The Daily Star
FOUNDER EDITOR: **LATE S. M. ALI**

# Budget must prepare us for difficult times

## Low GDP growth demands political stability to reignite investor confidence

For quite some time, ordinary citizens have been feeling the brunt of economic hardship due to rising prices and other external shocks, including job losses. Therefore, the fact that the economy has experienced one of the slowest growth rates this fiscal year since FY1990-91, excluding the first year of the pandemic, does not come as a surprise. Bangladesh's GDP grew by 3.97 percent—almost half the inflated growth rate projected by the Awami League government when it prepared the budget last year. Although the interim government has revised the projection to five percent, the current provisional estimate is closer to what the World Bank and the Asian Development Bank (ADB) has forecast: 3.3 and 3.9 percent, respectively.

The decline has been attributed mainly to the sluggish performance of the agriculture and service sectors, which respectively saw growth rates of 1.79 percent and 4.51 percent in the current fiscal year, compared to 3.3 percent and 5.09 percent in FY2023-24. While the prolonged floods last year impacted agricultural output, stubbornly high inflation dampened wholesale and retail sales in the service sector. But thanks to the RMG industry, the industrial sector performed well despite political tensions, labour unrest, and factory closures, with growth increasing from 3.51 percent in FY2023-24 to 4.34 percent this year.

However, the outlook for the coming fiscal year does not appear too rosy either, as global disruptive factors, including the imposition of US tariffs and Bangladesh's graduation from LDC status, present added challenges. Domestically, slumped investment, especially in the private sector, has failed to create job opportunities. In fact, according to the Centre for Policy Dialogue (CPD), 2.1 million jobs were lost in the first half of the current fiscal year. More concerningly, women accounted for the majority of those who lost their jobs. International factors, such as severe cuts in donor-funded projects in the NGO sector, played a part in this crisis.

Unfortunately, the steps taken by the interim government over the last nine and a half months—including banking reforms, attempts to encourage investment, and the splitting of the National Board of Revenue—have not yet delivered any positive results. In fact, the banking sector is still reeling from the heavy burden of non-performing loans and irregularities incurred during the Awami League era. Under these circumstances, the upcoming budget must reflect the government's plan to tackle rising unemployment, high inflation, and illicit financial outflows. At the same time, the marginalised, including those at risk of falling below the poverty line, must be supported with well-designed and expanded social safety net programmes. Incentives should also be provided to sectors that can generate substantive employment, with a special focus on the female workforce.

At the same time, we agree with economists that the interim government should soon declare a definite roadmap for the election, which would provide businesses with the predictability they require for planning investments and economic activities. Last but not least, the law and order situation must be improved to reignite investor confidence and reaccelerate the economic wheel.

# We must act to save mothers, newborns

## Public healthcare gaps, poor awareness putting lives at risk

We are concerned by the findings of a report by this daily that has revealed how our public health system is failing expectant mothers. Despite a surge in deliveries nationwide—rising from 2.79 million in 2023 to 3.03 million in 2024—there hasn't been a proportionate increase in the use of relevant health services. Recent data from the Medical Education and Family Welfare Division show a steady decline in antenatal check-ups, deliveries, contraception use, and postnatal care in public hospitals and clinics. Of the deliveries recorded, government health facilities have handled just over six percent. That fewer women are turning to public facilities—the most accessible and affordable source of care—means they, and their babies, are more likely to face serious health risks without timely medical intervention.

Further details from our report help provide a clearer picture. For example, while the WHO now recommends eight antenatal care (ANC) visits during pregnancy, in Bangladesh, even the older target of four is becoming harder to meet, with only 5.14 lakh pregnant women receiving the recommended ANC visits in 2023-24—less than half the number recorded four years earlier. Postnatal care has followed the same downward trend, as has the use of contraception. Meanwhile, experts have cited shortages of medical personnel, essential drugs, equipment, and ICU beds that continue to plague public facilities, along with limited awareness among expectant mothers. These deficits are most dangerous for women with high-risk pregnancies, especially in rural areas where the maternal mortality rate remains significantly above the national average.

The experiences of the women cited in our report also highlight the urgency of proper and timely care for pregnancy-related complications. To address the crisis, we need a multi-pronged intervention from the authorities. First, it is vital that the government allocates more resources to public maternal healthcare, recruiting and training staff, expanding ICU capacity, and ensuring an adequate supply of essential drugs. Second, local-level facilities need to be strengthened so that women aren't forced to travel long distances for emergency care. Third, there must be sufficient awareness campaigns to educate families on the importance of antenatal and postnatal check-ups, especially in rural areas where misconceptions about pregnancy persist. Access and awareness must happen simultaneously for us to turn the current trend around.

## THIS DAY IN HISTORY

### Edmund Hillary and Tenzing Norgay reach Mt Everest

On this day in 1953, following numerous failed attempts by others, Edmund Hillary and Tenzing Norgay became the first climbers to surmount Mount Everest, the highest mountain in the world (8,849 metres).

# What the development philosophy should be for the new budget

**Selim Jahan**
*is former director of the Human Development Report Office under the United Nations Development Programme (UNDP) and lead author of the Human Development Report.*

SELIM JAHAN

A national budget is commonly perceived as a numerical exercise. The normal questions are: what resources are available in total? How much would be mobilised from different sources? What would be the level of total expenditures? How much would be sectoral allocations? So, the budget looks like an accounting framework. Sometimes, a national budget is also referred to be a balance sheet of revenues and expenditures, between which a balance is maintained, as deemed desirable by the government.

But is a national budget a mere numerical exercise? Is it a simple accounting framework? Firstly, it's not. The allocations and expenditures in a national budget also reflect a government's economic priorities. What are the sources from which most of the revenues would be mobilised? Would they be mostly from direct taxes or indirect taxes, or from non-tax sources? Similarly, which sectors would get the major parts of budget expenditures—physical infrastructures like roads and bridges, or social infrastructures like health and education? Secondly, these priorities are not determined in vacuum. They are guided by the government's vision, which is formed based on the development philosophy it holds.

The interim government of Bangladesh will present the proposed national budget for FY2025-26 on June 2. The budget is expected to provide a roadmap for the country's future development.

Over the past few months, there have been many discussions on the upcoming budget, the debates revolving around the budget size, probable sectoral allocations, resource constraints, priorities in the budget, and strategies to be followed, among other topics. The discussions mostly focused on the numerical aspects of the budget, as well as its priorities. Much of the analyses were around the new Annual Development Programme (ADP), which was approved recently.

The size of the FY2026 budget is set to be Tk 7.9 lakh crore, about Tk 7,000 crore less than the current fiscal year's original budget. Non-development expenditures are expected to be set at Tk 5.6 lakh crore, up by Tk 28,000 crore from the current budget's allocation. Debt servicing and ballooning subsidies would eat up a significant portion of the new budget. Interest payments are expected to amount to Tk 1.33 lakh crore, which will increase if principal payments are included. The government has allocated Tk 88,000 crore for subsidies. All these mounting costs have left little room for discretionary spending and have created fiscal strains.

As a result, the development expenditures in the FY2025-26 budget is set to be Tk 2.3 lakh crore, Tk 35,000 crore less than the original budget of FY2024-25. The development budget is the lowest in four years. Allocations to almost all sectors have been cut. About 70 percent of the budget will go to five sectors: transport and communication (25.64 percent), power and energy (14.08 percent), education (12.42 percent), housing and community facilities (9.9 percent), and health (7.89 percent). On the revenue side, the deficit in resource mobilisation may range from Tk 42,500 crore to Tk 54,000 crore.

Third, in terms of content, the objective of the upcoming budget has been stated to be restoration of economic discipline and economic stability. The budget will not be anchored in irresponsible and ad hoc policy actions and resource allocations. This would imply restoring transparency and accountability in public resource mobilisation and public expenditures. Some of the strategies of the budget will be reducing inflation, taking fewer foreign loans, prioritising ongoing projects and not undertaking new projects, and reducing additional costs and stopping corruption and inconsistencies in projects. The government has used a digital budget planning system to categorise budget spending, allowing for more transparent tracking of fund utilisation. This is important, given that Bangladesh performs poorly in budget transparency, ranking 37th among 125 countries in the 2023 Open Budget Survey.

VISUAL: **ANWAR SOHEL**

In this context, the question arises: what development philosophy does the FY2025-26 budget uphold? Is it based on a pro-growth development philosophy or a pro-people development philosophy? Some observations are pertinent in this regard.

First, around 40 percent of the development expenditures are devoted to transport and communication and power and energy. These two sectors are critical for boosting production, and thus for enhancing economic growth. Related to this are the allocations to some megaprojects, i.e. the Bhola-Barishal 11-km-long bridge project at the cost of Tk 17,466 crore, the Bay Terminal Marine Infrastructure Development Project at the cost of Tk 13,525 crore, and Kalurghat rail-and-bridge project at the cost of Tk 1,156 crore. The implicit assumption behind these megaprojects may be that they would boost economic growth. Whether they do so or not, undertaking megaprojects basically indicates a leaning towards a pro-growth philosophy.

Second, issues like health and education are basic ingredients for enhancing human development. Yet, the health sector accounts for only about 7.89 percent of the development allocation, while education accounts for 12.42 percent of the development expenditure. Together, these two sectors account for over 20 percent of the development budget, which is lower than the allocation for transport and communication alone (25.64 percent). In fact, the transport and communication budget is double the education budget and triple the health budget. Furthermore, the development expenditure in the health sector has been cut by 13 percent compared to the outgoing budget, and education by nine percent. Efficient and effective implementation requires cuts in expenditures, no doubt, but those cuts cannot be indiscriminate across the board. If the development philosophy of the FY2025-26 budget were pro-people, the expenditures in the human development sectors would have been adequate and protected.

Third, as usual, agriculture has remained a neglected sector in the upcoming budget. The allocation of Tk 10,795 crore to agriculture represents less than five percent of the total development budget. In fact, compared to the outgoing budget, the agriculture allocation has been slashed significantly, by 18 percent. Given the importance of the agricultural sector in the country's economy and society, this can neither be termed as pro-poor nor be identified as pro-people. The same conclusion holds with regard to the allocations to the environment, climate change, and water resources. Together, they received Tk 10,641 crore, less than five percent of the development expenditures.

Given the nature and structure of Bangladesh's economy, its current economic realities, and the aspirations of its people, the philosophical focus of the FY2025-26 budget should be pro-poor and pro-people. Its preoccupation should not be economic growth alone; rather, it should be human development. Formulating and implementing an annual national budget with those goals can ensure both economic growth and human development in Bangladesh.

# *A call for calm to protect our global reputation*

RMG NOTES

**Mostafiz Uddin**
*is the managing director of Denim Expert Limited. He is also the founder and CEO of Bangladesh Denim Expo and Bangladesh Apparel Exchange (BAE).*

MOSTAFIZ UDDIN

As a proud contributor to Bangladesh's RMG sector, I write this with deep concern about the path our industry and country are taking. In recent months, and indeed over the past several years, we have witnessed waves of strikes, protests, and unrest, from factory gates to the heart of government offices.

While the right to protest must always be upheld in any functioning democracy, the scale and frequency of disruption in the country are fast becoming endemic. And it is affecting our global standing as a reliable sourcing hub.

The RMG sector is the backbone of our economy, accounting for more than 80 percent of export earnings and employing over 40 lakh people, the vast majority of whom are women. Our growth story has been remarkable, built on hard work, resilience, and an ability to deliver quality apparel to some of the world's most discerning retailers, often under intense pressure. But reputation is fragile, and in today's global marketplace, trust and consistency matter more than ever.

Recent developments give serious cause for alarm. A prolonged strike by customs officials at Chattogram Port, the country's main gateway for export and import, just recently paralysed trade for six days, stalling the flow of goods worth billions. Dozens of containers sat idle. Export orders were delayed. Importers scrambled to find out when raw materials would arrive, while trade was brought to a halt. The impact reverberated throughout our supply chains.

Simultaneously, political protests and sit-ins disrupted work at the National Board of Revenue (NBR) and even the Ministry of Finance. Officials at the Secretariat could not reach their offices. Basic decision-making was delayed. Meanwhile, businesses were left waiting for answers on tax and customs procedures. In the RMG sector, where just-in-time delivery and razor-thin margins are the norm, such disruptions create anxiety and distrust among global buyers.

Over the past year, we have seen recurrent protests over wages, infrastructure bottlenecks, power shortages, political confrontations, and bureaucratic strikes. Each time the headlines travel, brands take notice, and procurement teams discuss risk. In boardrooms across Europe and North America, sourcing executives consider whether orders should be shifted to countries with more predictable environments.

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We must not take our current position in global supply chains for granted. Other countries are moving fast. India, for example, is actively signing bilateral and multilateral free trade agreements (FTAs) to increase its export competitiveness. It has finalised an FTA with the UAE, signed another with Australia, and is in advanced talks with the UK and the EU. These deals bring lower tariffs, faster market access, and stronger buyer confidence. At the same time, Indian states are investing in infrastructure, logistics, and digital customs systems to streamline operations. Vietnam and Indonesia, too, are investing in stability and reform to attract long-term sourcing partnerships.

Bangladesh, by contrast, is in danger of being seen as a high-risk, high-friction sourcing environment. While our labour cost advantage remains attractive, it is increasingly offset by concerns over stability and governance. Long-standing issues around port congestion, customs inefficiencies, and inconsistent tax policies are now compounded by industrial unrest and bureaucratic standstills. These are not the foundations on which we can build the next phase of industrial growth.

What we need now is calm and a shared recognition that our future depends on collaboration, not confrontation.

I urge the policymakers to resolve administrative disputes swiftly and transparently. Customs strikes must never again be allowed to halt the lifeblood of our trade. While the recent decision to turn the NBR into an autonomous revenue authority has merit, such institutional reforms must be managed carefully, without disrupting trade or paralysing key functions. I also call for more dialogues between ministries and private sector stakeholders before policy shifts. An unstable regulatory environment deters investment.

To political leaders, I say: your choices shape how Bangladesh is viewed on the world stage. Escalating confrontations only undermine confidence. We need all parties to prioritise economic stability and social cohesion over partisan gains. To workers and labour organisations, I ask to pursue channels of engagement that avoid shutdowns of production. Disruption cannot be our default mode of dialogue.

And to my fellow manufacturers: we must look inward, too. We need to raise our standards, listen to our workforce, and build trust in our factories. Industrial peace is not a given; it must be earned through transparency and accountability. At the same time, we should unite for a national industrial strategy that supports our competitiveness, through better infrastructure, tax reform, access to finance, and trade diplomacy.

The road ahead is not easy. Global demand is softening. Geopolitical tensions are growing. Sustainability expectations are rising. In this environment, our ability to compete depends not only on price or productivity but also on reliability and reputation. Bangladesh must be known not as a nation of perpetual unrest, but as a nation of resilience, pragmatism, and progress. Let this be a turning point towards lasting stability and collective responsibility.

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