

Bangladesh is not running out of development finance—it is running out of the right kind of capital

Written by Leon S Waskin Jr., Imran Shauket, and Jon Danilowicz

Bottom lines up front

- **Bangladesh's development finance challenge is a matter of composition, not volume — a challenge the government can resolve by convening foundations and corporate CSR partners to address it.** More than 72 percent of Bangladesh's \$12 billion external finance envelope consists of multilateral development bank (MDB) lending for infrastructure. Grant funding for health, education, governance, and humanitarian response has diminished significantly. To help fill that gap, the government should convene Western and Islamic foundations alongside major corporate social responsibility (CSR) funders operating in the country. By tying this joint event to the Five-Year Strategic Framework 2026–2030 the government is currently drafting, Bangladesh can engage these constituencies as partners in implementing that strategy rather than as peripheral donors.
- **The Rohingya response needs a broader donor base and multiyear financing, not a louder annual appeal.** The recalibrated 2026 Joint Response Plan remains about 37 percent unfunded, and Rohingya programs stand at 19 percent funded for the year — forcing rations from \$12.50 down to as little as \$6 per person per month. Bangladesh and its partners should diversify toward Gulf and Islamic donors who are already focused on this crisis and press for multiyear rather than annual financing. At the same time, international partners should redouble diplomatic efforts to find a durable solution to the refugee crisis.
- **Washington must recognize that its withdrawal carries strategic costs beyond the aid ledger.** The January 2025 USAID stop-work order eliminated roughly \$700 million of assistance, canceled fifty-five of fifty-nine projects, and forced the International Center for Diarrhoeal Disease Research, Bangladesh (icddr,b)—which pioneered oral rehydration therapy and ran pivotal trials for the typhoid conjugate and cholera vaccines now in global use—to lay off more than one thousand staff. Meanwhile, Chinese financing runs at \$700–\$900 million a year concentrated in hard infrastructure, and Gulf donors are expanding their presence. As American aid retreats, public opinion and external influence in Bangladesh are shifting. But it's not too late to reverse the damage: Donors could restore targeted support to institutions of global consequence such as icddr,b without making broader decisions about bilateral assistance.

The diagnosis

Bangladesh is absorbing one of the most severe aid shocks in its history—amid a fragile political transition and global energy crisis. However, headline numbers conceal the full story. While US disbursements dropped 56 percent from 2024 to 2025, overall bilateral assistance is expected to fall by \$260 million from 2025 to 2027, and United Nations funding is projected to decline by 16 percent over the same period. Total external development finance, which stood at roughly \$12.1 billion in 2025, is forecast to drop to \$11.5 billion in 2026 and \$11.0 billion in 2027. That represents a relatively modest decline of about 9 percent, and it is expected to play out against what remains a large envelope of overall assistance. The main problem, therefore, is not volume. It is composition.

More than 72 percent of that envelope is MDB lending. The Asian Development Bank more than doubled its sovereign financing in 2025 to \$2.57 billion; the World Bank maintains a roughly \$2.5 billion annual pipeline and signed an \$850 million package in April 2025 covering social protection modernization and assistance for the Bay Terminal deep-sea port. MDB flows rose from \$7.28 billion in 2024 to \$8.8 billion in 2025 before stabilizing above \$8 billion. This is real money.

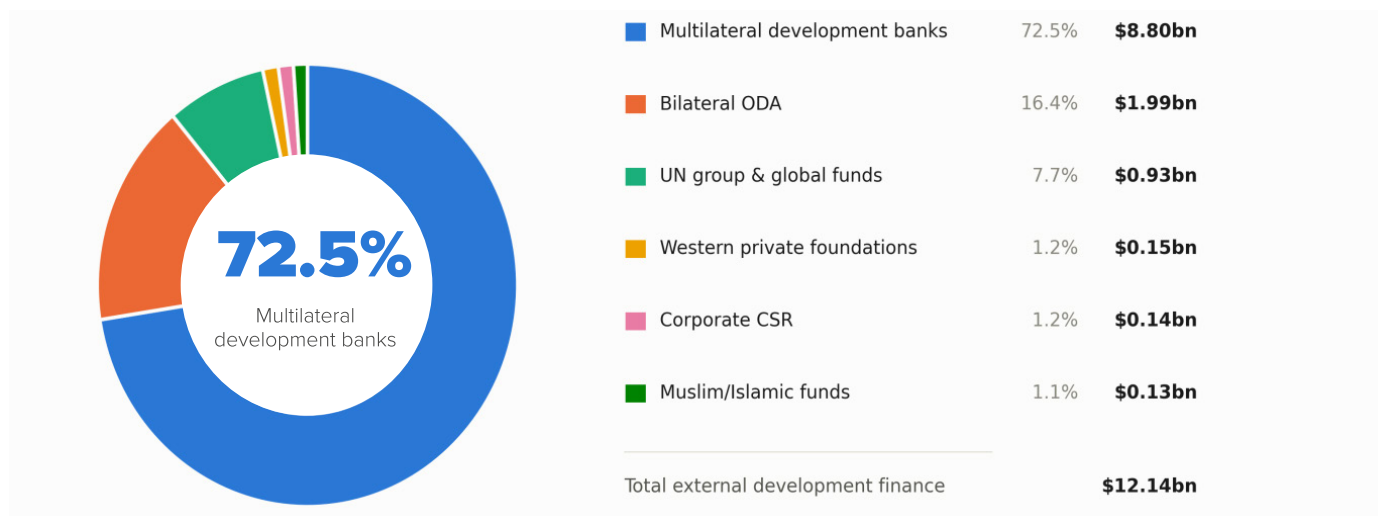
But MDB loans largely fund bridges, power grids, ports, and terminals, and they do so on repayment horizons of twenty to forty years. They do not finance Rohingya rations, civil society capacity, independent journalism, or the research infrastructure that sustained icddr,b. Those are grant-funded activities, and grant funding is collapsing.

Worth a thousand words

The proximate cause of this decline in grant funding was the January 25, 2025, USAID stop-work order, which canceled fifty-five of fifty-nine active projects in Bangladesh, eliminated approximately \$700 million in assistance, and left over 50,000 development professionals unemployed. US disbursements fell from \$371 million in 2024 to roughly \$164 million in 2025. icddr,b—which pioneered oral rehydration therapy and ran pivotal trials for the typhoid conjugate and cholera vaccines now in global use—lost more than a thousand employees. The secondary effect compounded the primary one: Other donors, watching the US retreat and facing their own domestic fiscal challenges, stepped back as well.

The Rohingya response is where this composition problem becomes most acute. Bangladesh hosts approximately 1.2 million Rohingya refugees in the world's largest refugee settlement. The 2025–26 Joint Response Plan, launched by International Organization for Migration and UN Refugee Agency under Bangladesh government leadership in March 2025, sought \$934.5 million across 113 partner organizations, fifty-nine of them Bangladeshi NGOs. Recalibrated for 2026 to \$710.5 million, the plan had received only \$291 million by launch, with an additional \$145.9 million committed, leaving a gap of over \$270 million—about 38 percent of requirements. Donor fatigue is palpable as the crisis drags on and prospects for voluntary repatriation are virtually nil. What that means operationally is visible in the food pipeline: Rohingya programs were only about half-funded in 2025 and are 19 percent funded in

Figure 1: Composition of external development finance, 2025



Note: Multilateral development banks supply nearly three-quarters of Bangladesh's external development finance, largely as long-term loans for hard infrastructure. The grant-based categories that fund humanitarian response, education, and governance—foundations, corporate CSR, and Islamic funds combined—amount to 3.4 percent of the total.



Busy Dhaka city with green trees and buildings. Unsplash/AI Amin Mir

2026, forcing the World Food Programme (WFP) to cut rations from \$12.50 to as low as \$6 per person per month. In early 2026, WFP warned that a \$150 million gap could disrupt food and nutrition services starting in April 2026, with the agency facing a \$147 million Bangladesh-specific shortfall for the year.

Two structural features of the landscape deserve more attention than they receive. First, Bangladesh substantially under-attracts philanthropic capital relative to peer countries. Western foundations contributed roughly \$146 million in 2025 while Gulf and Islamic sources provided about \$130 million—well below what Pakistan draws from either constituency, despite Bangladesh being the world’s third-largest Muslim-majority country. Gulf giving remains heavily concentrated on the Rohingya response rather than distributed across development sectors, making it both narrow and vulnerable as attention shifts toward crises in places such as Gaza and Sudan. Second, corporate funding under CSR contributions—estimated at \$100–\$180 million annually and anchored by the ready-made garment sector’s \$39.35 billion in exports and the binding International Accord covering 1,762 factories and 2.8

million workers—is driven by brand sourcing relationships and binding remediation obligations, not donor-government appropriations. Consequently, while it is less vulnerable to the political shocks affecting bilateral ODA, it operates almost entirely outside the national development planning framework.

Finally, the macroeconomic backdrop cuts both ways. Remittances reached \$30.33 billion in 2025, up nearly 27 percent from 2024, and are now more than double the entire external development finance envelope. Remittances shifted the current account from a \$6.6 billion deficit to a \$981 million surplus—the first such surplus since 2016—and rebuilt reserves to \$33.18 billion. Bangladesh has more fiscal room than headline aid numbers suggest. However, roughly 43 percent of remittances originate in the volatile Gulf region. A protracted Middle East conflict could severely impact both the current account and remittance flows, given that several million Bangladeshi expatriates work in the Gulf. In effect, the cushion is real but exposed. Ominously, the World Bank projects GDP growth to slow to 3.9 percent in fiscal year 2026.

■ The prescription

- The Government of Bangladesh should convene, at an early date, a conference bringing together Western and Islamic foundations alongside corporations operating significant CSR programs in the country. The event should focus on reviewing the Five-Year Strategic Framework 2026–2030 that is being drafted by the General Economics Division, and enlisting these actors as implementation partners rather than as peripheral donors. Because these constituencies fund the precise soft-sector work—health, education, governance, humanitarian response—that MDB lending cannot reach, a structured strategy could motivate them to expand their contributions significantly.
- The Government of Bangladesh should undertake a thorough examination of what has and has not worked across its long history of receiving donor support. Economic Relations Division records account for roughly \$125–\$135 billion in cumulative gross disbursements since 1971—more than \$200 billion in current dollars—and expenditure on that scale warrants close examination of its long-term impact. The study should draw on the accumulated insights of practitioners, Bangladeshi and foreign, who helped conceive, implement, and assess these programs.
- Bangladesh should consider front-loading concessional borrowing while the current window remains open. Bangladesh is one of the world’s largest recipients of funding from the International Development Association (IDA), the World Bank’s arm that provides assistance to low-income countries. The IDA’s latest replenishment, IDA21, secured a record \$100 billion covering July 2025 to June 2028. Bangladesh’s graduation from Least Developed Country status—currently scheduled for November 2026 though possibly deferred until 2029—will harden those borrowing terms.
- The Rohingya response should be diversified toward Gulf and Islamic donors, who are already focused on this crisis and comparatively insulated from Western aid politics. Bangladesh and its partners should press for multiyear rather than annual Joint Response Plan financing. Chronic underfunding is partly a function of an annual appeal cycle that guarantees a gap every year.

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