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Myriad promises, mixed delivery

Interim government undertook 77 financial and economic reforms, stabilising market conditions but leaving many structural changes incomplete

STAR BUSINESS REPORT

The interim government has introduced 77 reform measures across the financial sector, covering planning, finance, commerce, industry, labour, and power and energy. The initiatives helped ease some macroeconomic pressures, as falling foreign exchange reserves stabilised and inflation showed signs of moderation.

Yet, vital reforms in the banking and revenue sectors moved slowly from planning to implementation.

For instance, the Bangladesh Bank (BB) proposed amendments or new laws for seven areas, but only two – the Bank Resolution Act and Bank Deposit Protection Ordinance – were enacted.

Even though the Bank Resolution Act was passed in May last year, Sammilito

Islami Bank, the new state-owned shariah-based lender formed through the merger of five troubled banks, has not fully started operations.

While repayments to depositors of the five banks have begun, no management team has been appointed for the merged bank.

Key proposals, such as amendments to the Bangladesh Bank Order-1972 and the Bank Company Act, critical for banking governance, have not progressed. These were not even included in the government's new reform book, leaving their future uncertain.

Yesterday, the government published the reform book, listing achievements in public service, health and education, energy, science and IT, finance, culture, and transport.

In the financial sector, measures

KEY POINTS

- Interim govt worked on 130 laws, took 600+ executive decisions
- 77 reform measures launched in the financial sector
- Reserves stabilised, inflationary pressures eased
- Banking and revenue reforms lost pace after early push
- Only two of seven proposed banking laws enacted
- Economists flag fragmented reforms with limited private sector impact

include revisions to insurance agent regulations and solvency margin rules for life and non-life insurers.

M Masrur Reaz, chairman and CEO of Policy Exchange Bangladesh, said the reforms undertaken so far are insufficient to support the private sector, which dominates the country's economy.

"There was no reform strategy, so whatever reform was done is isolated and sporadic," said the economist. "Are they of high impact for stimulating growth? No, these reforms do not have a high impact on growth and job creation."

Reaz, however, admitted some positive initiatives, such as simplified repatriation procedures and streamlined foreign loan approvals. But he mentioned the absence of efforts to strengthen institutions like the Bangladesh Investment Development Authority (Bida).

Since taking office, the interim government has enacted nearly 130 laws, both new and amended, and taken more than 600 executive decisions, demonstrating the urgency of institutional reform, the reform book says. About 84 percent of these measures have already been implemented.

Other reforms in the financial sector include changes to microfinance banks

and Krishi Bank.

In a significant move to enhance trade fairness and growth, the government introduced the Commercial Court Ordinance, 2026, establishing specialised courts with document-based trials, 90-day case disposal, mediation, virtual hearings, and online case management, according to the book.

Towfiqul Islam Khan, additional research director at the Centre for Policy Dialogue (CPD), described some reforms as "broken".

"As the financial sector reforms were not consulted with political parties, there is doubt they will survive under a future government," he said.

Khan also cited issues in the implementation process of public projects, which lack integrity checks and proper feasibility assessments.

He hoped the next elected government would continue reform efforts, and said that political stability depends on economic stability.

The interim government said it conducted inclusive political dialogue over seven months, culminating in the July Charter, which now awaits approval through a referendum.

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Finance adviser passes BB autonomy decision to next govt

STAR BUSINESS REPORT

The interim government has passed the much-talked-about reform plan to grant full autonomy to the Bangladesh Bank (BB) on to the next elected government.

Introducing sweeping amendments to a fundamental law such as the Bangladesh Bank Order during the interim government's tenure may not be realistic, Finance Adviser Salehuddin Ahmed wrote in a reply to BB Governor Ahsan H Mansur yesterday.

"It would be more reasonable for the next elected government, after assuming office, to review and amend the Order as necessary," he wrote in the letter.

In October last year, BB Governor Mansur sent a letter to the finance adviser requesting a legal overhaul of the 1972 Order. He sought greater autonomy for the central bank, aligning it with global standards and shielding the institution from political influence.

The proposals, backed by detailed justifications, aim to elevate the central bank leadership, restructure its board, and overhaul the appointment and removal process for top officials.

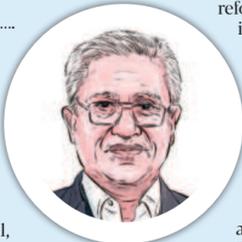
As the adviser did not respond and the interim

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Beyond reform on paper

ZAHID HUSSAIN

There is value in documentation, especially in moments of political flux. The interim government's decision to record reform steps – no matter how technical, incremental, or seemingly minor – signals seriousness about institutional change. In countries emerging from long periods of centralised power, reform often fails not for lack of ideas but for lack of continuity and memory. This



reform compendium is therefore more than a report; it is a ledger of intent and an invitation to continuity. In a country where reform often resets with every change of government, that alone is a non-trivial achievement.

WHERE REFORM ADVANCES – AND WHERE IT SLOWS

The cross-cutting idea across sectors is clear: to replace arbitrariness with rules, discretion

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Tight monetary policy likely to continue
BB to unveil stance today

MD MEHEDI HASAN

Bangladesh Bank (BB) is set to announce its monetary policy for January-June of the current fiscal year today, just two days before the national election.

BB Governor Ahsan H Mansur will present the policy at 11:00am at a press conference at the central bank's Motijheel headquarters. This will be the last monetary policy under the current interim government.

The policy rate, or repo rate – a key interest rate used to influence overall economic activity, credit and inflation – is expected to remain unchanged at 10 percent due to persistent inflationary pressures.

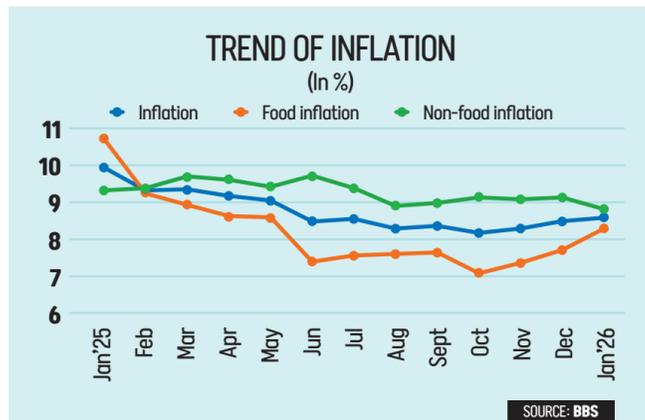
Central bank officials involved in policy formulation said BB will continue its tight monetary stance as inflation remains elevated, despite previous interest-rate hikes that have fallen short of the governor's inflation targets.

Data from the Bangladesh Bureau of Statistics (BBS) shows overall inflation rose to 8.58 percent in January, marking the third consecutive monthly increase, with food prices rising ahead of Ramadan.

Although the policy rate has been raised from 6 percent to 10 percent over the past three years, inflation has remained stubbornly high. Headline inflation peaked at 11.66 percent in July 2024 and, while it briefly fell to 8.48 percent in June last year – the first time it dropped below 9 percent in two years – it rose again to 8.49 percent in December from 8.29 percent the previous month.

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Rising food prices squeeze households ahead of Ramadan



MD ASADUZ ZAMAN

With Ramadan beginning in just over a week, a period when demand for essentials typically surges, households are facing mounting pressure from rising prices.

Food inflation, which matters most to ordinary Bangladeshis, climbed to 8.29 percent in January, up nearly 0.6 percentage points from December, according to the Bangladesh Bureau of Statistics (BBS).

Prices of essential food items have been rising steadily in recent months, emerging as the main driver of overall inflation. After easing to 7.08 percent in October from 7.64 percent in September, food inflation rose in each of the following three months.

Overall inflation followed a similar trajectory. After registering a 0.19 percentage point decline in October, headline inflation resumed its upward trend, reaching 8.58 percent in January, BBS data show.

Non-food inflation, by contrast, eased by 0.32 percentage points in January to 8.81 percent, reflecting lower price pressures in areas such as clothing, transport, housing and other services.

Yet this silver lining offers little comfort to lower and middle-income groups when the food on the plate gets costlier, especially at a time when income has remained stagnant. BBS data shows that wage growth increased by only 0.1 percentage

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point to reach 8.08 percent in January.

Wages remained consistently behind the inflation rate for nearly four years.

ELECTION FEVER

Economists and policy experts attribute the recent surge in food prices to a combination of election-related spending and seasonal demand ahead of Ramadan.

Zahid Hussain, former lead economist for the World Bank in Dhaka, pointed to an unusual confluence of demand- and supply-side pressures in January. "There were significant factors from both sides."

On the demand side, private spending linked to the election peaked as preparations intensified. "That created a demand pull, and it mostly affected the food category," Hussain said.

On the supply side, he cited a crisis in liquefied petroleum gas (LPG), used by a large swathe of Bangladeshi households for cooking, in January.

"Everyone who relies on it was affected," he said. "This has a direct impact on the housing, water and gas category under non-food inflation, but it also creates ripple effects across other sectors of the economy."

Hussain noted that the recent uptick in overall inflation was driven almost entirely by food prices, while non-food inflation declined on aggregate, a pattern visible in both rural and urban areas.