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BANGLADESH'S ECONOMIC ROADMAP

Priorities for the next government

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In January 2025, a 12-member task force led by Dr K.A.S. Murshid submitted a report to Bangladesh's interim government, outlining an urgent reform agenda to address the nation's economic crisis and chart a path towards sustainable development. The 550-page document represents not just a diagnosis of current challenges but also a call to action—identifying opportunities that can yield results quickly while laying the foundations for deeper structural transformation. This short article presents the core recommendations of the report.

The report emerges from a critical moment in Bangladesh's history. The country faced mounting economic pressures: depleted foreign exchange reserves, inflation hovering above 10 per cent, a fragile banking sector haemorrhaging from non-performing loans, and growing social unrest. Yet within this crisis lies opportunity—a rare window to review the glaring shortcomings of the past and an opportunity to implement vital reforms that have been stalled for decades. These reforms are needed to help build a more equitable and prosperous society and to ensure that our most valuable resource—the entrepreneurship and creativity of the people—is put to good use.

RESTORING MACROECONOMIC STABILITY

The task force identified macroeconomic stabilisation as the most urgent priority. Bangladesh's economy has been buffeted by external shocks—COVID-19, the Ukraine war, and global commodity price spikes—but domestic mismanagement has deepened the crisis. Food inflation has come down from around 10 per cent in January 2025 to 7 per cent currently, while non-food inflation remains elevated at around 9 per cent. In the meantime, the taka has depreciated by 35–40 per cent against the dollar since 2022, and the tax-to-GDP ratio languishes at just 8.67 per cent, the lowest in South Asia. A huge amount—perhaps as much as 50 per cent of total tax revenue—is used up in interest payments, a consequence of large fiscal deficits that must be financed by increased borrowing.

The report challenges conventional wisdom by recommending an accommodative monetary policy rather than ultra-tight measures. The Bangladesh Bank has raised policy rates to 10 per cent and has kept them fixed, to be adjusted once inflation comes down substantially. This approach has made domestic production costlier without adequately addressing supply-side inflation drivers. Instead, the task force advocates moderate monetary tightening combined with aggressive supply-side interventions: improving food logistics, building strategic reserves of essentials such as diesel and fertiliser, and streamlining import procedures to prevent artificial scarcity.

On the fiscal front, the report calls for immediate revenue mobilisation reforms. The government must broaden the tax base, digitise revenue collection, and eliminate discretionary exemptions that have eroded fiscal capacity. The National Board of Revenue requires fundamental restructuring, moving away from arbitrary enforcement towards a transparent and predictable tax administration that encourages, rather than punishes, compliance. It is important to point out that the private sector has time and again expressed its unhappiness with the operations of the NBR. Effective NBR reforms could, by themselves, send out a strong signal of commitment to economic recovery and reform.

TRADE DIVERSIFICATION AS A SURVIVAL STRATEGY

Bangladesh's export basket remains dangerously concentrated, with ready-made garments accounting for over 80 per cent of merchandise exports. As the country graduates from Least Developed Country status by 2026, it will lose preferential market access that has sustained this model. The task force presents export diversification not as an aspiration but as an existential necessity.

The report recommends "cherry-picking winners"—identifying the most promising non-RMG exporters among the approximately 500 firms currently exporting over one million dollars annually and providing them with targeted policy, financial, and technical support. This approach, successful in East Asian economies, contrasts with scatter-shot incentive schemes that dilute resources without generating champions. Government support to promising exporters must, however, be linked to performance, which may initially be defined in terms of increased exports and later, in terms of improved productivity.

Critical reforms include unifying trade and investment policy to eliminate the anti-export bias embedded in the high-tariff regime, establishing a fund for backward-linkage industries, and aggressively pursuing bilateral and multilateral free trade agreements. The report emphasises economic diplomacy: broadcasting Bangladesh's capabilities through satellite television, social media, and cultural exports in Chinese, Hindi, Korean, Japanese, English, and Russian to build soft power and market access.

Particularly promising is the recommendation to revitalise Special Economic Zones. Despite considerable political attention, SEZ progress has been meagre. The task force had urged selecting a handful of zones for focused development, addressing bureaucratic hurdles and infrastructure deficits that have deterred investors. The interim government appears to have taken this recommendation seriously. Success in even two or three zones could create demonstration effects that unlock broader FDI inflows. One may note that so far less than 5 per cent of investment in SEZs is from FDI.

PILOT PROJECTS THAT SIGNAL CHANGE

Understanding that comprehensive reform takes time, the task force identifies several pilot initiatives that can generate quick wins while building momentum for deeper transformation:

Public Hospital Reform: Select one Dhaka hospital for comprehensive overhaul—appointing qualified administrators instead of generalist bureaucrats, establishing a governing board with stakeholder representation, and implementing real-time monitoring dashboards that give youth and citizen groups access to performance data and complaint mechanisms. User feedback would drive continuous service improvements.

Automatic Traffic Signals: This seemingly simple measure has been sabotaged repeatedly by vested interests. Implementing automatic traffic signalling in Dhaka, using advanced technology and data analytics, would demonstrate that the government can break entrenched interests while providing immediate congestion relief.

Single-Operator Bus Franchise: Consolidate Dhaka's chaotic bus system under a single franchise operator, shifting drivers from commission to fixed salaries. This would enhance safety, reliability, and service quality while establishing a model for urban transport modernisation.

Reviving the Buriganga River: The task force declares the Buriganga "on the brink of extinction" and urges emergency legislation to enable immediate action. Leadership should come from a dedicated minister with strong technical and legal support, backed by judicial dispensations to counter sabotage from vested interests. Restoring this river would signal an unambiguous commitment to environmental protection.

INSTITUTIONAL INNOVATION: NEW BODIES FOR NEW CHALLENGES

Beyond pilot projects, the report recommends establishing new institutions to address systemic weaknesses:

A Regulatory Reform Commission would continuously monitor and streamline the rules that are strangling business growth. Current over-regulation—excessive paperwork, arbitrary discretion by customs and revenue officials—deters both domestic entrepreneurship and foreign investment. This commission would flag inefficiencies and advocate reforms that balance facilitation with necessary safeguards.

A Center of Global Excellence in STEM, engineering, and ICT/AI should be established within five years, learning from institutions like the Indian Institutes of Technology.

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KEY POINTS

1. Economic stress has opened a rare window for reforms to advance equity, stability, and creativity.
2. Recovery demands balanced monetary policy, supply-side action, and fiscal and NBR reform.
3. Export diversification, SEZ revival, and economic diplomacy are vital after LDC graduation.
4. New institutions are needed to overcome implementation failures.
5. Banking reform, social protection, infrastructure resilience, and youth engagement must ensure inclusion, merit, and accountability.