সেন্টার ফর পলিসি ডায়লগ (সিপিডি)
Centre for Policy Dialogue (CPD)

Six Months of the Government
A Commentary on its Performance

Presenting at the Media Dialogue on 24 August 2026 by

Dr Debapriya Bhattacharya
Distinguished Fellow, Centre for Policy Dialogue (CPD)
and
Convenor, Citizen's Platform for SDGs, Bangladesh

Research Team

Dr Debapriya Bhattacharya
Distinguished Fellow, CPD

Mr Towfiqul Islam Khan
Additional Research Director, CPD

Ms Shourza Talukder
Senior Research Associate, CPD

Mr Asir Newaz Khan
Research Associate, CPD

Mr Jubair Zahir Chowdhury
Research Associate, CPD

Ms Nafisa Tarannum
Programme Associate

Prof. Mustafizur Rahman
Distinguished Fellow, CPD

Ms Mamtajul Jannat
Senior Research Associate, CPD

Ms Naima Jahan Trisha
Research Associate, CPD

Ms Mahdia Mahmud Taima
Research Associate, CPD

Mr Khawja Masham Fahim
Programme Associate, CPD

Mr Mahathir Mahmud
Intern, CPD

Valuable support was also received from Ms Tarannum Jinan, Mr Md. Rifat Bin Aowlad, Ms Zarin Tasnim, Ms Nahian Raihana Prapti.

Contents

1. The Baseline Issues

The Baseline Issues

The Two Major Immediate Expectations from the Newly Elected Government during Recovery Phase

01 **An economic turnaround**

With improved growth, investment and jobs — and concerning inflation and high cost of living

02 **Good governance**

accountable institutions for reducing corruption and enhancing efficiency

A Difficult Starting Point

Inherited structural weaknesses — fragile banks, weak revenue mobilisation, fiscal constraints and subdued investment.

An adverse global climate — the World Bank has scaled down its 2026 outlook; Fitch's negative outlook on Bangladesh.

Recovery was already fragile — all three rating agencies (S & P growth, Fitch and Moody) pointed to slower growth, financial-sector stress and heightened downside risks.

An unforeseen situation — the US–Iran conflict and the volatile situation surrounding the Strait of Hormuz has sent energy shock waves worldwide.

A Baseline Left Undocumented

No baseline was documented — the inherited economy is called "severely weakened," yet the promised second White Paper never materialised. The state of the economy was noted only perfunctorily in the Finance Minister's April parliamentary statement.

Reform commitments left open — articulated but neither documented nor delivered.

2. Areas of Comfort and Concern

Methodology of the Analysis

- The objective was to assess the incumbent government's performance in its first 180 days, following the parliamentary election in February 2026. Policy announcements from primary and secondary sources, including Parliamentary statements, Ministerial statements, the National Budget, media reports/press releases, and the "180 Days of the People's Government" report, were tracked.
- Only concrete actions have been considered; initiatives, pledges, policy announcements, and plans that have not yet translated into action were not taken into cognisance.
- We acknowledge that this list is not exhaustive but indicative.
- Selection is based on qualitative assessment, not a numeric scoring or weighting system, to understand the direction the government is heading.
- In all, 362 observations were reviewed, and the selected ones presented here are grouped into nine areas

Areas of Observation (362)	
1. Governance, Justice & Public Administration (105)	6. Agriculture & Rural Non-Farm (22)
2. Public Financial Management (PFM) (25)	7. Education (49)
3. Industry & Trade (45)	8. Health (26)
4. Banking & Financial Sector (15)	9. Social Protection (22)
5. Energy & Transportation (52)	

- **Areas of Comfort:** Government actions that are considered to be beneficial, reform-oriented, or welfare-enhancing e.g., expand access, cut costs for citizens, roll back an unpopular prior policy, represent fiscal discipline/austerity, or advance environmental sustainability and social inclusivity without shifting the burden onto vulnerable groups.
- **Areas of Concern:** Government actions that are considered to be controversial, undemocratic, or damaging, e.g., politicisation, human-rights harms, procedural violations, documented failures, or decisions that undermine sustainability or unequally burden or exclude vulnerable and underrepresented groups.

1. Governance, Justice & Public Administration

Total number of observations: 105

<table>
<tr><th>Top Areas of Comfort</th><th>Top Areas of Concern</th></tr>
<tr><td>The ruling party decided that its MPs would not accept government-allocated plots or duty-free vehicles; Parliament subsequently abolished the statutory duty-free vehicle entitlement.</td><td rowspan="2">The appointment of politically affiliated individuals to senior positions across public universities, SOEs, courts and other public institutions has raised renewed concerns about politicisation and whether merit, neutrality and institutional independence are being sufficiently protected.</td></tr>
<tr><td>Record-fast disposal of cases involving violence against women and children was demonstrated through the Ramisa rape-murder case, resolved in 19 days; a Meherpur child rape case, disposed of in 29 working days; and 10 death references and appeals decided by a dedicated High Court bench between 14 June and 15 July 2026.</td></tr>
<tr><td>The government has pursued a series of austerity measures, including holding cabinet meetings at the Secretariat to reduce traffic disruption, capping PMO meal costs at Tk150 per person, suspending government vehicle purchases, cancelling the post-budget dinner, and withdrawing police escorts from 18 ministers. The Prime Minister has also reportedly been depositing 10% of his monthly salary into the state treasury.</td><td>Key legislation on enforced disappearances and human rights has raised concerns over the adequacy of public consultation and the robustness of legislative scrutiny.</td></tr>
<tr><td>The government has operationalised AI-based automated traffic enforcement in Dhaka, with cameras detecting violations and generating digital cases, and has subsequently extended AI-based automated fines to the Dhaka–Chattogram Highway.</td><td rowspan="2">Despite repeated government assurances of zero tolerance and intensified law-enforcement measures, independent rights monitors continued to document mob killings and persistent violence against women and children, as well as attacks on religious and ethnic minority communities, raising concerns over the effectiveness of the government’s response.</td></tr>
<tr><td>Bangladesh Public Service Commission (BPSC) undertook wide-ranging reforms to strengthen merit-based recruitment, reduce reliance on coaching centres and shorten the BCS recruitment cycle to one year.</td></tr>
</table>

1. Governance, Justice & Public Administration

Total number of observations: 105

Top Areas of Comfort	Top Areas of Concern
The e-Bail Bond system is operational in 28 districts, with 120,000 e-bail bonds processed in the earlier 16 districts. e-Family Courts are operational in two districts, and an online e-cause list system is operational. The amended Code of Criminal Procedure and Code of Civil Procedure, enacted by Parliament on 10 April 2026, also gave statutory effect to the use of digital summons, including service through phone calls, SMS, voice calls, email and instant messaging services. Investigating police officers, medical practitioners and magistrates can also give evidence online under the Information Technology Use by Courts Act, 2020.	Reports of *local-level extortion, land grabbing and intimidation* have continued under the new government, raising concerns about persistent coercive practices and political patronage.
Judicial digital platforms already in active use include the e-cause list, case management system, Judiciary Portal, inheritance calculator and Amar Adalat app. Information and service centres have also been established in Chief Judicial Magistrate Courts across the country.	*Journalists have faced arrest* and legal action following critical reporting, including reports on alleged corruption involving government figures. *Government teachers have also faced disciplinary warnings* over social-media posts or remarks deemed critical, derogatory or objectionable concerning the government and its decisions, raising concerns over freedom of expression.
The Supreme Court has introduced online paper-free requisitions for supplies in the High Court Division, required the use of official email in the subordinate judiciary, and introduced biometric face-attendance for officers and employees working in High Court Division courts, offices and branches.	

2. Public Finance Management

Total number of observations: 25

Top Areas of Comfort	Top Areas of Concern
Responding to public concerns, the Finance Act 2026 raised the income tax-free threshold for individual taxpayers and withdrew the proposed investment-source disclosure requirement.	No initiative has been taken for public finance expenditure review concerning subsidies and tax expenditure.
NBR has expanded mandatory and digital income-tax filing, launching e-Return for the 2026–27 tax year while introducing incentives for early online filing to simplify compliance and improve tax administration.	
For individual taxpayers, the Finance Act 2026 introduced a 5% tax rebate for 25 thousand taka, whichever is lower, for returns filed by 30 September and provided a 60-day statutory timeframe for excess-tax refunds, alongside selected VAT and duty exemptions to ease costs.	No concrete measures have been undertaken for public debt-stress assessment.
The proposed 2026-27 budget's provision allowing undisclosed money to be legalised was withdrawn.	

3. Industry and Trade

Total number of observations: 45

Top Areas of Comfort	Top Areas of Concern
The FY2026–27 budget expanded bonded-warehouse eligibility beyond RMG to export-oriented industries, supported by subsequent amendments to the customs and warehouse licensing rules.	Between January and August 2026, 95 factories permanently shut down across three major industrial belts (Gazipur, Savar–Ashulia, and Narayanganj–Narsingdi), resulting in 61,881 direct job losses.
In a move toward privatisation of state-owned enterprises (SOE), the government has unveiled a portfolio of investment opportunities aimed at unlocking idle and underused SOEs for productive use through private investment.	
Bangladesh signed a Comprehensive Economic Partnership Agreement (CEPA) with South Korea to secure preferential market access for Bangladeshi exports.	Of the five urea plants, only the Ghorashal Polash Fertilizer Company Limited (GPFCL) remains operational, producing about 96% of its installed capacity.
The government has advanced major investment-facilitation reforms by integrating investment and export services through BanglaBiz, linking EPB's EMES with the platform, and bringing the Invest Bangladesh Act 2026 into force to establish a single authority by merging BIDA, BEZA and PPPA.	
The FY2026–27 budget established a Startup Fund to support new and technology-oriented entrepreneurs, with particular emphasis on young and women entrepreneurs, as part of the government's broader startup and innovation agenda.	
More than 21 agreements and Memoranda of Understanding were signed during the China visit. These include understandings on the digital economy, public-private partnerships (PPP), infrastructure development and the launch of a joint feasibility study on a Bangladesh-China Free Trade Agreement (FTA).	

4. Banking and Financial Sector

Total number of observations: 15

Top Areas of Comfort	Top Areas of Concern
The government demonstrated a willingness to rescind from policy by consolidating five troubled Islamic banks under Sammilito Islami Bank and moving to repeal Section 18A, which had opened a pathway for their former owners to reclaim their shares, assets and liabilities.	The abrupt cancellation of Bangladesh Bank earlier Governor's tenure, reportedly without prior notice, and his replacement with potential conflict-of-interest concerns have raised serious questions about central bank independence and the basis for senior institutional appointments.
Bangladesh Bank has started to put in practice the Bank Resolution Act 2026 concerning five non-viable NBFIs, placing troubled institutions under resolution, dissolving their boards and appointing central-bank administrators to protect depositors and strengthen financial-sector discipline.	Calls for greater Bangladesh Bank autonomy have not resulted in the abolition or restructuring of the Ministry of Finance's Financial Institutions Division, which continues to exercise functions over banking and financial institutions.
	Islami Bank Bangladesh PLC descended into a severe liquidity and governance crisis following controversy over the appointment of its chairman, triggering major deposit withdrawals and ultimately leading Bangladesh Bank to dissolve the board and appoint an administrator.

5. Energy and Transport

Total number of observations: 52

Top Areas of Comfort	Top Areas of Concern
A fully women-operated and women-managed "Pink Bus Service" has been introduced to provide safe transport for women.	The prolonged gas crisis has exposed weaknesses in crisis management and supply planning, as persistent technical disruptions at the Moheshkhali LNG terminals, difficulties in securing replacement LNG cargoes and cargo acceptance problems have prolonged supply shortages, disrupting gas-dependent industries including textile, steel, paper, particleboard and ceramics.
The Bangladesh Energy Regulatory Commission (BERC) withdrew a proposed electricity tariff hike for low-income and low-use residential consumers, retaining the existing rates for lifeline and first-slab households.	
The government opened international bidding for offshore oil and gas exploration under the revised Bangladesh Offshore Model Production Sharing Contract 2026, with bids invited until 30 November 2026.	A concrete initiative is yet to be taken to explore gas use (Bhola).
The government has introduced a 25% discount on metro rail and train fares for senior citizens (65+), along with special fare concessions for persons with disabilities.	
BAPEX began drilling the new gas exploration the Sundalpur-4 well, targeting 7 mmcfd of gas, with results expected after 45 days of drilling plus a 15-day test.	
The government initiated a formal reassessment of previously cancelled renewable-energy projects, forming a committee to examine whether their Letters of Intent can legally and practically be reinstated.	

6. Agriculture and Rural Non-farm

Total number of observations: 22

Top Areas of Comfort	Top Areas of Concern
The government has implemented a waiver of agricultural loans of up to Tk10,000, including accrued interest, with public-sector banks writing off eligible farmers’ loans under the programme.	Prolonged gas shortages have repeatedly disrupted fertiliser production, forcing urea and other fertiliser plants to suspend operations and increasing Bangladesh’s reliance on costly imports, with implications for timely fertiliser availability, agricultural production and food security.
	Persistent fertiliser distribution irregularities have left farmers in several areas unable to obtain fertiliser at government-fixed prices, forcing some to pay inflated market rates amid reported hoarding, diversion and unauthorised sales.

7. Education

Total number of observations: 49

Top Areas of Comfort	Top Areas of Concern
The Ministry of Primary and Mass Education has withdrawn its earlier directive requiring government primary schools nationwide to keep three political biography books in their libraries.	The government has yet to establish an Education Reform Commission.
The government has announced a policy to make undergraduate education tuition-free for female students	
The government has undertaken measures to restore and operationalise previously supplied digital classroom equipment in government primary schools, including repairing and redeploying laptops and multimedia equipment.	The decision to continue HSC examinations outside the flood-affected Chattogram region despite reports of students facing serious difficulties in reaching examination centres triggered protests and criticism over the government's handling of the flood-related disruption.
The government reversed its earlier decision to replace lottery-based admissions with tests for Class 1, restoring the lottery system from the 2027 academic year while retaining admission tests for higher classes.	
Following complaints over substandard food and students falling ill, the government ordered investigations and strengthened oversight of the School Feeding Programme through school-level guardian committees, surprise inspections and action against suppliers and officials responsible for irregularities.	

7. Education

Total number of observations: 49

Top Areas of Comfort	Top Areas of Concern
The government has begun disbursing long-pending retirement and welfare benefits to teachers and employees of MPO-listed non-government educational institutions, with dues accumulated over the past four years being transferred directly to beneficiaries' bank accounts through EFT and iBAS++.	Fifth Primary Education Development Programme (PEDP-5) has yet to enter full implementation despite the government announcing a 1 July 2026 start date and allocating funding for the programme, with preparatory and implementation-readiness activities still underway in August.
The government has begun distributing free uniforms, shoes, and jute bags to primary school students as part of a pilot programme, with the Bangladesh Textile Mills Association (BTMA) donating one lakh sets of school uniforms for first-grade students in government primary schools in support of the initiative.	

8. Health

Total number of observations: 26

Top Areas of Comfort	Top Areas of Concern
VAT and taxes have been reduced or withdrawn on dialysis filters, heart stents, heart valves, pacemakers, oxygenators, eye lenses and certain raw materials used in cancer treatment.	The fifth Health, Nutrition and Population Sector Programme was discontinued before implementation, and no successor sector-wide programme has been established, leaving health-sector planning and financing dependent on separate projects and raising concerns over coordination and continuity.
	Despite a large-scale emergency measles vaccination campaign, the outbreak remained unresolved, with continued deaths and infections exposing persistent gaps in routine immunisation, vaccination targeting and outbreak preparedness.
	The Cabinet has approved a proposal to scrap the Essential Drugs List 2026 and the Drug Price Determination Method 2026. For Now, the 1994 policy will be in force. The new list and price are yet to be decided upon.

9. Social Welfare and Protection

Total number of observations: 22

Top Areas of Comfort	Top Areas of Concern
The government has introduced a 25% discount on metro rail and train fares for senior citizens (65+), along with special fare concessions for persons with disabilities.	The Family Card programme has a formal multi-tier verification system, but complaints over data integrity and alleged political influence in local recruitment process raise serious concerns about the credibility and impartiality of beneficiary selection.
The government has rolled out 20,832 Farmer's Cards and 70,861 Family Cards and 300 Sports Cards as part of its phased nationwide rollout plans.	

3. The Recovery Scorecard

3.1 Public Finance Management

Total Tax Growth

▼ DETERIORATED

BEFORE		AFTER
12.3%	→	4.9%
Jul–Feb FY2026		Mar–May FY2026

A large shortfall establishes the reality of requiring a record growth in revenue mobilisation in FY27.

NBR Revenue Growth

▼ DETERIORATED

BEFORE		AFTER
12.4%	→	11.1%
Jul–Feb FY2026		Mar–May FY2026

NBR revenue collection growth fell despite high commodity prices, resulting large revenue shortfall

Non-NBR Tax Growth

▲ IMPROVED

BEFORE		AFTER
8.7%	→	10.5%
Jul–Feb FY2026		Mar–May FY2026

Somewhat better performance of non-NBR tax (little share in total tax) against a low benchmark.

ADP Implementation Rate

▲ IMPROVED

BEFORE		AFTER
31.1%	→	32.6%
Mar-Jun FY2025		Mar-Jun FY2026

Marginal improvement despite a large shortfall against the annual target.

3.1 Public Finance Management

Bank Borrowing as % of Annual Target

▼ DETERIORATED

BEFORE		AFTER
48.0%	→	53.8%
Mar-May FY2025		Mar-May FY2026

Reliance on bank borrowing increased according to Bangladesh Bank data.

Net Foreign Aid Inflow

▼ DETERIORATED

BEFORE		AFTER
$771.4mln	→	$734.3mln
Mar-May FY2025		Mar-May FY2026

Foreign aid flow declined due to slowed budgetary support.

Net Budget Deficit Financing

▲ IMPROVED

BEFORE		AFTER
57,836.7 crore BDT	→	10,244.4 crore BDT
Mar-May FY2026		Mar-May FY2026

Net budget deficit financing, according to Bangladesh Bank data, shows an improvement, citing a drastic fall in borrowing from non-bank sectors.

External Debt per Capita

▼ DETERIORATED

BEFORE		AFTER
$48,166.1 per capita	→	$55,129.9 per capita
As of Mar 2025		As of Mar 2026

There is a 14.5% increase in the external debt per capita.

3.2 Monetary Policy

Broad Money (M2) Growth	Banking-Sector Liquidity	Headline Inflation	Food Inflation	Wage Rate index
▼ DETERIORATED	▼ DETERIORATED	▲ IMPROVED	▲ IMPROVED	▲ IMPROVED
BEFORE → AFTER	BEFORE → AFTER	BEFORE → AFTER	BEFORE → AFTER	BEFORE → AFTER
10.5% → 11.1%	78,161.6 Crore BDT → 1,00,778.4 Crore BDT	9.1% → 8.3%	9.3% → 7.2%	8.1% → 8.2%
Feb 2026 → Jun 2026	as of May 2025 → as of May 2026	Feb 2026 → Jul 2026	Feb 2026 → Jul 2026	Feb 2026 → July 2026
Driven by higher government borrowings.	*Liquidity swelled, partly reflecting soft credit demand.*	*Headline inflation eased, although prices of essentials remain high.*	*Reduced food inflation drove the decline in overall inflation*	*Small improvement with declining inflation reduced gap, but real wage growth was still negative.*

3.3 External Sector

	Export Growth	Import Growth	Import LCs opening Growth — Intermediate Goods	Remittance Growth	Overseas Employment (Average Monthly)
Status	▲ IMPROVED	▲ IMPROVED	▲ IMPROVED	▼ DETERIORATED	▼ DETERIORATED
BEFORE → AFTER	(-)3.2% → 3.5%	5. 6% → 18.1%	(-)2.9% → 18.2%	21.4% → 11.8%	95,521 → 51,235
Period (BEFORE / AFTER)	Jul- Feb FY2026 / Mar-Jul 2026	Mar-May 2025 / Mar-May 2026	Jul-Jan FY2026 / Feb-Jul 2026	Jul-Feb FY2026 / Mar–Jul 2026	Jul–Feb FY 2026 / Mar–Jun 2026
Comment	*Better performance amid uncertain outlook in terms of export orders*	*Enhanced demands and payment pressure amid risen global commodity (fuel, food, & fertilizer) price.*	*Driven by better export performance and rise in prices.*	*Growth decelerated as the job market in Middle-East was affected by war.*	*Middle East dependent job market is seriously affected due to war.*

3.3 External Sector

Gross Forex Reserves (BMP6)

▲ IMPROVED

BEFORE		AFTER
$30.1B	→	$32.3B
As of 19 Feb 2026		As of 12 Aug 2026

Continued augmentation of reserve.

Trade Balance

▼ DETERIORATED

BEFORE		AFTER
$(-)6.7B	→	$(-)10.4B
Mar-Jun 2025		Mar-Jun 2026

Improved export performance did not keep pace with rising prices of imported commodities.

Current Account Balance

▼ DETERIORATED

BEFORE		AFTER
$1.3B	→	$(-)0.6B
Mar–Jun 2025		Mar–Jun 2026

Balance swung into negative terrain due to a large deficit in the trade balance.

Overall Balance (BoP)

▼ DETERIORATED

BEFORE		AFTER
$4.6B	→	$3.2B
Mar–Jun 2025		Mar–Jun 2026

Surplus narrowed by about 30%.

Exchange Rate (BDT/USD)

▼ DETERIORATED

BEFORE		AFTER
BDT 122.3	→	BDT 123.2
As of 19 Feb 2026		As of 12 Aug 2026

Taka depreciated marginally amid augmenting forex reserve.

3.4 Industrial Output

Index of Industrial Production (General)

▼ DETERIORATED

BEFORE		AFTER
3.4%	→	0.0%
Jul-Feb FY2026		Mar-Apr FY2026

Overall industrial output growth declined.

Index of Industrial Production (Manufacturing)

▼ DETERIORATED

BEFORE		AFTER
3.5%	→	0.0%
Jul-Feb FY2026		Mar-Apr FY2026

Manufacturing output barely improved.

3.5 Investment

FDI (Net Inflow)

▼ DETERIORATED

BEFORE		AFTER
$662m	→	$594m
Mar-Jun FY2025		Mar–Jun FY2026

Foreign investment does not show immediate improvement.

Import Growth-Capital Machinery

▲ IMPROVED

BEFORE		AFTER
(-)6.6%	→	67. 5%
Jul-Feb FY2026		Mar-Jun 2026

Growth achieved against low benchmark.

Import LC Opening Growth — Capital Machinery

▼ DETERIORATED

BEFORE		AFTER
14.6%	→	(-)13.6%
Jul-Jan FY2026		Feb-Jul 2026

Indicating no quick investment recovery in the future.

Private-Sector Credit Growth

▼ DETERIORATED

BEFORE		AFTER
6.0%	→	4.5%
Feb 2026		Jun 2026

Private credit growth slowed, signalling no immediate uptake for private investment and

3.6 Energy & Power

Index of Industrial Production (Mining)

▲ IMPROVED

BEFORE		AFTER
(-)8.2%	→	(-)0.3%
July-Feb FY2026		Mar-Apr FY2026

Pace of decline in mining output slowed.

Index of Industrial Production (Electricity)

▼ DETERIORATED

BEFORE		AFTER
5.6%	→	(-)0.1%
Jul-Feb FY2026		Mar-Apr FY2026

Electricity generation declined.

Industrial Gas Consumption

▼ DETERIORATED

BEFORE		AFTER
1,186 mmcm	→	1,148 mmcm
Mar-May 2025		Mar-May 2026

Gas supply to industry eased slightly.

3. Scorecard overview

31 TOTAL | **12** IMPROVED | **19** DETERIORATED

Public Finance Management

▲ 3 IMPROVED
- Non-NBR Tax
- ADP
- Budget Deficit Financing

▼ 4 DETERIORATED
- NBR Revenue
- Total Tax
- Bank Borrowing
- Net Foreign Aid

Monetary Policy

▲ 3 IMPROVED
- Headline Inflation
- Food Inflation
- Wage Rate Index

▼ 2 DETERIORATED
- Broad Money
- Banking-Sector Liquidity

External Sector

▲ 4 IMPROVED
- Export
- Import
- LCs for Intermediate Goods
- Forex Reserves

▼ 6 DETERIORATED
- Remittance
- Overseas Employment
- Exchange Rate
- Trade Balance
- Current Account Balance
- Overall Balance

Industrial Output

▲ 0 IMPROVED

▼ 2 DETERIORATED
- Index of Industrial Production (General)
- Index of Industrial Production (Manufacturing)

Investment

▲ 1 IMPROVED
- Capital Machinery Import

▼ 3 DETERIORATED
- FDI
- LC Opening for Capital Machinery
- Private-Sector Credit

Energy & Power

▲ 1 IMPROVED
- Index of Mining (Industrial) Production

▼ 2 DETERIORATED
- Index of Electricity (Industrial) Production
- Industrial Gas Consumption

4. Fiscal Framework

Revenue mobilisation to determine the budget outcome in FY2027

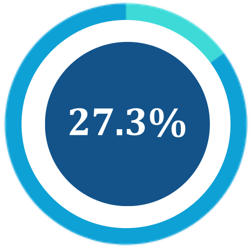
THE FISCAL BASELINE

- **As apprehended, total revenue (tax and non-tax) shortfall in the last fiscal year (FY2026) may be close to BDT 1 lakh crore (about 17% of annual target)**

Annual revenue target for FY27: BDT 6.95 lakh crore

Approximate annual revenue mobilisation growth target (for FY2027): about 42%, as expected

Largest YoY increase (in FY11)



Resulting shortfall:
BDT 0.7 lakh crore (10%)

Optimistic Trend Growth using CAGR (FY01-FY19)

Resulting shortfall:
BDT 1.3 lakh crore (19%)

Trend Growth using CAGR (FY01-FY25)

Resulting shortfall:
BDT 1.4 lakh crore (20%)

- **The government should be ready to embrace a shortfall of about BDT 1.30-1.40 lakh crore in FY2027 (about 19-20% of annual target)**

Recalibrating the budget for FY2027

A. Two working assumptions:

- **Revenue mobilisation is expected to fall short: BDT 1.30-1.40 lakh crore in FY2027**
- **The government will not surpass the programmed budget deficit limit (3.6% of GDP)**

B. Under the circumstances, how to recalibrate public expenditure?

- **Historically, not more than BDT 40 thousand crore could be curtailed from non-ADP expenditure heads (about two-thirds of the total budget allocation)**
- **Two pending expenditure pressure points awaiting: (i) decision on pay scale implementation and (ii) growing pressure of subsidy demand**

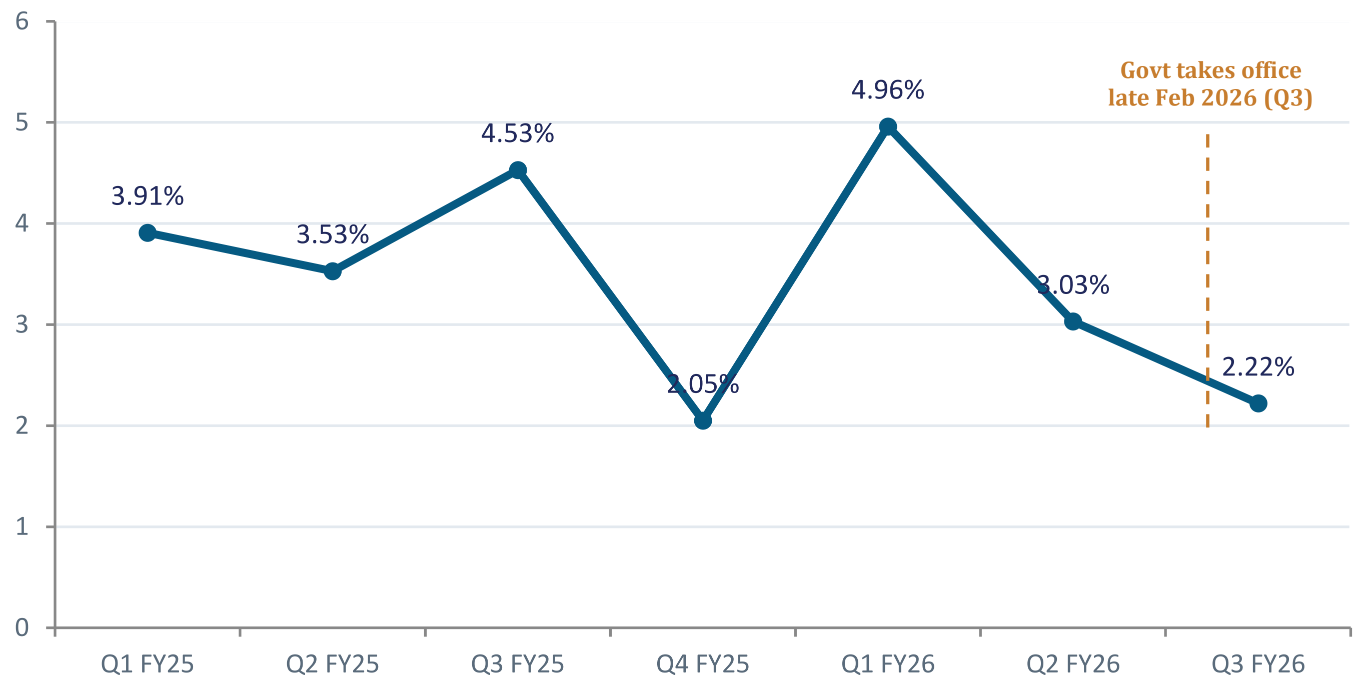
C. As per practice, the guillotine will be on ADP

- **With little else to give, ADP has to absorb the adjustment.**
- **It will be important to ring-fence the improved ADP allocations for social sectors such as education and health, as well as other social protection programmes**

5. The Recovery Paradigm

Where the growth trend turned

The government's own five-year framework makes Recovery & Stabilisation a one-year phase. At six months, we are halfway through — and the quarterly data show where the slide began.



Source: Bangladesh Bureau of Statistics, quarterly GDP (provisional), released 20 July 2026.

- **The slide began before Feb'26 —** 4.96% (Q1) → 3.03% (Q2) → 2.22% (Q3): three consecutive quarterly falls, the first two entirely under the previous administration.
- **Q3 is the first quarter of the present government, albeit partially —** January–March, with government taking power in late February. At 2.22% it is FY26's weakest quarterly GDP growth rate — less than half the 4.53% for the same quarter a year earlier.
- **All three key sectors slowed in Q3, with industry slipping into negative territory (BBS) —** and, as the recovery scorecard shows, industrial input indicators and private-sector credit growth have deteriorated further since February.
- **Q4 is the first full quarter under this government —** and its real testing time. One quarter may not be a verdict, but three decelerations in GDP growth rate in a row had set a pattern.

Why recovery is not picking up

What we mean by recovery?

- Stabilisation needs to take place for inflation rate, exchange rate, and the interest rate
- A perceptible improvement in the GDP growth rate
- There has to be a take-off in investments and domestic employment

1. Lack of coordinated, comprehensive, and integrated reform package

The strategy set out deregulation, liberalisation and coordination — but little has been followed up on the ground as yet

2. Debilitated fiscal framework and weak delivery

Old practice persists and the framework was never reset for the recovery it was meant to drive — no articulated strategy beyond selective austerity.

3. External shock (the trigger)

War in the Middle East drove a sharp rise in global energy and commodity prices, and disrupted supply — aggravating the shortfall.

4. Political economy not navigated

Apparent pushback from vested groups stalled the hard decisions.

5. Law and Order Issues

Extortion, intimidation and violence remain rampant in economy and society.

6. No step-change in institutional capacity

Reliance on the old playbook, with the same coordination gaps — not walking the talk, and the talk itself is incomplete.

The Pressures Ahead

- **LDC graduation —** the deferral request sits with the UNGA, with a decision due before 24 November; the reform action plan must reach ECOSOC, and preference erosion follows either way.
- **IMF track —** loan negotiations hinge on a clear articulation of reform; unpleasant adjustments will be hard to avoid.
- **Data gap —** missing real-time credible data is itself hindering a full reading of the situation.
- **FY27 outlook —** energy and commodity prices show no immediate relief.

6. What Needs to Happen Now

What Needs to Happen Now

What is the Overall Assessment?

- **A mixed picture, with a preponderance of negative trends — and those negative trends are essentially entrenched and structural in nature.**
- Stabilisation indicators are still very fragile. Economic recovery will thus be protracted, beyond the government's programmed timeline.

To support this protracted recovery, a fiscal core budget is needed.
And, given the current nature of stabilisation and recovery, efficient delivery of an integrated and coordinated reform package is needed acutely.

1. Prepare a core budget (Oct '26 – Jun '27)

Built on real-time data and a credible fiscal framework — a shorter outlook for FY26 and a near-term outlook for FY27.

2. Align the benchmarks with the timelines

The Core Budget targets to align with the Five-Year Strategic Framework for Reform and Development (July 2026–June 2031).

What Needs to Happen Now (contd.)

3. Design an Integrated Reform Package

More on capacity and efficiency – Reforms concerning energy, security, bank reform, bifurcation of the NBR, revenue expenditure, effectiveness of ADP rationalisation, logistics improvement, digitalization, wage commission etc.

For example, deliver a credible energy-security package

Time-bound domestic exploration (accelerate the stalled 150-well programme), strategic fuel stockpiling, and diversified sourcing — instead of repeated emergency, no-tender imports. Review power purchase agreements to cut the subsidy burden; intensify offshore gas exploration — note that the private sector is aligned with both.

4. Fix coordination

There is an acute need for effective coordination and collective action among the two and a half-tier government featuring sixty-four persons.

5. September Statement in Parliament

Treat September 2026 as a critical month, during which the Finance Minister should fulfil his responsibility under the 2009 Act by bringing the related reform action plan and key economic issues before the Parliament for scrutiny. These include the pay scale, banking-sector restructuring, power-sector reform, and broader institutional reforms.

7. Assessment Framework for the Future

Assessment framework for the future

Two tiers to watch: the economic areas on the surface, and the institutional foundations beneath them.

Economic Areas – The Surface Read

- **Public financial management —** realistic revenue targets, quality of public spending, borrowing discipline — and a core budget the government can justify and implement.
- **Prices & food security —** commodity prices under control; food security ensured, including fertiliser supply at fair price withstanding production disruption
- **Energy —** a credible medium-term resolution of the ongoing crisis.
- **Banking sector —** a comprehensive roadmap to address distress and towards sustained recovery including recapitalisation for banks (BDT 40,000 crore stated in the budget which in total may go up to BDT 2 lakh crore)
- **Investment —** Drivers beyond banking and energy — deregulation and revenue mobilisation.
- **Health, Education, and Social Protection —** inclusion and exclusion free from corruption

Institutional Foundation – What Lies Beneath

- **Commitments —** does the government walk the talk — is there a roadmap, or mere announcements?
- **Capacity —**Skills and institutional strength to deliver what is promised.
- **Coordination & accountability —** across ministries, cabinet tiers and the central bank —plus reporting to Parliament on a regular basis as the law requires.
- **Freedom from capture —** dismantling the inherited structures & vested interests — in banking, energy contracting, appointments — or hostage to those? Scant sign of the former as yet.

The change required is structural, not about people only: ***the cabinet architecture, the appointment practices, the coordination machinery of economic governance and the capacity to deliver— not simply who occupies which office.***

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