

BUDGET 2026–27: STEERING BANGLADESH THROUGH UNCERTAINTY AND TRANSITION

by *Selim Raihan*

The new government in Bangladesh finds itself in a delicate yet consequential moment coming into the 2026–27 national budget cycle. The economy is not grappling with known cyclical ups and downs, but rather a combination of domestic constraints and external shocks. Growth has significantly slowed down compared to earlier years, inflation remains persistently high, foreign exchange reserves are yet to stabilise fully, there is mounting pressure on the exchange rate, and private investment continues to lag. At the same time, global uncertainties are becoming more pronounced. The current crisis in the Middle East is not an abstract geopolitical issue. It is already taking a toll on Bangladesh's economy through energy markets, remittance flows, and disruptions to trade logistics.

In this context, for the new government, while it has several election promises to deliver, the national budget cannot be treated as a routine fiscal exercise. Rather, it must serve as a strategic instrument. It needs to stabilise the economy in the short term, while also preparing for a more demanding transition, particularly in light of Bangladesh's forthcoming graduation from least developed country status.

External shocks and transmission channels

The ongoing Middle East crisis adds another layer of unprecedented complexity to an already constrained macroeconomic environment. Its implications for Bangladesh are complex and work through various interconnected channels.

First is the energy channel. Bangladesh's heavy reliance on imported fuel exposes it to global price fluctuations. Persistent rises in oil and gas prices, as well as deep uncertainty about timely availability in sufficient quantity, would increase import and production costs, increase the current account deficit, and put more pressure on inflation. At the same time, continued reliance on fuel subsidies may not be fiscally sustainable. A gradual adjustment strategy, clearly communicated in advance, and complemented by targeted support to the most affected groups, would be more feasible. Meanwhile, the effort to diversify energy supplies and build renewable capacity must be sped up.

Second is the remittance channel. A large portion of Bangladesh's labor force works in Gulf economies. Any economic slowdown in those countries, or disruptions to labour markets linked to geopolitical instability, could conspire to reduce inflows of remittances. This would immediately impact household consumption and the availability of foreign exchange. Another risk is the possibility of return

migration from the Middle East. Proactive planning is therefore essential. This also involves identifying who may return, what the capacity of the labour market is to absorb them, and how temporary support measures are shaped.

The third channel is trade and logistics. Disruptions to maritime routes and rising freight costs would hike import costs and erode export competitiveness. Combined, these channels indicate a scenario of higher inflation, tighter external balances, and weaker growth.

If the crisis continues and deepens, these pressures will probably mount. Hence, the budget should be drawn up keeping in mind the need for caution with a long-term vision while considering the possibility of downside scenarios.

Aligning political commitments with fiscal realities

The new government enters this budget cycle with a set of political commitments that are both ambitious and socially significant. The Family Card programme, support measures for agriculture, and broad reforms in social protection are all aimed at addressing structural inequalities and vulnerabilities.

These commitments are all the more crucial in a time of increasing economic stress. But their efficacy will derive not only from scale, but also from design. The social protection system of Bangladesh has long been characterised by

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fragmentation, duplication, and leakage. An expansion of programmes without fixing these structural problems would risk a rise in fiscal pressure without corresponding advantages. And in a context of high inflation, especially food inflation, protecting vulnerable households is an urgent task.

Therefore, the budget should prioritise consolidation and integration. Developing a unified beneficiary registry, strengthening digital delivery mechanisms, and improving targeting criteria are essential steps. The budget must show a mechanism to shift from the volume of expenditure to its effectiveness.

Revitalising investment and competitiveness

Reviving investment is central to restoring growth momentum. However, fiscal incentives alone are unlikely to suffice. Investor confidence depends on broader institutional and policy conditions.

Improving the business environment is therefore critical. This includes enhancing the predictability of policy, strengthening

transparency in regulatory issues and increasing efficiency in public service delivery. Investment in large-scale infrastructure should continue, but increasingly refocused on quality and connectivity as well as economic returns.

Foreign direct investment can supplement domestic endeavors; however, its growth will rely on further changes to trade policy, transportation, and governance systems. The consequences of this impending LDC graduation also call for the urgency of such reforms, since Bangladesh will have to compete in a much more demanding global environment with no preferential market access.

Monetary policy and financial sector reform

Monetary policy has already adopted a tightening stance in response to inflationary and external pressures. This approach is likely to continue. However, tighter monetary conditions also constrain investment and economic activity.

Monetary policy effectiveness is closely tied to the soundness of the banking sector. Financial intermediation is hampered by structural weaknesses, including high levels of non-performing loans and governance deficiencies. Thus, it is vital to address these challenges.

The budget needs to support a comprehensive reform agenda for the banking sector. The key will be in strengthening regulatory oversight, improving loan recovery frameworks, and enhancing transparency. Without such reforms, the transmission of monetary policy will continue to be limited.

Fiscal policy and revenue mobilisation

Fiscal policy under the 2026–27 budget will have to balance competing demands in a context of a limited resource envelope. However, given limited fiscal space, the need for further support to households and key sectors must be balanced against new expenditures.

Fuel prices pose an especially complicated problem. Fuel taxes and levies are a key source of revenue, but they also have an impact on inflation dynamics. Fuel taxes and levies must therefore be finely calibrated.

More fundamentally, the structure of the tax system needs to be reformed. Bangladesh has a low tax-to-GDP ratio, limiting its fiscal space. Expanding the tax base, improving compliance, and reducing reliance on distortionary taxes should be prioritised.

Concluding reflections

The 2026–27 budget comes at a critical moment. This situation demands a budget that is not only prudent but also future-oriented. It needs both to stabilise the present and to set the stage for future competitiveness. Adapting policy will be important, and continued surveillance of changing conditions.

Ultimately, the effectiveness of the budget will depend on coherence across fiscal, monetary, and structural policies. The challenges are daunting, but the opportunity to guide the economy toward a more resilient and sustainable path is still within reach.

Dr Selim Raihan, Professor of Economics, University of Dhaka and Executive Director, SANEM. Email: selim.raihan@gmail.com

BANGLADESH'S EDUCATION REFORM: BETWEEN PROMISE AND DELIVERY

by Selim Raihan and Shafa Tasneem

Bangladesh's education system has always carried two uncomfortable truths simultaneously. If we evaluate the performance into two parts – access to education and learning, the access story looks quite promising with almost universal primary enrolment, timely distribution of textbooks, etc. After years of effort, the gender parity up to the higher secondary level has also been largely achieved, with girls outnumbering boys in secondary level (gender parity index of 1.16 girls to boys) according to Bangladesh Education Statistics 2024. But the learning story is harder to tell. The system has produced graduates who emerged less prepared for the world than their credentials suggest.

The newly elected government's 12-point education reform agenda represent a strategic response to the evolving needs of the country's workforce and academic landscape. The proposals range from curriculum modernisation and digital access to mandatory industry internships and a stronger University Grants Commission. The reform proposal also stated that the most necessary precondition for reform is to raise the education allocation to 5% of GDP. Whether this agenda becomes a turning point or another episode in a long

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list of interrupted reforms depends on choices that go beyond papers and promises.

The agenda earns initial credit as it has rightly pointed out the core systemic failure of the sector. At the school level, it proposes curriculum upgradation, infrastructure improvement, expanding technical education, learning a third language, etc. Teachers will receive tablets configured not as gadgets but as pedagogical tools with lesson-plan templates, question banks, and learning-evidence tracking built in. At the tertiary level, it attempts something more structural: mandatory internships, industry-academia partnerships, and an empowered regulatory body. The decision to make career exposure a requirement rather than an aspiration is the most significant proposal in the package. It reflects a belated yet much-needed shift towards demonstrated competence over paper credentials. The question is not whether these proposals are directionally right. Most of them are, but whether the existing infrastructure and institutions are able to execute will remain a much bigger concern. Some transparency is offered by the commitment to publish a monthly public dashboard tracking project progress, textbook distribution, and classroom contact hours.

This reform framework directly aligns with the lived experiences and documented priorities of the country's youth. In the two rounds of survey of SANEM-ActionAid Bangladesh 'Youth Survey 2025', more than 90% of the youth respondents in both rounds across eight divisions identify education reform as requiring urgent action. It has been prioritised as the highest of any reform category surveyed, above health, labour market reform, and human rights. More than half of educated youth (54% in Round 1 and nearly 59% in Round 2) felt either not prepared or only weakly prepared by their schooling for the world beyond it. Fewer than 15% in Round 2 said their education had prepared them significantly or very significantly. Moreover, around 80% of the youth have reported taking no self-initiative beyond traditional studies to hone their skills.

The skills data is equally sobering. Across both rounds, only 11.7% and 14.3% of youth, respectively, had received any vocational or skills training in the preceding twelve months. This leaves more than eight in ten surveyed youth without any formal skills exposure. And among those who reported no training in the past year, 78.1 percent (in the 2nd round) said they had never received any vocational training in their entire lives.

The survey also complicates the access narrative. While the data confirms that most youth do enter school, the real challenge is what happens after entry. Dropout is not a marginal phenomenon; it is a core feature of the youth education experience. Financial barriers remain a big barrier for many while early marriage continues to interrupt girls' education at scale. And a smaller but revealing share cites a simple lack of engagement: education that does not feel connected to future opportunity gradually loses its hold. The reform agenda's proposals around stipends and digital access help at the margins, but the deeper question of relevance remains unanswered.

When the survey asked youth directly what changes in education would make a difference, the responses were specific and consistent. More than 80% called for stronger English language proficiency, integrated digital and technical skills, and communication skills. A large percentage also deems having practical experience as an important factor for employment. These are not aspirational requests for a distant future. They are descriptions of what current graduates feel they left school without. The reform agenda's curriculum modernisation proposals map onto this, but they have to survive the implementation test.

While the initiative by the government early on in their regime deserves appreciation, three risks deserve naming in the implementation phase.

First, the fiscal execution trap. Increasing the allocation is necessary but not sufficient. As the government has acknowledged that in the last fiscal year, nearly 53% of the secondary and higher secondary development budget remained unspent and was returned. This is a result of poor project design, misalignment with the academic calendar, and systemic procurement delays. More money into a broken

pipeline will not fix the pipeline. The proposed solutions — milestone-based cash releases, early procurement planning, and realignment with the school calendar — are technically sound but require sustained administrative discipline across multiple agencies over many years.

Second, the curriculum continuity trap — Curriculum review has been named as an immediate priority, with a 180-day roadmap publishing soon. The shift from rote learning to reasoning-based evaluation is not simply a content change. It is a cultural change in how teachers teach, how students learn, and how examiners assess. That cannot be delivered by a roadmap alone and rather needs a comprehensive overhaul. And it must move with enough urgency that students currently in school are not left stranded in a multi-year transition that dismantles the old system before the new one is ready to receive them.

Third is the coordination gap. The twelve points need coordination of multiple entities. Without a clearly empowered coordinating body holding implementation together, the agenda risks fracturing into parallel tracks that move at different speeds and gradually lose coherence.

Education reform is not an administrative exercise. It is a demographic wager. Bangladesh has one of the largest youth cohorts in its history and roughly a decade's window to convert that into human capital rather than accumulated frustration. The 12-point agenda is a beginning worth taking seriously. What it needs now is execution that is consistent, protected from political interference, and visible enough that the generation it is meant to serve can see it happening in their own lives.

Dr Selim Raihan, Professor of Economics, University of Dhaka and Executive Director, SANEM. Email: selim.raihan@gmail.com

*Shafa Tasneem, Research Associate, SANEM
Email: shafa.tasneem211@gmail.com*

ARE WE PREPARED TO PAY? ECONOMIC RISKS OF EARTHQUAKES IN BANGLADESH

by Sudepto Roy

Bangladesh has been shaking with alarming regularity. In 2025 and 2026, 40 tremors occurred within Bangladesh or along its borders. A magnitude 4.0 struck near Sylhet on February 10. On February 27, a magnitude 5.4 event was recorded near Khulna, with tremors felt in different parts of the country.

Before that, on November 21, 2025, a magnitude 5.4 earthquake struck near Madhabdi in Narsingdi, which is 14 kilometres from Dhaka. Casualties included the death of 10 people including 2 children and hundreds injured. Within 32 hours, three aftershocks followed with magnitudes 3.3, 3.7, 4.3, all originating from within Bangladesh's own

borders. Following the earthquake, RAJUK identified approximately 300 small and large buildings as structurally at risk in Dhaka alone. This earthquake stands as the deadliest seismic event in recent years.

Bangladesh occupies the convergence zone of three tectonic plates, the Indian, Eurasian, and Burma microplates, with five major fault lines running through the country. These faults include the Madhupur Fault, the Dauki Fault, and three Plate Boundary Faults, each capable of generating earthquakes between magnitudes 7 and 8.5. According to one estimate, less than 1% of the energy stored in the regional subduction zone was released. There is a high probability of a major quake of magnitude 8.2 to 9 in the near geological future.

The question is no longer whether a major earthquake will strike Bangladesh, but when and what it will cost when it does. A Global Earthquake Model (GEM) study, found that Bangladesh has a total exposed value of \$420 billion across 30.7 million buildings. A repeat of the 1897 Dauki earthquake could destroy over 1,032,000 buildings in its immediate impact zone, kill 128,000 people, displace 11 million, and cause \$48 billion in economic losses. A recurrence of the 1885 Manikganj earthquake could destroy up to 811,000 buildings, kill up to 130,000 people, displace 12 million, and cause \$60 billion in economic losses.

The Urban Resilience Project found that a 6.9-magnitude earthquake along the Madhupur Fault in Tangail could cause



THE FAULTS ARE NOT WAITING. THE QUESTION IS WHETHER THE COUNTRY WILL STOP WAITING TOO.



864,619 buildings to collapse in Dhaka, accounting for roughly 40% of all structures in the capital, resulting in more than 200,000 deaths. The estimated direct financial loss would be approximately \$25 billion, while repair and reconstruction of damaged buildings could cost a further \$43.7 billion.

The March 2025 Myanmar earthquake is the closest and most recent reference point. The 7.7-magnitude Sagaing Fault event killed over 3,600 people and injured more than 11,000. The earthquake is projected to cause Myanmar's economy to contract by 2.5 percent in fiscal year 2025/26, driven primarily by earthquake impacts. Direct physical damage is estimated at \$11 billion, equivalent to 14 percent of the country's GDP. The scale of destruction was driven not only by the earthquake's magnitude, but by the systematic failure to enforce the Myanmar National Building Code 2016.

Nepal's April 2015 earthquake, measuring magnitude 7.8, killed nearly 9,000 people, injured more than 16,000, and destroyed hundreds of thousands of homes. Eight million people, about one in three Nepalis were directly affected. Beyond the human toll, the immediate economic impact was estimated at up to half of Nepal's \$20 billion GDP. Nepal had

introduced a building code in 1994, but it only came into legal effect in 2006 and was never effectively enforced across the country.

The two magnitude 7.8 and 7.5 earthquakes that struck Turkey on February 6, 2023 caused an estimated \$34.2 billion in direct physical damage equivalent to 4% of the country's 2021 GDP. Turkey passed new regulations in 2007 to make buildings earthquake-proof, and further tightened rules in 2018, but in the same year issued an amnesty for existing buildings that had broken the rules, for a fee. Structural engineers estimated only one in ten buildings in the country met the basic ductile concrete standard required since 1997.

Japan's experience after the 1995 Kobe earthquake, in which 6400 people died and large sections of the city collapsed, shows what a sustained enforcement response produces. The country overhauled its building standards and enforcement regime in the aftermath, and subsequent major earthquakes have caused significantly lower mortality despite comparable or greater magnitudes. The policy investment is real. So is the cost of avoiding it.

Bangladesh has the codes. What it has not yet demonstrated is the institutional will to enforce them. The evidence from Myanmar, Nepal, and Turkey points to three clear policy gaps. First, systematic structural assessment of the existing building stock in high-risk urban areas, beginning with Dhaka and Chattogram. RAJUK's current flagging process covers a small fraction of total buildings. A citywide survey programme, with defined timelines and public reporting, is necessary to understand the actual scale of vulnerability.

Second, funded retrofitting of critical public infrastructure. Hospitals, schools, fire stations, and emergency communications facilities are the institutions that a functioning disaster response depends on. Their structural resilience cannot be assumed.

Third, enforcement of seismic building codes at the construction stage rather than through post-completion inspection. The Myanmar, Nepal, and Turkey cases all confirm that codes unenforced during construction provide no material protection. Bangladesh's building code framework is not the limiting constraint. The regulatory capacity to enforce it consistently across Dhaka, Chattogram, and Sylhet is.

None of these interventions is beyond Bangladesh's capacity. All of them are cheaper than the alternative.

Are we prepared to pay?

Right now, no. The harder question is whether Bangladesh will pay a smaller amount now in structural assessments, enforced codes, and retrofitting to avoid the catastrophic bill later. The faults are not waiting. The question is whether the country will stop waiting too.

*Sudepto Roy, Research Associate, SANEM
Email: sudeptoroy232@gmail.com*