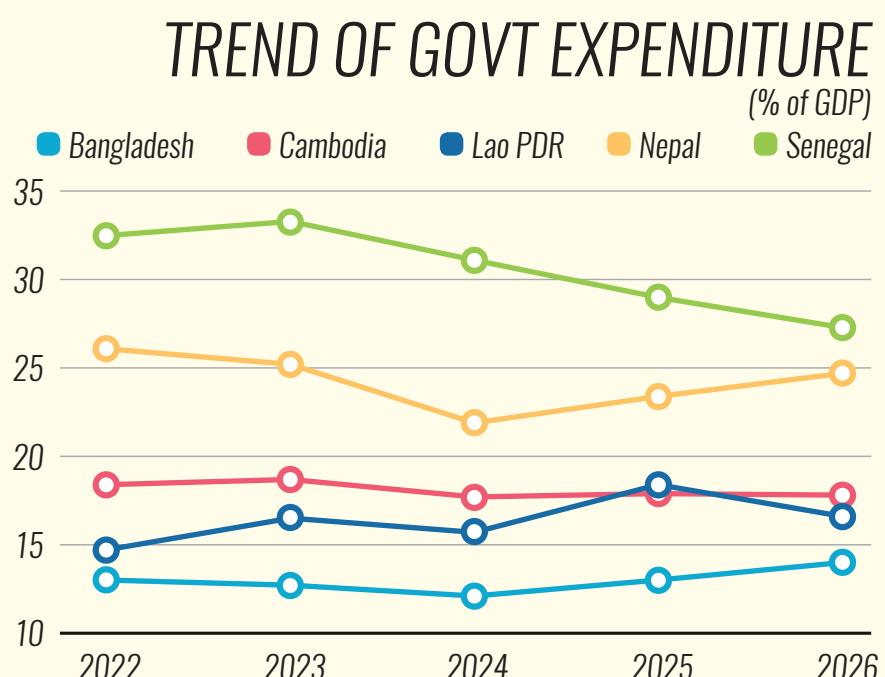


BANGLADESH LAGS BEHIND LDC-GRADUATING PEERS

in public spending and revenue mobilisation efforts

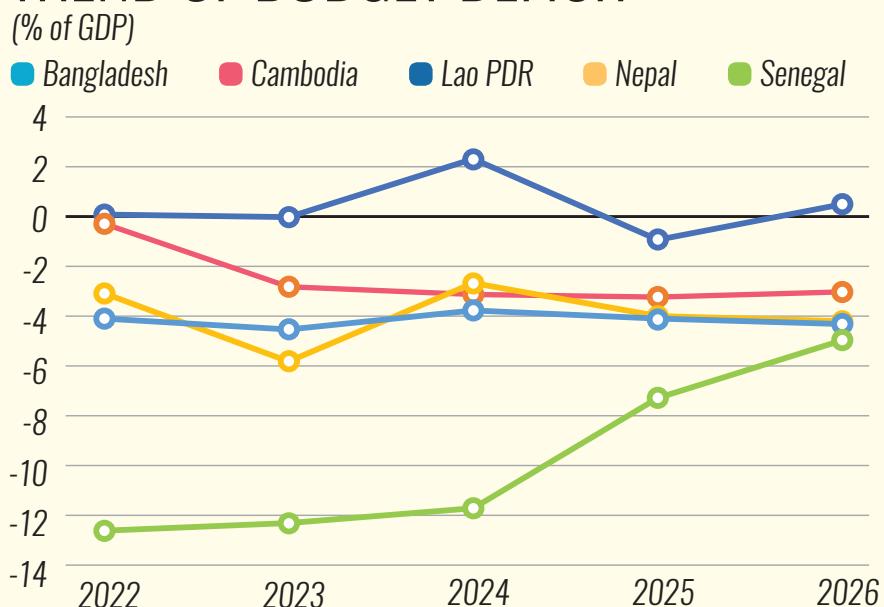


Bangladesh's fiscal deficit is projected to remain above 4 percent of GDP through 2026, as revenue growth continues to fall short of expanding public expenditure. Despite rising development needs, the country allocates a significantly smaller share of its economic output to public spending than its South and Southeast Asian peers. In 2025, Bangladesh's public expenditure stood at just 13.0 percent of GDP, compared to 23.4 percent in Nepal, 18.4 percent in Lao PDR, and 17.9 percent in Cambodia. The trend is expected to persist in 2026, with Bangladesh projected to spend 14.0 percent of GDP.

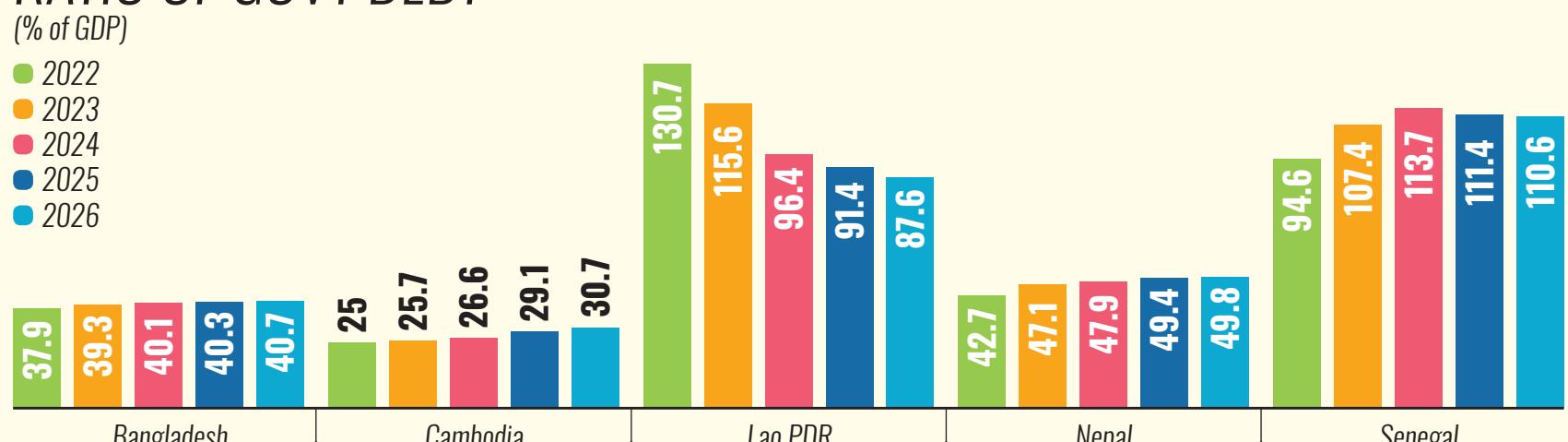
At the same time, Bangladesh's revenue mobilisation remains among the weakest in the region. Government revenue is forecast to rise to only 9.8 percent of GDP by 2026, well below levels seen in countries with comparable or even lower income levels.

Public debt is rising gradually but remains modest relative to regional norms. Bangladesh's debt-to-GDP ratio is expected to reach 40.7 percent in 2026, up from 37.9 percent in 2022. Economists view the trajectory as broadly sustainable, though they caution that further borrowing capacity may depend on tangible improvements in tax collection and the efficiency of public investment.

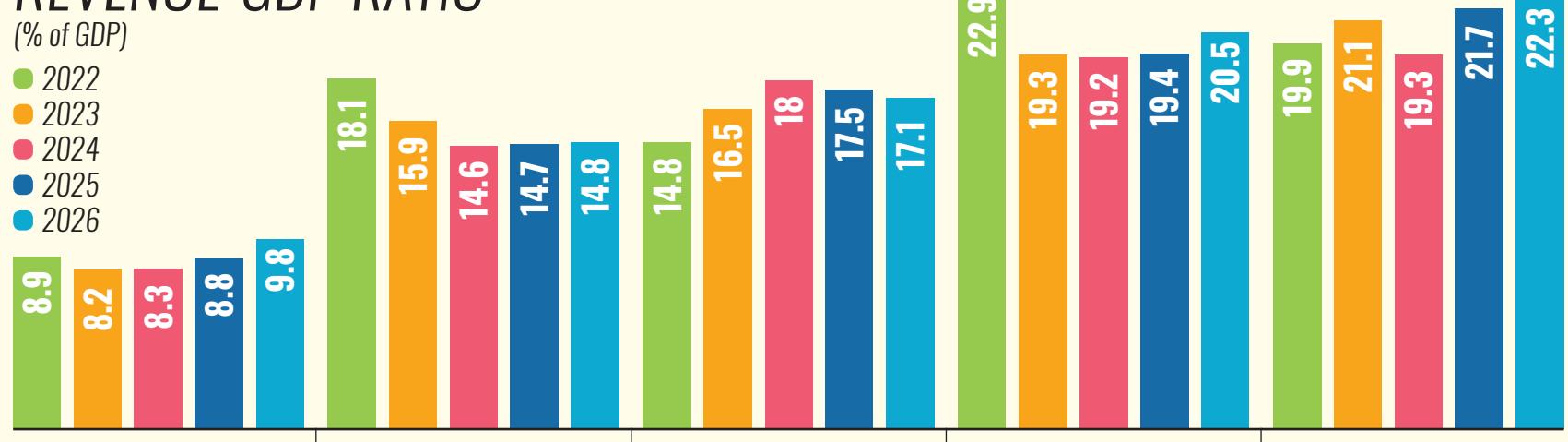
TREND OF BUDGET DEFICIT (% of GDP)



RATIO OF GOVT DEBT (% of GDP)



REVENUE-GDP RATIO (% of GDP)



NATION	GRADUATION YEAR
Bangladesh	2026
Lao PDR	2026
Nepal	2026
Solomon Islands	2027
Cambodia	2029
Senegal	2029

SOURCE: UN

FISCAL YEAR DATA; SOURCE: IMF

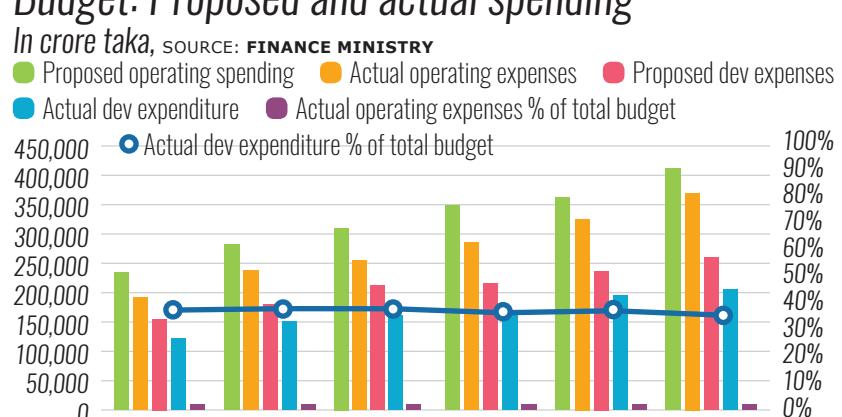
RETREATING FROM PANDEMIC-ERA PEAK

Bangladesh's national budget is now shrinking in relative size even as the government struggles to deliver on its development commitments. The budget-to-GDP ratio, which peaked at 17 percent in FY2020, is estimated at 14 percent in FY2025, marking a gradual retreat from the expansionary stance seen during the Covid-19 era.

Official data shows that the country's fiscal footprint has narrowed each year since FY2020, reflecting both constraints on resource mobilisation and rising economic pressures. At the same time, the government's ability to fully implement its development agenda remains constrained. In FY2023, operating expenses

dominated the budget execution, comprising 64 percent of total actual spending, while development expenditure accounted for just 36 percent. The skewed distribution underscores Bangladesh's reliance on recurrent administrative costs over long-term capital investments, despite repeated policy pledges to prioritise development.

Budget: Proposed and actual spending



BANGLADESH'S BUDGET AND GDP

In crore taka and in %: SOURCE: FINANCE MINISTRY

