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Budget aims to send encouraging signals

But can the government deliver on its reform visions?

As planned, the finance adviser to the interim government presented the national budget for FY2025-26 on Monday afternoon. And as anticipated, from the outset he highlighted the significant challenges his government has faced in stabilising the economy post uprising, following widespread corruption and mismanagement under the now-ousted Awami League government.

Although it is impractical to expect too much from a budget proposed by an interim government that may not be in place to see it through to the end, a few aspects of it are quite notable. For starters, the proposed outlay is nearly 1 percent lower than the Tk 797,000 crore allocated in the outgoing fiscal year—a clear departure from the trend of previous years. While the decrease in budget size is not particularly large, it signals the government's intent to tighten its belt in an effort to curb inflation.

The finance adviser has expressed the government's intention to shift from a growth-centric approach to a concept of holistic development. Accordingly, instead of focusing solely on traditional physical infrastructure, the budget prioritises the well-being of the people. This includes placing special emphasis on education, health, good governance, civic facilities, and employment.

In line with this approach, the government has proposed expanding import duty exemptions on pharmaceutical raw materials and medical equipment in the upcoming national budget. The allocation for the Ministry of Health and Family Welfare has also been slightly increased, from Tk 41,407 crore in the outgoing budget to Tk 41,902 crore in the proposed one.

However, the allocation for the education sector remains below 1.6 percent of GDP, similar to what the outgoing budget formed under the Awami League government had provided, while being significantly short of the 4.6 percent of GDP recommended by the UNESCO. The interim government, being a non-political administration, had a rare opportunity to reset national priorities, but health and education—the two cornerstones of human development—have once again received inadequate attention.

The government has proposed an increase in both the number of beneficiaries and the per capita allocations under social safety net programmes in the proposed budget. However, when viewed in terms of GDP, spending on safety nets has actually decreased. What is positive, though, is the government's expressed intention to streamline social safety net spending—an encouraging development, as this could help reduce much of the wastage that occurred under various such schemes in the past.

It has been evident for some time that the government's fiscal space is shrinking, primarily due to low revenue collection. Acknowledging this, the government has outlined various revenue reforms that, if successfully implemented, could make a significant difference. Similarly, it has recognised the need for banking sector reforms and the recovery of a large portion of the stolen wealth. However, it has yet to provide details on how it plans to achieve such a monumental task.

The government has also allocated a Tk 405 crore fund for the rehabilitation of July warriors and the families of July victims, along with various other benefits for them. It goes without saying that the July uprising was at least partly driven by economic hardships, particularly those faced by the youth. With this in mind, the government has placed significant emphasis on young people and on generating employment opportunities. For example, the finance adviser has proposed a Tk 100 crore start-up fund in the budget to support emerging entrepreneurs. In addition, a substantial allocation has been set aside for women entrepreneurs, who will have easier access to loans without any collateral.

Moreover, the government is set to launch a new initiative titled "Tarunner Utshob," aiming to harness the power and potential of the country's young population by involving them more deeply in national development. Tk 100 crore has been allocated to celebrate this festival across the country. It is important to mention, however, that the government has not yet specified how this fund will be utilised, and we hope it will be transparent in this regard.

The agricultural sector has also been a focus of the budget, which is encouraging. To promote farming and meet the growing demand for food, the government has exempted up to Tk 5 lakh of annual income from agricultural activities from tax. In an effort to ease the burden on marginal farmers and suppliers, the government has proposed reducing the source tax on income from the supply of essential commodities—including paddy, rice, wheat, potato, jute, and tea leaves—to 0.5 percent from the next fiscal year. While this may not provide massive relief, it signals that the government is placing increased importance on the sector.

Aside from these, there have been three other notable proposals, including changes for the stock market such as widening the gap in corporate tax paid by listed and non-listed firms from 5 percentage points to 7.5 percentage points in order to encourage companies with good performance records to go public. The other proposals include raising the corporate tax rate for non-listed companies to 27.5 percent for the next two fiscal years, FY27 and FY28, thereby eliminating the existing concessionary rate of 25 percent; and incorporating homemakers' contributions in GDP.

While the budget may not be regarded as particularly radical, it contains several encouraging indicators. Nevertheless, the government must remain cognisant that achieving its revenue collection target could be challenging without significant reforms. And failure to meet this target may render the ambitiously low deficit goal of 3.6 percent unattainable.

THIS DAY IN HISTORY

Tiananmen Square protest crushed



On this day in 1989, the Chinese government called in the military to put down a pro-democracy demonstration carried out by more than 100,000 people in Tiananmen Square in Beijing, resulting in hundreds of deaths.

A conservative budget for FY2025-26



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Views expressed in this article are the author's own.

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The proposed budget for the 2025-26 fiscal year, worth Tk 7.9 lakh crore, was presented by the finance adviser yesterday, at a time when the country is passing through unusual circumstances—both politically and economically. A non-political, unelected government, the result of the political changeover last year, formulated the budget amid several economic challenges.

On the economic front, despite the fact that several economic indicators show stability returning in nearly 10 months of the interim government, the outlook for investment and employment remains bleak. While some areas of the economy have shown progress to an extent, many other sectors have yet to see positive outcomes. Inflation, which remained over nine percent for 27 consecutive months, is showing a downward trend, reaching 9.05 percent in May 2025. However, there is a silver lining in the external sector. Strong remittance inflows have bolstered the foreign exchange reserves. Export income is also impressive. In the banking sector, several disciplinary measures have been undertaken, stemming the sector's continuous deterioration and easing the widespread panic that once plagued it.

Yet, significant challenges still remain. A new ordinance has been issued to regulate the banking industry, with steps taken to safeguard depositors' interests. The draft Banking Resolution Ordinance, 2025, which is available on the website of the Financial Institutions Division, delineates rules and regulations for improving the ailing banks. These measures are expected to help rebuild investor confidence.

In the current context, the FY2026 budget was expected to address some of the existing challenges. Controlling inflation, tackling investment hurdles, creating employment, and achieving macroeconomic stability are some of the crucial areas to which the government needs to pay attention to. The need for higher investment in human capital development and social

protection cannot be ignored either.

Some of the major features of the proposed budget sheds light on the government's priorities.

The size of the FY2026 budget has been reduced by Tk 7,000 crore compared to its predecessor, reflecting a contractionary approach taken by the government to address the persistent economic struggles. The Annual Development Programme (ADP) allocation has been reduced by 13.2 percent compared to the original allocation in the FY2025 budget, which indicates a strategic shift towards fiscal consolidation. The budget deficit is set at 3.62 percent of GDP, which will be



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financed through domestic borrowing and foreign loans. Setting a lower budget deficit is a wise move in view of high inflation and limited fiscal space.

The revenue collection target for the incoming fiscal year is set at Tk 5.64 lakh crore, a 4.25 percent increase from the outgoing year's original target of Tk 5.41 lakh crore. The National Board of Revenue (NBR) is expected to collect Tk 4.99 lakh crore of this target. However, the revenue authority has historically struggled to meet such targets. Given the trend of revenue collection till March 2025, the deficit could exceed Tk 1 lakh crore by the end of the outgoing fiscal year. A practical and achievable target could improve tax collection predictability.

The country's existing tax structure, with a tax-GDP ratio of less than eight percent, limits the government's ability to mobilise resources for development spending.

In view of the persistent inflationary pressure, the new budget proposes to raise the tax-free income threshold for individual taxpayers from Tk 3.5 lakh to Tk 3.75 lakh—but from FY2026-27. The tax measures will not provide much comfort to the low- and middle-income groups. The budget continues to rely on indirect taxes, so it will not effectively reduce the pressure of high inflation on the people. The government should attempt to collect taxes by expanding the tax net and curbing tax evasion. It also needs to undertake reforms to make the tax system more progressive and equitable.

The upcoming budget proposes to introduce some tax policies designed to enhance investment, such as withdrawing or reducing supplementary duties on several products and cutting customs duties on others in order to reduce the cost

commitment to improving human development indicators, the FY2026 budget has reduced ADP allocation for the health sector by Tk 2,535 crore and for the education sector by Tk 2,971 crore compared to the outgoing fiscal year. This raises concerns about the government's ability to improve the quality of education and healthcare services, which are crucial for reducing poverty and enhancing human capital. It is undeniable that investing in people—teachers, students, doctors, nurses—is critical. Allocation for the agriculture sector in the ADP has also been decreased by Tk 2,424 crore, which is concerning from the food security perspective.

During high inflation, social safety net programmes play an important role. However, the efficiency of these programmes has been undermined due to the exclusion of genuinely poor citizens and inclusion of non-poor people. Besides, there are several common programmes that various institutions of the government implement. The budget has proposed reducing the number of such programmes to 95 from about 140 previously, which is a good move.

In the Mid-Term Macroeconomic Policy Statement (MTMPS) for FY2026-FY2028, the government has set the GDP growth target to be 5.5 percent for FY2026 and expects the inflation rate to decline to 6.5 percent. Achieving these targets will depend on addressing the current economic and political challenges and implementing some essential reforms. For example, the institutional reform of the NBR will be critical for meeting the revenue target. The government attempted to undertake such a reform through dissolving the NBR and establishing two new divisions under the finance ministry. However, the initiative has been stalled in the face of protests by NBR employees on administrative issues. It is crucial that this reform is implemented sooner rather than later through broader consultations with the relevant stakeholders to enhance efficiency and transparency in revenue collection.

Since a budget is designed only for a year, there is a limited scope for undertaking deep reforms. However, structural bottlenecks, including fiscal discipline and efficiency through institutional reform, are necessary to deliver budget commitments. Here's to hoping that the interim government will initiate a few targeted and critical reforms in FY2026 to improve budget implementation.

Can we ensure road safety this Eid?



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TAMANNA MIZAN

As Bangladesh prepares for Eid-ul-Azha, millions of people will soon begin their journey home, eager to reunite with family and celebrate together. However, such journeys often turned tragic in the past. Year after year, the Eid travel rush brings with it an alarming spike in road accidents, injuries, and deaths.

This year's Eid-ul-Fitr holiday was no different. According to data from the Road Safety Foundation, at least 257 accidents occurred between March 26 and April 5, resulting in 249 deaths and more than 2,000 injuries. These are not just statistics—they are shattered families, stolen futures, and preventable tragedies. It is time we stopped accepting this loss of life as a normal part of our festive seasons.

According to the World Health Organization, over half of global road traffic deaths involve pedestrians, cyclists, and motorcyclists. In Bangladesh, this rings painfully true. The most vulnerable road users pay the highest price for a system riddled with weak enforcement, outdated infrastructure, and public indifference. The problem becomes even more pronounced during national holidays, when roads are flooded with vehicles, and reckless behaviour among riders becomes commonplace.

Safety gear, dedicated lanes, awareness campaigns

A simple yet lifesaving step is enforcing the use of standard helmets for both motorcycle riders and passengers. Too often, passengers—especially women and children—ride unprotected. It is not just illegal; it is deadly. Authorities must implement a directive requiring certified helmets, while awareness campaigns should reinforce the importance of compliance.

At the same time, highways and major roads must have dedicated lanes for motorcycles to reduce collisions. These structural changes can save lives by separating vulnerable road users from high-speed traffic. Meanwhile within cities, walking or cycling could be practical alternatives—but only if they are safe. We must invest in pedestrian- and cyclist-friendly infrastructure, such as footpaths, protected bike lanes, zebra crossings, and footbridges. This year's UN Global Road Safety Week theme "Roads for Life: Making Walking and Cycling Safe" reminds us that the solution is not only about better driving but also about better design.

During Eid, the urgency to reach home often leads to speeding and reckless overtaking. These behaviours are among the top causes of fatal accidents. Authorities must introduce and enforce strict speed limits, particularly on highways, during

holiday periods. Law enforcement agencies need clear directives, supported by mobile courts and highway patrols, to monitor driver behaviour more closely.

Driver fatigue is another hidden killer on our roads. Long-distance drivers often work without rest, risking not only their lives but also those

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of their passengers and others. We must introduce regulations that limit driver's working hours and ensure that rest periods are enforced.

Similarly, outdated vehicles and those without fitness certificates should be removed from the roads. Battery-powered vehicles like Nosimon and Korimon must be barred from operating on highways during peak travel times. On other roads, clear lanes for slow- and fast-moving vehicles

should be established to prevent dangerous interactions.

However, road safety measures must extend beyond drivers. All passengers should be required to wear seat belts. For cars, jeeps, and minibuses, laws must mandate child safety seats. Children are among the most vulnerable passengers, and protecting them is non-negotiable.

Pedestrians, too, deserve better. Public campaigns should promote the use of footpaths, discourage the use of mobile phones while crossing roads, and increase awareness about zebra crossings. These small behavioural shifts, when supported by proper infrastructure, can dramatically reduce accidents.

To coordinate these efforts effectively, Bangladesh needs a centralised body dedicated solely to road safety. A National Road Safety Authority would streamline enforcement, infrastructure planning, public education, and policy development under one roof.

We cannot rely on scattered departments and uncoordinated efforts. Road safety requires unified action, sustained funding, and political will.

Every death on the road is a failure of planning, enforcement, and accountability. And every Eid that ends in mourning is a reminder of how urgently we need change.

The solutions are known. The data is clear. The tools exist. What's missing is the collective resolve to act.

Let this Eid be remembered not as another chapter in a long line of preventable tragedies—but as a turning point. Let it mark the beginning of a national commitment to making our roads safe for everyone, every day of the year.