



Citizen's Platform for SDGs, Bangladesh

এসডিজি বাস্তবায়নে নাগরিক প্ল্যাটফর্ম, বাংলাদেশ

National Budget 2026-27

What is there for the Disadvantaged Citizens?

Presented by

Dr Debapriya Bhattacharya

Convenor, Citizen' Platform for SDGs, Bangladesh
and

Distinguished Fellow, Centre for Policy Dialogue (CPD)

Dhaka: 15 June 2026



Research Team

Dr Debapriya Bhattacharya

Distinguished Fellow, CPD

Mr Towfiqul Islam Khan

Additional Director (Research), CPD

Ms Mamtajul Jannat

Senior Research Associate, CPD

Ms Naima Jahan Trisha

Research Associate, CPD

Ms Mahdia Mahmud Taima

Research Associate, CPD

Ms Maliha Rahman

Programme Associate, CPD

Prof. Mustafizur Rahman

Distinguished Fellow, CPD

Ms Najeeba Mohammed Altaf

Senior Research Associate, CPD

Ms Shourza Talukder

Senior Research Associate, CPD

Mr Asir Newaz Khan

Research Associate, CPD

Mr Jubair Zahir Chowdhury

Research Associate, CPD

Mr Khawja Masham Fahim

Programme Associate, CPD

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

Contents

- 1. Introduction**
- 2. The Growth Model and the LNOBs**
- 3. Fiscal Framework and the LNOBs**
- 4. Implications of Resource Mobilisation for LNOBs**
- 5. Budget in Support of Specific LNOB Groups**
- 6. Moving the State Towards Welfare of the LNOBs**
- 7. Closure**

Introduction

Introduction

- Much has been said about the **National Budget for FY27** already
- There is a broad-based agreement about the thoughtfulness of the **Policy Framework** of the budget
- At the same time a lot of frustration has been expressed about the **Fiscal Framework** of the budget which is devoid of any **realism**
- Indeed, most perplexing has been the **Macroeconomic Framework** which has been prepared without proper professionalism
- Under the circumstances today, we would like to take a look at the budget's policy framework and the fiscal measures from the perspective of the ***“left behind”*** people of the country

LNOB S-R-T Framework

Reforms

- Domestic Resource Mobilisation
- Operating Expenditure
- Development Expenditure
- Subsidy Rationalisation
- Liberalisation and Deregulation (cost of doing business)
- Public Health Service
- Quality Education
- Bank Reform
- Social Safety Net
- Regional Balance
- Energy Security
- IMF Programmes
- LDC Preparations

Turnaround

- GDP Growth
- Investment promotion (Export growth, import of capital machinery, Productivity growth, credit growth)
- Employment generation
- Welfare economy

Stability

- Managing price Level (inflation)
- Fiscal Trade-offs
- Debt Servicing
- New Pay Scale
- Food Security

LNOB Perspectives

Source: Citizen's Platform (2026)

পিছিয়ে পড়া মানুষের জন্য উত্তরণ-স্থিতিশীলতা-সংস্কার কাঠামো

সংস্কার কার্যক্রম

- অভ্যন্তরীণ সম্পদ আহরণ
- পরিচালন ব্যয়
- উন্নয়ন ব্যয়
- ভর্তুকি যৌক্তিকীকরণ
- উদারীকরণ এবং বিনিয়ন্ত্রণকরণ (ব্যবসা-পরিচালন ব্যয়)
- জনস্বাস্থ্য সেবা
- মানসম্মত শিক্ষা
- ব্যাংক খাত সংস্কার
- সামাজিক সুরক্ষা বেটনী
- আঞ্চলিক ভারসাম্য
- জ্বালানি নিরাপত্তা
- আইএমএফ কর্মসূচিসমূহ
- এলডিসি উত্তরণ প্রস্তুতি

অর্থনৈতিক উত্তরণ

- জিডিপি প্রবৃদ্ধি
- বিনিয়োগ সম্প্রসারণ (রপ্তানি বৃদ্ধি, মূলধনী যন্ত্রপাতি আমদানি, উৎপাদনশীলতা বৃদ্ধি, ঋণ প্রবাহ বৃদ্ধি)
- কর্মসংস্থান সৃষ্টি
- কল্যাণমুখী অর্থনীতি

স্থিতিশীলতা অর্জন

- মূল্যস্তর নিয়ন্ত্রণ (মূল্যস্ফীতি)
- রাজস্ব খাতের ভারসাম্য
- ঋণ পরিশোধ
- নতুন বেতন স্কেল
- খাদ্য নিরাপত্তা

পিছিয়ে পড়া
মানুষের স্বার্থ

উৎস: নাগরিক প্ল্যাটফর্ম (২০২৬)

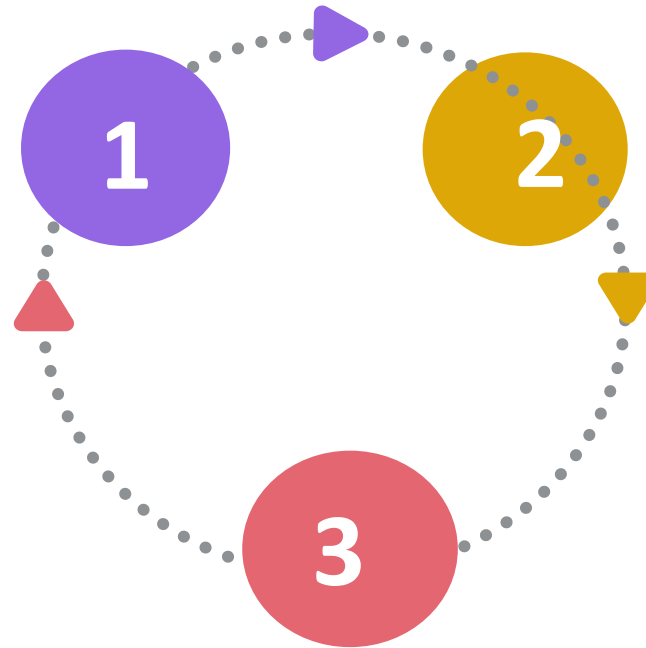
The Growth Model and the LNOB

Weak growth excludes people through prices, work and lost buffers

FY26 growth remained weak at 4.14%. Weak growth becomes exclusionary when it fails to lower prices, raise real wages, rebuild savings, and create jobs where disadvantaged people actually work

Prices

- **Inflation cuts welfare before growth can help.**
- **Headline CPI reached 9.42% in May 2026**, with food inflation still around **9%** — hitting the poor hardest because food dominates their spending.



Work

- **Having a job no longer guarantees progress.**
- **Wage growth was 8.13%**, below CPI inflation, so real wages remain negative; meanwhile, jobs are concentrated in sectors that are not expanding strongly enough.

Buffers

- **Households and the economy have less room to absorb shocks.**
- **Domestic saving fell from 25.76% of GDP in FY23 to 21.38% in FY26(p)**, weakening both household resilience and the domestic financing base for investment.

Sectoral growth decides who works — and the inclusive sectors are stalling

Low-income workers are concentrated in agriculture, SMEs, RMG and informal services. These sectors matter more for inclusion than headline GDP alone

■ What is slowing

- **Large-scale manufacturing growth fell sharply** to 1.76% in FY26
- RMG remains central to export jobs, but export competitiveness is under pressure
- Agriculture and SMEs remain a low-income floor, not yet a ladder into better work

■ Who is most exposed

- Women in RMG, youth, graduates, small farmers and informal workers face weak entry points into better jobs
- Modern services are not yet absorbing enough new workers. LDC graduation makes export competitiveness more urgent

Sectoral growth is the jobs channel of inclusion. If agriculture, SMEs, RMG and modern services do not expand, growth will not reach the groups most likely to be left behind.

Working households are losing today's cushion and tomorrow's jobs

Real wages are negative, the savings buffer is gone, and weak investment means the jobs that would include people are not being created.

Today's squeeze

- Headline CPI inflation reached 9.42% in May 2026, while wage growth was 8.13%.
- Real wages remain negative: people are working, but still losing purchasing power.
- Food inflation keeps the squeeze hardest for low-income households.

The savings channel

- Gross domestic saving fell from 25.76% of GDP in FY23 to 21.38% in FY26(p).
- National saving is held up partly by remittances, but the domestic financing base is weakening.
- Weak real returns and high living costs make it harder for households to rebuild buffers.

The jobs channel

- Weak private investment means fewer new firms, fewer expansions, and fewer formal jobs.
- Low FDI limits technology, productivity and better-paid employment.
- Consumption-led recovery does not create durable inclusion unless investment follows.

The poor are squeezed twice: negative real wages weaken today's welfare, while weak saving and investment reduce tomorrow's job creation.

Trade reaches LNOB households through jobs, prices and remittances

The external sector is not a macro abstraction. It runs straight through the pay packets and food budgets of the most exposed.

■ Exports are jobs for the excluded

- **RMG export receipts fell 1.9% (Jul–Apr FY26)** — and garments are ~85% of all exports, so one sector's slump puts a huge share of low-income jobs at risk.
- **A sustained export push is therefore pro-inclusion** — but it must broaden beyond RMG, so no single shock can wipe out so many livelihoods at once.
- Diversification spreads opportunity **across more sectors and more workers.**

■ Imports are the food bill

- **A weaker taka and tight FX make imported food and fuel dearer** — feeding the ~9% food inflation that lands hardest on those who spend most of their income on food.
- **Costlier import financing** (commercial credit replacing concessional terms) pushes those costs further down the chain.
- Remittances are a lifeline for the external account and for many vulnerable households.

The trade squeeze and inflation squeeze meet in the same place: low-income households' pay packets and food budgets.

FY27's 3R test: recovery must reach people before acceleration begins

The 3R framework is sound, but the R1 is too ambitious unless LNOB protection is treated as the foundation, not an add-on.



R1 — Recovery & Stabilisation (by 1st year)

Too much is packed into year one: macro stability, vulnerable protection, service delivery and business simplification. **For LNOB, the minimum test is clear: lower food inflation, stop real wage erosion, and protect small savers**

R2 — Restoration (by 3rd year)

Banking reform, credit revival, export diversification and private investment must be judged by jobs — **especially in agriculture, SMEs, RMG, and labour-intensive sectors where low-income workers are concentrated**

R3 — Reconstruction (by 5th year)

Technology, FDI and productivity gains must include transition pathways for women, youth and workers exposed to automation, otherwise transformation can deepen exclusion

Fiscal Framework and the LNOBs

Fiscal Framework

FY2027 Fiscal Framework at a Glance

10.2%

of GDP

Expansion target

13.7%

of GDP

Expansion target

~3.5%

of GDP

Containment target

Revenue Mix Note: Incremental revenue mobilisation continues to rely heavily on indirect taxes (VAT, CD & SD: **59%**). This approach may burden all consumers equally regardless of income — raising concerns about *tax justice* and equity.

Attainment of revenue targets will require:

(i) institutional capacity • (ii) reform implementation • (iii) good governance

Fiscal Framework

EXPENDITURE PRIORITIES

59.5%

of incremental budget to social sectors
(education, health, social security &
welfare)

27.7%

of total ADP allocated to education and
health sectors

Key Expenditure Findings

1

Social Sector Turnaround

FY2027 allocations mark a decisive shift toward education, health, and social security & welfare, collectively receiving 59.5% of the incremental budget.

2

ADP Block Allocations

Education (56.44%) and Health (66.36%) ADP funds are held as block allocations — likely to onboard new projects including flagship programmes (PEDP, HNPSP new phases, etc.).

3

Operating Expenditure Risks

Operating expenditure is planned to be controlled, but may overshoot on debt-servicing and salaries, subject to the new public-servant pay scale implementation.

Fiscal Framework

If Revenue Targets Are Not Met — What Happens?

TRADE-OFF

- Where will the government make cuts?
- How will priorities be determined?
- Will LNOB social sector allocations be protected?

ADP & PROJECT DELIVERY

- Will block allocations be designated for priority education & health projects?
- The risk of funds being diverted or rolled over without clear project mandates can not be ruled out.

BORROWING & CROWDING OUT

- Bank borrowing must be controlled to balance inflation.
- Will private investment be crowded out, limiting job creation for LNOBs?
- Will MSMEs face disproportionate credit restrictions?

FOREIGN FINANCING & EQUITY

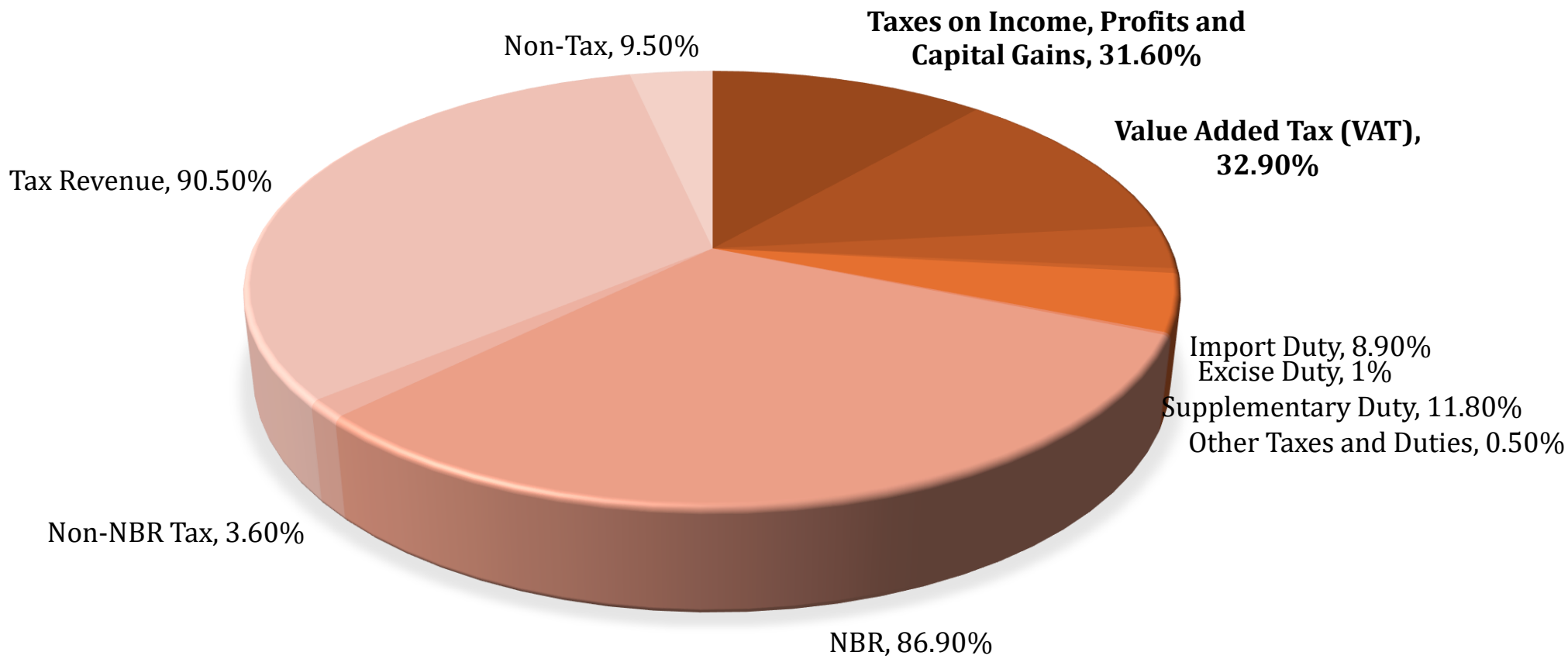
- Will KPIs and conditionalities from budget support be sensitive to LNOBs?
- Will borrowing decisions uphold inter-generational equity?

Leave No One Behind (LNOB) must remain a guiding principle across all fiscal decisions, borrowing strategies, and sector allocations.

Implications of Resource Mobilisation for LNOBs

Key Departures Under the New Tax Measures

The government is leaning more heavily on VAT to drive revenue growth



VAT is the single largest source of revenue and saw the highest jump in target

- **32.9% of the revenue target of FY27**
- **Incremental share is 41.2%**

Key Departures Under the New Tax Measures

Institutional measures targeted to broaden the tax net should mobilise more resources for LNOBs

Mandatory TIN & BIN

- BIN linked to licences, bank accounts, utilities, property & MFS
- TIN mandatory for opening bank accounts & registration of motorcycles above 150cc

Taxing informal businesses

- Instant BIN registered via e-VAT
- Simplified VAT return system form for small taxpayers

Withholding tax reform

- 0.20% Advance Income Tax (AIT) on retail sellers
- Withholding tax will be treated as an advance tax instead of a minimum tax, and excess will be refunded

Year-round filing incentives

- 5% tax rebate (or BDT 25,000, whichever is lower) for filing within the prescribed deadline
- Year-round filing system with penalties for delayed filing

System & data integration

- NBR integration with banking data
- Cross-matching of business information through NBR–RJSC data sharing.
- Integration of customs (ASYCUDA) and e-return systems

Strengthened evasion monitoring

- Advanced technology-based tracking of production and retail points.
- Track and Trace system for tobacco products
- Discarding inactive/dormant TINs

What Changes Under the New Tax Measures

Tax measures, in general, are supportive of economic investment

- ***Stable corporate tax rates until FY31*** would improve investment certainty and support long-term business planning
- ***Digital tax filing, year-round tax return submission opportunities, automated refunds, quarterly VAT return filing instead of monthly, and an expanded scope of revenue-related dispute resolution*** would reduce compliance costs and administrative burdens for businesses
- The ***abolition of the provision disallowing claimed business expenses due to failure to deduct withholding tax*** would reduce tax-related penalties

TDS reductions

Packaging materials supply	5% → 3%
Rent payments made to non-resident taxpayers	15% → 7.5%
Reinsurance premiums paid to non-resident taxpayers	10% → 5%
Interest on foreign loans	20% → lower

Reduced savings incentives

Advance tax on savings certificates ≤ BDT 10 lac	5% → 10%
Tax rebate on investment in listed securities life insurance premiums	15% → 10%

Key Departures Under the New Tax Measures

The budget increases tax free income limit and relies on tax cuts on essential items to offer relief for consumers

Some tax measures may hurt the middle class

✓ Tax-free income threshold has been increased to 3.75 lac from 3.5 lac

✓ Individuals with a monthly income bracket BDT 29,167–31,250 will not pay taxes now

- However, the marginal rate will increase by 5% for the monthly income bracket BDT 31,250 – 37,500 (*among the modest-income groups*)

Reduced TDS on essential items and services

✓ May lower consumer prices and ease inflationary pressure

- Rice, wheat, potatoes, fish, poultry, onions, garlic, edible oil, salt, sugar, seeds, spices, and dates
- Cancer medicines, various services of hospitals, including open heart surgery, cataract surgery, and kidney dialysis
- Services of universities

✓ May lower production cost

- Agricultural input, i.e., fertilisers, animal feed, vet medicines

Potential cost pressures

- VAT has been imposed at the import stage LPG cylinders, this may increase their prices
- Restaurant food prices may face mild upward pressure from higher input & packaging taxes
- Higher duties on construction & industrial inputs may raise housing and renovation costs over time
- Higher duties on imported electronic appliances and certain industrial materials may pass through
- Smokers will face higher expenses as taxes on tobacco products increase

Key Departures Under the New Tax Measures

Import-substitution and export-oriented industries are supported through lower duties on inputs and higher tariffs on competing products

Washing machines, mobiles, computers, laptops, and other electronics

Cheaper inputs for local mobiles, fridges, ACs, washing machines, ATMs & CCTV (to 2030); duty-free semiconductor inputs (to 2031).

Higher duty on imported washing machines

Renewable Energy (RE) and EV

Tax holidays for RE investment; all duties waived on solar power and EV manufacturing (to 2031). High tax on imported combustion-engine vehicles

Pharmaceuticals

Import duty withdrawn on 51 API inputs, 9 cancer-drug inputs & 17 basic raw materials; cuts on medical-device inputs (to 2030)

Agriculture and High-value Food

VAT/duty relief on pesticide, feed & veterinary inputs and sector machinery. Higher duty on imported frozen fish, pangasius & cashew nuts

Cement

Lower customs duty on five refractory raw materials (including ball clay); higher duty on imported gypsum plaster

Key Departures Under the New Tax Measures

Tax measures supporting youth, women, and PwD to promote equity and inclusion

**9
years**

**Tax
exemption
for
startups,
freelancers
and content
creators**

**BDT
70Lac**

**Tax-free
ceiling
for
Women
&
PwD SME**

21

**categories
of assistive
device
to be
imported
duty-free
for PwD**

- Proposal to legalise undeclared offshore assets has been dropped

- **Wealth tax and inheritance tax** remain untapped potential sources

Key Departures Under the New Tax Measures

*Liberalisation and deregulation measures to reduce the cost of doing business and draw in capital;
However, higher duties have been imposed on RMG inputs to deepen backward linkages*

Business registration & licensing

- Single Window for approvals & licenses
- Company registration in 48 hours
- Licenses & approvals within 7 days
- Faster investor & professional visas

Foreign exchange facilitation

- Simplified share transfer & repatriation
- Bank–MFS–RTGS integration speeds payments
- LC exemption for trusted, low-risk importers

Capital market reforms

- Simpler, fully digital IPO & listing
- NITA profit repatriation in one working day
- T+2 settlement moving toward T+0

Force deeper RMG linkage

- Higher duty on polyester yarn, staple fiber & spandex
- However, 30% minimum value-addition for duty-free inputs was abolished

Industrial approvals & compliance

- Digitised and time-bounded site clearance and environmental approval processes
- Risk-based approvals & inspections
- Online Tax Residency Certificate

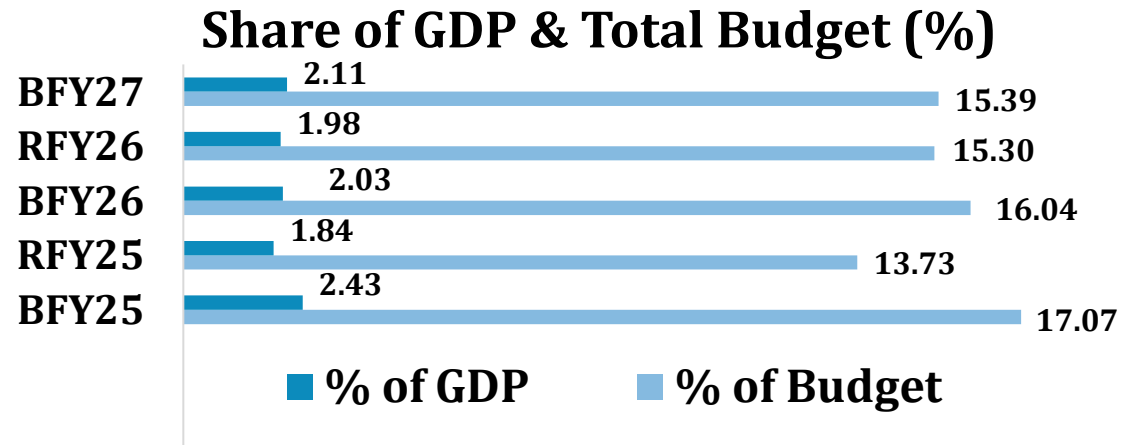
Key Departures Under the New Tax Measures

Direct employment boosting measures are limited, although some investment-oriented reforms and tax proposals may indirectly support job creation over time

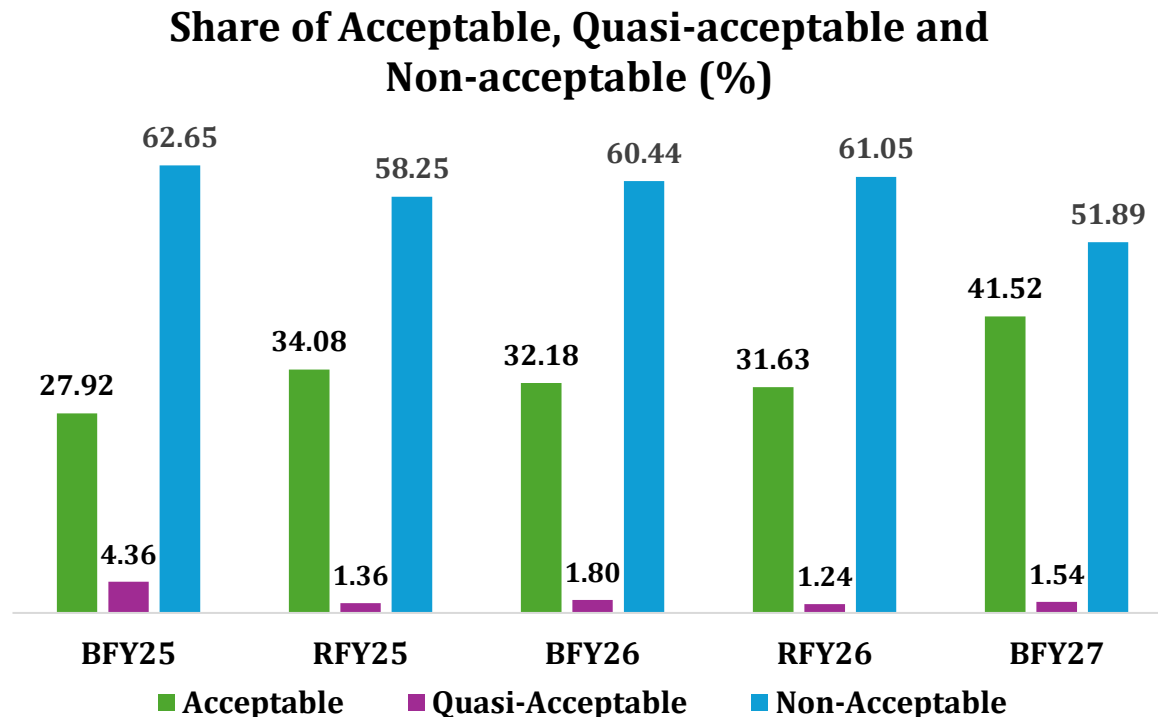
- ▶ Tax rebates for employers of the physically challenged and the third gender community retained
 - ▶ Plans to establish new 6 EPZs should create new jobs
 - ▶ RE, EV sector tax holidays should potentially create new green-manufacturing employment
 - ▶ Tax reliefs for startups, the IT sector, and SMEs should facilitate employment
- **Private-sector incentives are welcome, but with no changes in the top income tax slab, no wealth tax, and no clear direct job-creation proposals, the benefits of tax measures remain limited for LNOB communities**
 - **Middle-income earners face a higher tax burden, reduced investment incentives, and are left relying on businesses to pass on any gains through lower prices**

Budget in Support of Specific LNOB Groups

What does the Social Protection Budget Entail?



- Social protection allocation has increased in **FY27** (2.11% of GDP and 15.39% of the national budget), **but questions remain about its effectiveness.**
- While the **share of non-acceptable** (e.g., pension for govt. employees) has declined, they **still account for more than half of total spending.**
- Allocations for **Programmes (directly targeting poor and vulnerable groups) have increased substantially**, and manifesto-linked initiatives (i.e., Family card, Farmers card and Honorarium for the people working in mosques and other places of worship) now comprise 11.8% of the social protection budget.
- *Concerns remain whether the growth in allocations translates into more targeted and impactful support for those most in need.*



Positive Signals of Reform in the Social Protection Budget

Clustering the programmes

- **Reduced Fragmentation.** The total number of social security programmes has been reduced from 95 in FY26 to 90 in FY27
- **Consolidation of seven separate freedom fighter welfare programmes into one** (*"Honorarium and Other Allowances Programme for Heroic Freedom Fighters"*)
- **New "pro-poor" Flagship Programmes**
- (directly from Manifesto)- Family card and Farmers card
- **Largest lifecycle cluster- Household (Poverty) 38.45% > Elderly (32.33%)**

Expanding Digital Payment and Database

- **G2P scale expansion.** In FY27, G2P serves over 3.26 crore beneficiaries across 29 programmes, with the government explicitly committing to bearing all transaction costs
- **G2P system is now integrated across 13 interoperable Management Information Systems (MISs), compared to 9 mentioned in FY26**

Beneficiary Selection for Family card

- **Proxy Means Test (PMT) scoring** powered by the Dynamic Social Registry (DSR)
- Govt. formalises a **hybrid framework combining recalibrated PMT scores with community validation committees and real-time cross-verification against other government databases** (land, electricity, NID, and tax records)
- **The "Family Tree" innovation** within the Family Card initiative.
- **Female-Centric Delivery**

Expansion of Grievance Redress System (GRS)

- Govt. emphasises the **use of an API to provide real-time data for every step of the payment process**—from payroll generation to the final "cash in" at a mobile wallet
- GRS is fully **accessible through digital portals, physical union/upazila offices, and via SMS**
- Introduction of the **requirement for IT audits and ISO certification** for managing grievances and beneficiary data
- Addition of a **requirement for public disclosure of beneficiary lists** at the local level

Outstanding Issues in the Social Protection

Social protection budget of FY27 represents a genuine shift from patronage-based, fragmented transfers toward a rights-based, data-driven, women-centred system.

The reforms, as currently designed, are necessary but not sufficient. The **remaining gaps are-**

- **Fiscal envelope still below the National Social Security Strategy (NSSS)'s own adequacy benchmark (2015)**
- **Continued absence of social protection for workers in the informal sectors**
- **No specific urban social protection architecture in this cycle**
- **A Dynamic Social Registry that will include all marginalised population groups is necessary**
- **A Grievance Redress System (GRS) largely remained unpromoted and underutilised**

Beyond Allocations: Are Subsidies Reaching the Most Vulnerable?

- **Lifeline and residential tariff caps up to 75 units** may protect small consumers, but **do not automatically protect the poorest urban households using shared meters**
- The budget's **6% interest subsidy to facilitate production activities** is **not explicitly tied to jobs**, risking **firm capture without employment or inclusion targets**
- **Without transparent targeting, agricultural subsidies can reinforce inequality**, as **better-connected farmers may capture subsidised credit**, making the design **insufficient to prevent elite capture**
- The budget is **shifting toward targeted inclusion**, however, **PMT-scoring still creates exclusion risks**, making it **insufficient for full coverage of the vulnerable**
- Allocation for **subsidised rice** remains **one of the few interventions that directly protect the poor from inflation**

The real budget question is not 'How much are we spending?' but 'Whose vulnerabilities are we choosing to protect?'

Fiscal Measures Supporting LNOB

Youth

Tax Measures (Enabling informal-to-formal transition for youth work)

- **Freelancers and content creators exempted up to Tk 50 lakh turnover**, effectively formalising large segments of digital income under a high threshold
- Accelerated depreciation of **60% (Year 1)** and **40% (Year 2)** incentivises youth-led investment in tourism, sports, and industrial activity outside Dhaka and Chattogram
- Support is routed through entrepreneurship and investment incentives rather than direct employment creation or wage support

Women

Tax Measures (Income expansion + enterprise entry support)

- **Tax-free threshold rises from Tk 4.25 lakh → Tk 4.50 lakh → Tk 5.00 lakh**, signalling gradual but limited income-side relief for women taxpayers
- Women entrepreneurs exempted up to **Tk 70 lakh turnover**, expanding formal space for small business entry
- Concessional credit at **4% (coastal)** and **5% (hill districts)** ties women's economic participation to location-based subsidised finance rather than uniform access
- Input duty cut from **10% → 5%** reduces cost pressures for women-led agro-processing value chains

Fiscal Measures Supporting LNOB

Persons with Disabilities

Tax Measures (System-wide, structural support)

- Full duty exemption on 21 assistive devices shifts support to price relief, reducing access barriers rather than providing direct transfers
- AIT cut (2% → 1%) on 15 imported items used by persons with special physical needs signals continued reliance on indirect fiscal relief over targeted spending
- Higher tax-free income threshold (Tk 5.0 → 5.75 lakh) expands inclusion, but mainly within the existing tax net.
- Incentives (turnover exemption, rebates, dependent exemption) embed disability support within general tax policy rather than a standalone protection system

Third Gender

Tax Measures (Shared, gradual fiscal inclusion)

- **Tax-free threshold rises from Tk 5.00 lakh (FY2026-27 & FY2027-28) to Tk 5.25 lakh (FY2028-29 & FY2029-30) and Tk 5.75 lakh (FY2030-31)**, reflecting slow phased inclusion within the tax system
- Third-gender taxpayers and persons with disabilities share the same escalating threshold, signalling parity-based rather than differentiated fiscal design
- No additional targeted exemptions or credits beyond the income threshold adjustment

Fiscal Measures Supporting LNOB

Regional Disparity

North Bengal

- **Tk 3,000 crore agri hub + 6% subsidy** lowers financing costs and boosts production
- **Teesta (Tk 10,533 cr) + Padma Barrage (~37% coverage)** drive long-term connectivity and water security

Chittagong Hill Tracts (CHT)

- **No dedicated programme; allocation falls to Tk 1,362 crore (from Tk 1,457 crore)**
- **Only 5% concessional loans**, with no expansion of targeted support

Coastal Region (Climate fiscal model)

Infrastructure & Protection

- **309 km embankments + 292 km flood works** prioritise risk containment
- EPZ, LNG, Matarbari signal growth-led adaptation

Credit & Rural Support

- **4% loans + Tk 1,510 cr + Tk 1,454 cr works** support livelihoods via credit and wage channels

Climate & Conservation

- **50% mangroves under carbon trading + Tk 100 cr fund** shift toward future climate finance

The State Moving Towards Welfare for the LNOBs

The State Moving towards Welfare of the LNOBs

Indicators	Theoretical benchmark	Positive Signals	Concerns
1. Progressive Tax Structure <i>Huber & Stephens (2001)</i>	<ul style="list-style-type: none"> • Tax-to-GDP: 41–43% • Top marginal rate: 55–57%; kicks in at 1.2× avg wage • Revenue broad enough for universal services 	<ul style="list-style-type: none"> • 5-year tax-free threshold roadmap: BDT 3.75 lakh→BDT 4.50 lakh by FY31 — welfare planning norm • New 35% top rate from FY28; black money whitening dropped; TIN mandatory for bank accounts • Withholding tax → advance tax with refund; 5-yr stable corporate rates until FY31 would improve investment certainty 	<ul style="list-style-type: none"> • Targeted Tax-to-GDP ~7–8% <1/5 of Nordic benchmark • 59.1% of additional FY27 revenue from indirect taxes — regressive burden; gold tax cut 5%→0.5% contradicts welfare framing • FY27 needs 52.9% revenue growth from a base that missed FY26 target by 22.7%
2. Public Social Expenditure <i>Wilensky (1975); Huber & Stephens (2001)</i>	<ul style="list-style-type: none"> • Total social spend: 25–31% of GDP • Health ≥7% Education ≥6% ALMP ≥1.5% • Universal — not means-tested 	<ul style="list-style-type: none"> • Social protection allocation: 2.11% of GDP / 15.39% of budget — highest share recorded; 'acceptable' programmes rising 27.92%→40.91% • Dialysis filter, heart stent, intraocular lens VAT waived; Import duty on 51 API + 9 cancer drug materials exempted • Food subsidy maintained at 11% of subsidy budget; 21 PwD assistive device categories duty-free 	<ul style="list-style-type: none"> • Education 1.79% Health 0.92% Social protection 2.11% = 4.82% GDP combined — ~15% of Nordic floor (25–31%) • All healthcare measures are import duty waivers — not public provision; civil service pension alone = 24.51% of Social Protection budget • Agriculture share fell 5.8%→5.0% despite flash floods

The State Moving towards Welfare of the LNOBs

Indicators	Theoretical benchmark	Positive Signals	Concerns
<p>3. Redistribution Effectiveness <i>Korpi & Palme (1998); Esping-Andersen (1990)</i></p>	<ul style="list-style-type: none"> • Disposable Gini: 0.26–0.28; taxes + transfers reduce Gini by ~12 pts • Universal cash transfers + progressive tax combined • Paradox: universalism redistributes more than targeting 	<ul style="list-style-type: none"> • Source tax on 60 essentials (rice, wheat, fish, oil, spices) cut to 0.5%; SIM tax BDT 300 withdrawn • Simplified flat VAT for micro-retailers; Social protection winners: children, senior citizens, women, PwD • Tax burden eliminated for monthly income BDT 29,167–BDT 31,250; food subsidy floor maintained 	<ul style="list-style-type: none"> • No Gini target, no cash transfer, no poverty headcount goal — redistribution without transfers is rhetorical • Gold tax 5%→0.5% (regressive); savings certificate tax doubled 5%→10%; every measure categorical not universal
<p>4. Social Protection Architecture & Leave No One Behind <i>Esping-Andersen (1990); Wilensky (1975)</i></p>	<ul style="list-style-type: none"> • Universal entitlements as social rights — not charity • Decommodification: livelihood independent of labour market • Most marginalised groups served first 	<ul style="list-style-type: none"> • Social protection = 15.39% of total budget; 'acceptable' share rising 27.92%→40.91% in two years • PwD: 21 assistive device categories duty-free; BDT 50,000 extra exemption per disabled dependent • New pay scale: 100–140% salary increase; pension up to 100% for lowest band; tiered medical allowance 	<ul style="list-style-type: none"> • Civil service pension = 24.51% of Social protection — occupational entitlement for 23 lakh employees, not a universal right; • Social protection losers- Dalit, indigenous, Hijra/transgender, climate-vulnerable, urban slum — most vulnerable received least • Zero unemployment insurance — workers who lose jobs receive nothing from the state

The State Moving towards Welfare of the LNOBs

Observations

- **Inclusive growth**—the cornerstone of a welfare state—**remains a persistent challenge**, since benefits of economic expansion not evenly distributed across population groups.
- Bangladesh is **deploying welfare state vocabulary without a welfare state fiscal architecture**.
- The **instruments chosen** (e.g., duty waivers, tax thresholds, categorical exemptions) **primarily aim to ease cost pressures for specific groups rather than establish universal** social entitlements.
- The **policy direction is visible; however, the transition roadmap is unclear**.
- Moreover, the **absence of disaggregated data** on marginalised communities limits evidence-based policymaking.

Closure

Closure

It is understood by all that delivery of the budget is more challenging than designing it

To ensure an effective and substantive delivery of the budget the following must be ensured:

1. Credible real-time information and data should be made publicly available for substantive follow-ups:
 - This will first of all entail estimating the real benchmark figures for **30 June 2026**
2. **Quarterly Statements must be presented by the Finance Minister to the parliament** as per Public Finance and Budget Management Act, 2009
 - Accountability must be exercised by the MPs on areas their respective areas of expertise as well as for their constituencies
3. The process is underway for setting up of a **Parliamentary Caucus** that will focus on LNOB issues
4. The Citizens's Platform has set up the **Reform Tracker** to bring greater transparency regarding progress achieved not only in fiscal terms but in terms of the **reform measures** undertaken and their outcomes

Thank You

Follow us to stay updated



BDPlatform4SDGs



bdplatform4sdgs



coordinator@bdplatform4sdgs.net



CitizensPlatformforSDGsBangladesh



www.bdplatform4sdgs.net

