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Centre for Policy Dialogue (CPD)



## CPD's Recommendations for the National Budget FY2026-27

### Key policy recommendations

1. Monetary and fiscal policy coordination should prioritise curbing high inflationary pressure while supporting economic recovery.
2. The design and fiscal targets of the upcoming FY2027 need to be set in a realistic manner, while taking cognisance of the current macroeconomic scenario.
3. Strengthen market governance through better competition oversight and supply chain monitoring to stabilise prices and ensure fair market operations.
4. Prepare for post-LDC graduation by rationalising tariffs and para-tariffs, aligning applied tariff rates with bound commitments in the WTO, gradually phasing out direct subsidies, and by strengthening capacities to deal with anti-dumping and countervailing cases from the perspective of both offensive and defensive interests.
5. 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.
6. Avoid any large-scale electricity generation-based projects, especially from fossil fuels, in the upcoming national budget for the power and energy sector and focus more on the transmission and distribution system.
7. Increase the climate relevant budget allocation to at least 1 per cent as a share of GDP and 10 per cent as a share of total budget allocation and expand climate-focused SSNPs by ensuring adequate and sustained budget allocations aligned with climate adaptation, locally led solutions, and resilience goals.
8. Develop and operationalise a single, interoperable national farmer registry linked to the Farmer Smart Card, ensuring accurate targeting, reducing leakages, and integrating subsidies, credit access, insurance, and extension services into one platform.
9. The estimated required budget of BDT 60,000 crore for the Family Card assistance, along with any additional associated costs, must be financed sustainably without undermining funding for other critical sectors.
10. Strengthen the health workforce by expanding recruitment, especially in rural areas, while introducing transparent posting systems, performance-based management, and governance reforms to improve accountability and service delivery.
11. Increase the allocation of all education stipends in the budget for FY2027.

## **INTRODUCTION**

The FY2026-27 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 FY2027 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 budgetary recommendations and fiscal measures to inform the upcoming FY2027 budget. These suggestions consider current economic conditions and offer practical strategies to manage existing uncertainties while supporting medium- and long-term economic sustainability.

## **SNAPSHOT OF MACROECONOMIC CORRELATES**

During the July-January FY2026 period, tax collected by the National Board of Revenue (NBR) increased by a modest 12.9 per cent (NBR, 2026). This implies that NBR tax collection will need to increase by 59.4 per cent during the remainder of FY2026 in order to meet the annual growth target. This is indeed a highly unlikely prospect. During the aforementioned period, ADP implementation rate reached 20.3 per cent (IMED, 2026) – the lowest in the last fifteen years. Deficit financing during the July-December FY2026 period relied heavily on bank borrowing (Bangladesh Bank, 2026a).

During the first eight months of FY2026, general inflation remained mostly over 8 per cent but under 9 per cent at national, rural and urban levels. Non-food inflation was usually higher than food inflation in both rural and urban areas. Urban food prices generally rose faster than rural food prices, while non-food inflation was relatively higher in rural areas (BBS, 2025a, 2025b, 2026).

Monetary aggregates broadly reflect the prevailing policy stance during the first seven months of FY2026. Net foreign assets and net domestic assets increased by 31.7 per cent and 6.2 per cent, respectively, during the aforementioned period. The slower-than-expected growth in domestic credit, at 10.5 per cent, can be mainly attributed by the historically low private sector credit growth of 6.0 per cent. On the other hand, public sector credit growth surged by 26.2 per cent (Bangladesh Bank, 2026b).

Export earnings experienced a contraction during the July–February FY2026 period while import payments growth also moderated during the July-January FY2026 period. Overseas migration and remittance inflow recorded substantial positive growth. In terms of current account and financial account balance, significant improvements were observed during the July-December period of FY2026. This led to an improved overall balance and thus, foreign exchange reserves.

GDP growth was estimated at 4.5 per cent during the July–September period of FY2026. This figure was higher compared to 2.6 per cent during the corresponding period of FY2025 (BBS, 2025c, 2025d). To maintain higher economic growth, continued macroeconomic stabilisation should be a key priority. Hence, the investment climate should be enhanced, export performance should be improved, and inflation should be controlled to maintain growth momentum.

## **CONSIDERATIONS FOR THE FY2027 FISCAL FRAMEWORK**

The budget for the upcoming FY2027 is going to be the first budget prepared by the newly elected government. Hence, it provides a rare opportunity to break free from the formulaic mould, initiate short-term reforms, and set the stage for medium-term improvements in public financial management. Preparing a credible fiscal framework can be considered a starting point in this regard. Drawing lessons from past experience, the design and fiscal targets of the upcoming FY2027 need to be set in a realistic manner – while taking cognisance of the current macroeconomic scenario – both at the domestic and external fronts.

The ambitious goal of raising the tax-GDP ratio to 15 per cent by 2035 needs to be followed by a thorough and well-written action plan, as well as efficient execution backed by strong political will. In order to find newer avenues of resource mobilisation, meaningful taxation of wealth and property and taxes on the expanding digital economy should be taken into consideration. Starting in FY2027, all ad hoc provisions of tax incentives should be discontinued. Additionally, accelerating the realisation of disputed tax claims through the Alternative Dispute Resolution (ADR) mechanism must receive due attention in the next national budget.

The newly elected government has mentioned a number of pledges in its election manifesto. Pursuing a staggered approach should be the best course of action in this regard. Priority pledges, requiring considerable resources, may be initiated in FY2027 after careful consideration. For other pledges, a phased approach could be followed from FY2028 to ensure overall delivery quality. If absolutely necessary, in certain cases, limiting the scope or depth of the ambitious pledges may be considered. The ongoing efforts to reduce wasteful and expensive public expenditure, such as the purchase of vehicles and travelling abroad, must be continued. 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.

## **FISCAL POLICY RECOMMENDATION FOR CONTROLLING INFLATION**

Inflation has emerged as a major macroeconomic challenge for Bangladesh in recent years. Persistently high prices have become the norm, imposing significant hardship on millions of households and eroding purchasing power, particularly among low-income groups. These domestic pressures are now compounded by growing global uncertainties. Escalating geopolitical tensions in the Middle East, particularly involving Iran, have heightened volatility in global energy markets. For an import-dependent economy like Bangladesh, rising global fuel and commodity prices can quickly translate into higher import costs, increased production expenses, and renewed inflationary pressures. Against this backdrop, the upcoming national budget presents an important opportunity to align fiscal policy with the objective of stabilising prices while protecting vulnerable groups. It is important to recognise that inflation in Bangladesh is driven by both demand-side and supply-side factors; therefore, stronger coordination between

monetary policy and targeted supply-side measures is essential to effectively contain rising inflation. To address inflationary pressures, the government should prioritise spending on critical sectors such as healthcare, education, and agriculture while reducing non-essential expenditures and limiting borrowing from the central bank to maintain fiscal discipline. Targeted subsidies, adjustments to duties and taxes on essential commodities, higher minimum wages, and expanded cash or in-kind assistance can help protect low-income households. Strengthening market oversight, increasing open-market sales of essential goods, and improving agricultural support through subsidised credit, crop insurance, climate-resilient crops, cold storage, and solar-powered irrigation can enhance supply stability and price control. At the same time, improving the effectiveness of SSNPs, strengthening institutional coordination, safeguarding central bank independence, addressing seasonal price spikes, enhancing climate resilience, formalising the informal sector, reducing the fiscal deficit, and investing in renewable energy will help stabilise prices and build long-term economic resilience.

### **FISCAL POLICY STANCE AND BUDGETARY PROPOSALS IN LIGHT OF EXTERNAL SECTOR DEVELOPMENTS**

The FY2027 budget of Bangladesh is being formulated at a critical juncture, shaped by impending LDC graduation, commitments made as part of the Economic Partnership Agreement (EPA) with Japan and the American Reciprocal Trade (ART) with the US, and against the backdrop of heightened global uncertainty stemming from the ongoing conflict in the Middle East. Together, these developments carry significant fiscal policy and budgetary implications that demand careful consideration and should inform the design of the upcoming budget of FY2027.

Bangladesh's commitment to provide duty-free access to almost all imports from the US is likely to result in significant revenue losses and heightened exposure to potential WTO disputes, particularly in view of its Most-Favoured-Nation (MFN) obligations. Purchase commitments will have significant public expenditure and subsidy implications. NBR should take up a study to assess the fiscal implications of these. Bangladesh should initiate a discussion with the US to revisit the obligations and offer and request lists. Also, the offer of preferential market access to Japan as part of the EPA will have budgetary implications. The FY2027 budget should be informed by the fiscal-budgetary ramifications of these recent developments.

Irrespective of the outcome of Bangladesh's request to defer LDC graduation, proactive preparation for the post-LDC future, from fiscal-budgetary perspectives, is an imperative. Priority actions should include rationalising applied tariffs in line with bound rates, gradually phasing out para-tariffs and WTO-incompatible subsidies, strengthening compliance with Trade Facilitation Agreement commitments, and enhancing institutional capacity to manage anti-dumping, countervailing, and other trade remedy measures. Bangladesh will need to review its fiscal policies as a future developing country, both from the perspective of loss of LDC-specific International Support Measures (ISMs) and Special and Differential Treatments (SDT) that it will be able to enjoy as a developing country. Budgetary proposals should be gradually tuned to this, irrespective of whether Bangladesh's submission for deferment of LDC graduation succeeds or not.

Measures to curb illicit financial outflows through trade mispricing, through comprehensive digitalisation, based on interoperable systems, ought to be given priority. The FY2027 budget should allocate funds for capacity-building in these areas.

Rising global commodity prices and energy market volatility linked to the Middle East conflict will call for putting in place a *Contingency Plan* and calibrated tariff responses to mitigate the adverse impacts of imported inflation. In view of anticipated rising commodity prices, import tariffs on essential items will need to be reduced.

## **INVESTMENT AND EMPLOYMENT GENERATION**

The FY2027 budget presents a critical opportunity for the government to fulfil its electoral commitments while implementing the Smooth Transition Strategy (STS) as Bangladesh prepares to graduate from LDC status. With private investment declining and foreign direct investment stagnating, the government should prioritise improving the business climate by fully digitising one-stop service platforms and allocating funds for cybersecurity and cloud infrastructure. To strengthen SMEs, the government should abolish Advance Income Tax (AIT) and Advance VAT on capital imports, introduce sovereign-backed credit guarantees, and reserve 25 per cent of public procurement for small enterprises. To promote market competition, funding for the national competition authority should be increased while gradually phasing out tax exemptions for large conglomerates that generate limited employment. In preparation for post-graduation trade challenges, the government should reduce high import tariffs in line with commitments under the World Trade Organisation and automate customs at major ports. Targeted tax incentives for hiring youth and women and a dedicated unemployment insurance fund would support inclusive growth.

## **ENSURING ENERGY SECURITY WHILE REVIVING THE ENERGY TRANSITION PATHWAY**

Bangladesh's power and energy sector has long struggled with financial instability, rising public debt, and heavy dependence on imported fuels. Although the interim government managed to clear overdue payments, the structural reliance on imported energy continues to recreate cycles of repayment pressure and fiscal strain. Global geopolitical tensions, such as the Iran–Israel conflict, further exposed Bangladesh's vulnerability to volatile energy markets. However, CPD believes that such a crisis will be short-lived without causing long term sectoral impacts. Historically, Bangladesh's energy planning has overemphasised electricity generation due to flawed demand projections, resulting in excess installed capacity and significant fiscal burdens. Evidence suggests that the current generation capacity could meet electricity demand until 2030 (Moazzem et al., 2025), highlighting the urgent need to shift investment toward strengthening transmission and distribution infrastructure, particularly through the development of smart grid systems. Budget allocations should therefore prioritise upgrading grid infrastructure rather than financing new fossil fuel-based power plants. At the same time, the power sector continues to receive substantial subsidies, much of which is directed toward capacity payments for fossil fuel plants instead of supporting renewable energy. Strengthening domestic energy sources is equally critical, as Bangladesh currently faces a significant gas supply deficit, making domestic gas exploration a priority. Expanding seismic surveys, drilling new wells, and empowering institutions such as Bangladesh Petroleum Exploration and Production Company Limited (BAPEX) could increase domestic production and reduce reliance on costly LNG imports. Simultaneously, the government should avoid expanding LNG infrastructure and halt discussions on domestic coal exploration, as these contradict long-term energy transition goals. Finally, reducing high tariffs and taxes on renewable energy components is essential to lowering costs and accelerating clean energy adoption. A fairer tax structure would help remove financial

barriers and support Bangladesh's transition toward a sustainable and secure energy future. As the first budget of the new government approaches, it presents a crucial opportunity to establish a clear roadmap toward energy security and financial independence. The budget should prioritise reducing import dependence through increased domestic gas exploration, expansion of renewable energy, development of smart grids, and fair tax structures for renewable technologies.

## **CLIMATE CHANGE AND THE ENVIRONMENT**

Bangladesh is a climate-vulnerable country due to its geographic location. From 2017 to 2021, the country experienced a 46 per cent increase in extreme weather events (Letsch et al., 2023). These have an adverse effect on the country's socioeconomic condition and people's lives and livelihoods in many ways. For instance, Bangladesh loses on average USD 1 billion every year due to cyclone effect (World Bank, 2024). In 2020, the country faced economic losses equivalent to an astounding of USD 11.30 billion due to cyclones, floods, and other natural disasters (World Meteorological Organisation, 2021).

In addition to climate-induced hazards, the pressure of rapid urbanisation and industrialisation is further intensifying environmental degradation across the country. Due to increased GHG emissions, air pollution has emerged as one of the critical environmental problems in the country. Besides, due to a lack of efficiency in waste management in the country, plastic pollution has also become another serious environmental concern.

To address the adverse impact of climate change and environmental degradation, climate-relevant budget allocation and budgetary fiscal measures become even more critical. Hence, the following key recommendations are proposed. For FY2026-27, increase the climate-relevant budget allocation to at least 1 per cent as a share of GDP and 10 per cent as a share of total budget allocation and expand climate-focused SSNPs. An increase in the allocation for the renewable energy programme to at least 10 per cent in the ADP is essential to achieve the country's renewable energy target. Besides, an increase in the AIT on fossil fuel-driven motor vehicles from 5 per cent to 50 per cent higher than the AIT on hybrid and fully electric vehicles, depending on the size of the vehicle's engine and electric motor, is also essential to curb air pollution.

## **NEW GOVERNMENT'S PRIORITIES FOR THE AGRICULTURE SECTOR**

The new government has proposed a number of initiatives for the development of the agricultural sector, including the introduction of a Farmer Smart Card programme and a nationwide canal excavation and restoration plan. While these initiatives have the potential to improve service delivery and irrigation infrastructure, their effectiveness will largely depend on institutional coordination, fiscal feasibility, and the quality of implementation.

The proposed Farmer Smart Card programme aims to integrate multiple services for farmers under a single digital platform, including subsidies, inputs, credit, insurance, and extension support. However, past experiences with farmer identification and card-based assistance schemes indicate persistent challenges related to weak databases, targeting errors, and administrative inefficiencies. Without a reliable and verified national farmer registry, the programme may face risks of duplication, exclusion of genuine farmers, and fiscal inefficiency.

Establishing an integrated digital farmer database and ensuring transparency through verification, grievance mechanisms, and monitoring systems will therefore be critical.

Similarly, the proposed excavation and re-excavation of canals could significantly improve irrigation coverage and water management. However, encroachment, institutional fragmentation, and high financial requirements may constrain implementation. Prioritising restoration of existing canals in key agricultural regions, undertaking proper technical assessments, and allocating dedicated funds for maintenance would enhance the sustainability of the initiative.

Finally, recent gas supply disruptions affecting fertiliser production highlight the vulnerability of the agricultural input supply chain. Strengthening fertiliser buffer stocks and ensuring adequate budgetary support for imports and subsidies will be necessary to protect crop production, particularly during the Boro season.

## **SOCIAL SAFETY NET PROGRAMMES**

Bangladesh's social protection system covers a wide range of programmes for specific groups and low-income households, yet it continues to fall short in ensuring basic security and enabling pathways out of poverty. In the current FY2026, 80 per cent of 99 ongoing Social Safety Net Programmes (SSNPs) together account for only 11.75 per cent of the total SSNP budget (MOF, 2025). The largest shares are taken by pension allocation and agriculture subsidies.

The newly formed government has articulated ambitious plans to advance social security. The government has committed to implementing the Family Card universally and the Farmer's Card for all farmers, along with other social security commitments.

For the Family Card, a four-month pilot phase will be conducted from March to June, providing a cash allowance of BDT 2,500 to 40,000 families identified through the Proxy Means Test (PMT), financed from the Ministry of Finance's block allocation of BDT 38 crore 7 lakh (MSW, 2026). The government plans to fund the nationwide rollout through the national social security budget. However, providing cash allowances to two crore families is estimated to cost BDT 60,000 crore (MSW, 2026), which is about 51.40 per cent of the current SSNP budget (MOF, 2025). Therefore, prudent fiscal management will be critical for the success of this programme.

The proposed farmer's card aims to extend benefits not only to crop farmers but also to fish and livestock farmers, as well as small and medium-sized enterprises (SMEs) linked to the agricultural value chain (BNP, 2026). The programme also promises to ensure fair pricing for agricultural produce, enhance access to agricultural training, and provide farmers with timely weather and market information via mobile phones. However, the government needs to articulate a clear timeline or implementation strategy for the farmer's card.

## **PUBLIC HEALTH**

Bangladesh's health system continues to face structural challenges despite improvements in several health indicators. Public health expenditure remains below 1 per cent of GDP, reflecting persistent underinvestment in the sector. Infrastructure gaps, shortages of trained health

professionals, particularly in rural areas, and weak governance have limited service readiness and the effective utilisation of existing resources.

The Bangladesh Nationalist Party's (BNP) election manifesto proposes an ambitious reform agenda aimed at expanding universal health coverage, strengthening primary healthcare, and increasing public health expenditure to 5 per cent of GDP. Key commitments include recruiting 100,000 health workers, expanding primary healthcare facilities across unions and urban wards, introducing universal e-health cards, and establishing a Health Protection Fund for high-cost treatments. While these commitments align with broader health system goals, their implementation will depend on fiscal sustainability, institutional capacity, and stronger governance mechanisms.

In this context, the Centre for Policy Dialogue (CPD) proposes several recommendations for the health sector budget for FY2027. Gradually increasing public health expenditure through a credible medium-term fiscal framework while improving the balance between development and non-development spending is necessary. Strengthening governance and budget efficiency is equally important, including improving procurement systems, enhancing monitoring and evaluation, and addressing absenteeism and weak supervision within health facilities. Strengthening the health workforce through expanded recruitment combined with transparent posting systems, performance-based management, and incentives to improve rural retention is required. Fiscal policy reforms are proposed to improve public health outcomes, including simplifying the tobacco tax structure, introducing specific excise duties on cigarettes and bidi, increasing taxes on tobacco products, and implementing excise taxes on sugar-sweetened beverages. In addition, affordable medicines can be ensured by removing taxes on imported pharmaceutical inputs, exempting VAT on medicines, and supporting the long-term development of domestic pharmaceutical manufacturing. In addition, measures to improve menstrual health affordability through tax reductions should also be taken.

## **FISCAL MEASURES FOR THE EDUCATION SECTOR**

The need for quality education is imperative in Bangladesh. Primary school enrolment has declined in recent years, with net enrolment showing signs of stagnation and a slight decrease. At the secondary level, enrolment initially improved but has recently fallen, indicating emerging concerns regarding student retention and participation in the education system. Given the context, Bangladesh made limited progress in allocating the necessary educational budgetary resources, allocating 12.11 per cent of the total budget and 1.53 per cent of the GDP (Ministry of Finance, 2025). Education in Bangladesh faces persistent challenges, including primary-level absenteeism, high secondary dropout rates, poor education quality, ineffective teaching methods, and resource constraints. The FY2027 education budget should address these long-standing and emerging challenges while improving the effectiveness of public spending. This may include a targeted stipend programme in FY2027 for female students in higher education, which could help increase women's enrolment at the tertiary level, reinstating the other education stipends removed in FY2026 and conducting a needs-assessment survey to update the beneficiary list, removing taxes on education-related expenses, such as VAT on English medium schools and imported books, to make education more affordable, introducing scholarships for those injured or disabled during the 2024 July Revolution, and increasing stipends for students at all education levels. The Government of Bangladesh should also allocate a portion of the FY2027 budget to fund

special academic programmes or schemes at a few of the top public and private universities in Bangladesh to facilitate research outputs, promote STEM-related subjects, and develop world-class, leading curricula in the higher education system.

## **CONCLUSION**

The FY2027 national 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 FY2027 budget is the first budget of the newly elected BNP government. The upcoming national budget 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.

## **POLICY RECOMMENDATIONS**

### ***Snapshot of Macroeconomic Correlates***

- Monetary and fiscal policy coordination should prioritise curbing high inflationary pressure while supporting economic recovery.
- Development expenditure should be accelerated through improved project management and monitoring, while prioritising not only visible infrastructure projects but also investments in human capital development.
- Deficit financing should rely on a balanced mix of both domestic and external sources to avoid excessive pressure on the banking system and private sector credit.

### ***Considerations for the FY2027 Fiscal Framework***

- The design and fiscal targets of the upcoming FY2027 need to be set in a realistic manner – while taking cognisance of the current macroeconomic scenario.
- Starting in FY2027, all ad hoc provisions of tax incentives should be discontinued.
- A cautious approach will be required while securing domestic or external financing to meet the budget deficit.

### ***Inflation***

- Strengthen market governance through better competition oversight and supply chain monitoring to stabilise prices and ensure fair market operations.
- Enhance support for low-income households through targeted subsidies, expanded cash or in-kind assistance, and improved social safety net efficiency.
- Invest in renewable energy to diversify energy sources and reduce Bangladesh's vulnerability to global oil price shocks.

### ***Fiscal Policy Stance and Budgetary Proposals in Light of External Sector Developments***

- Prepare for post-LDC graduation by rationalising tariffs and para-tariffs, aligning applied tariff rates with bound commitments in the WTO, gradually phasing out direct subsidies, and by strengthening capacities to deal with anti-dumping and countervailing cases from the perspective of both offensive and defensive interests.
- Initiate an in-depth review of the Bangladesh–US Agreement on Reciprocal Trade (ART), with a fiscal-budgetary lens, to assess revenue, regulatory, and WTO-related implications.
- Introduce contingency fiscal provisions in the FY2027 Budget to manage external shocks arising from likely global commodity price volatility and geo-political uncertainties, particularly those affecting import expenditures on fuel and energy and other necessary items.

### ***Investment and Employment Generation***

- 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
- As part of the preparation for LDC graduation, gradually phase down cash incentives currently provided to large-scale enterprises and reallocate these resources toward small and medium-sized enterprises (SMEs)

### ***Ensuring Energy Security while Reviving the Energy Transition Pathway***

- The upcoming national budget for the power and energy sector should avoid any large-scale electricity generation-based projects, especially from fossil fuels and focus more on the transmission and distribution system
- The MoPEMR should give at most priority to the Energy Division budget, and the highest allocation from the energy budget should be provided for the domestic gas sector in the National Budget FY26-27
- For any renewable energy-related HS Code where the Customs Duty (CD) exceeds 5%, it should be reduced to 5 per cent in the National Budget FY26-27

### ***Climate Change and the Environment***

- Increase the climate relevant budget allocation to at least 1 per cent as a share of GDP and 10 per cent as a share of total budget allocation and expand climate-focused SSNPs by ensuring adequate and sustained budget allocations aligned with climate adaptation, locally led solutions, and resilience goals.
- Increase the allocation for the renewable energy programme to at least 10 per cent in the ADP by prioritising investment in clean energy infrastructure, research, and innovation.
- Increase the AIT on fossil fuel-driven motor vehicles from 5 per cent to 50 per cent higher than the AIT on hybrid and fully electric vehicles, depending on the size of the vehicle's engine and electric motor.

### ***New Government's priorities for the Agriculture Sector***

- Develop and operationalise a single, interoperable national farmer registry linked to the Farmer Smart Card, ensuring accurate targeting, reducing leakages, and integrating subsidies, credit access, insurance, and extension services into one platform
- Prioritise the restoration of existing canal networks in high-impact agricultural areas, supported by a dedicated budget for excavation
- Strengthen subsidy programmes and secure adequate supplies during the boro seasons to avoid production losses

### ***Social Safety Net Programmes***

- The estimated required budget of BDT 60,000 crore for the Family Card assistance, along with any additional associated costs, must be financed sustainably without undermining funding for other critical sectors.
- Adequate fiscal space in the SSNP budget is required to periodically adjust benefit levels under the Family Card in line with inflation to preserve households' purchasing power.
- Develop a comprehensive vulnerability mapping framework to identify and reach groups most at risk, aligning interventions with the SDG commitment to leave no one behind.

### ***Public Health***

- Strengthen the health workforce by expanding recruitment, especially in rural areas, while introducing transparent posting systems, performance-based management, and governance reforms to improve accountability and service delivery.
- Reform tobacco taxation by simplifying the tiered tax structure, introducing uniform specific excise taxes on cigarettes, bidi, and smokeless tobacco, and increasing VAT, health surcharges, and corporate taxes on tobacco companies to improve public health outcomes.
- Ensure affordable medicines while supporting the pharmaceutical industry by exempting VAT on medicines, eliminating taxes on imported Active Pharmaceutical Ingredients (API), and developing long-term strategies to strengthen domestic pharmaceutical manufacturing.

### ***Fiscal Measures for the Education Sector***

- The budget allocation of all education stipends should be increased in the budget for FY2027.
- The VAT on the tuition fees for all academic institutions, including English medium schools, should be exempted in the budget for FY2027, and the exemption should remain in place indefinitely.
- Corporate income tax on private universities and colleges should be reduced from 15 per cent to 10 per cent in the budget for FY2027.

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## CPD IRBD 2026 Team

Lead contributions were provided by *Dr Fahmida Khatun*, Executive Director; *Professor Mustafizur Rahman*, Distinguished Fellow; *Dr Khondaker Golam Moazzem*, Research Director; and *Mr Muntaseer Kamal*, Research Fellow, CPD.

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