Independent Review of
iRBD
Bangladesh's Development

বাংলাদেশের উন্নয়নের স্বাধীন পর্যালোচনা

State of the Bangladesh Economy in FY2025-26

Multidimensional Risks at an Electoral Crossroads

Dhaka: 10 January 2026

CENTRE FOR POLICY DIALOGUE

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The CPD IRBD 2026 Team alone remains responsible for the analyses, interpretations and conclusions presented in this report.

Contents

1. Introduction

Introduction

- The current assessment of select macroeconomic performance indicators of Bangladesh, and what needs to be done to address some of the emerging and urgent challenges, comes at a **critical juncture in Bangladesh's journey**
- The nation is **bracing for the upcoming national elections**, scheduled to be held on 12 February 2026
  - **Citizens** are genuinely **concerned** about **and interested** to have **a deeper understanding regarding the socioeconomic trends** in the run-up to the elections
  - Additionally, there is a **strong interest** in **and concerns** regarding the **course** the **nation** should take **after** the newly elected government **assumes office**
- In this context, the Centre for Policy Dialogue (CPD) has prepared the present report under its flagship programme titled Independent Review of Bangladesh's Development (IRBD)

Introduction (contd.)

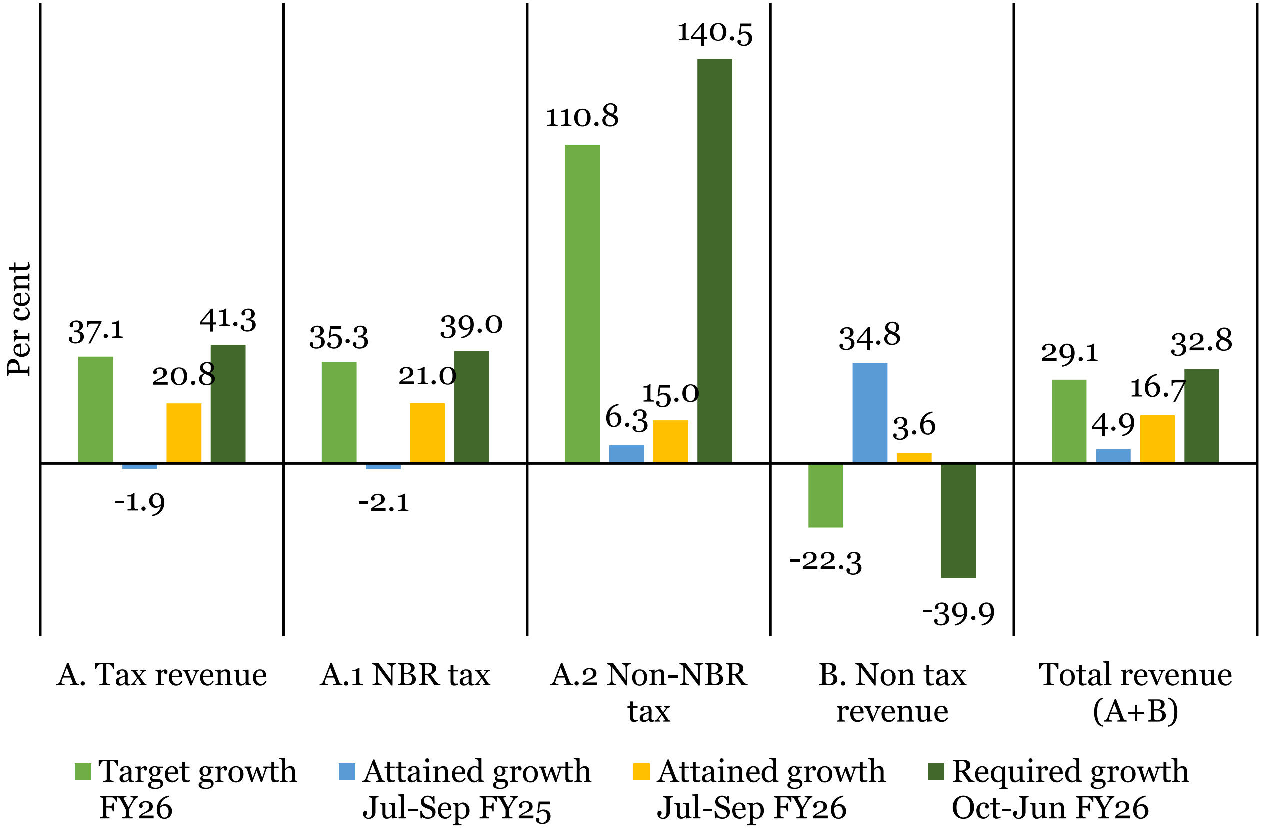
- The report focuses on **seven areas** where specific challenges and risks have been identified for priority attention in the present context and also in going forward. These relate to:
  - Public finance
  - Inflation
  - Agriculture
  - Banking sector
  - Investment scenario
  - Power and energy sector
  - External sector performance
- While carrying out the assessment of the economy during the current fiscal year, **latest available data** from **domestic** and **international** sources have been utilised for the analysis
- CPD also offered a **set of recommendations**, for consideration by the government and concerned stakeholders, for each sector discussed in this reading of the IRBD

2. Public Finance

Revenue Mobilisation

- ❑As per **MoF** data, **total revenue mobilisation increased by 16.7%** during **Jul-Sep FY26**
  - ➢ A **notable uptick in performance** compared to Jul-Sep FY25 (4.9%)
- ❑The current trend indicates that a **32.8% growth will be required** during the **remainder of FY26** if the annual growth target is to be met - **quite unlikely to happen**
- ❑The **overall growth** in revenue mobilisation during Jul-Sep FY26 was **driven by NBR tax collection**
  - ➢ Regrettably, further disaggregated analysis is not possible due to the limited data availability

Figure: Revenue mobilisation growth by sources (in %)



Source: Author's calculation based on data from MoF (2024, 2025a, 2025b)

Revenue Mobilisation (contd.)

- According to **NBR data, tax collected by NBR increased** by **15.2%** during **Jul-Nov FY26**
  - **Considerable increase** over the **corresponding figure of FY25** [negative (-) 0.6%]
  - **Driven primarily** by **income tax**, and **VAT and SD at the local level**
  - The persisting higher price level in the domestic economy is perhaps giving a push to the collection of VAT and SD at the local level
  - The slow pace of ADP implementation despite rebound in import and depreciation of Bangladeshi Taka has perhaps resulted in a subdued performance of indirect taxes collected at the import level
- As has been reported in the media, **the government plans to increase the NBR tax collection** target by Tk. 55,000 crore **in the revised budget for FY26**
  - NBR tax collection generally falls far short of the target set during the original budget
  - Also, given the upcoming election and subdued economic momentum, chances of rapid improvement in NBR tax collection are rather thin
  - Hence, **it remains unclear what considerations led to setting such a higher target**

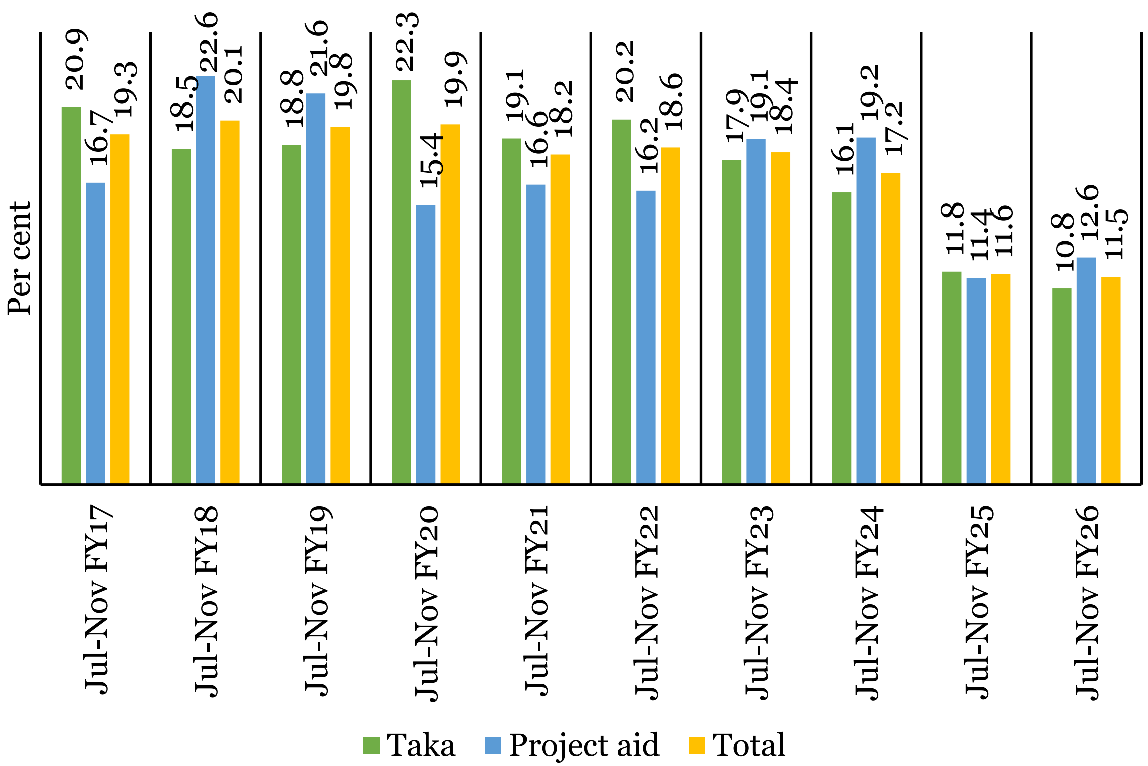
Public Expenditure

- As per **MoF**, **overall budget utilisation**: **13.3%** during **Jul-Sep FY26** (11.9% during Jul-Sep FY25)
- **ADP implementation was on the lower side** – only 4.6% during Jul-Sep FY26 (4.0% during Jul-Sep FY25)
- However, **non-ADP expenditure showed an upward trend**. During Jul-Sep FY26, non-ADP budget utilisation reached 16.9% (corresponding figure for FY25 was 15.9%)
  - This implies that **nearly an additional Tk. 9,900** crore **was spent** to carry out the **non-ADP** activities of the budget
- Once again, further disaggregated analysis remains impossible due to the data limitations of MoF

Public Expenditure (contd.)

- According to **IMED** data, the **ADP implementation rate** against the original budget allocation reached 11.5% during Jul-Nov FY26 – **the lowest in the last ten years**
  - Within the components of ADP, **utilisation of 'Taka'** (the part of ADP which is financed by domestic resources), **reached its historical low**, at 10.8%. On the other hand, **utilisation of project aid showed some improvement**
  - **Although, in absolute value, both 'Taka' and project aid declined**
  - GED of the Planning Commission has mentioned administrative bottlenecks, slow approval processes, procurement delays, and slower than anticipated fund disbursements to be the major reasons behind the sluggish pace of ADP implementation (GED, 2025)
  - The **slowdown in public investment** while private investment is muted is a **matter of concern** from the viewpoint of growth

Figure: ADP implementation rate (in %)



Source: Author's calculation based on data from IMED (2021, 2025)

Public Expenditure (contd.)

- **Among the top ten ministries/ divisions** receiving the highest allocation, the ADP **implementation of six was below the average** level
  - These include the Road Transport and Highways Division, Power Division, Secondary and Higher Education Division, Ministry of Water Transport, Ministry of Railway, and Health Services Division
  - **The trend of sub-par ADP implementation in the education and health sectors has continued in FY26**

Table: ADP implementation situation of top ten ministries/divisions

Ministries/Divisions	FY2025		FY2026	
	Share in total ADP (%)	Jul-Nov implementation rate (%)	Share in total ADP (%)	Jul-Nov implementation rate (%)
Local Government Division	14.2	20.4	15.5	20.2
Road Transport and Highways Division	11.5	10.9	13.8	7.5
Power Division	10.8	19.0	8.7	10.1
Secondary and Higher Education Division	4.1	10.2	5.2	9.7
Ministry of Science and Technology	4.8	16.5	5.1	27.4
Ministry of Water Transport	3.8	6.3	4.0	10.6
Ministry of Water Resources	3.1	11.5	3.6	20.2
Ministry of Railway	5.0	15.9	3.3	7.4
Health Services Division	4.2	2.9	3.3	3.9
Ministry of Agriculture	Not included in the top ten		2.5	17.1
Ministry of Primary and Mass Education	5.0	13.0	Not included in the top ten	
Top ten total	**66.6**	**14.4**	**64.9**	**13.7**
Rest of the agencies	33.4	6.1	35.1	7.4
Grand total	**100.0**	**11.6**	**100.0**	**11.5**

Source: Author's calculation based on data from IMED (2024, 2025)

Deficit and its Financing

- As per **MoF**, Bangladesh's **budget** balance (excluding grants) stood at a **surplus of Tk. 12,153 crore** during **Jul-Sep FY26** (surplus of Tk. 5,166 crore during Jul-Sep FY25)
  - Perhaps attributable to the notable increase in revenue collection coupled with sluggish pace of ADP implementation
- Government's **net foreign borrowing declined** during **Jul-Sep FY26**
- Government's net bank borrowing stood at Tk. 1,850 crore during Jul-Sep FY26. On the contrary, Tk. 1,064 was paid back during the corresponding period of FY25
- Government's **net borrowing from the non-banking sources decreased** to negative (-) Tk. 9,390 crore during Jul-Sep FY26 from Tk. 123 crore during Jul-Sep FY25
  - Within the non-banking sources, **net sale of national savings certificates** experienced a **sharp decline** (by about 90.0%)
- Overall, **the dependency on bank borrowing increased during the first three months of FY26**

Deficit and its Financing (contd.)

- However, **a number of recent developments raises the question** whether the aforementioned **fiscal space will continue further down the line**
  - The government has recently **injected Tk. 20,000 crore** as **paid-up capital** into the **'Sammilito Islami Bank'**
  - Also, the government is gearing up to **pay off more than Tk. 20,000** crore in **power sector arrears** to prevent summer load-shedding
  - Furthermore, if the **new pay scale for the government employees** comes into effect during the remainder of FY26, it is **expected to significantly increase the non-development expenditure** and **thus shrink the available fiscal space**

Recommendations

Finding newer avenues of revenue mobilisation

- Initiatives including **taxing of the growing digital economy** and **meaningful taxation of wealth and property** should be considered. Current **property tax rates could be updated** based on actual market value and **combined with the wealth tax collected by NBR to** make a more efficient system

Reducing tax expenditures

- The **rationale for providing tax benefits** needs to be **revisited on a regular basis** with the view to **removing those** which are **not generating the intended benefits**. **Ad-hoc provision** of tax exemptions needs to be **curtailed** to ensure policy consistency

Upholding the curbing illicit financial flows (IFF) agenda

- At the operational level, the tax authorities have often overlooked IFF. **Addressing the IFF issue should receive due policy focus**

Recommendations (contd.)

Preparing for LDC graduation

- While efforts to mobilise additional revenue will be there, it is important to recognise that **some revenue will be lost** as a result of the **initiatives taken in view of Bangladesh's impending LDC graduation.** It will, therefore, be necessary to **play a balancing game**

Streamlining public expenditure

- It must be ensured that the **current austerity measures** have **minimal impact** on the **social safety net, health and education sectors, agriculture, and SMEs.** It will be necessary to **maintain the practice of excluding non-productive** initiatives from the **ADP. Fiscal incentives tied to exports and remittances** will require **development of exit strategies**

Prioritising foreign financing

- **Implementing** all **foreign-funded ADP projects** should be the government's **top priority** given the current forex reserve situation. **Implementing projects** that are **almost finished** (about 90–95%completion rate by June 2026) should be given **higher priority** by the government

Recommendations (contd.)

Maintaining balance in budget deficit financing

- Achieving the non-bank borrowing targets will be difficult given the low sales volume of national savings certificates. Consequently, there will **likely be more pressure on bank borrowing. If private sector borrowings are not to be crowded out, the government's fiscal space will be constrained**

Ensuring good governance

- Bangladesh's political economy dynamics have often impeded reform efforts. Additionally, given the high cost of public investment projects, the government **must review public spending and develop a plan to guarantee value for public money.** In this sense, **strong political support and effective governance are essential**

Safeguarding the interests of limited income, vulnerable and disadvantaged

- The primary goal of fiscal management in FY26 should be to assist the limited income, vulnerable and disadvantaged groups. This must be **considered when designing measures relating to revenue and expenditure**

3. The Supply Side Dynamics of Inflation

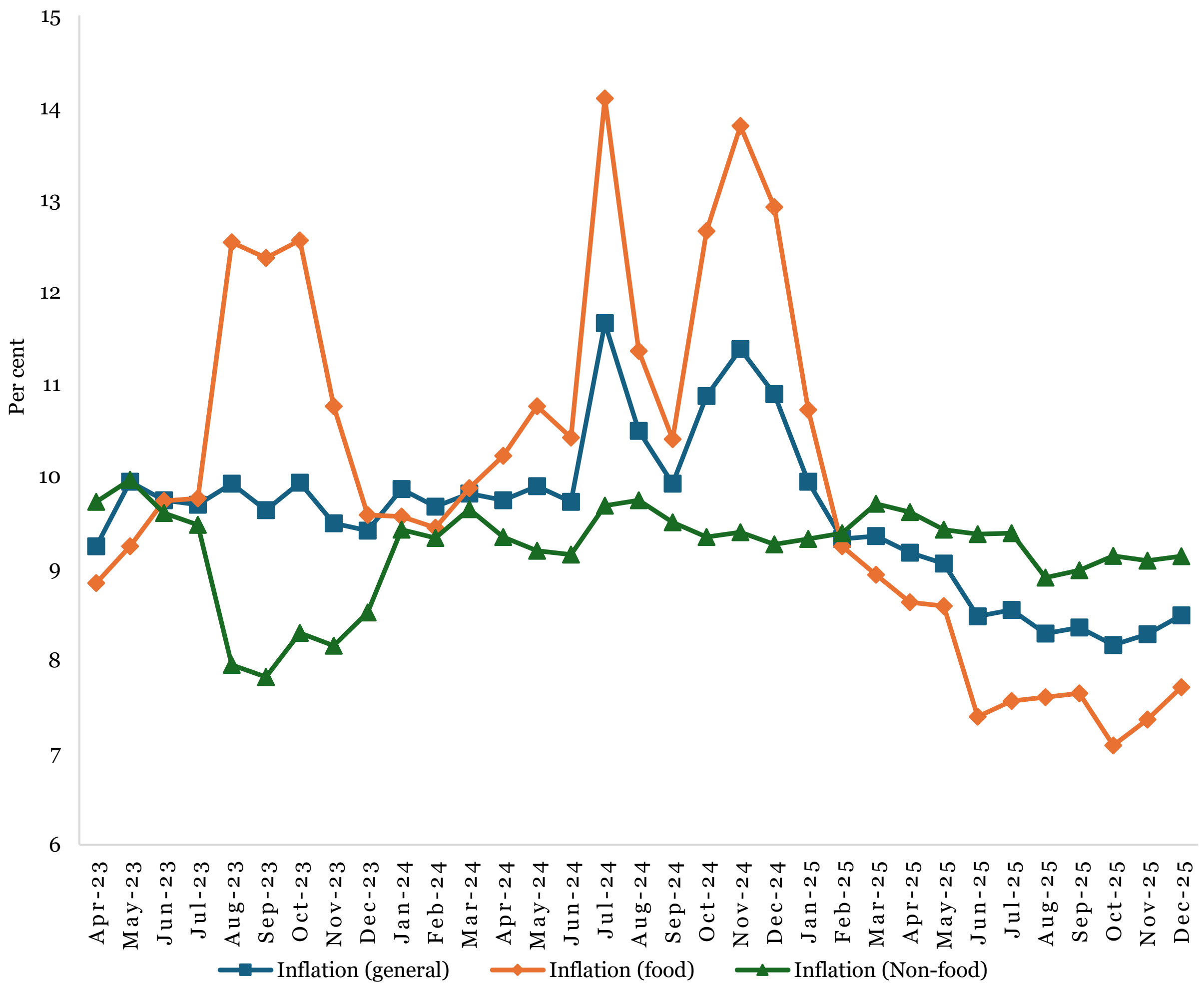
Overview

- Bangladesh has been experiencing persistently high inflation since 2023, with food prices as the main driver, and overall inflation remaining well above the government's target of 6.5% for FY26
- In response, the interim government has primarily relied on demand-side measures such as monetary tightening, maintaining a high policy rate, and fiscal restraint to curb aggregate demand and stabilise prices
- However, these measures have shown limited effectiveness in containing food inflation, which in Bangladesh is largely driven by supply-side constraints rather than excess demand
- Factors such as climate shocks, production shortfalls, rising input costs, the role of intermediaries, import dependence, and market rigidities underscore the need for a stronger emphasis on supply-side interventions to achieve durable and inclusive price stability

Inflation Dynamics Suggest Structural Challenges

- June 2025 to November 2025, prices exhibited overall downward trend with marginal fluctuations
- Headline inflation rose in December
  - **8.29% (Nov 25) → 8.49% (Dec 25)**, suggesting fragile inflation stabilisation
- Food inflation has risen since October 2025
  - Rising prices of essentials (rice, flour, edible oil, lentils, onions)
- Monsoon-induced crop damage (~2,500 ha)
  - Created supply-side shocks, amplifying food price volatility
- Sticky non-food inflation
  - Above 9% during 2024–2025→ indicates weak monetary policy transmission and cost-push pressures

Figure: Point-to-point inflation rate (Base index 2021-22=100)

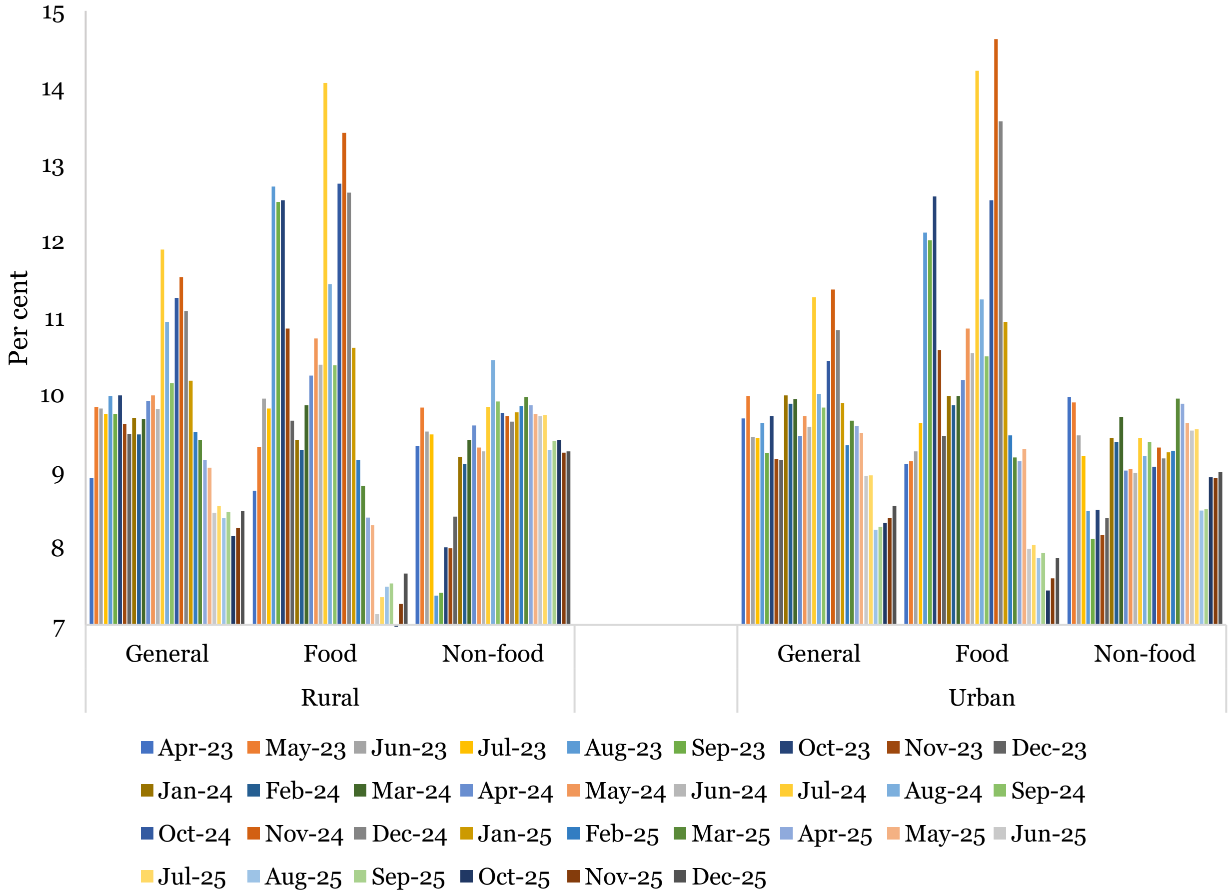


Source: CPD illustration based on data from Bangladesh Bank

Inflation Dynamics Suggest Structural Challenges (contd.)

- Food inflation in both rural and urban areas eased slightly mid-year but rose marginally in December 2025
- Rural non-food inflation remained rigid (>9%), signalling structural cost pressures
- Urban general inflation was primarily driven by non-food inflation, which hovered above 9%
- **Overall pattern:**
  - Marginal food price relief
  - Persistent non-food inflation
- **Implication:**
  - Limited effectiveness of demand-side monetary tightening
  - Disinflation driven mainly by supply-side measures (import duty rationalisation, LC margin removal, stock monitoring)

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

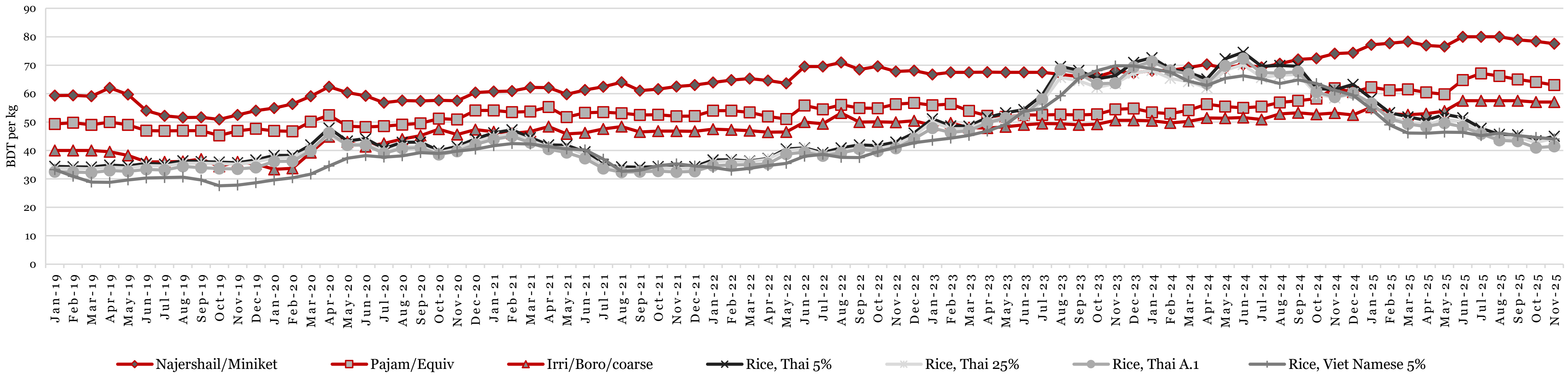


Source: CPD illustration based on data from Bangladesh Bank

Average Price of Rice

Trends in Local Prices	Trends in International Prices	Possible Reason for Price Differential
Local rice prices rose persistently despite surplus production, driven by rising production costs and market rigidities	Between September 2024 and November 2025, international rice prices fell sharply, declining by nearly 40%	Domestic prices remained elevated even as global rice prices fell sharply, indicating cost-push dynamics rather than scarcity-driven pressures

Figure: Average price of rice in Bangladesh and international markets from January 2019 to November 2025 (BDT per kg)

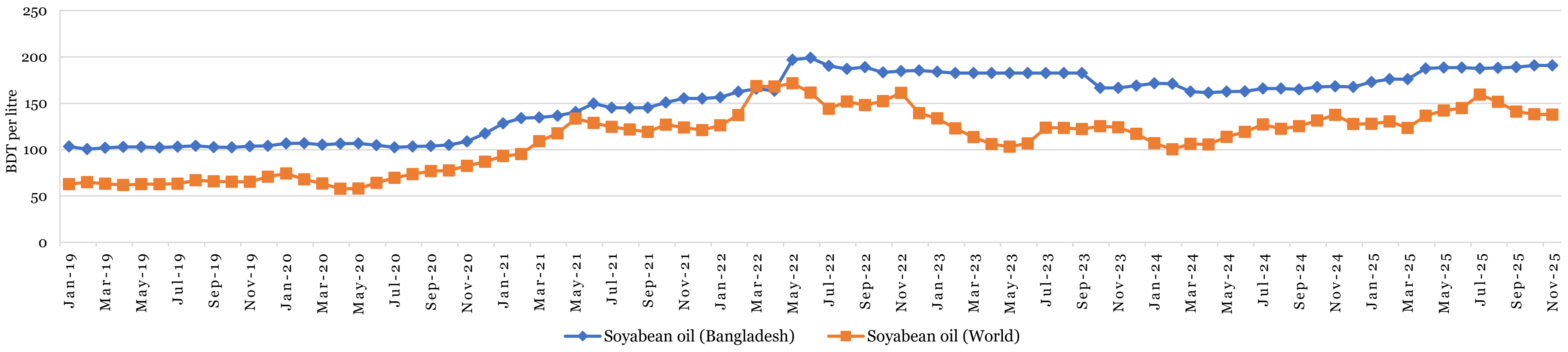


Source: CPD's illustration based on data from the Trading Corporation of Bangladesh and the World Bank's pink sheet

Average Price of Edible Oil

Trends in Local Prices	Trends in International Prices	Possible Reason for Price Differential
Prices steadily increased since January 2019; sharp hikes from 2022-2023; as of November 2025, Soybean oil stood at BDT 190/litre, while a comparable price in the global market was BDT 138/litre	Prices remained consistently lower than domestic prices since January 2019; recent months show downward trend	Factors beyond recent global price movements, such as domestic pricing structures, margins, and market dynamics, may be contributing to the sustained price differential

Figure: Average price of edible oil in Bangladesh and international markets from January 2019 to November 2025 (BDT per litre)

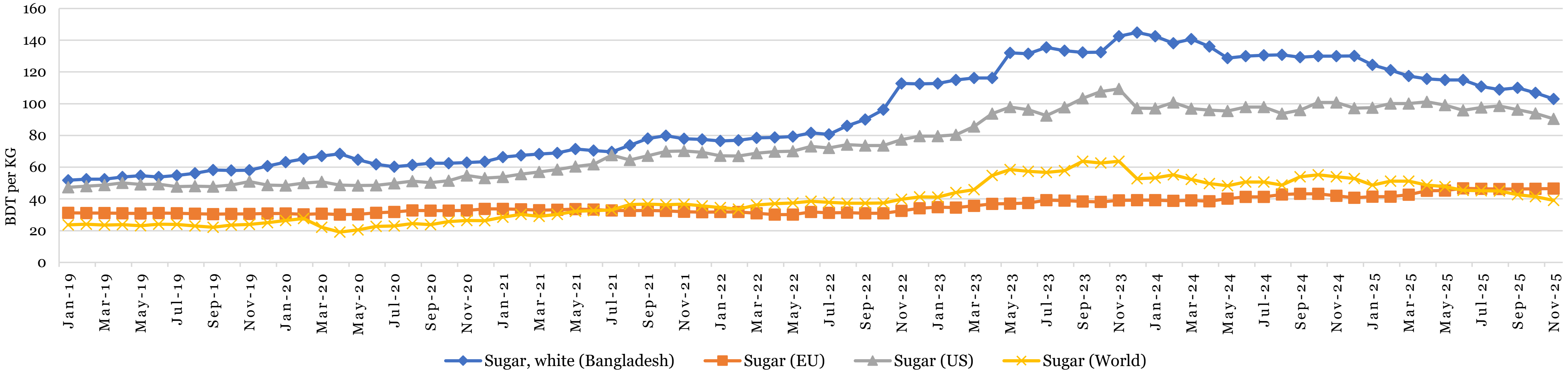


Source: CPD's illustration based on data from the Trading Corporation of Bangladesh and the World Bank's pink sheet

Average Price of Sugar

Trends in Local Prices	Trends in International Prices	Possible Reason for Price Differential
Prices rose steadily between 2019-2023; moderated somewhat during 2024-2025 but still elevated	From October 2025-November 2025, the average price of sugar remained same in the EU, decreased by BDT 3/kg in US, decreased by BDT 2/kg in the world	Stockpiling in anticipation of Ramadan, a period during which many essential commodities typically experience higher prices

Figure: Average price of sugar in Bangladesh and international markets from January 2019 to November 2025 (BDT per Kg)

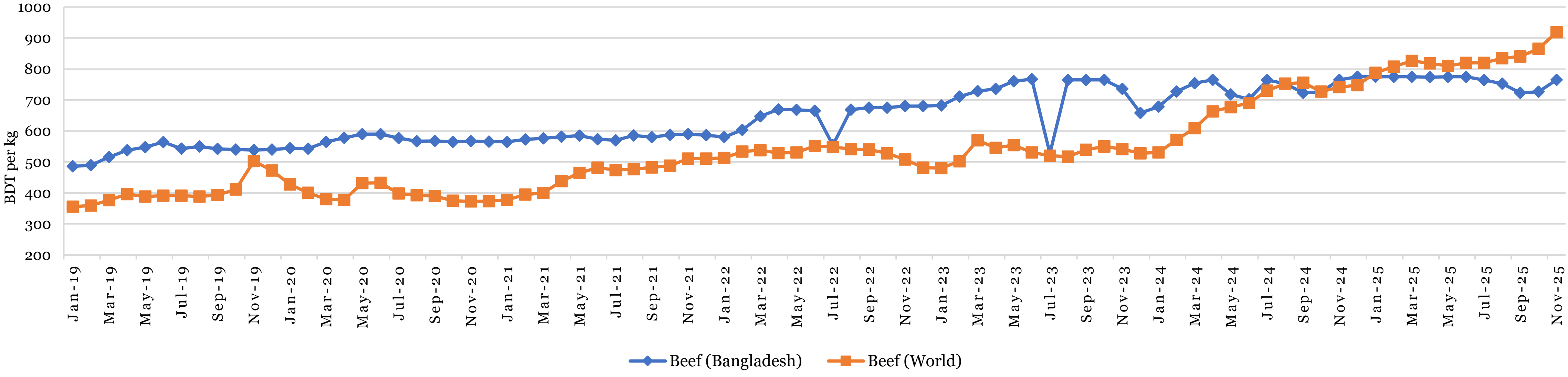


Source: CPD's illustration based on data from the Trading Corporation of Bangladesh and the World Bank's pink sheet

Average Price of Beef

Trends in Local Prices	Trends in International Prices	Possible Reason for Price Differential
Steadily increasing from 2019-2025; lower than international market by BDT 100/kg	World prices of beef have been higher than Bangladeshi prices since January 2025	Domestic production surpasses domestic demand for meat

Figure: Average price of beef in Bangladesh and international markets from January 2019 to November 2025 (BDT per Kg)



Source: CPD's illustration based on data from the Trading Corporation of Bangladesh and the World Bank's pink sheet

Preliminary Findings from the Market Survey

- Food inflation is closely linked to poverty and inequality, disproportionately affecting low-income households as real incomes erode
- Fluctuations in relative prices due to inflation can lead to inefficiencies and inequities in the economy
- Considering this, CPD has conducted a market survey to understand the supply-side constraints that contribute to the high and rising prices of 10 selected commodities
- The variety of the commodity was selected based on the higher weight assigned to it by the BBS in the basket of goods used to calculate the CPI

Table: List of products surveyed

Product name	Variety
Rice	Medium (Paijam)
Pulses	Lentil (Musur)
Onions	Onion (Native)
Potato	Potato
Green Chilli	Green Chilli
Brinjal	Brinjal
Egg	Hen egg (Firm)
Beef	Beef
Fish	Rui
Chicken	Hen (Broiler, Live)

Preliminary Findings from the Market Survey (contd.)

- A total of 50 retailers were surveyed across 10 markets in the Dhaka Division for each of the 10 selected commodities, yielding 100 retail-level responses
- Staple foods such as rice, pulses, onions, and potatoes exhibit relatively low to moderate GMM
- Perishable vegetables such as green chilli and brinjal exhibit significantly higher GMM, particularly green chilli **(BDT 20/kg)**
- Beef records the highest margin in absolute terms **(BDT 49/kg),** followed by fish **(BDT 33/kg)** and chicken **(BDT 18/kg)**
- Commodities with higher GMM tend to be more vulnerable to sharp price increases and therefore exert a disproportionate upward pressure on food inflation

Table: Summary of average buying price, selling price, and gross margins (November 2025)

Commodities	Average per unit buying price (BDT)	Average per unit selling price (BDT)	Gross marketing margins (GMM) (BDT)
Rice (kg)	56	60	4
Pulses (kg)	145	153	8
Onions (kg)	89	99	10
Potato (kg)	19	24	5
Green Chilli (kg)	77	97	20
Brinjal (kg)	62	74	12
Egg (piece)	9	10	1
Beef (kg)	687	736	49
Fish (kg)	273	306	33
Chicken (kg)	140	158	18

Source: CPD market survey

Preliminary Findings from the Market Survey (contd.)

- Retail prices of commodities vary across markets, reflecting differences in local supply conditions and retailer strategies
- For instance, the price of rice (Paijam medium) ranges from **BDT 55-65/kg**, while pulses show a wider variation, with prices spanning from **BDT 112-165/kg**
- Among the surveyed commodities, green chilli and fish exhibit the highest percentage spreads, followed by onions and brinjal
- These patterns highlight the heterogeneous nature of price dynamics across essential food items and underscore the potential challenges for market stability and consumer affordability

Table: Price spread and volatility of essential food commodities (November 2025)

Commodities	Minimum per unit selling price (BDT)	Maximum per unit selling price (BDT)	Percentage spread (%)	Coefficient of variation (%)
Rice (kg)	55	65	18	3
Pulses (kg)	112	165	47	7
Onions (kg)	65	135	108	15
Potato (kg)	18	28	56	9
Green Chilli (kg)	60	160	167	29
Brinjal (kg)	48	120	150	20
Egg (piece)	9	11	22	8
Beef (kg)	650	800	23	4
Fish (kg)	170	450	165	22
Chicken (kg)	140	175	25	5

Source: CPD market survey

Preliminary Findings from the Market Survey (contd.)

- The coefficient of variation (CV), measured as a percentage, is a statistical measure of price volatility and provides additional insights into the stability of commodity prices
- For staples such as rice and pulses, the CVs are low (**3%** and **7%**, respectively), while chicken and beef exhibit slightly higher but still modest CVs
- In contrast, commodities such as green chilli (**29%**) and fish (**22%**) exhibit high CVs, reflecting greater price volatility
- Vegetables such as brinjal and onions also show considerable variability, with CVs of **20%** and **15%**, respectively

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Beef (kg)	650	800	23	4
Fish (kg)	170	450	165	22
Chicken (kg)	140	175	25	5

Source: CPD market survey

Preliminary Findings from the Market Survey (contd.)

- Retailers indicated that differences in market prices arise from factors such as limited bargaining power, fluctuations in demand and supply, the dominance of intermediaries, manipulation of supply creating artificial demand, transportation costs, product quality issues, and market syndication, particularly in the case of potatoes
- More than half of the surveyed retailers reported incurring additional fees or commissions beyond the purchase price when procuring commodities for retail sale, with the exception of green chilli, eggs, and chicken
- These payments are primarily made to wholesalers or urban aratdars, who facilitate transactions between beparis and retailers
- While some retailers were unable to clearly articulate the basis of such charges, others noted that these commissions constitute income for the intermediaries

Preliminary Findings from the Market Survey (contd.)

- The involvement of these intermediaries increases retailers' procurement costs without corresponding value addition, and these costs are ultimately passed on to consumers, contributing to upward pressure on food prices
- The combination of supply-side constraints, intermediary commissions, and market practices helps explain both the magnitude and unpredictability of price fluctuations, highlighting the complex interplay of structural and market factors that affect food affordability and household food security

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Commodity Specific Recommendations

Rice supply chain

- Monitor markets to limit the power of intermediaries, especially millers
- Regulate hoarding and stockpiling by rice warehouse operators and millers
- Train farmers in negotiation and provide access to credit and storage to reduce dependency on middlemen

Pulses (lentil) supply chain

- Invest in R&D for high-yield, disease-resistant lentil varieties suitable for Bangladesh's climate
- Strengthen extension services to train farmers in disease management, irrigation, and optimal planting

Onion supply chain

- Expand onion cultivation areas and adopt advanced production technologies to bridge demand–supply gaps
- Monitor the market strictly to prevent hoarding and stockpiling by marketing actors
- Invest in R&D for high-yielding and disaster-resistant onions
- Manage adequate cold storage facilities and ensure an affordable rate

Potato supply chain

- Harvest potatoes at the right maturity stage to minimise post-harvest losses
- Enhance storage facilities and handling practices to reduce losses
- Modernise sorting, grading, packaging, and transportation systems to prevent post-harvest losses

Green chilli supply chain

- Invest in R&D for climate-resilient chilli varieties
- Improve the awareness and technical knowledge levels of farmers and traders regarding contemporary post-harvest technologies
- Facilitate and strengthen farmer groups or producer organisations, to enhance the bargaining power of farmers against traders
- Enhance market regulation and supervision to prevent anti-competitive behaviour by major traders to ensure adequate returns to farmers and competitive prices for consumers

Commodity Specific Recommendations (contd.)

Brinjal supply chain

- Adopt agricultural best practices, High-Yielding Varieties (HYV), and modern technology to improve yields
- Develop training programs for farmers on post-harvest management, storage, packaging, and transportation

Egg supply chain

- Ensure sustainable egg supply through hatcheries, affordable feed, disease diagnostics, veterinary services, price stability, and market information
- Expand institutional credit and storage facilities for merchants to maintain market availability

Beef Supply Chain

- Improve livestock health services, veterinary care, and breeding programs to reduce cattle mortality
- Provide market linkages and support services to farmers for fair value chain participation
- Enforce better transport regulations and train handlers to reduce cattle losses during transit

Rui Fish Supply Chain

- Develop storage, refrigerated transport, and market facilities with utilities such as water, ice, and drainage
- Minimise intermediaries' role to improve efficiency and reduce costs
- Financial support and credit facilities should be provided to fish farmers to improve capital and bargaining power

Chicken supply chain

- Ensure the quality and fair prices of day-old chicks as well as poultry feed
- Ensure credit facilities or financing options are available for farmers to invest in poultry
- Improve veterinary services and establish effective disease prevention and control measures

Overall Recommendations

❖ Short Term Recommendations

- Authentic data is required on the actual demand and production of rice, based on which, timely import decisions should be taken
- Monitor dominant market players, examine market manipulation, and take corrective measures
- Enforce a zero-tolerance policy against cartels and collusion

❖ Medium to Long Term Recommendations

➢ Competition Act 2012

- Revise the Act to address monopolies, add anti-trust clauses, and impose penalties for violations
- Ensure limited prevalence of intermediaries who extract commissions from retailers, as such practices introduce avoidable transaction costs that are ultimately passed on to consumers in the form of higher commodity prices

➢ Support for Low-Income Households

- Provide direct cash transfers, expand social protection, and support small businesses with stimulus packages.
- Ensure corruption-free distribution of essential commodities through the Open Market System (OMS)

4. Food Supply under the Interim Government: Performance Gaps

Crop Production

- Low food production in FY25 is yet to recover in FY26
  - During the interim government period in FY25, the total production target was set at a lower level, considering the previous year's lower achievement
  - The target was set at 442.2 lakh MT, and actual production stood at 416.6 lakh MT, because of shortfalls in Aus and Aman crops
  - The target for FY26 is set at 453.9 lakh MT, with Aus, Aman, Boro, and wheat all projected above their previous-year levels

Table: Production of food (rice and wheat) and its achievements against the target (in lakh Metric tons)

Crop	FY24 (Target)	FY24 (Actual)	FY25 (Target)	FY25 (Actual)	FY26 (Target)
Aus	39.8	29.7	28.6	27.9	32.2
Aman	171.8	166.6	175.4	165	181.8
Boro	222.7	210.7	226	-	227.7
Wheat	12.3	11.7	12.1	-	12.2
Total food grains	**446.6**	**418.7**	**442.2**	**416.6**	**453.9**

Source: FPMU (2025)

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Import of Foodgrain

- Foodgrain imports rose by 15.8% in FY25 due to production shortfalls
  - As of Sept'25, FY26 imports stand at 12.2 lakh MT
- Early FY25 imports under the interim govt were higher than the previous govt, showing increased dependence
  - Wheat accounts for the largest share of imports but declined by 7.3% in FY25; rice imports started in FY25 to address flood damage, price rises, and import restrictions
  - Imported wheat remains a key part of the domestic supply; with continued production gaps, imports are expected to increase

Table: Foodgrain import by public and private sources (in lakh MT)

Category of import	FY22 (Actual)	FY23 (Actual)	FY24 (Actual)	FY25 (Actual)	FY26 (Actual) (Jul-Sep'25)
Rice					
GoB Com.	6.8	6.3	0.0	8.4	0.5
Food Aid	0.0	0.0	0.0	0.0	0.0
Private	3.0	4.2	0.0	6.9	3.7
Total Rice	9.9	10.6	0.0	15.3	4.2
Wheat					
GoB. Com.	5.5	6.8	7.8	4.7	0.0
Food Aid	0.0	0.0	0.0	0.0	0.0
Private	34.7	32.0	58.4	56.8	8.0
Total Wheat	40.1	38.8	66.3	61.4	8.0
Wheat import growth		***-3.4***	***71.0***	***-7.3***	
Food grains	50.0	49.3	66.3	76.7	12.2
Growth in foodgrains production		**-1.4**	**34.4**	**15.8**	

Source: FPMU (2025)

Procurement and Public stock of Foodgrain

- In 2025 Boro season (till Aug'25), the government procured 17 lakh MT of rice, higher than 14.5 lakh MT in previous years
- During Aman season (Nov'24–Mar'25), 5.4 lakh MT of rice were procured
- Boro rice procurement increased by 17.7% under the interim govt, driven by higher paddy and boiled rice purchases
- During the interim government, rice stocks increased, while wheat stocks declined sharply
  - Total foodgrain stocks in FY26 (Jul–Sep'25) were lower than the previous year
  - Over-reliance on rice and depleting wheat stocks remains a major weakness in public food stock management

Figure 1: Domestic Rice Procurement in lakh metric ton

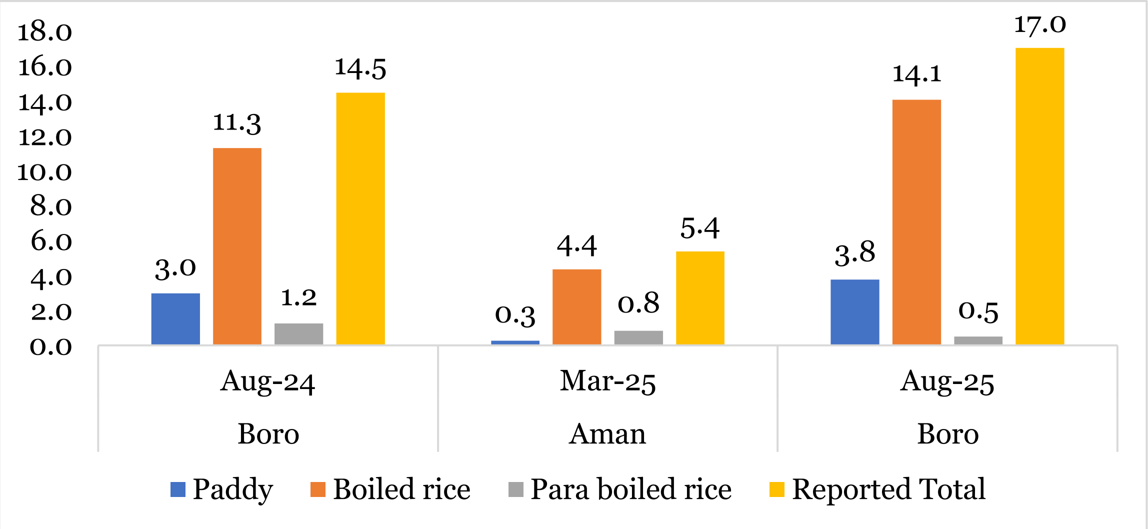
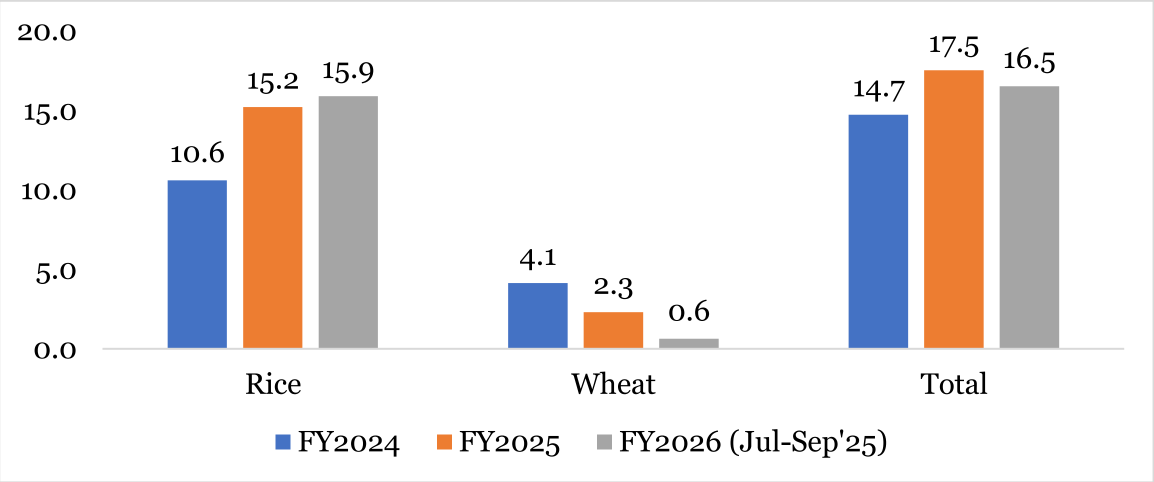


Figure 2: Closing public stock of food in FY24 & FY25 (lakh MT)



Source: FPMU (2025)

Public Food Distribution (PFDS)

- During FY26 (Jul–Sep'25), foodgrain distribution reached 8.2 lakh MT, 28% higher than the same period in FY25
- Food distribution has increased over recent years
- The increase was driven mainly by sales distribution channels, while non-sales relief programmes declined

Table: Channel-wise distribution of food grains (in lakh MT)

Offtake Categories	Channels of PFDS Offtake	AFY23	AFY24	AFY25	AFY25 (Jul-Sep'24)	AFY26(Jul-Sep'25)
Sales Channels of PFDS	EP	3.8	3.9	3.9	0.99	1.0
	OP	0.2	0.2	0.1	0.02	0.0
	LE	0.2	0.2	0.2	0.05	0.0
	OMS	7.8	10.4	11.4	2.93	2.6
	FFP	6.6	7.3	7.4	1.43	3.2
	Sub-total	***18.6***	***22.0***	***23.1***	5.42	***6.9***
Non-sales Channels of PFDS	FFW	2.2	2.1	1.4	0.00	0.0
	VGF	4.0	3.0	3.1	0.10	0.0
	VWB	3.7	3.8	3.7	0.69	0.9
	GR	0.8	0.9	0.9	0.12	0.2
	HT & Others	0.8	0.8	0.9	0.07	0.1
	Sub-total	***11.5***	***10.6***	***10.0***	***0.98***	***1.3***
Total Public Distribution		**30.1**	**32.6**	**33.1**	**6.4**	**8.2**

Source: FPMU (2025)

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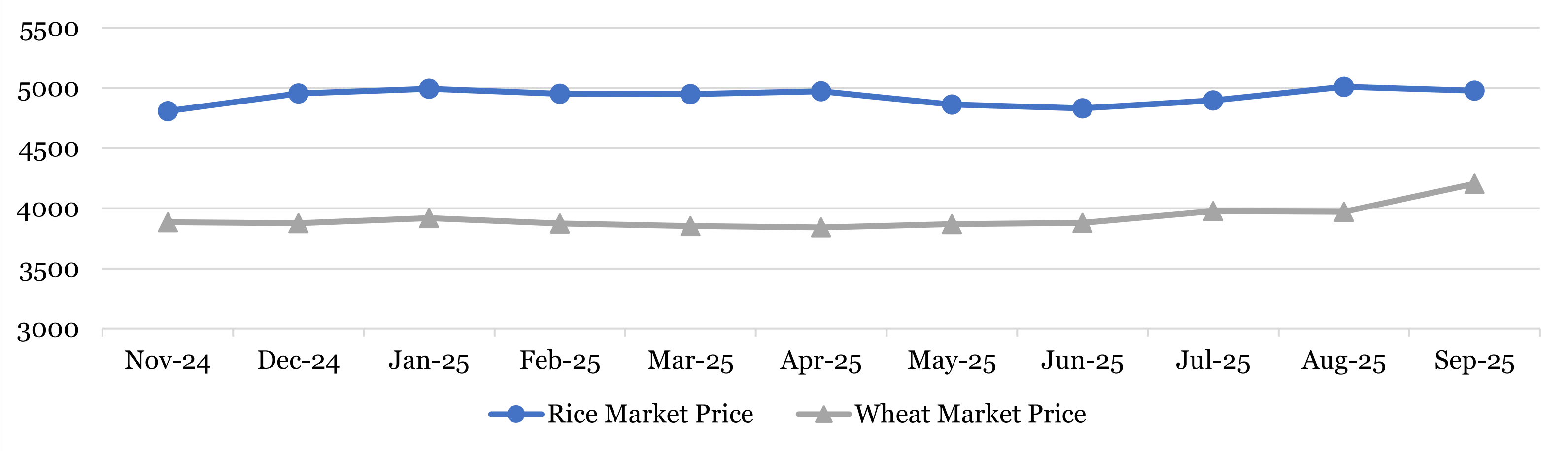
Prices of Foodgrain: Domestic and Global Comparison

- In FY25, rice prices increased, while in FY26 (Jul–Sep) wheat prices rose, indicating emerging price pressure linked to declining wheat stocks
- Wheat prices show volatility and an upward trend, whereas wholesale coarse rice prices remain largely flat
- Agricultural labour wages declined despite flat or rising food prices, signalling weakening purchasing power

Figure: Price monitoring of wholesale coarse rice and wheat (Taka per quintal)



Source: FPMU (2025)

Table: Agricultural Labour Wage (National)

Name of the Month	With Food						Without Food (in TK)	
	One meal		Two meals		Three meals			
	Male	Female	Male	Female	Male	Female	Male	Female
April, 2025	578	420	535	380	532	374	622	463
May, 2025	598	435	574	385	570	360	643	473
June, 2025	564	412	523	371	518	359	610	454
Growth in May'25	3.5%	3.6%	7.3%	1.3%	7.1%	-3.7%	3.4%	2.2%
Growth in Jun'25	-5.7%	-5.3%	-8.9%	-3.6%	-9.1%	-0.3%	-5.1%	-4.0%

Source: BBS (2025)

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Prices of Foodgrain: Domestic and Global Comparison (contd.)

- Global rice and wheat prices declined, but domestic prices remained high, indicating poor market management and supply-chain inefficiencies

Table: Global rice price (USD/ton) and FOB wheat price (USD/ton)

	Feb-25	Mar-25	Jun-25	Sep-25
Thai 5% parboiled rice	460	447	433	394
Growth rate		**-2.8**	**-3.1**	**-9.0**
Indian 5% parboiled	406	397	376	360
Growth rate		**-2.2**	**-5.3**	**-4.3**
Vietnamese 5% white rice	409	396	390	379
Growth rate		**-3.1**	**-1.5**	**-2.8**
Pakistani 5% white rice	400	386	394	354
Growth rate		**-3.6**	**2.1**	**-10.2**
Wheat (Ukraine)		250	229	215
Growth rate			**-8.4**	**-6.1**
Wheat (US (soft red winter (SRW)))		228	218	207
Growth rate			**-4.4**	**-5.0**
Wheat (Russia)		251	226	228
Growth rate			**-10.0**	**0.9**

Source: FPMU. (2025)

Minor Crop Production

- A shift towards higher-value, non-cereal crops is emerging, particularly in horticulture, pulses, oilseeds, and spices
- Maize (winter) remains dominant, accounting for over 15% of total production
- Watermelon shows the robust diversification trend, with 120.7% growth in area and 240.6% growth in production, raising its share to over 6%
- The trend reflects farmers' preference for short-duration, high-return crops

Table: Minor crop groups and their area-wise production and growth

Crop Groups	FY2024		FY2025			
	Area (In lakh Acre)	Production (lakh M.Ton)	Area (In lakh Acre)	Production (lakh M.Ton)	Area growth rate	Production growth rate
Cereals	12.7	48.8	13.3	55.1	4.8	12.9
Condiments & Spices	10.9	40.8	11.1	48.8	1.6	19.5
Flower (Temporary)	0.0	0.4	0.0	0.4	-0.9	1.6
Fruits (Temporary)	9.5	60.9	10.2	75.2	7.5	23.5
Fiber Crops (Unit in Bale; Not In MT)	0.4	1.0	0.3	1.0	-9.3	0.5
Oil Seeds (Edible)	14.6	8.5	14.6	8.7	-0.1	2.2
OIL SEEDS (Non-Edible)	0.8	4.0	0.7	4.0	-5.0	-0.7
Other Food	1.2	8.1	1.2	11.0	0.8	35.6
Pulses	8.6	4.3	10.3	5.1	20.6	18.0
Sugar Crop	2.5	34.1	2.5	34.1	-0.9	-0.1
Tobacco	5.0	8.6	5.2	8.6	5.0	0.7
Vegetables (Summer)	3.8	17.4	3.9	18.3	0.4	4.7
Vegetables (Winter)	7.7	39.6	7.8	44.0	1.0	11.0

Fertiliser Supply Crunch due to Gas Shortage

- Boro season urea demand is 14.5–15.0 lakh tonnes, while domestic urea fertiliser production is limited to 9.24–11.0 lakh tonnes due to gas constraints
- This creates a urea shortfall of 3.5–5.5 lakh tonnes, with limited scope to increase LNG imports
- To address the gap, the government plans additional fertiliser imports
- More subsidy will be required to contain the price

Recommendations

- The interim govt has taken steps on digital fertiliser management, Haor-focused fertiliser use, OMS family card expansion, and crop storage improvement
- The Task Force Committee (2025) prioritised climate-resilient crops, mechanisation support, efficient irrigation (AWD), crop diversification, and reduced post-harvest losses
- CPD recommends predictive and coordinated foodgrain imports aligned with stocks and global prices
- PFDS needs rebalancing to protect the poorest households during high inflation
- Public food stocks, especially wheat, need to be increased to ease price pressure
- Market inefficiencies call for better logistics, competition monitoring, and price surveillance
- Fertiliser shortages should be addressed through higher imports and subsidies
- Rice yield needs to be enhanced through improved varieties, quality seeds, and timely inputs

5. Navigating the Banking Sector Crisis in Bangladesh

Banking Sector: Introduction

- Banking sector continues to exhibit its weaknesses across **capital adequacy**, **asset quality**, **liquidity**, and **profitability**
- The Asset Quality Reviewer (AQR) revealed further deterioration of the non-performing loans (NPL) in a number of weak banks
- Bangladesh Bank has launched several reforms to enhance transparency, autonomy, strengthen governance, and establish credible resolution mechanisms that require urgent and effective implementation

Weakening Capital Adequacy

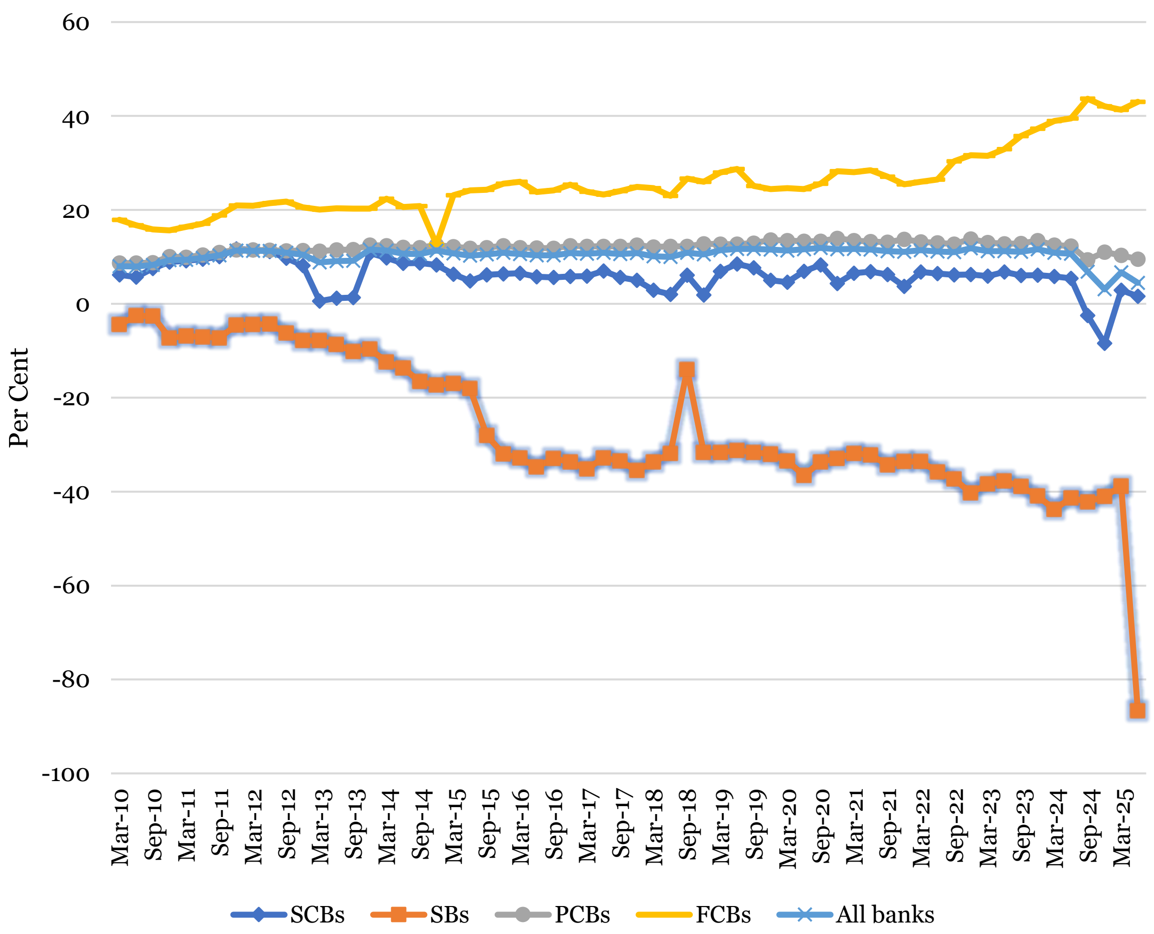
❑Severe shortfalls in capital adequacy ratios

- ➢ State-owned banks face recurring capital gaps amid weak governance and unreformed recapitalisation
- ➢ Specialised banks are in worse condition, with negative capital indicating technical insolvency

❑Sharp Decline in Sector-Wide Capital Adequacy

- ➢ Despite an overall increase in assets, the aggregate Capital-to-Risk Weighted Assets (CRWA) ratio decreased to 4.47%, down from 6.74% in the previous quarter, reflecting a weakening of the overall banking sector's capital adequacy

Figure: Capital-to-Risk Weighted Assets (CRWA) ratios by type of banks (in per cent)



Source: CPD illustration based on data from the Bangladesh Bank

Increasing Non-Performing Loan Burden

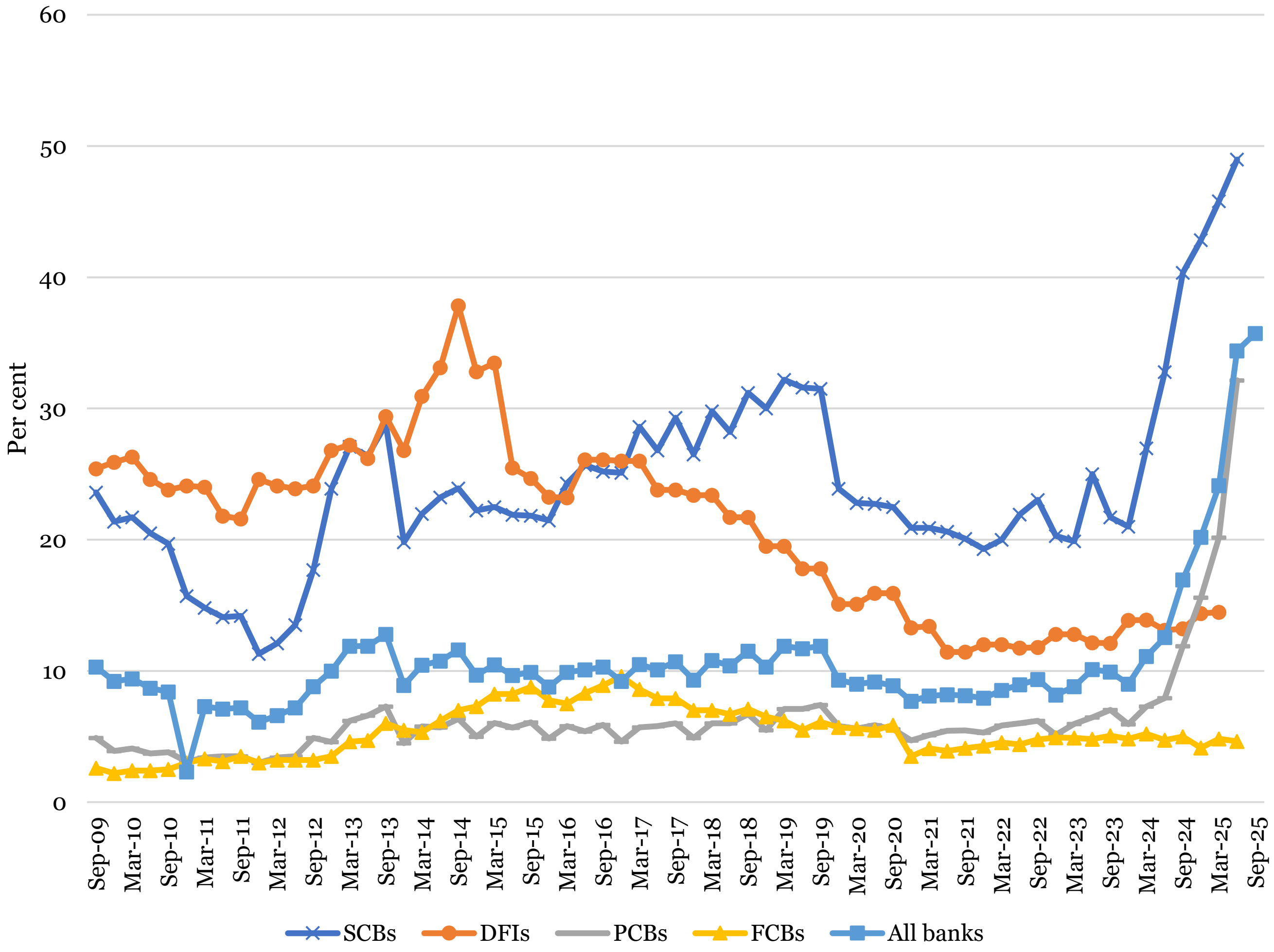
❑Soaring Non-Performing Loans Undermine Banking Sector Stability

- ➢Classified loans now account for 35.73% of total outstanding credit, reflecting elevated systemic risk
- ➢High NPL levels undermine banks' lending capacity, financial stability, and public confidence

❑ Systemic Asset Quality Problems Across Domestic Banks

- ➢ SCBs have the highest NPLs due to poor accountability and political interference
- ➢Rising NPLs in PCBs indicate system-wide asset quality failures driven by connected lending and weak regulation

Figure: Gross NPL ratios by bank type (in per cent)



Source: CPD illustration based on data from the Bangladesh Bank

Loan Loss Provisioning

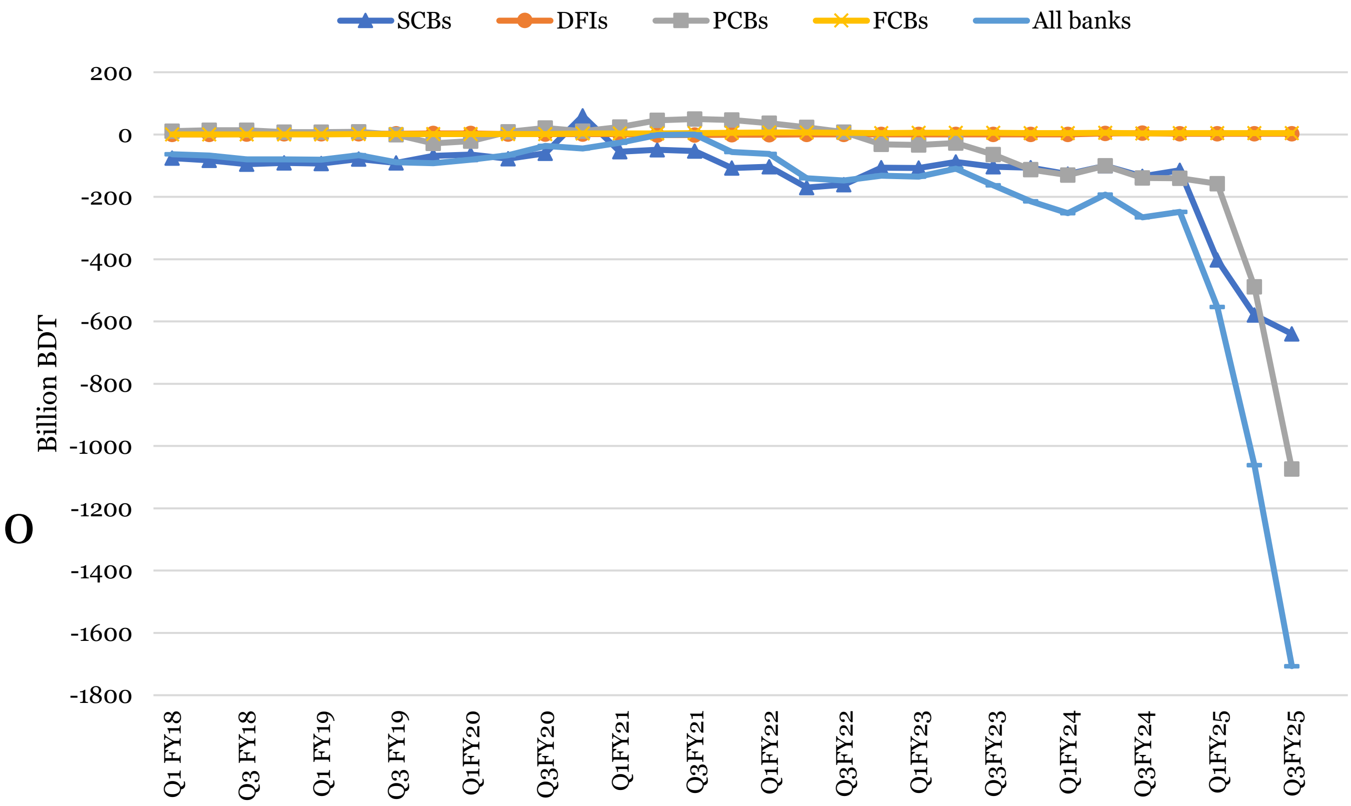
❑ Provisioning Deficit Escalates to Record Levels

- A severe failure to meet required targets resulted in a loan provisioning shortfall of BDT -1,706.6 billion by Q3 FY25

❑ Systemic Provisioning Failure Emerges

- As of Q3 FY25, actual loan loss provisions covered only 38% of the required BDT 2,751.0 billion, with provisioning amounting to BDT 1,044.5 billion
- Notably, PCBs and SCBs are the primary drivers of the recent surge in loan loss provisioning shortfalls

Figure: Excess or shortfall in loan loss provisioning



Source: CPD illustration based on data from the Bangladesh Bank

Slower Credit Growth

❑Declining Advance-Deposit Ratio (ADR)

- The advance-deposit ratio (ADR) fell from 0.89 in May 2025 to 0.84 in October 2025

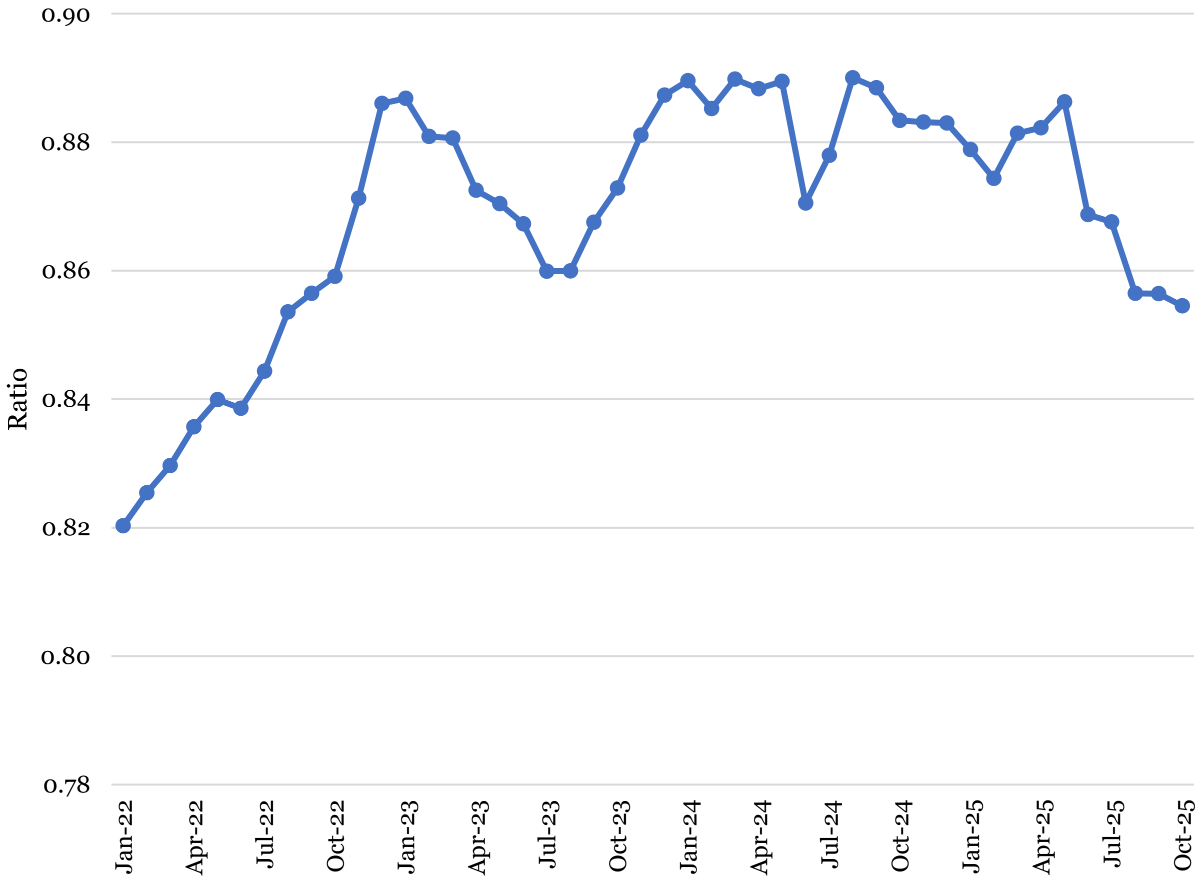
❑Weak Loan Demand and Cautious Borrowing

- Heightened economic uncertainty and elevated borrowing costs have dampened loan demand among businesses and households

❑Implications for Credit and Economic Activity

- Lower ADR reduced liquidity stress, but slower credit growth risks dampening investment and growth

Figure: Overall Advance-Deposit Ratio (ADR)



Source: CPD illustration based on data from the Bangladesh Bank

Profitability Indicators: Return on Asset

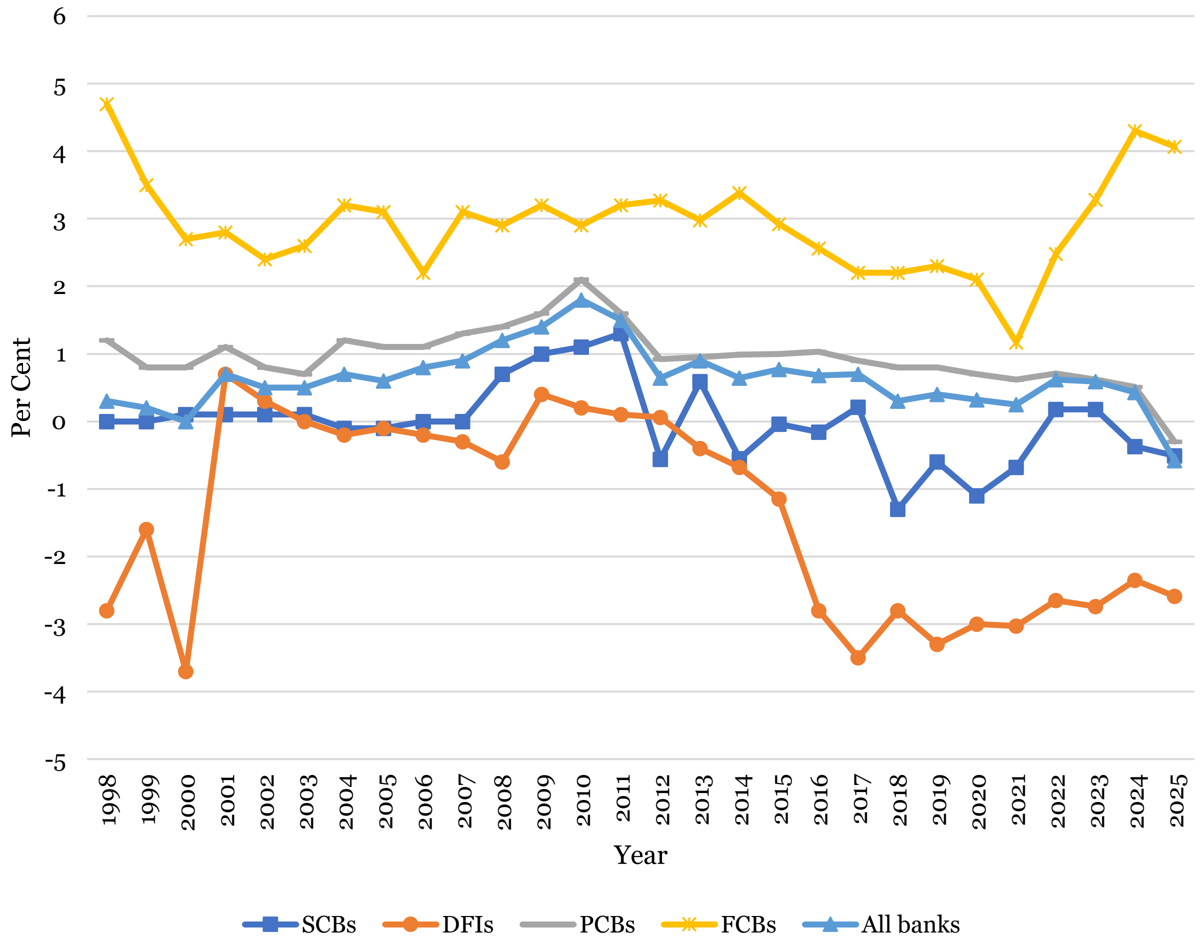
❑Asset Profitability Hits Multi-Decade Low

- ➢ Deteriorating asset quality, rising NPLs, and compressed interest margins have weakened asset-side performance
- ➢ As a result, return on assets (ROA) has declined to an unprecedented low

❑Return on Assets Turns Negative

- ➢ ROA fell to -0.58% at end 2025, the lowest level in nearly three decades
- ➢ Negative ROA reflects inefficient asset utilisation and rising balance sheet stress

Figure: Return on Assets (in per cent)



Source: CPD illustration based on data from the Bangladesh Bank

Profitability Indicators: Return on Equity

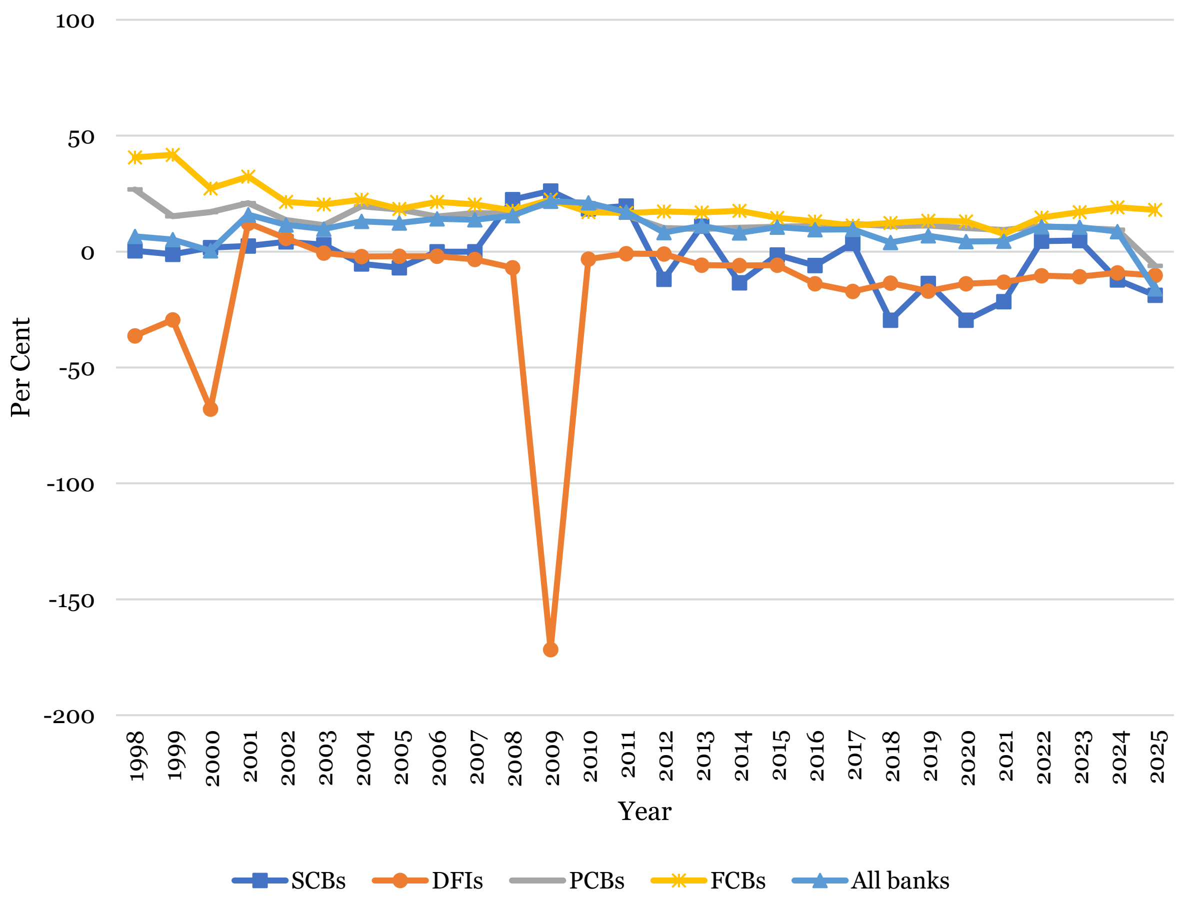
❑Severe Erosion of Shareholder Profitability

- ROE fell to –16.11% in 2025, the lowest level ever recorded
- The sharp decline in profitability has severely affected shareholder returns

❑Negative ROE Signals Deepening Capital Strain

- Negative ROE reflects sustained operating losses and depletion of bank capital
- Persistent erosion in asset quality has weakened equity buffers

Figure: Return on Equity (in %)



Source: CPD illustration based on data from the Bangladesh Bank

Independent Review of iRBD Bangladesh's Development

Recent Initiative and Key Reforms: Asset Quality Review (AQR)

❑ Reform Initiative

- Bangladesh Bank announced a comprehensive Asset Quality Review (AQR) of 17 banks, prioritising weaker and Islamic banks

❑ Objective:

- AQR provides a clear view of banks' true financial health, including capital gaps, hidden NPLs, credit risks, and governance issues

❑ Status:

- By mid-2025, the first phase completed reviews of six private banks (First Security Islami Bank, Global Islami Bank, Union Bank, Exim Bank, Social Islami Bank, ICB Islami Bank). Following the AQR, the merger of five banks was finalised

❑ Challenges:

- The merger reform faced resistance from bank directors and shareholders due to impacts on profitability and dividends

Banking Sector Reforms: The Bank Resolution Ordinance, 2025

❑Reform Initiative and Policy Objective

- Introduces Bangladesh's first formal framework for managing weak and failing banks
- Replaces ad hoc measures with a rule-based resolution system aligned with international best practices
- Insured depositors protected up to BDT 200,000 per bank, maintaining public confidence

❑ Bangladesh Bank is designated as the resolution authority, empowered to:

- Intervene early when banks become non-viable
- Prepare resolution plans
- Place banks under special administration
- Restructure assets and liabilities
- Facilitate mergers
- Allow orderly exits when recovery is not feasible

Banking Sector Reforms: The Bank Company (Amendment) Act, 1991

❑Reform Objectives:

- Aims to reduce political and family dominance, improve governance, and attract foreign investment
- Limits the number and tenure of family directors on bank boards
- Prohibits political figures from serving on boards
- Targets systemic risks from surging loan defaults, preferential lending, and weak regulatory oversight

❑Challenges:

- Approval and implementation may be difficult due to entrenched stakeholder interests
- Enforcement relies on Bangladesh Bank’s capacity and significant judicial support

❑Status:

- Proposed amendments to the Bank Company Act, 1991 are still under consideration and have not yet been enacted into law

Banking Sector Reforms:The Bangladesh Bank Ordinance 2025

❑Objectives:

- Amends the Bangladesh Bank Order, 1972 to strengthen independence, accountability, and effectiveness
- Grants legal authority to intervene in failing banks through temporary administration, restructuring, and asset-liability transfers
- Limit discretionary bailouts
- Enable orderly resolution of distressed banks using a risk-based supervisory framework

❑Institutional Strengthening

- Introduces merit-based appointment of Governor and Deputy Governors
- Reduces government representation and increases independent professional board members

Independent Review of Bangladesh's Development (IRBD)

Banking Sector Reforms: Insolvency and Bankruptcy Ordinance 2025

❑Policy Objectives

- Introduced to replace outdated bankruptcy laws that no longer meet the needs of modern businesses and the financial system
- Prioritises saving viable businesses over forced liquidation
- Enables financially distressed firms to restructure finances, continue operations, and continue operations
- Provides a modern, unified insolvency framework with clear roles for courts, insolvency professionals, and creditor committees

❑Implementation Framework

- District Courts will handle insolvency cases, creating a more specialised and efficient process
- Sets clear timelines for debt recovery and support for cross-border cases
- Introduces temporary moratorium to protect businesses during restructuring

Banking Sector: Recommendations

- Ensure consistent enforcement of all reforms by the newly elected government and Bangladesh Bank
- Provide strong political commitment to support implementation and remove vested interests
- Strengthen institutional capacity of banks, courts, and regulatory bodies
- Monitor merged banks closely to manage operational complexities and shareholder resistance
- Build judicial support and technical expertise for the Bank Company (Amendment) Act, 1991 and insolvency reforms
- Train personnel and restructure processes for the Insolvency and Bankruptcy Ordinance, 2025
- Secure consensus among stakeholders for the Bangladesh Bank Ordinance, 2025, balancing political and financial interests
- Apply the Bank Resolution Ordinance, 2025 fairly and consistently to restore discipline, protect depositors, and strengthen confidence in the banking system

Independent Review of Bangladesh's Development

6. State of Private Investment: Disarray Persists

State of Private Investment: Disarray Persists

6.1 Context

- The interim government assumed office at a time when the economy **was experiencing increased pressures** on macroeconomic stability
  - Accordingly, a key mandate of the transitional administration was to **facilitate macroeconomic recovery**
  - Under these circumstances, coupled with the inherent uncertainty associated with transitional governance, the **scope for strong investment inflows during this period was naturally limited**
  - After more than a year in office, the interim government is now preparing to hand over authority to an elected administration at a critical juncture, as **Bangladesh awaits graduation from the Least Developed Country (LDC) category**
  - In the post-LDC and post-election context, attaining higher and more sustainable levels of investment will be essential for sustaining growth and supporting structural transformation

6.2 Trends in investment-related indicators

- Investment-related indicators **deteriorated further** during the period of the interim government
  - During the months in which the interim government has been in office, **the growth of private sector credit has declined consistently** (Figure 6.1), indicating a slowdown in the flow of finance to businesses for new investment and expansion

SECTION 6: STATE OF PRIVATE INVESTMENT: DISARRAY PERSISTS

Figure 6.1: Total credit to the private sector and its year-on-year change rate

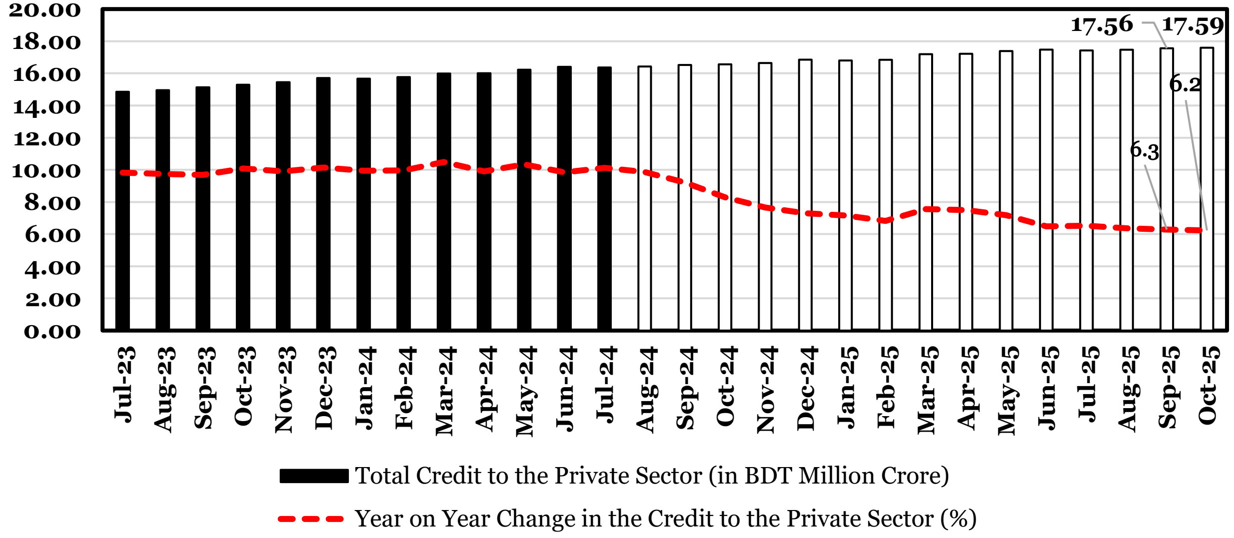


Figure 6.2: Disaggregated Domestic investment (% of GDP)

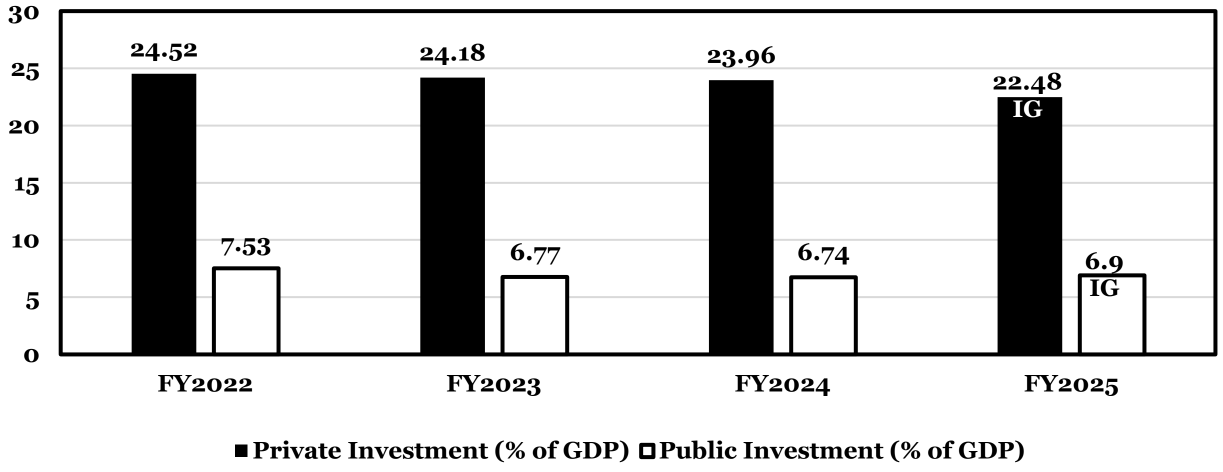


Figure 6.3: FDI inflow during the latest and previous fiscal years (BDT Crore)

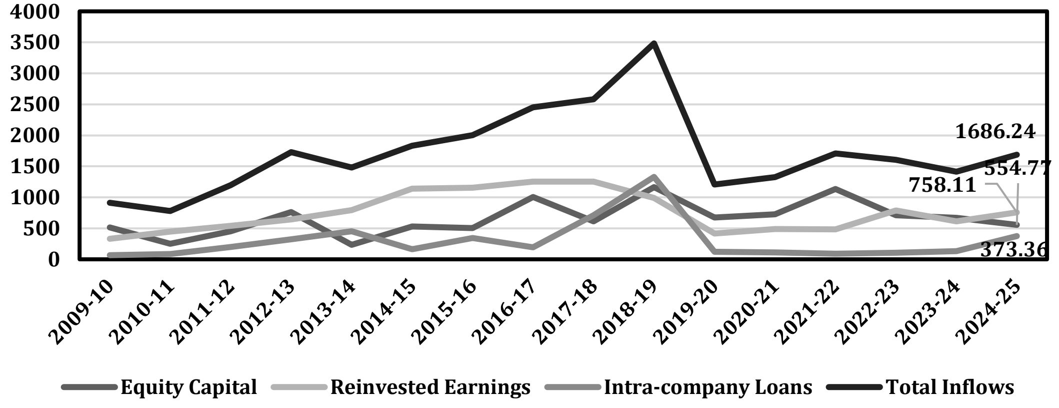
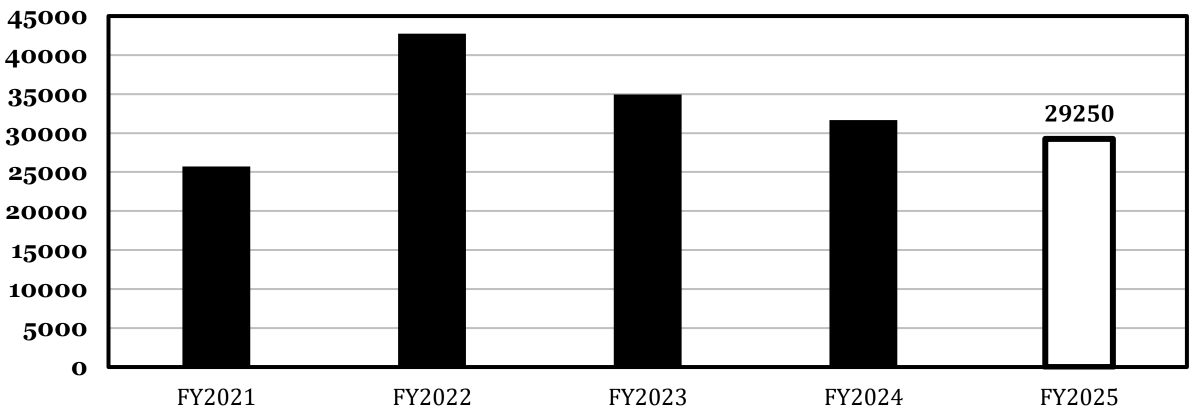


Figure 6.4: Imports of Capital Machinery (in BDT Crore)



All data source: Bangladesh Bank (2026)

Note: Different shaded bars indicate the IG period

IG = Interim Government

SECTION 6: STATE OF PRIVATE INVESTMENT: DISARRAY PERSISTS

- **Domestic investment also fell to historically low** levels during the period of the interim government
  - Data indicate that while the public investment increased slightly in FY25 compared to previous fiscal years (to 6.9 % of the GDP), growth of private domestic investment decreased to 22.48 % of the GDP, a record low in recent years (Figure 6.2)
- Although figures on FDI inflows suggest a positive trend in the completed fiscal year, a closer examination of the components reveals a more nuanced picture (Figure 6.3)
  - The increase in inflows was driven primarily by reinvested earnings and intra-company loans, indicating that existing foreign firms continued to finance their operations and manage liquidity internally
  - By contrast, equity capital declined, implying limited entry of new foreign investors and a weakening pipeline of greenfield or expansion projects

Table 6.2: Current and Previous Fiscal Years' Imports of Capital Machinery

Period	Imports of Capital Machinery
FY24 (July-October)	10936
FY25 (July-October)	9264
FY2026 (July-October)	9758

Source: Bangladesh Bank (2026)

- **Imports of capital machinery**, which were already on a declining trajectory in the preceding fiscal years, **fell further during the recently concluded fiscal year** governed by the interim administration (Figure 6.4).
  - Although imports of capital machinery increased in the early months of FY26 (July–October) relative to the same period of the previous fiscal year, this recovery remains modest; the level of imports is still lower than that observed in the final fiscal year of the previous regime (Table 6.2).

State of Private Investment: Disarray Persists

6.3 Existing and Newly Emerged Investment Barriers

- The investment climate in Bangladesh has historically been constrained by several structural and macroeconomic barriers that continue to negatively affect both foreign and domestic investment
  - Pre-existing challenges such as **inadequate infrastructure, policy uncertainty, bureaucratic red tape, burdensome tax policies, high cost of finance, and weak contract enforcement** have long discouraged new investment and limited the expansion of existing businesses
  - After assuming office, the interim government undertook many reform initiatives, which are expected to yield positive outcomes in the long term
  - However, several critical investment barriers remained unaddressed during this period, while simultaneously several new factors emerged
- The political uncertainty associated with transitional governance **intensified risk perception** among investors due to potential policy reversals after the departure of the Interim Government
  - Foreign investors responded cautiously due to concerns over policy continuity and economic stability, while domestic investors exhibited **a wait-and-see approach**, further dampening overall investment momentum during the period
  - The announcement of the election date by the interim government **represents a positive institutional signal**; however, **a smooth and credible transition to a democratically** elected government will be essential to further strengthen political stability & improve the overall investment climate in the upcoming years

State of Private Investment: Disarray Persists

- Similar to the previous regime, **interruption of the energy supply to the industries**, particularly gas, remained a major constraint, adversely affecting business operations and limiting investment prospects
  - Overall gas production continued to decline in FY25. Although gas supply to the industry has increased (by 2.2 billion cubic feet) in FY25, compared to the previous fiscal year, it is still well below the expected level (Table 6.3)
- In addition to supply shortages, **increases in energy prices** have imposed additional cost pressures on existing businesses, thereby weakening prospects for new investment
  - During its tenure, the interim government raised gas prices to BDT 40-42 per cubic metre (Table 6.4)
  - Given the continued heavy reliance on imported Liquefied Natural Gas (LNG) by the interim government, similar to the previous regime, upward pressure on energy prices is likely to persist, potentially necessitating further price adjustments
- Although **prices of all types of fuel** were marginally reduced during the interim government's tenure (Table 6.5), **these adjustments remain limited** when assessed against declining global oil prices and the pricing mechanism applied by the Bangladesh Petroleum Corporation (BPC)
  - According to Moazzem, Preoty and Quaiyyum, (2025), current fuel oil retail prices in Bangladesh could be reduced while still maintaining a Bangladesh Petroleum Corporation (BPC) margin of 3–5%, provided that the price-setting mechanism is corrected

State of Private Investment: Disarray Persists

Table 6.3: Distribution of Gas in Bangladesh (billion cubic feet)

FY	Total Production	Electricity	Captive	Furnace	Industry	Tea & Garden	Commercial	Household	CNG	Total Supply
2020-21	1104.1	425.8	169.1	64.7	181.7	0.9	6.0	134.2	35.1	1017.5
2021-22	1080.4	402.0	175.7	60.4	191.0	1.1	6.0	127.8	37.3	1001.3
2022-23	1002.6	389.8	164.2	50.1	178.8	1.0	5.8	100.6	42.3	931.21
2023-24	991.7	392.5	153.6	50.4	168.2	1.17	5.2	100.2	45.1	916.4
2024-25	974.0	372.3	149.8	56.7	170.4	1.1	5.6	97.8	46.7	900.4

Source: Petro Bangla

Table 6.4: Sector-wise Gas Price in 2024 and 2025 (BDT/cubic

Sectors	Price (BDT/cubic metre, 2024)	Price (BDT/cubic metre, 2025)
Electricity (Govt, IPP, rental plants)	30	**40**
Captive power (Small, commercial power plants)	30	**42**
Large Industries	30	**40**
Medium Industries	30	**40**
Small, cottage, others	30	**40**
Commercial (Hotels, restaurants)	30	**40**

Source: Petro Bangla

Table 6.5: Price of different fuels in FY25 (BDT/cubic meter)

Fuel type	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Diesel	108	106.75	106.75	105.5	105.5	105	105	104	105	105	105	104
Octane	131	131	131	125	121	121	125	125	126	126	126	125
Kerosene	108	107.75	107.75	105.5	105.5	105	105	104	105	105	105	104
Petrol	127	127	127	121	125	125	121	121	122	122	122	121

Source: BPC

State of Private Investment: Disarray Persists

- Although the **depreciation of BDT against USD** has enhanced price competitiveness in export markets, it has simultaneously **increased input costs** for import-dependent firms, particularly those oriented towards the domestic market
  - Exchange rate depreciation has reduced returns for existing foreign investors and increased exchange rate risk, increasing investment uncertainty
- In an effort to contain inflation, the central bank had to maintain a relatively **high policy interest rate** of 10%
  - Despite the prolonged tight monetary policy, the targeted inflation rate (below 7%) has yet to be achieved
  - Consequently, firms face a dual burden of **elevated financing costs** and persistently high production costs, alongside **weakening demand** driven by the erosion of consumers' purchasing power
- According to a recent statement by the US Department of State (2025), **most reform initiatives undertaken by the interim government**, including in the judicial sector, remain at an **early stage of implementation**
  - Consequently, **weaknesses in alternative dispute resolution mechanisms** continue to impede the timely enforcement of contracts and the fair resolution of commercial disputes, thereby discouraging foreign investment
  - The statement also claimed that despite the **interim government's efforts to address corruption, it remains pervasive** in public procurement, tax and customs administration, and regulatory bodies

6.4 Reforms of the Interim Government Targeting Investment Generation

Measures Targeting Investment Promotion

- The reform effort of the interim government can be marked **by a higher focus on the promotional part**
  - Private-sector and investment **professionals have been appointed to effectively lead the** Bangladesh Investment Development Authority (BIDA)
  - Since the appointment, **BIDA has undertaken several investment promotion activities**, including the arrangement of the :
    - **Bangladesh Investment Summit 2025,**
    - **Bangladesh Startup Connect 2025 (within the Investment Summit),**
    - **The Standard Chartered Investor Roadshow,**
    - **8th Adriatic Sea Defence and Aerospace Exhibition,**
    - **China-Bangladesh Conference on Investment and Trade, etc.**

6.4 Reforms of the Interim Government Targeting Investment Generation

Measures Targeting Investment Facilitation

- **Multiple reform commissions** were established to drive broad institutional reforms across sectors such as **elections, the judiciary, and public administration**
  - The government has already established **specialised Commercial Courts** in Bangladesh to ensure the timely and efficient resolution of commercial disputes above a specified threshold (minimum BDT 50 lakh), thereby promoting investment, supporting economic growth, and improving the overall business environment
  - The enabling Ordinance provides for pre-institution mediation, dedicated commercial benches, fast-track procedures, appellate mechanisms, and enhanced transparency through systematic data reporting
  - The **National Board of Revenue (NBR)** also underwent significant restructuring, the most notable of which was its **division into two major units**: the Revenue Policy Division (RPD) and the Revenue Management Division (RMD)
  - Most recently, the NBR launched **an e-refund system for value-added tax (VAT)**, allowing refunds to be transferred directly to taxpayers' bank accounts
  - Moreover, a **Labour Reform Commission** has been formed that has recommended key measures to ensure workers' rights in the workplace

State of Private Investment: Disarray Persists

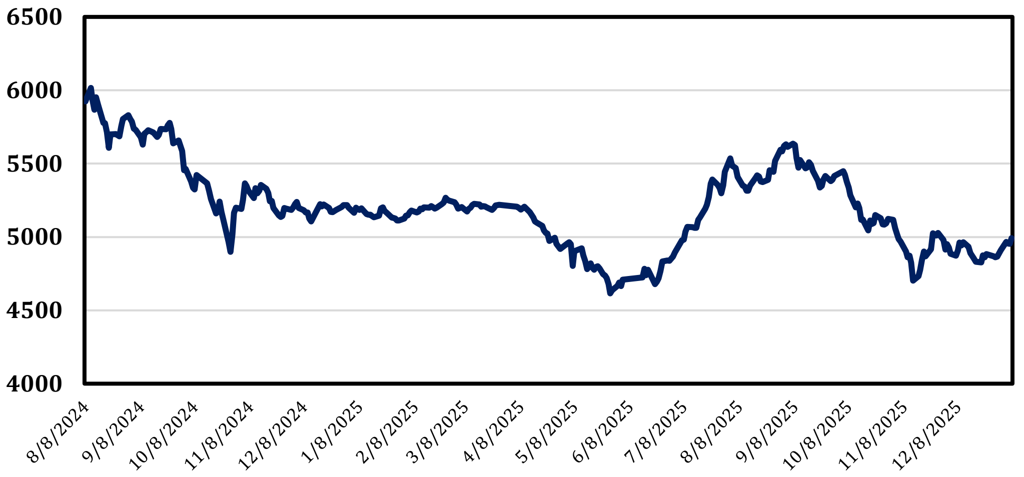
- The interim government has introduced **several practical reforms** to reduce business delays and costs and improve the overall investment environment
  - These include the **launch of the Bangladesh Business Portal** as a single digital gateway for investors, the establishment of **single-entry service points in major cities**, and steps to simplify business registration and licence renewal
  - Trade and logistics processes have been improved through **port decongestion measures at Chittagong Port**, **new container yards, faster customs clearance supported by digital risk management systems**, and closer coordination between port authorities and tax agencies
  - Import and export operations are being eased through planned policy changes, including the **removal of free-of-charge import quotas for export-oriented firms** and improvements **in foreign payment and banking services**
  - At the same time, the interim government **has strengthened investment monitoring** and promoted environmentally sustainable investment
  - The interim government has also introduced targeted support for SMEs, **including digital marketplaces, bank-mediated foreign payment systems, and strengthened coordination through the SME Foundation**, to enhance their efficiency, market access, and role as drivers of employment and innovation

State of Private Investment: Disarray Persists

6.5 State of the Capital Market

- During the period following the assumption of power by the interim government, **the DSEX index shows a volatile but generally weak trend**, marked by an initial sharp decline, a prolonged phase of low and sideways movement, a brief recovery, and a renewed correction (Figure 6.5)
- On the other hand, the net portfolio investment in the concluding FY25, in which the interim government has been in charge, remained positive but weakened, falling slightly to BDT 1822.8 crore from the FY24 value of BDT 1886.7 crore

Figure 6.5: DSEX index during the period of the interim government



Source: Dhaka Stock Exchange (2026)

- This downgrade in both indexes and net portfolio investment indicates that both local and foreign investors adopted a more cautious stance amid political transition, subdued stock market performance, regulatory uncertainty, and slow progress in institutional and capital-market reforms and thereby their fragile confidence
- Despite several enforcement actions under the interim government, a wide range of structural and institutional weaknesses remain unaddressed
- These include persistent **problems in attracting quality IPOs**, **weak market surveillance** and information disclosure, ineffective oversight of IPO issuers, inadequate KYC requirements for BO accounts, **limited regulatory authority of key institutions such as CDBL and FRC**, continued reliance on paper-based shares, an insufficient preparedness for modern settlement systems, the underdeveloped role of institutional investors, and deep-seated governance and cultural barriers

6.6 Recommendations for the interim government

Overall:

- The newly elected government should prioritise **the appointment of experienced private-sector leaders to key investment-related institutions**, including the Bangladesh Investment Development Authority (BIDA), Bangladesh Export Processing Zones Authority (BEPZA), Bangladesh Economic Zones Authority (BEZA), the Ministry of Commerce (MoC), the Ministry of Industries (MoI), and the National Board of Revenue (NBR). Also, the authorities for the capital market, including Bangladesh Securities Exchange Commission (BSEC), Dhaka Stock Exchange (DSE), the Chattogram Stock Exchange (CSE), Financial Reporting Council (FRC), etc.
- As Bangladesh has already formulated **a Smooth Transition Strategy (STS) for LDC graduation, the newly elected government should ensure its continued implementation** and effective operationalisation to minimise adjustment costs and sustain investment momentum in the post-LDC period
- The incoming government **must ensure the continuity of reforms initiated by the interim administration targeting investment generation**. If any major policy reversal is found to be necessary, investors must be provided with substantial advance notice and a clear transitional period to adapt
- The newly elected government should provide a **dedicated focus on the digitalisation and automation** of all the services required for investment and capital market monitoring

State of Private Investment: Disarray Persists

Reformation of tax structure:

- Replace the current **sector-specific minimum tax with a progressive structure** that reflects variations in business size, turnover, and profit margins, thereby enhancing fairness and equity
- Consolidate the **existing eight VAT slabs into a simplified three-tier system** comprising Standard, Reduced, and Zero rates, with a long-term objective of transitioning to a two-tier structure. Consider reducing the standard rate alongside measures to broaden the tax base and strengthen enforcement
- Establish an expert committee comprising tax professionals, accountants, and business representatives to regularly review and update allowable deductions, expenditure caps, and definitions of taxable income, ensuring alignment with contemporary business practices
- Require all businesses to submit tax returns digitally and expand accessible tax-paying services through local Upazila Digital Centres to support small and medium enterprises
- Create **a multi-stakeholder oversight committee to review and resolve disputes over disallowed expenditures** consistently. Additionally, develop a dedicated digital tribunal to ensure the timely resolution of tax disagreements, targeting a resolution timeframe of 30–45 days
- Establish **a separate, dedicated entity to manage tax refunds efficiently,** independent of the National Board of Revenue (NBR). Remove advanced tax payment requirements for small businesses to prevent financial constraints from obstructing access to judicial recourse. Continue implementation of the E-VAT refund initiative
- Implement a fully **integrated tax administration system centred on a universal Taxpayer Identification Number (TIN)** to enhance operational efficiency and data coordination

State of Private Investment: Disarray Persists

- Introduce **incentives for new and small taxpayers**, including voluntary registration windows, simplified filing procedures, quarterly return options, and access to free digital record-keeping tools
- For revenue generation focus should be more on **a tax justice perspective**, increasing dependency on direct tax and property tax

Reformation of bureaucratic process:

- Keep increasing the **inclusion of newer services in BIDA's OSS** (such as language service, online payment facilitation, etc.). Provide real-time application tracking for the investors
- To create a seamless digital interface for investors, the government must mandate that all relevant agencies, including BIDA, the Ministry of Commerce, the National Board of Revenue (NBR), the Registrar of Joint Stock Companies (RJSC), Ministry of Industries (MoI), Department of Environment (DoE), Bangladesh Energy Regulatory Commission (BERC), Ministry of Civil Aviation & Tourism (MoCAT), Ministry of Shipping (MoS), the Bangladesh Bank etc., **regularly update their official portals with** clear, step-by-step guides, comprehensive FAQs, and binding procedural timelines. This should be complemented by an integrated, 24/7 central support hotline and AI chatbot capable of routing queries to the correct agency and providing real-time, accurate information on the full spectrum of regulatory and compliance processes
- Introduce **a fully digital platform for tender submission and tracking** to improve accessibility, reduce reliance on physical documentation, and attract a broader pool of bidders. Establish a systematic notification mechanism to inform bidders of application status (e.g., pre-qualification) and incomplete submissions to ensure fairness and build trust

State of Private Investment: Disarray Persists

- Reduce **barriers related to high land costs by expanding permissible allocation**, allowing alternative site proposals, and enabling investors to secure land before bidding. Explore public-private collaboration to identify and prepare suitable land parcels for development
- Implement the proposed measure of the national committee to **significantly raise limits on foreign investors' capital and profit repatriation without requiring prior central bank approval**, thereby improving investor confidence and the attractiveness of the investment climate

Risk mitigation and ease of access:

- Introduce guarantees or insurance mechanisms to **protect investors against project cancellation, delays, or regulatory changes**
- Consider a partial government-backed **risk-sharing fund to cover early-stage losses in case projects are terminated**
- Amend the Companies Act and associated rules to remove or significantly **lower the minimum paid-up capital and turnover thresholds for OPCs**, allowing smaller local and foreign entrepreneurs to form OPCs easily and thereby boosting formal investment
- Introduce clear and updated statutory provisions for M&A within the Companies Act (or accompanying rules), including definitions of mergers/acquisitions, streamlined procedures, protective mechanisms for minority shareholders, and regulatory oversight guidelines, to reduce legal uncertainty and facilitate more efficient transactions

State of Private Investment: Disarray Persists

- ❑ Explore further reductions in fuel prices using a market-based pricing model, **with the potential to lower costs by BDT 10-15 per litre,** as suggested by CPD in its recent study
- ❑ Ensure a better supply of gas for industry by first tracking gas exploration in the country
- ❑ If inflation eases in the post-election period as uncertainty declines and macroeconomic stability improves, the central bank under the **new government may consider adopting a more accommodative monetary stance** by lowering the policy rate to reduce the cost of finance

Institutional reforms:

- ❑ In view of Bangladesh's graduation from Least Developed Country (LDC) status and the phased withdrawal of transition flexibilities, **intellectual property legislation should be gradually modernised** in line with TRIPS obligations and international best practices. This process should be supported by a parallel strengthening of administrative capacity to ensure faster registration, effective monitoring, and timely prosecution of IPR violations
- ❑ Strengthen **anti-corruption agencies with prosecutorial independence**, adequate funding, and protection from political interference
- ❑ **Speed up reforms in commercial courts by introducing digital case management**, electronic filing, and clear deadlines for resolving disputes. At the same time, strengthen arbitration and mediation through specialised centres, mandatory use in certain cases, better training for judges and lawyers, and reliable enforcement of arbitral awards in line with international standards to build investor confidence

7. State of the Power and Energy Sector: Yet to be Recovered and Ready for Energy Transition

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Current State of Power and Energy Sector

Power Sector and fuel mix:

- The state of the power sector in terms of statistical numbers remained **quite unchanged compared to that of prior to interim regime** (July 2024)
  - Except for the **expansion of transmission** system, **increase of coal share** in fuel mix and **jump in the renewable energy generation**
  - The fuel mix of power generation has also **remained more or less same** in the current scenario except for two fuel sources
    - HFO and HSD usage has been reduced given the high cost of electricity generation of it
    - Coal share in electricity generation **mix has increased by 3%** (1165 MW) in last 1.5 years
  - It was expected that fossil fuel will be replaced by renewable energy sources, mainly solar, however, the share of **solar and wind cumulatively has increased by only 1%**

Table: State of Power Sector July'24 vs Dec'25

Issues	Status (till July,2024)	Status (till Dec,2025)	Absolute Change	% change
Power				
Power Generation Capacity (Grid)	28,098 MW	28,949 MW	851 MW	3%
Highest Power Generation (Grid)	16,477 MW	16,794 MW	317 MW	1.9%
Actual Generation (Renewable Energy)	1,126 MkWh	2,287 MkWh	1161 MkWh	**103%**
Reserve Margin	41%	42%		1%
Total Transmission Lines	15,624 circuit km	17,581 circuit km	1957 circuit km	**12.5%**
Total Distribution Lines	643,000 km	652,325 km	9325 km	1.5%
Access to Electricity (including renewable energy)	100%	100%	0	0.0
Per Capita Electricity Consumption	602 MW	661 MW	59 MW	9.8%

Source: BPDB and SREDA

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Current State of Power and Energy Sector (contd.)

Domestic Gas and LNG

- The **gas sector has been most highlighted** during the interim regime given the prioritisation of LNG imports
  - The government has been trying to keep gas supply level up by either domestic gas exploration but **mostly through imported LNG**
  - Petrobangla has planned to intensify and extend domestic gas exploration programme by drilling **50 wells by 2025-26 and 100 well by 2026-28**
  - Currently Petrobangla is underway to explore 11 wells which will enhance the gas supply by **143 mmcfd**
- Interim government has been seen to excessively prioratising import of LNG not only by **signing and extending the LNG MoUs** and contracts in long term and spot market
  - But also, by motivating LNG through **VAT exemption in the national budget**
- As the **USA has signed key LNG MoUs** and deals with Bangladesh, focusing on long-term supply to meet energy demands, the energy transition growth is said to be backtracked
- Instead, technical and financial assistance regarding domestic **gas exploration should have been on the table of discussion with USA**

Table: State of Natural Gas Sector July'24 vs Dec'25

Issues	Status (till July,2024)	Status (till Dec,2025)
Gas		
Total Gas Supply	2634.0 mmcfd	2587 mmcfd
Total LNG Supply	605.3 mmcfd	892.1 mmcfd
Domestic Proven Gas Reserve (tcf)	28.89 tcf	29.74 tcf
LNG Infrastructure	2 LNG FSRU" (Length: 554 m, Width: 88 m, Draft:25 m)	No new LNG infrastructure
Gas Tariff (Captive Power)	BDT 30.75/cubic meter	BDT 42/cubic meter
Gas Tariff (Other sectors)	BDT 30/cubic meter	BDT 40/cubic meter
Deficit in Gas Supply	1,066 mmcfd	1,000 mmcfd

Source: Bangladesh Economic Review FY24, FY25 and BAPEX

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Current State of Power and Energy Sector (contd.)

State of Renewable Energy Expansion

- Both the biggest **challenge and opportunity** of this government was to achieve visible progress in renewable energy expansion at all levels, but not much progress has been made
- Only significant achievement is that this government has been successful to **increase the number of Net Metering Rooftop Solar System**
  - Currently there are **4,533 NEM Rooftop Solar system** in Bangladesh with the capacity of **210.285 MWp**
- In fact, the **first nail** of the energy transition coffin was the **LoI cancellation of the 34 renewable** energy-based power plants
  - Such decision has made attracting investment in renewable energy much more complicated, which was later reflected in the **slow progress** in tender bidding of 55 solar power plants with the capacity of 5,238 MW
- Interim government has initiated some new programmes and has made new policies
  - However, the **implementation process is taking so much longer than needed**
  - For example, implementation of solar rooftop programme is **still to make visible progress**
  - During the last quarter (Oct- Dec'25), no new power plant has started its scheduled operation
- Such circumstances only indicates that it was nothing **but government's wishful thinking to establish Three Zeros** in Bangladesh, specially, **zero carbon emission**

Reform in Policies, Laws and Acts Related to the Power and Energy Sector

Table: Key Policies/Laws/Acts/Plans: Major reform suggested and reforms done

Policies/Laws/Acts/Plans	Reform Measures suggested by CPD	Reforms Done by Interim Govt.
Quick Enhancement of Electricity and Energy Supply (Special Provision) Act, 2010	Immediate Repealing	**Immediately repealed the Act**
Public Procurement Act and Rules	To be Updated and Practiced	**Updated and in Practice now**
Amendment of Bangladesh Energy Regulatory Commission (BERC) Act, 2003	Immediate Amendment	**Immediately amended**
Integrated Energy and Power Master Plan (IEPMP)	Revision of the Plan	**Revision undergoing**
Mujib Climate Prosperity Plan (MCPP)	Updating	No update
Nationally Determined Contributions (NDCs)	Revision and Updating	**Updated NDC3.0**
Perspective Plan 2041 (PP 2041)	Updating of the Plan	No update
National Energy Policy 1996	To be Revised	No update
Renewable Energy Policy (Draft) 2022	Revision of the Policy	Has been revised
Net Energy Meeting Guidelines	To be Updated	Has been updated aligning with the solar rooftop programme
Energy Conservation Act	To be Formulated	Not initiated
Energy Audit	To be Designed	Not initiated
Centralised Database	To be Built	Not initiated
Pricing and Investment Policy	To be Designed	Not initiated
Competitive Bidding	To be Initiated	Initiated
Just Transition Network	To be Designed	Not initiated
FiT Scheme	To be Designed and Practiced	Not initiated
Request for Quote and Request for Proposal	To be Initiated	Not initiated
Auction Guidelines	To be Designed and Practiced	Not initiated
National Solar Rooftop Programme	-	**New programme has been initiated**
Merchant Power Policy	-	**New policy has been taken but not in implementation yet**

Source: Authors' Illustration

Reforms in Government Bodies related to the Power and Energy Sector

- Despite much discussion, **interim government has failed to improve the reputation of SREDA** within their tenure
- Similar observation can be made for BPC as well
  - The **lack of skilled manpower**, their **irregularity of the presence of Dhaka office** and heavily depending on the **operational issues from the Chittagong office** has raised serious concerns regarding their successful operations
- On a positive note, **BERC has regained its legal authority** to set the price of fuel oil, electricity and gas. BERC's institutional capacity has also been enhanced as it has expanded its institutional base by hiring more manpower

Table: Key government bodies: Major reforms required vs major reforms made

Institutions	Reforms needed	Reforms done
Sustainable and Renewable Energy Development Authority (SREDA)	Institutional Overhauling and Upgradation	SREDA is still operating as a weak authority with minimal to no overhauling power
Bangladesh Energy Regulatory Commission (BERC)	Amendment including Reinstating Earlier Responsibilities and More Functionality	The BERC Act has been amended and now BERC is practicing the energy and fuel price setting authority
Bangladesh Petroleum Corporation (BPC)	Strengthening Dhaka Office with human resources and Accessibility	No visible progress has been made
Establishing New Institutes for Renewable Energy Transition	• Renewable Energy Laboratory • Office of Energy Efficiency and Renewable Energy • Office of Scientific and Technical Information on Energy • Energy Information Administration • Council for Environmental Qualble Energy Laboratory	No visible initiative has been made

Source: Authors' Illustration

Recovering from the Spiraling Financial Crisis

- The major challenge for the interim government when they took over the energy office was the **overwhelming sectoral debt of BDT 50,000 crore** from electricity generation and LNG, and oil import
- Since interim government took office, it has **repaid BDT 29,000 crore** of that debt by April 2025
- Despite these payments, however, the **backlog owed to local power producers** continues to rise as private power companies are currently owed at least **BDT 20,000 crore** by the BPDB
- BPDB has **cleared USD 30 million** due in November 2025 to Adani Power against **Adani's claim of USD 495 million** outstanding bills
  - From BPDB's end it was confirmed that the outstanding bill is around USD 256 million.
- On a positive note, the interim government successfully paid off the foreign debt of fuel oil and LNG import during their tenure
- Despite that, it has been **continuously failing in the debt loop**
  - The reason being that the interim government failed to **address the root cause** and carried with the **short-term fixes**
- Initially negotiating the power **tariff while reviewing the contracts** and **gradually planning to phase out the fossil fuel**-based generation as well as moving towards renewable energy would have actually solve the endless cycle of debt

Conclusion and Recommendations

- After the 1.5 years of interim government regime, the power and energy sector is standing **with a bittersweet feeling** with its **moderate policy reformations**, operational reformations, **slow progress in renewable** energy policy shift and **spiraling financial burden**
  - It was expected that the interim government will work on the priority areas to perform necessary sectoral reforms within their timeline and help facilitate the renewable energy transition in Bangladesh
- However, it is only logical to rate the **success of interim government below average**
- As the political power transition is on its way, the newly elected government will have to take responsibility not **only the outcome of interim's activities** but as well as **new plans to rapidly move towards energy transition** while sustaining the sectoral growth
- Previously CPD proposed activities and initiatives that needed to be taken by interim government in short to medium terms
  - Many of the proposals from Phase 1: Assessment and Planning for immediate implementation have been carried out by the interim government
- CPD will propose **another 2 phases: short to medium terms reform agenda** for the upcoming elected government which will help them to reinstate the pace of energy transition in Bangladesh in the next 2-3 years
  - The following short-term reform activities must be taken **within the first 100 days** of taking the power and energy ministry office

Recommendations for the Elected Government: Phase 1 (Short Term)

a) Right after taking the office of MoPEMR, the **elected government should come up with an institutional reform plan** to ensure institutional readiness for energy transition

- A **whole government approach** is required to make a substantial shift in the existing institutional base

b) MoPEMR should be **considered and treated as a specialised institution** and all the positions should be occupied with the appropriate **professionals with specialisation**

c) The upcoming elected government must **execute and implement the National Solar Rooftop Programme** with **utmost priority**

- By doing so, at least 3000MW of electricity will be generating from solar energy

d) Given the prevailing weaknesses, **IEPMP needs to be revised immediately**. All the new plans and policies to me drafted according to the IEPMP targets and goals

e) The newly elected government should prioritise the **identification and assessment of renewable energy resources** such as solar, wind, and hydro across different regions of Bangladesh

f) 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 the next budget, **the zero VAT imposition** on LNG import must be withdrawn

Recommendations for the Elected Government: Phase 1 (Short Term)

g) Petrobangla should **invest its own resources** in the 100 gas drilling projects

- BAPEX should even **take loan to allocate resources for gas exploration** for the gas wells that are supposed to be explored

h) Competitive **bidding processes should be implemented and ensure all procurement plans** and proposals are publicly available

- The **interim government has failed to make these documents public** questioning the transparency, risk of favouritism, and foster public trust in energy transition projects
- All the documents and reports related to **public procurement**, especially power plants, should be openly accessible as these are not confidential documents by law

i) The elected government must **quickly complete the review of the cancelled LoIs** under the PPR and PPA

- Doing such will allow the power producers to review the contracts and tariffs under competitive process.

j) The inefficient rentals and quick rentals that have already finished their lifetime and exhausted their potential should be stopped immediately

- A specific plan should be declared regarding the year wise gradual phase out of these power plants.

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Recommendations for the Elected Government: Phase 1 (Short Term)

k) To reduce the subsidy burden, the new **government should renegotiate the electricity purchase prices** through BPDB from the IPPs which were contracted unsolicited under the special Act at a higher price compared to the market price

l) No **further discussion on domestic coal extraction** should be brought up by the newly elected government.

m) The MoPEMR needs to **design a five-year financial payment plan** with a view to gradually reducing all overdue to concerned divisions and departments to zero

- Such a plan will require **withdrawal of 'capacity payment**' clause from renewed PPAs as well as PPAs to be signed for new fossil-fuel based power plants.

n) The new government must focus on prioritising and investing in **advanced grid technologies**, including smart grids and automated systems

o) The new government needs to end the pro fossil fuel incentive structure by **withdrawing the corporate tax** exemption for all types of fossil fuel- based companies for all the upcoming power plants

p) The government should eliminate these taxes on all renewable energy goods to reduce costs and boost adoption

- For any renewable energy-related HS Code where the Customs Duty (CD) **exceeds 5%, it should be reduced to 5% or less than 5**%. It is also recommended to reduce the **VAT to 10% from 15%**

Recommendations for the Elected Government: Phase 2 (Medium Term)

a) The institutional structure of **SREDA needs a major overhaul** which is better suited to take a lead role in energy transition in the power sector

b) Dedicated research institutions such as the **Renewable Energy Laboratory** and the **office of Energy Efficiency and Renewable Energy** to focus on innovation in renewable energy technologies should be established

c) An Office of **Scientific and Technical Information** on Energy to serve as a central repository for energy research and data should be set up

d) Pilot projects and feasibility studies in selected regions to test and demonstrate the viability of various renewable energy technologies should be launched

e) The new government must take **bold initiatives to attract more foreign direct investment**

- The priority for now should be attracting investors **by restoring law** and order and improving the economic situation, including the reserve scenario

f) To scale up renewable energy projects the government must ensure **speedy and timely completion of the domestic renewable energy projects**

- The tax and incentive structure need to be revised for an equitable and just business environment for renewable energy-based power generation

g) As the fossil fuel-based power plants have been and will be phased out in the coming days, there will be a pool of stranded assets in Bangladesh. The government should look for **opportunities to retrofit or contract new renewable energy** power plants on those lands and assets

8. External Sector Performance: A Tale of Two Tales

Introduction

- Against the backdrop of depressed overall macroeconomic performance, external sector track record in the first half of FY26 may at best be termed as mixed

- On the one hand, forex reserves posted a secularly rising trend, BDT exchange rate had stabilised which contained imported inflation, and, thanks to these, import controls were lifted. On the other hand, export trends have been discouraging due to poor performance in major markets. Imports are yet to pick up with imports of intermediate inputs being rather subdued

- In the course of the next half of FY26, Bangladesh will need to get itself ready to address the challenges of LDC graduation and adverse impacts of Trump Reciprocal tariffs (RTs) and take adequate preparation in view of the upcoming fourteenth WTO Ministerial Conference (WTO-MC14; March 26-29, 2026 in Cameroon), the last Conference prior to Bangladesh's graduation which is to take place on November 24, 2026

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Export Sector Performance: Disquieting Features

- ❑ Exports declined during the first six months of FY26, with a growth of -2.2% compared to matched period of FY25
- ❑ Some disquieting features:
  - ➢ Performance of knitwear exports, with higher domestic value retention, was particularly discouraging as the sector contributed to 65.1% of the negative incremental export
  - ➢ This is indicative of net export retention being worse than what gross export performance indicates
  - ➢ Month on month export performance in December 2025, with a 14.0% dip, is particularly concerning
  - ➢ Budget target (for goods exports) of +13.8% would call for more than 30.0% growth in the remaining six months of FY26, which is highly unlikely
  - ➢ In view of export sector's track record in the first half, urgent steps must be taken to raise export competitiveness in order for the export earnings to bounce back to positive terrain over the second half of FY26

Table: Bangladesh's Export Performance by Major Sectors

(Million USD)

Products	FY25 (Jul-Dec)	FY26 (Jul-Dec)	% change (FY26 Jul–Dec over FY25 Jul–Dec)	Net Export Earnings (Jul-Dec)	Contribution to the Negative Incremental Export (%)
RMG	19,887.70	19,365.43	-2.63	10,812.06	97.32
Knitwear	10,837.37	10,488.07	-3.22	6,817.25	65.09
Woven Garments	9,050.33	8,877.37	-1.91	3,994.82	32.23
Non-RMG	4,645.80	4,631.44	-0.31	3,705.15	2.68
Total	24,533.50	23,996.87	-2.19	14,517.21	100.00 (-536.63)

Source: EPB (2026).

Note: 1. Value additions for Net Export have been estimated by using the following coefficients- knit-RMG: 0.65; Woven-RMG: 0.45; Others: 0.80.
2. Figure in parenthesis is in million USD.

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Export Sector Performance: Disquieting Features (contd.)

Table: Factors Driving RMG Growth of Bangladesh and Selected Competitors in EU and US Markets

Market	Change in Prices (%)			Change in Volume (%)			Change in earnings value (%)		
	Bangladesh	China	Vietnam	Bangladesh	China	Vietnam	Bangladesh	China	Vietnam
US Market (Jul-Sep)	+1.94	-26.25	-8.28	+6.66	-27.28	+17.27	+8.63	-46.37	+7.56
EU Market (Jul-Oct)	-7.85	-13.69	+2.96	+6.47	+14.03	+1.06	-1.89	-1.58	+4.06

Source: Estimated from Dataweb USITC and Database EUROSTAT (2025).

- ❑ Both in the US and the EU markets, Bangladesh's export performance was primarily volume-driven rather than price-driven. In both markets, unit prices of Bangladesh's major apparel items came under pressure
- ❑ Early impacts of the Trump RTs indicate that competitive pressure in the US markets is also being transmitted to the EU market, as major exporting countries attempt to diversify their export destinations — particularly toward the EU
- ❑ Export data for Bangladesh's major apparel items exported to the US market for the month of September 2025 indicates early impact of Trump RTs
- ❑ Shift of orders from China, and Viet Nam moving to upmarket segment of the demand curve and MMF items, could create opportunities for Bangladesh, but India could emerge as a major competitor in apparels

Independent Review of iRBD Bangladesh's Development

Import Performance

Table 1: Global Average Price of Selected Commodities

Items	Unit	Jan-Dec, 2024	Jul-Nov, 2025	Change (%)
Crude Oil, average	USD/bbl	78.7	65.6	-16.70
Crude Oil, Brent	USD/bbl	80.7	67.1	-16.90
Cotton	USD/kg	1.91	1.7	-10.68
Rice, Thailand 5%	USD/mt	588.4	373.0	-36.61
Wheat, U.S., HRW	USD/mt	268.7	235.3	-12.42

Source: Based on World Bank Prospects Group (2026).

- Growth of imports was subdued, at 4.5% (July-October period). However, the price effect should be taken into account in interpreting this data. Particularly, the decline in price of intermediate inputs such as Crude oil (-16.7%) and cotton (-10.7%), as also consumer goods such as rice (-36.6%) and wheat (-12.4%), should be taken note of

Table 2: Break-up of Opening and Settlement of Import LCs for Capital Machineries

Items	L/C Opening	L/C Closing
	(% growth during July-November of FY26 over FY25)	
Capital Machineries	29.40	-16.75
Garment industry	-20.66	-9.34
Textile machinery	-21.79	-40.03
Leather / tannery	70.60	-19.24
Jute industry	-91.48	-90.37
Pharmaceutical industry	6.69	7.23
Packing industry	279.64	50.43
Other industry	48.80	-16.95
Machinery for misc. inds.	30.08	10.61

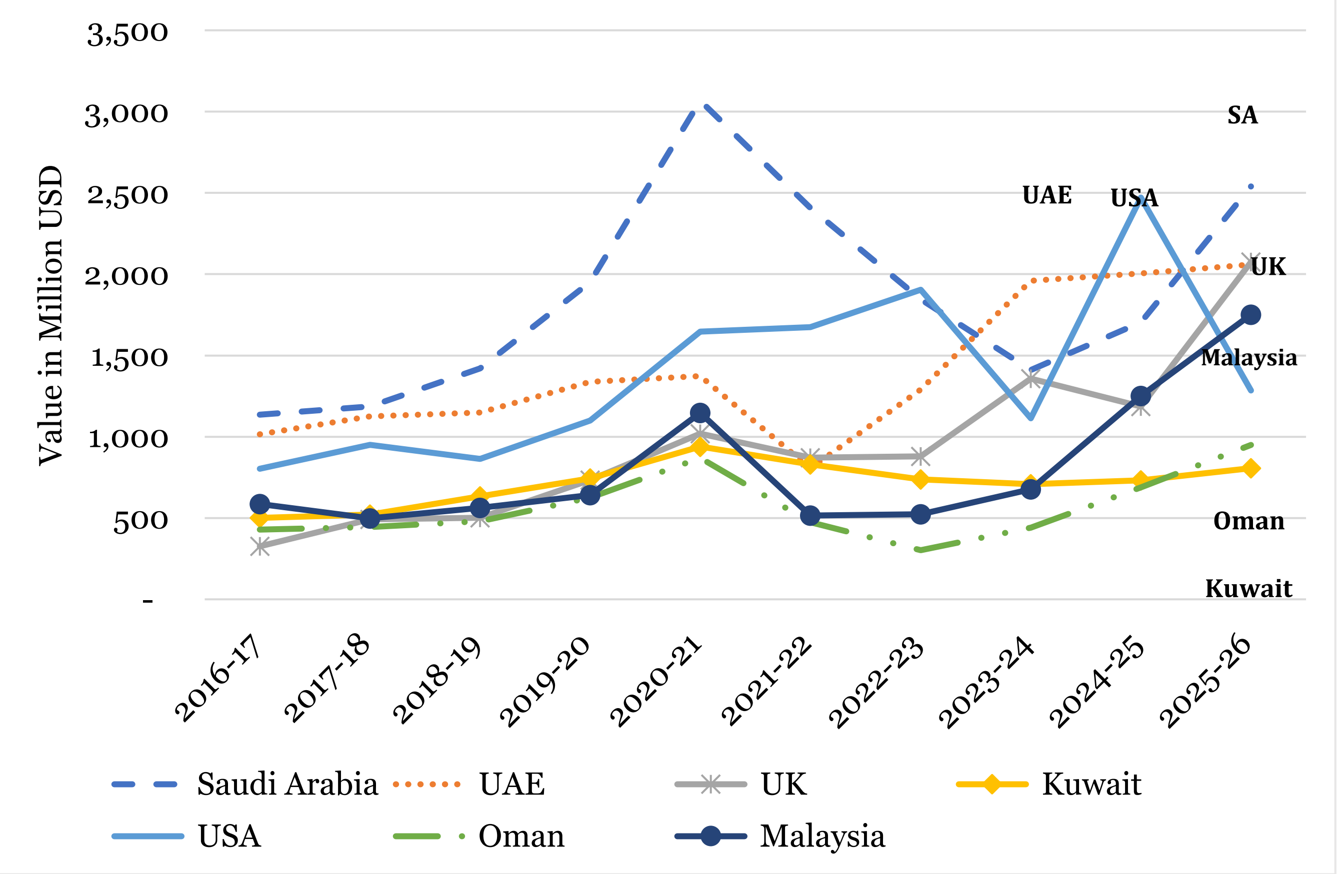
Source: Bangladesh Bank (2025).

- Payments for L/C opening for capital machineries augur some encouraging signs (+29.4% growth) against the decline in L/C settlement payment (–16.8%). However, L/C opening payments for RMG and Textiles machines were negative, which is rather disturbing

Robust Remittance Inflows: The Proven Saviour

- Migrant workers' related flows (both migrant worker numbers and remittance flows) proved to be the silver bullet for the economy in the first half of FY26
  - Between January 2021 and December 2025 about 5.2 million workers left for overseas works (more than 1.0 million in 2025) considerably easing the pressure on domestic labour market
  - 19.4% remittance growth in July-December, 2025 against the backdrop of high 27.4% growth of corresponding figure of the preceding period of 2024.
  - Robust remittance flows helped replenish forex reserves and maintain exchange rate stability of BDT

Figure: Remittance Inflow From Selected Major Sources (July-Dec, 2025)



Source: Bangladesh Bank (2026).

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Robust Remittance Inflows: The Proven Saviour (contd.)

Table: Country-wise Contribution to Incremental Remittance Inflows (%)

Period	Saudi Arabia	UAE	UK	USA	Malaysia	Other Countries	Total
2021-22	23.39	20.12	5.29	-1.79	22.39	11.93	100.00(2,818.68)
2022-23	-4206.73	3620.02	69.31	-130.95	62.96	825.38	100.00 (13.36)
2023-24	-78.70	120.99	86.07	-213.75	27.44	66.91	100.00 (553.81)
2024-25	10.04	1.51	-5.81	43.91	19.64	19.16	100.00 (2,933.04)
2025-26	31.69	2.09	33.67	-43.47	18.93	45.79	100.00 (2,638.55)

Source: Bangladesh Bank (2026).

Note: Figures in parenthesis are absolute incremental remittance flows in million USD.

- The volatility in the sources of incremental remittances, observed in recent times, does not correspond with worker stocks and flows. This needs to be investigated carefully
- For example, in FY26 (July–December 2025), 45.8% of incremental remittance inflows came from 'other countries.' This needs to be examined from the perspective of identifying market opportunities originating from these 'other countries'
- Emerging global market opportunities as regards overseas employment, particularly in Japan and Eastern Europe, need to be proactively taken advantage of

Independent Review of Bangladesh's Development

Balance of Payments: Significant Improvement

- There has been tangible improvement in the BoP situation: a positive shift of USD 3.3 billion

- Robust gross forex reserves of USD 33.0 billion (equivalent to 6.2 months of imports) or alternatively USD 28.5 billion according to BPM-6 (equivalent to 5.3 months of imports), indicates a remarkable turnaround

Table: BoP Position and Structure of Change (July-October)

(Million USD)

Items	FY25 (Jul-Oct)	FY26 (Jul-Oct)	Change
Trade Balance	-6680	-7570	-890
Services	-1474	-1960	-486
Primary Income	-1636	-1580	56
Secondary Income	9150	10362	1212
Of which: Workers' remittances inflows	8937	10148	1211
Current Account Balance	-640	-749	-109
Financial Account	-499	2172	2671
Errors and omissions	-1214	-430	784
Overall Balance	-2190	1088	3278

Source: Bangladesh Bank (2025).

- However, the improvement in BoP originated from the positive shift in *debt-carrying* Financial Account, and not Current Account surplus which would augur well for the economy

- Exports and remittances will need to grow at a faster pace if the Current Account balance is to revert back to positive territory

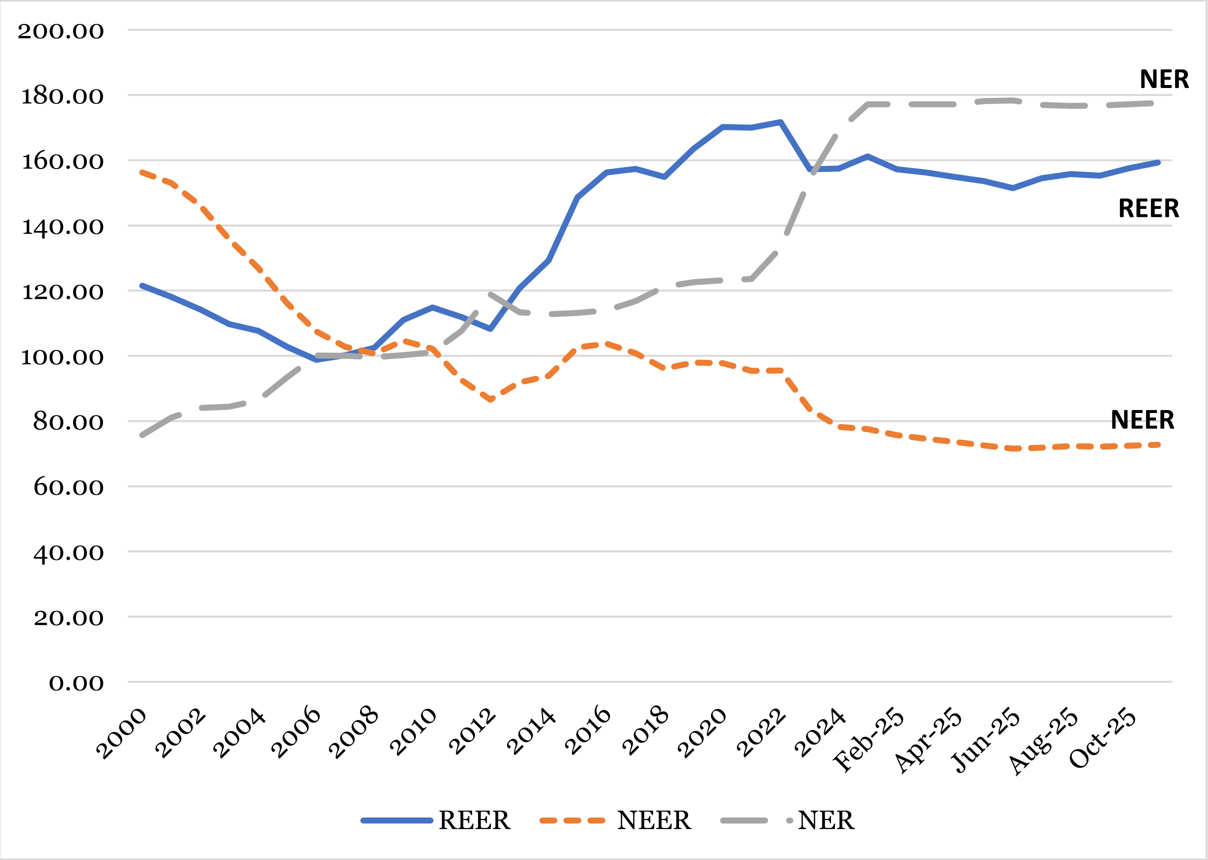
Exchange Rate: Approaching Stability

- Movement of REER, NEER and NER indicate that BDT remains depreciated, albeit by an insignificant margin

- Bangladesh Bank's open market interventions may have contributed to the above (Bangladesh Bank had a net sell of USD 0.68 billion and net buy of 2.12 billion during July-December 2025 period)

- Bangladesh Bank will need to take into cognisance the *trade-offs* (export and remittance interest vs. import and debt servicing interests) before moving on to a fully market-determined exchange rate regime

Figure: Movement of REER, NEER, and NER of BDT



Source: Based on Bangladesh Bank and Bruegel (2025).

Concluding Remarks: Going Forward

- Preparing for sustainable LDC graduation (slated to take place in November 2026) demands appropriate implementation of the 157 concrete actions articulated in the *Smooth Transition Strategy* (STS) designed by the Interim Government
- Whether to make a submission for deferment of graduation could become an issue once an elected government is in place in February, 2026
- The upcoming MC14 (March 26-29, 2026 in Cameroon) is the last WTO Ministerial Conference before Bangladesh's expected LDC graduation. Adequate preparation is needed to pursue Bangladesh's interests as a graduating LDC (GLDC) (stance as regards WTO reforms; Agreement on Fisheries Subsidies-Fish 2.0; Package of international support measures for GLDCs; plurilateral negotiations on investment and other issues)
- The soon-to-be concluded bilateral negotiations with Japan is an important milestone for Bangladesh. Drawing appropriate lessons from the negotiation, Bangladesh should pursue active bilateral/regional talks to deepen regional cooperation as a strategy to cope with challenges of LDC graduation

9. Conclusions and Way Forward

Conclusions and Way Forward

The interconnected domains discussed so far define the country's immediate reform agenda and will shape the trajectory of economic recovery, resilience, and inclusive growth in the coming years. A few key messages can be reiterated:

- ***First, at the core of current economic management challenge lies the need to restore fiscal discipline while safeguarding growth and social stability***
  - In the sensitive pre- and post-election context, **policy continuity, institutional credibility, and good governance will be decisive** in preserving macroeconomic stability and investor confidence
- ***Second, inflation has emerged as a structural concern rather than a temporary shock***
  - **Monetary tightening alone cannot resolve** a problem that is increasingly rooted in supply-side rigidities, market distortions, and weak competition. **The reform of food supply chains** must therefore **become a national priority**
  - **Stabilising food prices** is not only an economic necessity but also a **social and political imperative**

Conclusions and Way Forward (contd.)

- ***Third, the food security challenge further underscores the urgency of reforming agricultural and food-grain management systems***
  - **Food security must be recognised as a macroeconomic and governance issue**, closely linked to social protection, political stability, and poverty reduction
  - **Rapid institutional reform** and **stronger inter-agency coordination** are **indispensable** to building a resilient and responsive food system
- ***Fourth, the banking sector remains one of the most fragile pillars of the economy***
  - The **swift enactment and implementation of reform legislation, restoration of Bangladesh Bank's independence and authority, and consistent application of the bank resolution framework are essential**
  - A **modern insolvency regime**, supported by specialised courts and trained professionals, **must be operationalised** to resolve distressed assets efficiently

Conclusions and Way Forward (contd.)

- ***Fifth, private investment continues to be hampered by persistent uncertainty***
  - **Simplifying the tax and VAT regimes**, fully digitalising investment-related services, **ensuring reliable access to gas and electricity**, **gradually easing interest rates** as macro-stability improves, and **strengthening anti-corruption and legal reforms** are all critical
- ***Sixth, in the power and energy sector, recent reforms have produced mixed outcomes***
  - The next phase of reform must focus **on accelerating investment in renewable energy, reducing excessive dependence on imported LNG by strengthening domestic gas exploration, phasing out inefficient and high-cost power plants, modernising the national grid,** and **ensuring transparency and accountability in sectoral financial management**
- ***Seventh, the external sector provided an important anchor of stability in the first half of FY26***
  - Sustaining external-sector resilience will require a **strategic push for export diversification**, **productivity enhancement**, and **reductions in business costs and lead times**
  - A coherent**, sustainable transformation strategy**, backed by skilled human resource development and stable remittance channels, **will be essential for navigating the post-LDC graduation landscape**

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