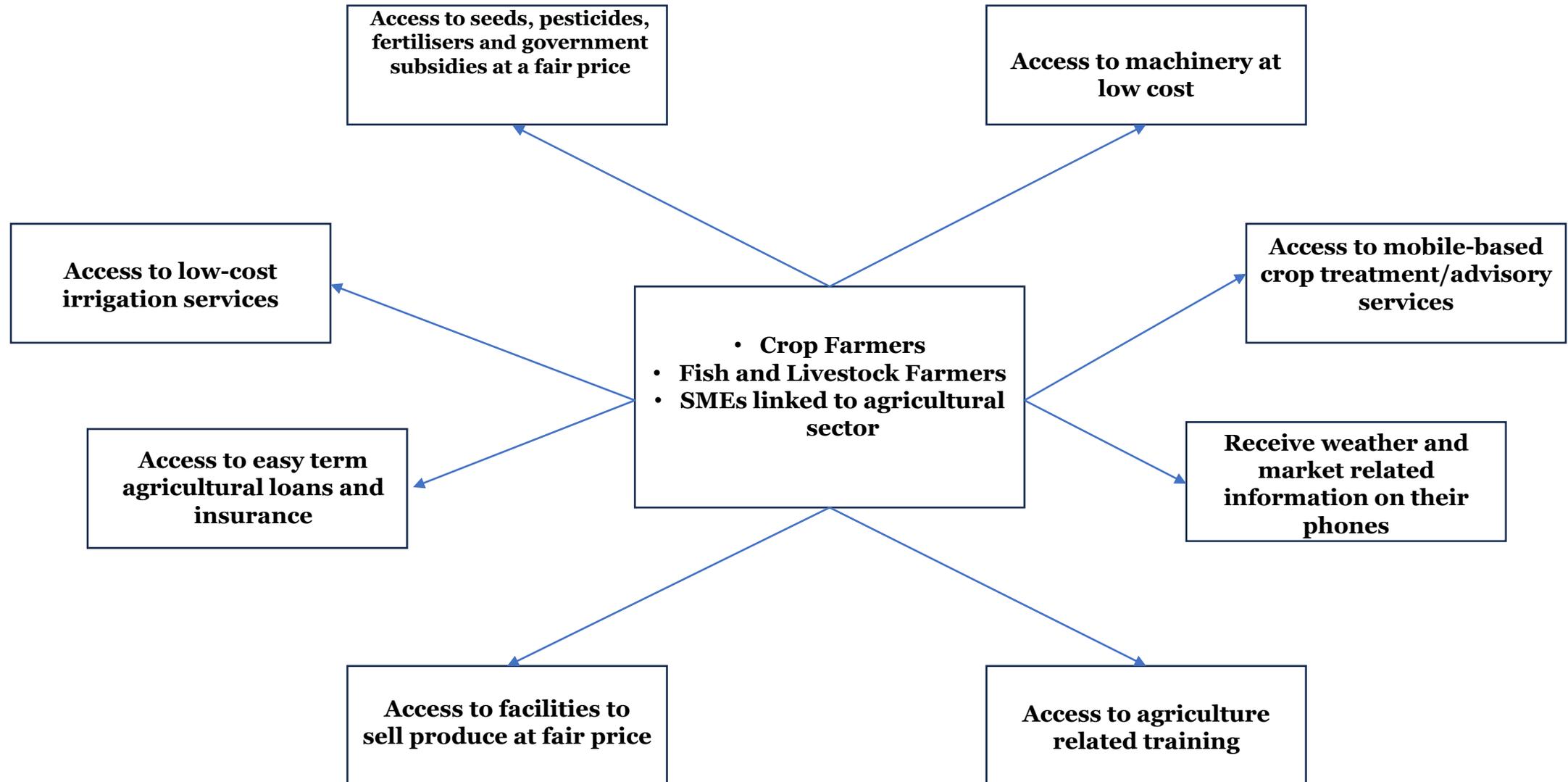
- Ultra-poor (PMT score 0 – 777)
- Poor (PMT score 778-796)
- Lower-income households (PMT score 797 – 814), particularly those in rural areas owning 0.50 acres or less of homestead and cultivable land and whose income and asset levels indicate poverty.
- Priority to landless and homeless households, persons with disabilities, and socially marginalised groups.

Note: To avail a Family Card, the recipient will have to surrender benefits from the TCB Smart Family Card, the Food-Friendly Programme (FFP), or the Vulnerable Women Benefit (VWB)

❑ Excluded:

- One with a PMT score above 814
- Any family member gets a salary/grant from the government/autonomous institution
- Any family member is an allowance or pension recipient
- MPO-enlisted teacher or employee
- Family holds a commercial license or runs a large business
- Family owns luxury assets (e.g., car or air conditioner)
- Owns bond worth BDT 5,00,000

- ❑ The government plans to allocate funding for the Family Card programme in the upcoming national budget under the social security budget and aims to increase the social security budget to **3% of GDP by 2028, up from the current 1.87% of GDP.**
- ❑ **Fiscal Pressure:** Providing Family Card to **two crore families (according to the Family Card Piloting Implementation Guideline, 2026, Published on 03 March 2026 by the Ministry of Social Welfare)** would require around **BDT 60,000 crore annually** (excluding other operating and administrative costs), equivalent to **51.40% of the current SSNP budget in FY26.**
- ❑ **Targeting challenges:** Traditionally, beneficiary identification has been problematic, as inclusion errors and fraudulent beneficiaries are common in SSNPs. Digitisation of close monitoring will improve the effectiveness of the programme.



- ❑ Bangladesh currently lacks a unified and verified farmer database.
 - Therefore, no verification to ensure whether all registered farmers are, in fact, genuine farmers.
 - The success of the initiative will depend on an authentic database.
- ❑ Bangladesh's agricultural finance landscape remains dominated by microfinance institutes with high interest rates and overlapping loans.
 - Integrating farmers into formal credit systems requires expanding simplified Know-Your-Customer (KYC) processes across rural banking channels to reduce reliance on microfinance.
 - This shift is complex and will require systemic reform to implement effectively.
- ❑ The proposal offers “easy-term” loans and insurance but fails to define what these terms entail.
 - However, a clear definition on the terms of loans and insurance is needed. Otherwise, it will be difficult to assess how these measures will benefit farmers.
- ❑ Eliminating middlemen is a key goal. This will need to do away with bureaucratic chains and improvement in coordination.

- Re-evaluate the existing SSNPs to improve targeting accuracy, prevent overlaps, and introduce time-bound planning mechanisms with clearly defined exit strategies.
- Develop a **comprehensive vulnerability mapping** framework to identify and reach groups most at risk.
- Reallocate SSNP resources to address current distribution imbalances, ensuring that interventions are impactful and aligned with national priorities.
- Strengthen interministerial coordination and collaboration across agencies to reduce costs, minimise fragmentation, and enhance efficiency while aligning programmes with evolving poverty, employment, and fiscal trends.
- Enhance social protection measures and develop robust institutional, legal, and administrative systems to support job creation and broader socio-economic policy objectives.

- The required allocation to accommodate 2 crore families should be financed sustainably without undermining funding for other critical sectors.
- The government should exercise caution and diligence when assigning the Proxy Means Test (PMT) scores used to identify beneficiaries. The eligibility of selected households should be thoroughly verified.
- The government should closely monitor the implementation of the new programme to ensure that it does not contribute to further fragmentation within the SSNPs and that it effectively achieves its intended objectives.
- There needs to be sufficient fiscal space in the SSNP budget to ensure that the monthly benefit amount is periodically revised and adjusted in line with inflation and market prices to retain the households' purchasing power.

- Develop a centralised national farmer registry that integrates existing systems such as Bangladesh Agro-Meteorological Information Service (BAMIS) with land records, crop cycle data, NID information, and local government verification.
- Ensure regular data audits and digital updates to maintain accuracy, including seasonal re-validation during planting cycles.
- Develop a phased transition strategy that gradually shifts farmers from high-interest microfinance dependency to regulated, lower-cost formal credit systems, supported by financial literacy campaigns.
- Introduce real-time digital tracking of subsidy distribution and input delivery to reduce opportunities for middlemen and corruption.

11. Public Health

- ❑ In FY26, the health sector received **5.3% of the national budget and only 0.67% of GDP**, indicating that health remains a low fiscal priority.
- ❑ **The FY27 budget should increase health allocations** to reduce the financial burden on households and prevent people from falling into poverty due to health expenditures.
- ❑ In addition, the government should:
 - **Increase public health expenditure** gradually through a phased, fiscally sustainable approach.
 - **Prioritise primary healthcare** and service capacity, including infrastructure, equipment, and programmes for vulnerable populations.
 - **Expand health workforce recruitment**, alongside transparent posting, performance-based management, and governance reforms to improve service delivery and accountability.

Recommendation: A single and specific tax on cigarettes of BDT 10 per stick

❑ The government should **eliminate the tiers of cigarette taxation and replace those with a single universal system**

➤ We propose implementing a **uniform specific excise duty of BDT 10 per cigarette stick** on all cigarettes in FY27

Proposed tax structure for cigarettes (per pack of 10 cigarettes)

Current tax structure for cigarettes in FY26						Proposed tax structure in FY27				
	Retail price		SD				Retail price		Specific excise duty	
Tier	Pack of 10 (in BDT)	Per stick (in BDT)	Per pack of 10 (in per cent)	Per pack of 10 (in BDT)	Per stick (in BDT)	Tier	Per pack of 10 (in BDT)	Per stick (in BDT)	Per pack of 10 (in BDT)	Per stick (in BDT)
Low	50	5.0	67	60	3	Universal	Market based	Market based	100	10
Medium	70	7.0	67	80	4.58					
High	120	12	67	140	7.86					
Premium	160	16	67	185	10.48					

Source: Authors' compilation based on data from the Ministry of Finance

Recommendation: A single and specific tax on Bidi of BDT 3 per stick

- CPD proposes a specific excise tax of **BDT 3 per stick** for all Bidi to be implemented in FY27

Proposed tax structure for Bidi

Current tax structure in FY25						Proposed tax structure in FY26-27				
Type of bidi	Retail price		SD			Type of bidi	Retail price		Specific excise duty	
	Per pack (in BDT)	Per stick (in BDT)	Per pack (in per cent)	Per pack (in BDT)	Per stick (in BDT)		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 eight-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	

Source: Authors' compilation based on data from the Ministry of Finance

Recommendation: A single and specific tax on Jarda and Gul of BDT 6 per gram

- CPD proposes a **specific excise duty of BDT 6 on per gram of Jarda and Gul** to be implemented in FY27
- 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

Proposed tax structure for Jarda and Gul

Current tax structure in FY26						Proposed tax structure in FY27				
	Retail price		SD				Retail price		Specific excise duty	
Type of product	Per 10gm (in BDT)	Per gm (in BDT)	Per 10 gm (in per cent)	Per 10 gm (in BDT)	Per gm (in BDT)	Type of product	Per 10gm (in BDT)	Per gm (in BDT)	Per 10gm (in BDT)	Per gm (in BDT)
10gm jarda	48	4.8	55	26.40	2.64	10gm jarda	Market based	Market based	60	6
10gm gul	25	2.5	55	13.75	1.37	10gm gul				

Source: Authors' compilation based on data from the Ministry of Finance

Recommendation: Health development surcharge and VAT on cigarettes and other tobacco products

- We propose that the **Health Development Surcharge** on cigarettes and other tobacco products be **increased from 1% to 5%**, and the **VAT** on cigarettes and other tobacco products to be **increased from 15% to 20%** in FY27

Proposed Health Development Surcharge and VAT on cigarettes and other tobacco products

	Current Tax Structure for FY26		Proposed Tax Structure for FY27	
	Health Development Surcharge (in per cent)	VAT (in per cent)	Health Development Surcharge (in per cent)	VAT (in per cent)
Cigarettes	1	15	5	20
Biri	1	15	5	20
Jarda	1	15	5	20
Gul	1	15	5	20

Source: Authors' compilation based on data from the National Tobacco Control Cell (NTCC) (NTCC, 2017).

- The effective tax for a publicly listed tobacco company **decreased by 1 percentage point in 2022**
- CPD proposes that the **corporate tax on all companies manufacturing tobacco products** to be **increased** from 45% in FY25 to **55% in FY27**, and the associated **surcharge** to be **increased** from 2.5% in FY25 to **7.5% in FY27**
- The National Board of Revenue (NBR) should not give 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

Type of company	Current tax structure in FY26		Proposed tax structure for FY27	
	Corporate tax (in %)	Surcharge (in %)	Corporate tax (in %)	Surcharge (in %)
All companies manufacturing tobacco products	45	2.5	55	7.5

Source: Authors' compilation based on data from the Ministry of Finance

Recommendation: A hard tax on soft drinks and energy drinks

- ❑ Carbonated soft drinks and energy drinks contain high levels of sugar, contributing to obesity, diabetes, and tooth decay.
 - A 355 ml soft drink contains about 39g of sugar (≈ 10 teaspoons), exceeding the WHO recommended daily limit of 6 teaspoons.
- ❑ The sector currently faces 30% supplementary duty on soft drinks, 40% on energy drinks, and 15% VAT on both.
- ❑ For soft drinks and energy drinks, **CPD recommends that the government should put a specific excise duty of BDT 0.10 per ml or BDT 100 per litre in FY27.**
 - Placing a specific excise duty on soft drinks and energy drinks **will provide the government with substantial revenue** and minimise the risks of related diseases and health expenditures

Proposed Tax Structure for Soft Drinks and Energy Drinks

Current Tax Structure for FY26			Proposed Tax Structure for FY27			
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

Source: Authors' compilation based on data from the Ministry of Finance

❑ 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.

Recommendation: Tax on medicines in view of LDC graduation

- ❑ Under the VAT and Supplementary Duty Act 2012, the government imposed 2.4% VAT on pharmaceuticals, including medicines, at the local trading stage and 15% VAT on the import of pharmaceutical ingredients and raw materials for production
- ❑ As an LDC, Bangladesh's pharmaceutical industry is currently enjoying facilities under WTO's Trade Related Property Rights (TRIPS) pharmaceutical waiver
- ❑ The **TRIPS pharmaceuticals waiver will be withdrawn** following Bangladesh's LDC **graduation**, so Bangladesh will lose the LDC-specific support measures under this agreement
- ❑ CPD recommends that the **VAT on medicines should be exempted starting from FY27** to ensure that medicines continue to be affordable to all, even after the loss of the TRIPS waiver

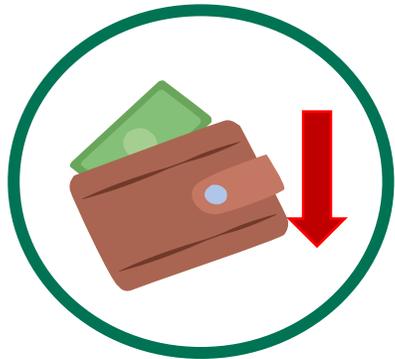
- ❑ Increase public expenditure to 5% of GDP
 - Aligns with global UHC financing benchmarks and could significantly expand health services
 - Requires a multi-fold budget increase; stronger absorptive capacity and fiscal planning are needed, without which there may be inefficiency
- ❑ Recruitment of 100,000 health workers (80% women)
 - Addresses workforce shortages and promotes women's employment
 - Requires large fiscal allocation
 - Governance issues like absenteeism should be stopped
- ❑ GP-style primary healthcare units in every union and urban ward
 - Strengthens preventive and community-based healthcare
 - High infrastructure and operational costs are involved, and coordination across levels of government will be critical
- ❑ Universal e-health cards and digital health integration
 - Potential to improve service continuity, patient tracking, and system oversight
 - Requires major investments in infrastructure, data governance, and cybersecurity
- ❑ Overall, implementation of these reforms will depend on transparency and accountability in procurement, and strict monitoring and evaluation

12. Fiscal Measures for the Education Sector

Current status of the budget for the education sector



- In FY26, the government allocated BDT 95,644 crore, only 1% increase from the previous budget.
- This was only **1.53%** of GDP and **12.11%** of the total budget.



- Actual expenditure consistently falls short of the budget allocation.



- **Bangladesh has the 3rd lowest education spending (2016–2023) among 39 LDCs**
- 35+ LDCs spent $\geq 2\%$ of GDP on education

- ❑ **The new government has committed to gradually raising public expenditure on education to 5% of GDP.**
 - This signals a strong intent to reform the education sector.
 - **This requires an achievable timeline and implementation strategy.**

- ❑ **The manifesto also proposes to introduce multimedia in the classrooms of primary and secondary schools**
 - Multimedia in classrooms can transform the learning trajectory for students.
 - **Technical issues, limited practical knowledge, limited internet access, power outages, and technical constraints hinder the use of multimedia in classrooms.**
 - **Therefore, to avoid inefficient use of public funds, these issues have to be addressed first.**
 - **It is first important to ensure reliable internet access and electricity to foster online learning.**
 - **Furthermore, a robust system must be created to maintain and update digital infrastructure, alongside tailored professional development that helps educators adapt multimedia to their specific subjects.**

Education sector manifesto pledges: Realigning priorities

- ❑ The manifesto proposed to integrate technical education at the secondary level so that a student can secure employment even if the family cannot afford a child's education beyond SSC.
 - Risk of added costs and reduced affordability for low-income students.
 - **Alternatively, stipends for technical education could serve as a subsidised bridge, making education beyond the SSC financially viable and ensuring that economic constraints do not dictate a child's academic or professional ceiling.**

- ❑ Inequality in the education sector
 - Bangladesh's education comprises several parallel streams, including the National Curriculum, Madrasah, and international systems such as British and IB curricula.
 - These streams differ significantly in curriculum design, teaching methods, resources, and learning outcomes.
 - These parallel systems reinforce structural inequalities and limit equal opportunities in higher education.
 - **Therefore, it is important to standardise the education sector first, improve resource allocation, and ensure equitable access to education across all socio-economic groups.**

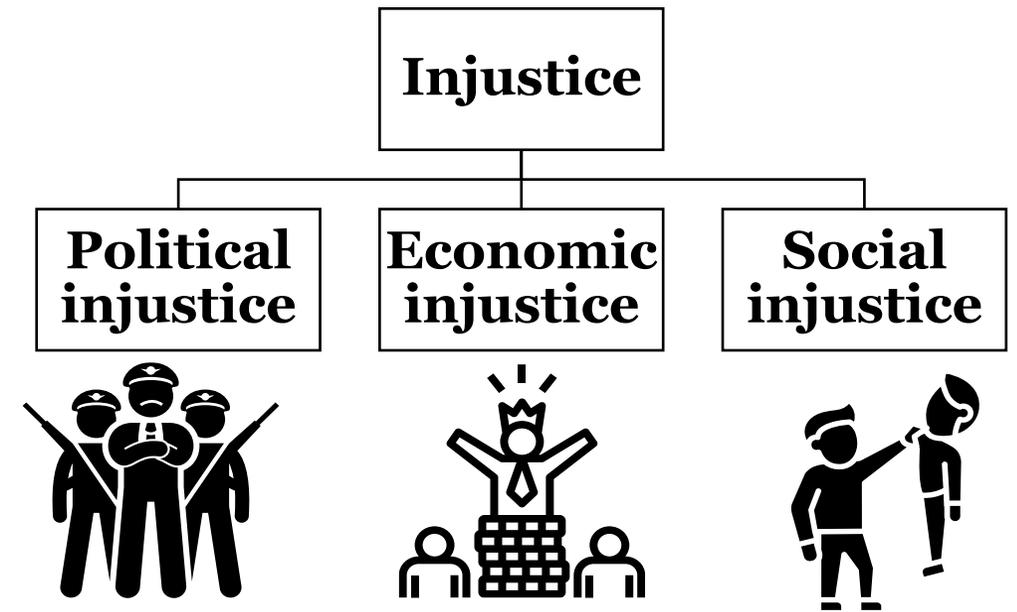
Education sector manifesto pledges: Realigning priorities

- ❑ The election manifesto also pledges to provide free education up to the postgraduate level for female students.
 - This initiative can expand women's higher education and workforce participation.
 - **But social and cultural barriers may still limit continued education beyond higher secondary.**
 - Effective incentives must be carefully designed and targeted.
 - Stipends and financial support have been shown to be effective in increasing female enrollment and retention in higher education programmes.
- In 1982, the government of Bangladesh initiated SSNPs specifically targeted at women and girls, such as the female secondary education stipend.
- Results from a pilot project showed that girls' secondary enrolments increased from an average of 7.9% to 14% in some project areas, and dropout rates fell from 14.7% to 3.5%.
- In 1994, the highly successful programme was launched nationwide.
- The female secondary education stipend programme in Bangladesh was not only effective in increasing girls' enrolment in schools but also succeeded in providing a host of benefits, such as increasing the ratio of female students in secondary schools, improving the female literacy rate, lowering the fertility rate, controlling population growth rate and increasing female labour force participation.
- **Therefore, a targeted stipend programme in FY27 for female students should be introduced in higher education to help increase women's enrolment and participation at the tertiary level.**
- **In addition, stipends removed in FY26 should be reinstated, and a needs-assessment survey should be conducted to update the beneficiary list.**

- While the government has exempted Bengali medium schools and later private universities from paying VAT on tuition fees, the **VAT on English medium schools continues to be at 5%**.
 - The existing VAT puts an additional burden on the parents of middle-income households.
 - **Therefore, the VAT on tuition fees for English medium schools should be exempted in FY27.**
- English medium schools follow an international curriculum, and their students are assigned to read imported foreign books. At present, the **total tax incidence on imported books is 73.96%**.
 - This puts further strain on families from middle-income households and impedes the efforts made in order to achieve SDG 4, which aims for inclusive and quality education for all.
 - **Therefore, all taxes on imported foreign books should be exempted.**

Proposal for scholarship programme to recover from the impact of the July uprising on education

- The July 2024 movement revealed deep-rooted social, economic, and political injustices present in Bangladesh.
- The movement escalated into violence, resulting in widespread human rights violations, with 12-13% of those killed being children.
- Many students were injured or killed, impacting their social, psychological, and academic well-being, with some forced to delay or abandon their education.
 - **The government should introduce a scholarship programme in FY27 to finance the education of those who were injured or disabled during the 2024 July uprising until they complete their undergraduate degree.**



- The quality of higher education in Bangladesh is below global standards, with issues like insufficient funding, lack of competent faculty, political interference affecting universities, suboptimal resources and curricula.
- The government should employ a combination of special financial programme and reforms to elevate a few top public and private universities in Bangladesh to global standards.
- **In FY27, the government should allocate funds for academic programmes, STEM subjects, curriculum development, and incentives to attract distinguished international scholars and faculty.**

13. Concluding Remarks

- ❑ **The FY27 budget is being developed amid Bangladesh's significant economic challenges, demanding precise and strategic policy actions**
- ❑ **Restoring macroeconomic stability is the top priority for policymakers**
 - This involves implementing targeted measures to curb inflation, maintain fiscal discipline, boost investment and generate employment. In the present economic situation, the budget should focus on safeguarding vulnerable and disadvantaged populations and promoting economic recovery
- ❑ **The FY27 budget is the first budget of the newly elected BNP government. This presents a unique opportunity for the government to implement its electoral promises and demonstrate leadership in fiscal management and expenditure efficiency**
 - In implementing various promises, the government **will need to develop a credible and well-structured fiscal framework**
- ❑ **While the government will have to work to overcome the ongoing economic turbulence and achieve macroeconomic stability, it will also have to continue with reform measures to lay a robust foundation for the economy and ensure its sustainability**

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